TO INVESTIGATE THE LEGISLATION THAT WOULD INCREASE THE EXTENT AND SCOPE OF THE SERVICES PROVIDED BY SMALL BUSINESS DEVELOPMENT CENTERS

HEARING

BEFORE THE

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

OF THE

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TO INVESTIGATE THE LEGISLATION THAT WOULD INCREASE THE EXTENT AND SCOPE OF THE SERVICES PROVIDED BY SMALL BUSINESS DEVELOPMENT CENTERS

THURSDAY, JULY 19, 2001

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m. in room 311, Cannon House Office Building, Hon. Jim DeMint [chairman of the Subcommittee] presiding.

Mr. DEMINT. We are officially convened. I appreciate everyone being here. As you know, we will probably have a vote very quickly and we will adjourn, but it would probably be a good idea to go ahead and begin the hearing to see if we can get in some of the testimony before the first vote.

I do want to welcome all of you and particularly you, Mr. Sweeney. I appreciate the ideas behind your bill and your being here to tell us a little bit about it, so I look forward to that.

Today, the Subcommittee has three bills before us that would expand the extent and the scope of the services provided by the Small Business Development Centers that we usually refer to as the SBDCs. There are three legislative proposals under consideration that we will hear about.

The first is H.R. 203, the National Small Business Regulatory Assistance Act of 2001, introduced by Congressman Sweeney of New York. This would direct the Administrator of the Small Business Administration to establish a pilot program to provide regulatory compliance assistance to small business concerns through participating SBDCs.

Under H.R. 203, small businesses would be able to receive confidential counseling regarding compliance with federal regulations, provided that such counseling does not constitute the practice of law. In addition, SBDCs would provide to small businesses training and educational activities, technical assistance and referrals to experts and other providers of compliance assistance. The bill is aimed at helping small businesses cope with the maze of federal regulations, a good example of the federal government creating the problem and then coming in to solve it.

The next legislative proposal, sponsored by Congressman Brady of Pennsylvania, who I assume will be here after the vote, would permit the SBA to make grants to SBDCs to enable them to pro-

vide technical assistance to secondary schools or to post secondary vocational and technical schools for the development and implementation of curricula designed to promote vocational and technical entrepreneurship.

The third which has been dropped, H.R. 2538, is sponsored by Congressman Udall of New Mexico. It would authorize the SBA to make grants to SBDCs for the purpose of providing entrepreneurial assistance to Native Americans, Native Alaskans and Native Hawaiians in starting, operating and growing small businesses. The legislation is aimed at stimulating the economies of areas served and to promote job creation.

The Subcommittee would appreciate everyone's views. We will be looking forward to hearing everyone. John, I think the best idea, if you do not mind, is we will go vote and come back, unless you would prefer to make your statement and then we will go vote.

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

Mr. SWEENEY. Well, Mr. Chairman, my statement is very brief, so I think I could actually make the statement and get us over there. How much time do we have?

Mr. DEMINT. I would like the Ranking Member to have the opportunity to make a statement. Let us see if we can fit in these two statements before we vote.

Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. Thank you. Good morning, Mr. Chairman.

Since I will be here for a little while after we return back, I will defer to our colleague, Congressman Sweeney, if you have a short one so that we can get to the Floor to vote and then return back. At that time, I will make my statement if it is okay with you.

Mr. DEMINT. Thank you. Thank you very much.

Congressman Sweeney.

Mr. SWEENEY. I thank the Chairman and the Ranking Member, and I will shock you both by giving a very brief statement.

Mr. DEMINT. I will be shocked.

Mr. SWEENEY. I also want to compliment you on your choice of hearing rooms. This is a great historic place, and I think it showed some real contemplation.

I am going to submit for the record an extended statement.

STATEMENT OF CONGRESSMAN JOHN E. SWEENEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SWEENEY. For nearly 25 years, Congress has recognized that small businesses face substantial regulatory burdens. I, like you, have a substantial number of constituents in jobs created out of my district by small businesses, some 90 percent in New York's 22nd Congressional District, and I think that mirrors the vast majority of Members of Congress.

In the spirit of helping these entrepreneurs, I have introduced H.R. 203, the National Small Business Regulatory Assistance Act. This legislation would assist small businesses in successfully finding their way through the maze of regulations that have proliferated in recent years.

Last year, after a great deal of effort during the 106th Congress, and I was proud to be a Member of this Committee, we breathed new life into what began as an outstanding initiative, but had little prospect for implementation. This improved legislation has a proven record of support as witnessed on September 26 of last year when the House passed the National Small Business Regulatory Assistance Act by voice vote.

H.R. 203 would amend the Small Business Act to establish a pilot program in 20 states. The Administrator, in consultation with the National Association of Small Business Development Centers, SBDCs, would select two states from each of the ten federal regions for participation in the program. This is a compromise that has been worked out over the last year.

Within the pilot program, SBDCs would develop partnerships with federal agencies and be a point of contact for small businesses to turn to free of charge for confidential advice concerning regulatory compliance. This type of cooperation, Mr. Chairman and Ranking Member, is not new. Some SBDCs have already been thinking outside the box and providing that kind of service. They have fostered relationships with different federal agencies and independent compliance groups to build upon each other's resources.

H.R. 203 is not meant to replace current regulatory compliance programs, but supplement them when relevant participating SBDCs may refer businesses to existing regulatory compliance programs. This bill is intended to take these successes and apply them nationwide to ensure safety in the workplace, to ensure compliance with all sorts of different regulatory requirements of the federal government.

There are a number of examples, including examples within my own district, and I simply would say that as a former regulator—I was New York's Labor Commissioner before coming to Congress—I recognize both the importance that the government plays, the important role the government plays in providing regulatory oversight for the safety and health of both people who work at businesses or people who are using those businesses, and I also understand the need to try to link and better link those in the business community to those regulatory underpinnings so that we achieve the fundamental goal.

It simply is not a matter of having more regulation and more rules, Mr. Chairman. It is really a matter of finding the easy and the right way or, I should say, the correct way, not the easy way, for businesses to be able to comply.

With that, I will thank you again, submit my statement for the record and answer any questions you might have.

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

Mr. DEMINT. Thank you, Congressman. We do need to leave, but if there is a quick question from the Ranking Member?

Ms. MILLENDER-MCDONALD. Just one question, Mr. Chairman. Thank you so much for your indulgence.

Mr. Sweeney, thank you so much for your presentation. We will submit your statement for the record. I just wanted to ask the funding source, given that there is no authorization levels in this proposal.

Mr. SWEENEY. And there is not a need to. This is without cost because the SBDCs have already indicated the capacity to be able to provide this service, and indeed they have in some areas. This is an attempt on our part to nationalize what we think is a program within the SBDCs that has worked.

Mr. DEMINT. Thank you. We are adjourned until 10:30.

[Recess.]

Mr. DEMINT. Let us continue with the testimony. I assume some of our colleagues will join us later, but since we have a bipartisan mix here in the room, Tom, we will continue.

We want to hear from two additional Congressmen on two additional pieces of legislation. Tom, since you are to my immediate left we will hear from Congressman Tom Udall from New Mexico, and then we will go to Congressman Robert Brady.

Is that okay, that order?

Mr. BRADY. Sure.

STATEMENT OF CONGRESSMAN TOM UDALL, A REPRESENTATIVE FROM THE STATE OF NEW MEXICO

Mr. UDALL. Thank you. Thank you very much, Chairman DeMint. It is a pleasure to be here with you today.

Good morning, and I thank you for this opportunity to speak to the Committee about my proposal, which would establish a three year pilot project providing grants to SBDCs for assisting Native American, Native Alaskan and Native Hawaiian populations with their small business development needs.

Today we have demonstrated how important small business enterprise is to the health of our economy, but there are still places in this country where economic prosperity has often failed to reach. These areas deserve our attention and assistance.

Consider this. Nowhere in America has poverty persisted longer than on or near Native American reservations, which suffer an average unemployment rate of 45 percent. However, the number of businesses owned by Indian tribe members and Native Alaskans grew by 84 percent from 1992 to 1997, and their gross receipts grew by 179 percent in that period. This is compared to all businesses, which grew by seven percent, and their total gross receipts grew by 40 percent in that period.

I would like to continue this growth and expansion of small enterprise with the Native American Small Business Development Act, H.R. 2538. My bill ensures that Native Americans, Native Alaskans and Native Hawaiians seeking to create, develop and expand small businesses have full access to the counseling and technical assistance available through the SBA's SBDC program.

The business development tools offered by the SBDCs can assist Native Americans with the information and opportunity to build sustainable businesses in their communities. The Native American Small Business Development Act would permit state Small Business Development Centers to apply for federal grants to establish one or more Native American Small Business Development Centers.

In an effort to ensure the quality and success of the program, the proposal requires grant applicants to provide SBA with their goals

and objectives, including their experience in assisting entrepreneurs with the difficulties in operating a small business.

In addition, the applicant must show their ability to provide training and services to a representative number of Native Americans, Native Alaskans and Native Hawaiians. Most importantly, applicants must seek the advice of the local native population on the specific needs and location of these services they will provide.

It is clear we can do more to aid Native American entrepreneurs. No doubt, not enough has been done to assist Native Americans in building their businesses, which in turn helps benefit their community. I hope to change that with my proposal.

In closing, I would like to mention that we will be receiving testimony from Mr. Leonard Lopez of Bloomfield, New Mexico. Mr. Lopez is opening a convenience store called Sun Valley Express on the Navajo Reservation in Shiprock, New Mexico. I know that he will provide the Committee with firsthand information on the strengths of the SBDC and how this proposal will further assist the development of small businesses for Native Americans, Alaskans and Hawaiians.

I would also like to acknowledge the presence of Mr. Roy Miller, who is New Mexico's SBDC state director. He is here in the crowd.

I thank the Chair for the opportunity to discuss these issues today. Thank you very much, Mr. Chairman.

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

Mr. DEMINT. Thank you, Congressman Udall. Can you stay with us a few minutes?

I will hold my questions until we hear from Congressman Robert Brady. Thank you for being here.

STATEMENT OF CONGRESSMAN ROBERT A. BRADY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. BRADY. Thank you, Mr. Chairman. I appreciate this opportunity and look forward to discussing my proposal with you and with this Committee.

I would like to introduce Christian Conroy, who is the assistant director at our Philadelphia SBDC in Wharton. I asked him to join me. I believe he is on the panel, but I asked him to join me up here in case you do have questions that I know he can answer that I cannot.

It is the American value of hard work and valuable skill that makes our standard of living possible. From machinists and carpenters to auto mechanics and computer technicians, skilled work has made our life better for laborers and consumers.

In a more competitive and global economy, it is a bedrock truth that to succeed you must be skilled, but there is another step to be taken toward a better life, and it, too, is a part of the American character. That is entrepreneurship, talented individuals starting their own businesses. Small business forms the backbone of our economy.

The businesses create half of all jobs and do it more than 60 percent faster than larger firms. Small businesses employ our mechanics, technicians, builders, machinists and draftsmen. My bill would

for the first time create a training program to help these skilled workers become entrepreneurs themselves.

It is important to realize that many of these very skilled laborers do not have business experience or training that would help them succeed. We want them to succeed, so we should help them all we can. How do we propose to do this? I propose the Vocational and Technical Entrepreneurship Development Act to provide the resources necessary to help skilled workers learn new skills; how to build their own business and make it thrive.

My bill would establish a program for vocational and technical entrepreneurship development. Through SBA we would provide grants to Small Business Development Centers to provide assistance to high schools, universities or vo-techs to develop and implement curriculum promoting entrepreneurship.

With over 20 years of experience helping hundreds of thousands of people turn their dreams into profitable businesses, the Small Business Development Centers have developed excellent education programs to train people on what is required to operate a successful business.

I thank you very much for the opportunity to speak to this Committee.

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

Mr. DEMINT. Thank you both.

I just have a couple of brief questions, and then we can hear from some of the witnesses that you have been a part of inviting.

Congressman Udall, as we look at providing I guess focused services or special services to particular groups, there are I guess many individuals who are disadvantaged for socio-economic reasons not necessarily related to their ethnic connections or whatever.

Is there a reason we should focus these grants on Native Americans instead of including them in I guess a grant package that would go for disadvantaged areas, particularly areas that might have socio-economic problems?

I just wanted to hear why the focus on just particular groups rather than a focus on the nature of the problem as a whole?

Mr. UDALL. Thank you very much, Chairman DeMint, for that question.

The issue of unemployment in Native American communities is really a chronic and a longstanding one, and I do not think there is any place else in the country that has the dismal unemployment record of Native Americans. You heard me mention in my testimony an average of 40 percent. Many of the reservations in my state the unemployment is closer to 75 and 80 percent, and it has been like that for over 100 years.

What we are trying to do with this bill in setting up a pilot is see that if we move some of these centers nearer to the reservation we cannot stimulate the kind of activity that could bring down those unemployment rates. Up until now, SBDC centers, which I think are required under current law to serve everyone in a state.

In my state, which is a very large, rural state with hundreds of miles to travel, it may well be that an entrepreneur that needs assistance cannot travel 300 miles in order to get to that center, and so I think if we have this pilot that tries to locate these centers

closer to where the problem is and to where the high unemployment is we may see more assistance. That would be my answer.

I have also been joined up here, and I neglected to mention it, by Don Wilson, who is the president of the Association of Small Business Development Centers. He may assist me in some of these questions, too.

Thank you for that question.

Mr. DEMINT. Thank you very much.

Mr. WILSON. Mr. Chairman, if I could interrupt——

Mr. DEMINT. Sure. Please.

Mr. WILSON [continuing]. And just add to that? I know, for example, I believe the county in South Dakota, Congressman Thune's district and state, the Pine Ridge Reservation, I think that county has the highest level of poverty of any county in the nation.

These patterns on Native American reservations are fairly consistent. SBDCs have done outreach in a number of these reservations and so forth, but when they go they may be out there once a month or, you know, once every two weeks, this sort of thing, because of the limited resources we have.

I believe if we could concentrate it on the reservation and have a full-time operation that we could begin to break this terrible cycle of poverty that Congressman Udall has so eloquently referred to.

Mr. DEMINT. Let me see if I have a question for Congressman Brady here.

Congressman Brady, I know that particularly in the post secondary vocational schools, community colleges, that sometimes they do have funds available to contract for various types of educational services. Do you envision that with the additional funds for the SBDCs we will provide free services to these colleges or look at doing it on some kind of partnership basis where there is some funding on a contract basis?

To put the question in the context. Are there things like this happening now where the SBDCs are actually working with community colleges, vocational colleges? Is there payment for this? Is it being done free now, or are we proposing something that is actually different?

Mr. BRADY. I do not know other than where I am from. In the City of Philadelphia, that does not happen. Our vo-techs are gone.

Mr. DEMINT. Right.

Mr. BRADY. I really do not know about the rest of the parts of the country, but in the City of Philadelphia there is hardly any more vo-techs out there.

It would be a partnership. The school would have to apply. They would apply, and there would be a clearinghouse, one clearinghouse throughout the country, that would supply maybe up to 33 schools or universities that would get these grants. It would be a partnership, but I do not know about the rest.

Maybe Christian can help. I know in the city we do not have many more vo-techs that use your services. I do not know again through the rest of the country. Do you know?

Mr. CONROY. Sure. Actually, part of the reason for the development of this proposal is in, for instance, Lancaster, Pennsylvania, we have worked with the Stevens College of Technology, which is

a vocational school, and we have an outreach office that is located there.

The reason we are able to have an outreach office there is that the college provides funding to the local Small Business Development Center that serves that area, which is operated out of the university.

What we envision would happen with this is that yes, it would be a competitive process where vocational schools would apply to offer this type of training to their students.

Mr. DEMINT. Would the grant go to the school or to the SBDC?

Mr. CONROY. It would go initially to the SBDC, and then we would put it out for competitive bids to various vocational-technical schools throughout the state.

What that would allow then is the flexibility for different schools to tailor their programming to best reflect the strengths of the programs that they have. For instance, if one school is particularly strong in doing computer IT type of training, we could tailor the program so that it focuses on those areas that are relevant to that particular industry.

Mr. DEMINT. If there are no additional comments, we will dismiss this panel and move to Panel II. I want to thank both of my colleagues for being here.

Let us just take a couple minutes and rotate the witnesses.

Mr. UDALL. Thank you very much.

Thank you, Mr. Chairman.

Mr. SWEENEY. Thank you, Mr. Chairman.

[Pause.]

Mr. DEMINT. Let us convene our second panel. I want to thank all of you gentlemen for taking the time to share your thoughts with us today.

We have with us today Thomas Grumbles, who is vice-president of the American Industrial Hygiene Association. We have Don Wilson, president and CEO of the Association of Small Business Development Centers. We have Mr. Rudy Cartier, small business ombudsman for the State of New Hampshire; and Christian Conroy, the associate state director for Pennsylvania Small Business Development Centers; and Leonard Lopez, Sun Valley Express, Navajo Reservation, Shiprock, New Mexico.

Congressman Udall would like to say a few words about our guest, Mr. Lopez, before we get started.

Mr. UDALL. Thank you, Chairman DeMint. Let me just say about Mr. Lopez, who is one of my constituents, and give you a little bit of an introduction and background.

He is presently the president of L&A Enterprise, Inc., in Bloomfield, New Mexico. He is an enrolled and registered member of the Navajo Nation. Mr. Lopez was born in Geezi, New Mexico, and attended high school in Bloomfield, and he attended San Juan College in Farmington, New Mexico. He received his B.S. in Business Education from Brigham Young University.

Leonard has worked extensively in the field of natural gas production in gas control analysis and training. He was the lead plant operator and was responsible for managing his crew. He has also worked in the field of education, teaching accounting and computer applications at the high school level. He is married and has five

children. It is an honor to introduce and have a member of my constituency of the 3rd Congressional District here.

Thank you very much, and I look forward to hearing from all of the panel members here today. Welcome to all of you.

Mr. DEMINT. Thank you, Congressman Udall.

Gentlemen, will you try to keep your comments within about five minutes. We will let you all have a chance to speak, and then we will ask a few questions if that is okay.

We will run the clock, so you will have some idea of how long you are taking. When you see it turning yellow, you will know the red light is right after that.

We will begin with Donald Wilson. Donald?

STATEMENT OF DONALD T. WILSON, PRESIDENT AND CEO, ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

Mr. WILSON. Mr. Chairman, thank you very much. I am Don Wilson, president of the Association of Small Business Development Centers. The Association represents 58 small Business Development Center programs in all 50 states, the District of Columbia, American Samoa, Virgin Islands and Guam.

I want to thank you for letting us testify this morning on legislation that I think is extremely important to the nation's small business community, H.R. 203, Congressman Sweeney's legislation.

I think, Congressman, you and your colleagues probably know that small business views federal regulations and state regulations to be somewhat of a burden. I think my written testimony documents that very well. For example, since April of 1996, federal agencies have adopted 21,653 major and minor rules. The Code of Federal Regulations as of 1998 filled 201 volumes with a total of 134,723 pages. The Code currently occupies 19 feet of shelf space.

If you are a small businessman, you are looking at dealing with IRS regulations, social security regulations, medicare regulations, federal unemployment insurance regulations, Fair Labor Standards Act, workers compensation, the Equal Pay Act, the Americans With Disabilities Act, Family and Medical Leave Act, Title VII of the Civil Rights Act, Federal Mine and Safety, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Act, Migrant and Seasonal Agricultural Worker Protection Act, Immigration Control Act, et cetera, et cetera, et cetera.

I think, you know, if you are a small businessman, a mom and pop operation, and you are trying to be familiar with all of the rules and regulations that you must comply with it is a pretty daunting task.

In 1996, the Congress asked the SBDC program to begin to provide compliance assistance. Unfortunately, the program did not get the resources that were needed to fully implement that. From 1996 to 1999, in fact, 44 of the programs in the country were level funded, and in 2000 and 2001 we basically received cost of living increases.

I believe Congressman Sweeney's legislation, H.R. 203, the pilot program proposed for 20 SBDCs in the ten SBA regions, will provide the resources to bring on staff the necessary core competencies to begin to work in an expanded program of compliance assistance. A number of our states have developed very solid partnerships with

the 507 SBAP program and SBO programs. Some of ours already refer, constituents and clients, to industrial hygienists and others to assist them.

I envision in some degree that your SBDCs would be like a general practitioner dealing with the less complicated cases, and the more complicated cases they would be referring them to the partners. I believe with the 600,000 or 700,000 small businesses that come through our doors needing compliance assistance, you will probably actually see those numbers grow when they became fully aware of the assistance that was available.

We have worked with the Department of Labor on a cross cut program, the IRS and others on pilots, but this would expand it. This would give additional dollars that are badly needed so that small business people who are disproportionately affected, Mr. Chairman, by regulations could cope with those regulations and run their business and focus on the requirements of marketing and finance and the core issues rather than being absorbed in spending inordinate amounts of time and dollars complying with federal regulation.

We would like to commend this legislation to you. We would like to see it grow. We believe funding would be absolutely necessary to implement this to the extent that we believe the small business community needs it, and we look forward to working with you and the other Members of the Small Business Committee to try to make this legislation a reality.

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

Mr. DEMINT. Thank you, Mr. Wilson.

Mr. Grumbles.

STATEMENT OF THOMAS G. GRUMBLES, CIH VICE PRESIDENT, AMERICAN INDUSTRIAL HYGIENE ASSOCIATION

Mr. GRUMBLES. Chairman DeMint and Members of the Subcommittee, my name is Tom Grumbles, and I am vice-president of the American Industrial Hygiene Association. I am a certified industrial hygienist and have been in the occupational health and safety profession for more than 25 years.

I appreciate the opportunity to provide testimony on H.R. 203 to improve small business compliance with the federal regulations. AIHA is particularly interested in regulations addressing occupational health and safety in the workplace. AIHA is the world's largest association of occupational and environmental health professionals, and our members serve on the front line of worker health and safety. One of AIHA's goals is to bring good science and the benefit of our experience to public policy issues.

A.I.H.A. supports H.R. 203, specifically ways to comply with the numerous and complex regulations of OSHA. I have not quantified it to the extent that Don did, but they are large. Of the myriad of federal regulations small businesses must comply with, in our opinion none is more important than protecting the health and safety of workers.

As the front line stewards of occupational health and safety, however, we are aware of government and business limitations. OSHA, like the rest of government, has to accomplish more with less. No one is sure of the time it might take for an OSHA inspec-

tor to visit all covered sites, but most agree it is unlikely more than once every 50 to 80 years. It is also difficult for business to receive OSHA consultation service because of the length of time required before OSHA can respond to those requests.

A 1990s NIOSH study found over 90 percent of the work sites are comprised of 50 or fewer employees that may have no industrial hygiene or safety expertise on staff, are not regularly inspected by OSHA and may have little information about health, safety or industrial hygiene. If Congress is interested in improving worker health and safety, small business concerns must be met by working with them to address this issue.

A.I.H.A.'s effort in this interest is not new. In the mid 1990s, AIHA decided to proactively assist small businesses unlikely or unwilling to look at occupational health and safety in their workplace. In consultation with OSHA, AIHA developed a pro bono assistance program for small businesses utilizing AIHA members. Five pilot projects were conducted.

While the training that was provided was good and well received, the real success was one-on-one follow up consultation. Many small businesses, however, were uncomfortable with OSHA's involvement. While OSHA's profile was very low, most were convinced that OSHA would place them on a list of upcoming inspections if they attended.

A.I.H.A. believes the approach taken in H.R. 203 is correct. Any successful program targeting small business should target businesses with less than 50 employees, have as a goal one-on-one consultation, be administered through a third party such as the SBDC, involve occupational health and safety professionals when addressing health and safety regulations, and assure that only competent and qualified individuals are involved in providing the education, training and/or consultation services.

This last point is of great interest to AIHA. AIHA would like to offer a suggestion relative to the experts. The bill does say that assistance to small business concerns should include referrals to experts. We are pleased this section was added from previous versions of the bill. This was a recommendation from AIHA made in earlier testimony.

However, we would like to see this section expanded. We recommend the referral of experts section be amended by adding language stating, "provided that such experts meet educational, technical and professional standards established by the Administrator." This would provide assurance that only competent and qualified individuals are involved in providing the training and education.

Further to that point, AIHA also suggests the legislation or report language and language that clarifies the competency requirement stating that, "In the case of small businesses needing assistance with the rules promulgated by OSHA, the committee believes an expert should be a certified industrial hygienist, a certified safety professional, an occupational health physician, an occupational health nurse or their equivalent in other professions." A copy of our recommendations is attached to our testimony.

This language should relieve the Small Business Association, OSHA or the SBDCs from having to develop regulations to identify

certified individuals to conduct the education, training or consultations.

The occupational health and safety profession has nationally recognized certification programs to qualify individuals and assure competency. As an example, a certified industrial hygienist must have at a minimum a Bachelor's degree in one of the sciences, five years of experience and undergo a two-day examination for being certified.

In closing, most workplaces will never see an OSHA compliance officer. The new OSHA is one that does not focus necessarily on enforcement, but builds partnerships with business. AIHA has long supported pro bono assistance or a third party workplace review program such as that proposed by Senator Michael Enzi in the 106th Congress.

We appreciate you giving us this opportunity to testify and ask that our written testimony be put in the record. Thank you.

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

Mr. DEMINT. Thank you, Mr. Grumbles.

Mr. Cartier.

STATEMENT OF RUDOLPH CARTIER, JR., SMALL BUSINESS OMBUDSMAN, STATE OF NEW HAMPSHIRE

Mr. CARTIER. Thank you, Chairman DeMint. Good morning, Chairman DeMint and Members of the Subcommittee. I thank you for the invitation and the opportunity to present testimony to the Subcommittee on H.R. 203.

As stated, my name is Rudy Cartier. I am the New Hampshire Department of Environmental Services Small Business Ombudsman. I appear before you today as the chair of the National Steering Committee of the Small Business Technical Assistance Programs and Small Business Ombudsmen created under Section 507 of the Clean Air Act amendments of 1990.

Section 507 of the Clean Air Act directed each state to develop a state specific technical assistance and advocacy program to help small businesses understand, comply with and have representation in the development of regulations promulgated under the Clean Air Act with an impact on small business.

In addition, most programs have an appointed Compliance Advisory Panel made up of small business owners or their representatives, a representative from the environmental regulatory agency and at least two members of the general public to oversee the effectiveness of the programs.

Although initially created to address Clean Air Act issues, all the programs have evolved into repositories and/or referral agencies where small business owners and operators can go for a myriad of environmental assistance and direction to other business services. This is accomplished through a variety of options, including formal and, in some cases, informal state level expansion of the program responsibilities, development of networking systems and, most importantly, the development of strategic partnerships with other assistance providers.

Indeed, the vast majority of states have developed effective outreach assistance efforts in conjunction with state pollution prevention programs, Small Business Development Centers, economic de-

velopment agencies, trade associations and local government agencies, to name a few. In addition, the partners regularly conduct regional and national conferences, seminars and workshops to increase our effectiveness to provide accurate, timely and appropriate assistance.

The programs were also instrumental in the formulation and development of what is called the 507 Enforcement Response Policy and the Small Business Compliance Incentives Policy with the Environmental Protection Agency, which for the first time granted "safe haven" status for small business owners who voluntarily identified and agreed to remedy violations of environmental regulations. These policies encourage sound environmental practices and minimize the threat of punitive fines or the need to remain confidential.

I am very pleased to be able to report that the programs are active in all 50 states and U.S. territories and are very well received by small business. Collectively, we provide environmentally related assistance to over 1,000,000 businesses and owners yearly through direct contact and in partnership with others.

I appear before the Committee today to offer our support of legislation such as H.R. 203, which has the potential for increasing the effectiveness of all our efforts to provide the highest level of service to our small business clients. We see this bill as an opportunity for Congress to provide incentives to continue the cooperation and coordination among all programs that deliver regulatory assistance to small businesses, especially our SBDC partners.

It is essential that the expertise found in all small business assistance programs be woven together through partnerships utilizing the expertise presently in place in each of these programs to ensure we are appropriately meeting the true needs of businesses. Our programs, along with those of our numerous partners, are proof that well crafted and coordinated technical and compliance assistance programs are extremely valuable to small businesses.

We applaud Congress for recognizing the successes that have been the hallmark of each of these programs. We encourage your efforts to build and expand on this experience in delivering small business assistance to cover these and other pressing small business issues. We would note, however, that although pilot programs can provide support for creative breakthroughs, we would encourage Congress to also recognize the critical nature of the continuing need for stable financial support for these programs.

The Small Business Technical Assistance Programs across the country are committed to remaining on the path of continued cooperation and coordination of our environmental assistance services. We appreciate your work to support this effort and look forward to additional targeted assistance by federal agencies with a commitment to specific, accurate and timely assistance.

We on the state level will continue our commitment to fostering strategic and appropriate partnerships within our individual states. We have found that the most appropriate method for delivering useful assistance must be developed to meet the unique needs of businesses in each of the individual states. We certainly are supportive of efforts to direct any potential federal funding to these

partnership programs to increase the resources availability and capabilities of assistance providers in meeting these needs.

Again, thank you for this opportunity to provide this testimony to you today. I would be pleased to make myself available to the Committee for any other assistance deemed appropriate.

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

Mr. DEMINT. Thank you, Mr. Cartier.

Mr. Conroy.

STATEMENT OF CHRISTIAN CONROY, ASSOCIATE STATE DIRECTOR, PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS

Mr. CONROY. Good morning. Chairman DeMint and Members of the Committee, I am Christian Conroy, the Associate State Director of the Pennsylvania Small Business Development Centers. I would like to thank you, Mr. Chairman and Members of the Committee, for inviting me to testify at this hearing on the Vocational and Technical Entrepreneurship Development Program Act of 2001.

As you are all very well aware, small business is the engine of the economy in Pennsylvania, as well as in the nation. There are currently over 22,000,000 small businesses in America. They account for 99 percent of all businesses and employ 53 percent of the private workforce and contribute over half of the nation's gross domestic product.

For the past 20 years, the Pennsylvania Small Business Development Centers have been helping entrepreneurs start and grow successful businesses. During that period, we have seen a number of changes that have affected small firms, things such as the development of sophisticated management software tools such as spreadsheets and databases, the increasing globalization of trade, the advent of the internet just to name a few. One thing that has remained constant, unfortunately, is the lack of entrepreneurial educational experience that the majority of people who come to the Small Business Development Center for help in starting their business have.

What we continue to see on a daily basis is many people who have excellent technical skills and an entrepreneurial disposition, but no formal training that will prepare them to start and grow a business. Eighty percent of our pre-venture clients have not owned or operated a business before, and 80 percent of our clients do not have an educational background to prepare them to start and operate a business.

If you consider the courses of study that are offered in our principal educational systems—high schools, community colleges and vocational and technical schools—the lack of preparation should not come as a surprise. With few exceptions, these institutions do not offer a comprehensive, coherent course of study to prepare students to become competent business owners.

What we have in Pennsylvania, and I would argue in the nation as well, is an economy that is dependent upon the initiation and growth of small business for its vitality and a set of educational institutions doing little to prepare students to participate in that entrepreneurial economy.

When Congressman Brady requested information on how to increase support for entrepreneurship, we were delighted to work with him on developing the Vocational and Technical Entrepreneurship Development Program Act of 2001, which will provide resources to the Small Business Development Centers to adapt and apply our curriculum on how to start a business in select vocational and technical schools throughout the country.

You are likely asking yourself why are the Small Business Development Centers not already doing this? Simply it is because our resources are such that we cannot currently meet the demand for assistance in starting a business.

Present survey research indicates that five in ten people in the 21 to 30 age bracket are considering starting a firm, and about 7.7 million Americans are actively engaged in starting a business. That number is substantially greater than the number of people who get married each year.

Currently in Pennsylvania, the SBDCs are operating at capacity, and we can only assist a tiny fraction of this huge population so thus if the Small Business Development Centers are going to serve a greater proportion of these potential entrepreneurs we must transfer our knowledge of the entrepreneurial process to those educational systems that have the capacity to reach and to educate a much larger segment of the population than can currently be served by the SBDCs.

With this bill, what will happen is the SBDCs will adapt their business management training programs to develop a cohesive curriculum on starting and operating a successful business that can be provided to students in vocational and technical schools. The training will focus on the essential business operational areas such as management, marketing and finance, and additionally the programs will be modified to provide information that is relevant to the particular industry sectors in which the students are learning skills.

The SBDCs will not conduct the training of students, but rather will train teachers on how to deliver training on starting and operating successful businesses. Thus, far more students will benefit from this training than if the SBDCs use their limited resources to conduct the training.

As we see it, there are three benefits to this bill. The first and most obvious benefit is the training of potential entrepreneurs so when they do decide to start firms they will be prepared to succeed.

The second benefit accrues to employers of individuals who have gone through this training. Whether or not a person starts a business, the knowledge of such key aspects of operating a business as customer relations, controlling costs and how money is made creates a more effective employee.

Third, once we demonstrate the value of this type of training in the context of one set of educational institutions, it will, we believe, be easier to transfer these processes to other educational systems such as high schools, community colleges and universities.

In the long term, we believe entrepreneurship education should be an option available through high schools, community colleges and four year colleges and institutions. This bill represents an excellent vehicle to combine the resources of two well established

proven programs, vocational and technical schools and the Small Business Development Centers, to begin to make entrepreneurship education available to more students. Our economy and our communities depend upon it.

I urge the Committee's approval of this bill. Thank you.

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

Mr. DEMINT. Thank you, Mr. Conroy.

Mr. Lopez.

STATEMENT OF LEONARD LOPEZ, SUN VALLEY EXPRESS (CONVENIENCE STORE), NAVAJO RESERVATION, SHIPROCK, NEW MEXICO

Mr. LOPEZ. Good morning, Mr. Chairman and Members of the Committee. My name is Leonard Lopez, and I live in Bloomfield, New Mexico. My wife and I are members of the Navajo Tribe, and we both grew up on the Navajo Reservation in New Mexico.

I appreciate the opportunity to appear before the Subcommittee today on behalf of Congressman Tom Udall's bill to provide Small Business Development Centers with resources to assist National American populations.

My wife and I began working on the idea of opening our own business, a convenience store/filling station, on the Navajo Reservation in Shiprock, New Mexico, in April, 1995. Four years later, after much red tape with the tribal and BIA regulations and the required signatures, we were finally granted our business site lease.

For five years we aggressively wrote our business plan, gathered our financial projections, completed the environmental and archeological studies, the traffic study surveys, and the list goes on. We knew we were in for a long haul of getting a business started on the reservation. We were told that it would be discouraging and difficult to work with the tribal officials. Our friends were right.

When it came time for us to approach the lending institution for a loan on our business, we received minimal support. We thought we were well prepared to submit our application for a business loan, but later found that there was just as much information needed and time required to secure a loan as getting a business site lease with the tribe.

We are proud of ourselves that we were able to be convincing enough to be approved for approximately $700,000 from Bank of America and an SBA 504 loan of $330,000 that we are close to finalizing the agreement. I believe that had we been guided and coached from the beginning by a knowledgeable small business counselor like Orestes Hubbard at our SBDC, we would have avoided many unnecessary delays. Not only would this have been to our advantage, I believe we would have had our doors open for business by now.

There are a few small business assistance providers we received assistance from, which are Southern Utah College Small Business Department in Blanding, Utah, and the Regional Business Development Office, RBDO, of the Navajo Nation in Shiprock, New Mexico. Basically we were left to ourselves to figure out what we needed to do.

My wife and I did all the work in seeking our resources that helped us complete our project. I am not saying that someone should have done all my work while I sat around. No. I only needed directions.

We finally received the directions we needed when we approached Mr. Orestes Hubbard, manager of the Small Business Development Center, SBDC, at San Juan College in Farmington, New Mexico. I first met Mr. Hubbard when I attended a Meet Your Lender seminar held at the college by the SBDC a year ago last spring.

I was hesitant at first to solicit his help because I figured he might direct me to speak with the RBDO people in Shiprock, as has been the case with the previous directors. After explaining to him my goals and my desire of opening a business on the reservation, Mr. Hubbard made arrangements to meet with me personally to discuss my project. He evaluated my business plan and suggested a few changes and recommendations.

According to his list of requirements, we had met all the requirements. He then recommended a number of lending institutions that we should contact for a loan. At this time, three lending establishments had already turned us down.

The SBDC has been following up on the progress of our project. It was either Orestes personally or one of his staff who contacted us for updates. He has invited us to small business seminars and conferences held at the college. He keeps abreast of our progress and is very helpful in giving suggestions.

I believe a Small Business Development Center on the reservation would be an advantage and benefit to those Native Americans who desire to start their own business. With an SBDC nearby, anyone can plan to work on starting a business. They will learn the techniques of starting a business, as well as how to manage a business.

The center could also provide information on available resources. The personnel could be there for consultation. They could provide guidelines for writing a business plan, the implementation and the components of a business, namely financing, marketing, operations, management and technology.

The Native American SBDC could also work closely with the San Juan College Small Business Development Center where they have, in addition, a department specializing in business incubation that helps companies grow and succeed.

For these reasons, Mr. Chairman, I support Congressman Udall's effort to strengthen the outreach of the SBDC program to more Native Americans. I urge your Committee to support Congressman Udall in his efforts.

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

Mr. DEMINT. Thank you, Mr. Lopez, and all our witnesses. It has been very informative and persuasive.

I would like to offer my colleagues the opportunity to ask any of you questions. We will begin with Congressman Udall. Would you like to ask any of the panelists questions?

Mr. UDALL. Yes. Thank you, Chairman DeMint.

My first question is for Don Wilson. Earlier Congressman Sweeney testified that his proposal would not require additional

funding. Can the existing funding for the SBDC program accommodate Mr. Sweeney's proposal?

Mr. WILSON. Congressman Udall, I do not know how that would be possible under the appropriation recently approved by the House Appropriations Committee. Although it is level funding for the network, due to the census and the way our formula is tied to the census 24 states will lose up to 20 percent of their funding. To anticipate that we could now launch the Sweeney bill or the Udall bill with those kinds of cuts in our program funding is just simply not realistic.

As I believe my testimony mentions with regard to the Sweeney bill, from fiscal year 1996 through fiscal year 1999 roughly 44 percent of the state programs did not see a dollar's worth of increase in funding. Then in 2000 and 2001 they basically received roughly cost of living increases, so you see since 1996 over the last half decade these programs have been struggling. In fact, considering cost of operating the program, paying cost of living increases to counselors and so forth, the program has been going backwards.

To launch initiatives like this, which I think are incredibly worthwhile, would just not be possible without some new authorization, some new resources.

Mr. UDALL. Thank you, Mr. Wilson. We obviously feel the SBDC program is an important one and should be funded at a level that is really going to provide the assistance out there.

My next question is for Mr. Lopez. You mention in your testimony that it took you four years, and you say after much red tape with the tribe and the BIA regulations. Was it actually four years to get through the tribal process and the BIA regulatory process?

Mr. LOPEZ. In the beginning there was the submission of our—Mr. Chairman, I am sorry. I am not used to this.

Mr. Chairman, at the beginning of our idea of starting our business we submitted an application to the tribe which generated the process to get the lease. From the time that we started to the time that we had the paper signed it took three years and nine months to complete.

Mr. UDALL. That is pretty surprising to me.

Mr. LOPEZ. And this was with exerted effort, too, being at their doorstep as frequently as we could.

Mr. UDALL. Trying to push it along?

Mr. LOPEZ. Yes.

Mr. UDALL. Have you had contact with other business people that have had similar experiences?

Mr. LOPEZ. Yes, sir. Some of them have said it took them about almost ten years just to get the lease on the reservation.

Mr. UDALL. One of the issues we talked about earlier in my testimony and others that have testified here is why you would locate an SBDC either near or right on a reservation.

Can you tell me why you think it might be more helpful to have an SBDC on the reservation, for example, at Windowrock or Shiprock or someplace like that and why it might generate more business activity and more people would be employed?

Mr. LOPEZ. See, I have also worked with the RBDO, which is the Regional Business Development Office, with the tribe, which is located in Shiprock, and through the agencies. There are several

agencies on the reservation. We worked with the Shiprock agency. Often times it was difficult to get information from them. As far as expertise in setting up a business, they lacked so I had to seek assistance from elsewhere.

I feel if we were to set up an SBDC right there in Shiprock, let us say, I believe that if we were to staff it with professional business oriented people and those who would be familiar with the laws of the Navajo Nation in conjunction with their expertise, I believe that it would lessen the time frame in which to start a business.

Mr. UDALL. And do you also believe that it would be more accessible and more business friendly to budding entrepreneurs that would want to seek assistance?

Mr. LOPEZ. I believe it will be, and I also believe that the SBDC has to become very much aware of what the laws are of the Navajo Nations as far as business and economic development.

Mr. UDALL. So the second part of your answer is that there are a number of requirements that the Navajo Nation has, that the Bureau of Indian Affairs have, that are an essential part of starting a business and so the SBDC personnel would have to specialize in those in addition in those kinds of regulatory hurdles in order to assist the entrepreneur to get their business started, up and running and going?

Mr. LOPEZ. Yes, sir.

Mr. UDALL. Okay. Thank you very much, Mr. Chairman.

Mr. DEMINT. Thank you, Mr. Udall.

Mrs. Christian-Christensen.

Mrs. CHRISTIAN-CHRISTENSEN. Thank you, Mr. Chairman. I do not have any questions. I just want to thank the panelists for taking the time to come and give us their testimony. The SBDC program is very important to my community, as it is to communities across the country, and I think any way that we can enhance its services helps our communities to grow even more.

I am just glad that you were able to come with some of your opinions and your experience and bring it to bear on our discussions this morning. Thank you.

Mr. DEMINT. Thank you very much.

Ms. Tubbs-Jones.

Mrs. JONES. Mr. Chairman, thank you. Mr. Chairman, to my colleagues and to the people who are testifying this morning, welcome to Capitol Hill, and thank you for your testimony.

I want to tell you, Mr. Lopez, I made it to Shiprock, New Mexico. I managed to get there with my colleague, Mr. Udall, and President Clinton when we were doing the digital divide tour. I regretted only that I did not have enough time to really get around and get to meet and greet the people of Shiprock, New Mexico. I also wanted to do a little bit of shopping. I wanted to leave my $2 in the economy of Shiprock, but I did not have time to do that either.

I am glad to have you here and want to say that this is my second term as a Member of the Small Business Committee, and I am very happy to serve here and I am very supportive of SBDCs. We have a great network of SBDCs in the State of Ohio. I hail from Cleveland, Ohio, and the Growth Association is actually in my

area. I have been working very hard. I support increased dollars for SBDCs.

I also have had the pleasure very recently of, and I do not travel all the time, but every once in a while I get a chance. I went to visit the Small Business Development Center and the Women's Business Center in the State of Hawaii. Actually, I was on the island of Honolulu, and I forgot what city. I am really just learning that there is an island called Hawaii in the State of Hawaii. That was new for me. My geography kind of got lost somewhere in the process.

One of the issues that was faced in Hawaii was the fact that there are so many different islands all around that it is very difficult for them to be able to provide services to the small businesses around the islands. What they were really excited about was recently having the opportunity to get computers wherein they were able to have the person being interviewed, the new small business person, on the computer talking to the counselor/advisor on another island and be able to see them face to face and provide advice.

I would hope that each of you would think through over and above your testimony recommendations that you could give to us that would improve the operation and opportunity for small business in this country.

We are all alarmed by the fact that the Small Business Administration budget was cut so significantly and did have a little success yesterday on the Floor of the House through the leadership of our Ranking Member, Nydia Velázquez, and Sue Kelly to increase some of the dollars for small business.

I would encourage you to have all your members write to the President to encourage him to increase funding for small business and just keep doing all the work that you do, but as well to let us know what is not working. We may not always have the opportunity to have a hearing where you come and testify, but our offices are available to each and every one of you to provide information and service.

After that long good morning and so forth and so on, I would give any of you who want to comment over and above your testimony some of my time to so do. If you do not, fine also.

Mrs. CHRISTIAN-CHRISTENSEN. Would you yield so that I can——

Mrs. JONES. Absolutely. I will yield.

Mrs. CHRISTIAN-CHRISTENSEN [continuing]. Bring in a question? Thank you.

I do have a question, and it is an important question to Mr. Wilson in follow up to the question that Mr. Udall asked about the funding. Can you tell us how much money you would need to implement Mr. Sweeney's bill?

Mr. WILSON. I would envision roughly $5 million, Mr. Chairman, would enable us to launch the initial 20. That is roughly a quarter of a million dollars per program, which I think would be a good start.

If we are going to launch it, what we would envision is perhaps an authorization that would provide $5 million the first year, $10 million the second and perhaps another $10 million the third because it will take roughly $5 million to do 20, and we have 58 programs. You can do the math. I think it would take roughly $15 mil-

lion when the project is completed to be able to provide these type of services nationwide.

Obviously, you know, if you have 40 states that are not participating they are going to be very anxious. It is a competitive process, and the Sweeney bill is designed and the language is such that it will reward those grant applicants who already have or can demonstrate partnerships with folks like the 507 program from SBA, the SBO programs that Mr. Cartier represents, working with the industrial hygienists and others.

I think that will get the biggest bang for the buck is those who can demonstrate the partnerships, but I think there is a commitment to the partnerships throughout the network, and I believe it would be ideal if after three years we could have all 58 programs active in the program in the pilot. That would require roughly $15 million by the third year.

Mr. CONROY. Is there any way to proceed without additional funding?

Mr. WILSON. I truly do not know how that would be done. Simply the resources are not there.

For example, Representative Tubbs-Jones, in Ohio I believe with level funding, $88 million level funding, I believe Ohio will lose about $150,000 if my memory is correct. I cannot cite all of our states, but I believe $150,000 or $157,000, if I recall.

Holly Schick, who is an outstanding director, state director in Ohio, is facing those kinds of cuts in her program. You are facing closing centers. We are in crisis.

Mrs. CHRISTIAN-CHRISTENSEN. Thank you.

Mr. WILSON. The key thing, if I may interrupt one more time, is with the slowdown in the economy the Department of Labor recently released a report that said when unemployment goes up self-employment goes up. We are seeing that around the country.

When major industries or major plants have layoffs, those people who are now unemployed and often do not find jobs in their fields, they may be creative. They may be talented. They turn to the idea of trying to start their own business using perhaps pension funds, savings or whatever to start their own business. They come into the SBDCs.

It is just a pattern that is repeated over and over. When there are periods of slow economic growth, the demand for our services increase. Right now we are seeing that demand increase when we are seeing the resources decline in 24 states. I think that is very unfortunate.

Mrs. CHRISTIAN-CHRISTENSEN. Thank you.

I yield back.

Mrs. JONES. Just finally I meant to mention this, and I forgot. I am very much supportive of the vocational and technical entrepreneurship development portion.

In the City of Cleveland, we have a school system that really needs some stirring up, and I think part of the need comes from the lack of recognition that all young people are not going to college. What do we do to teach them a trade or a skill that they can be useful citizens in our community and maybe pass it on through their entrepreneurship, going on and being able to be successful? I just want to also add that in of how supportive I am of that.

Mr. Chairman, if I have any time I yield back the balance. Thank you very much.

Mr. DEMINT. Thank you very much. I think as the witnesses can tell, you have a lot of support for all three of the ideas today. Our hope is to get adequate funding.

I would like to just ask a couple of brief questions. One of the primary goals of this Committee is to reduce the regulatory burden on small businesses, make it easier for them to start so that we will not have to have experts to help them navigate the regulatory process.

Mr. Wilson, I mentioned to you before we got started an idea, if we are adequately funded and if we can expand your services to include support of small businesses in dealing with compliance issues.

One of the best helps to us as a committee would be if there was some formal reporting system back to us about the regulations that cause the most trouble and for the SBDCs to give us specific recommendations on what changes they would recommend to us so that we can be an advocate for changes in federal policy.

Is that possible, and would you have any brief recommendations on how we could do that?

Mr. WILSON. Historically the program has tried not to get involved in policy issues, but I think there would be no problem with the network reporting back to the Committee on what it finds the most troublesome and burdensome to the small business clients that we see on a regular basis.

We would be glad to work with you and your staff to try to develop something like that, Mr. Chairman.

Mr. DEMINT. Yes. A similar question, Mr. Conroy. As we begin to fund cooperative arrangements with secondary/ post secondary schools to train for entrepreneurship, can you envision any way where we can actually measure the impact of such an effort, or is that just wishful thinking?

Mr. CONROY. Oh, no. Actually, impact and measuring the impact and outcome of the program is something that we take very seriously. It is something that we do on an annual basis for the basic program, and as part of this proposal actually the legislation does call for an evaluative component.

I would envision that that would entail a number of different things. We would have an evaluation of the course once it is completed so that we can make adjustments and adapt it to go forward to make improvements to it, and then I would look to see that we would do follow up studies with the students who went through the program to find out really what kind of value was it and how did it affect and impact their efforts to start a business.

Then what we would do also is compare that to a base group of folks who did not go through the training to make a determination as to really what is the value of that kind of training.

Mr. DEMINT. I think the key to long-term successful funding of all of our programs is to be able to document success and to what degree. You can be helpful with that long-term. I think it would help us in considering additional funding for a program.

If there are not any additional questions, I would like to again thank the witnesses and my colleagues for being here.

This hearing is adjourned.

[Whereupon, at 11:40 a.m. the Subcommittee was adjourned.]

JIM DEMINT, SOUTH CAROLINA
CHAIRMAN

JUANITA MILLENDER-McDONALD, CALIFORNIA
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives
107th Congress
Committee on Small Business
Subcommittee on Workforce, Empowerment, and Government Programs
2361 Rayburn House Office Building
Washington, DC 20515–6315

July 19, 2001

OPENING STATEMENT

CHAIRMAN JIM DeMINT
SUBCOMMITTEE WORKFORCE, EMPOWERMENT AND GOVERNMENT PROGRAMS

COMMITTEE ON SMALL BUSINESS

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

Today, the Subcommittee has before it proposed legislation that would increase the extent and scope of the services provided by Small Business Development Centers, more familiarly known as SBDCs.

Three legislative proposals are under consideration. The first, H.R. 203, the "National Small Business Regulatory Assistance Act of 2001," introduced by Congressman Sweeney of New York, directs the Administrator of the Small Business Administration (SBA) to establish a pilot program to provide regulatory compliance assistance to small business concerns through participating SBDCs.

Under H.R. 203, small businesses would be able to receive confidential counseling regarding compliance with Federal regulations, provided that such counseling does not constitute the practice of law. In addition, SBDCs would provide to small businesses training and educational activities, technical assistance, and referrals to experts and other providers of compliance assistance. The bill is aimed at helping small businesses cope with the maze of Federal regulations.

The second legislative proposal, sponsored by Congressman Brady of Pennsylvania, would permit the SBA to make grants to SBDCs to enable them to provide technical assistance to secondary schools, or to post secondary vocational or technical schools, for the development and implementation of curricula designed to promote vocational and technical entrepreneurship.

The third legislative proposal, sponsored by Congressman Udall of New Mexico, would authorize the SBA to make grants to SBDCs for the purpose of providing entrepreneurial assistance to Native Americans, Native Alaskans, and Native Hawaiians in starting, operating, and growing small businesses. This legislation is aimed at stimulating the economies of the areas served and to promote job creation. The second and third legislative proposals are in draft form and have not been filed.

The Subcommittee would appreciate your views concerning this important legislation and any comments you might have with respect to amendments or changes to improve the legislation.

Again thank you all for participating in this hearing. And thank you in the audience for attending this hearing.

H.R. 203 - Small Business Regulatory Assistance Act of 2001
Subcommittee on Workforce, Empowerment, and Government Programs
Statement by Hon. John E. Sweeney
July 19, 2001

Let me begin by first thanking you, Chairman DeMint, and the Ranking Member, Ms. Millender-McDonald, for this opportunity to testify on behalf of my bill, HR 203, the National Small Business Regulatory Assistance Act of 2001.

For nearly 25 years, Congress has recognized that small businesses face substantial regulatory burdens. The Small Business Regulatory Enforcement Fairness Act recognized what almost all small businesses would agree on - that federal regulations are complex and often difficult to understand. SBREFA required federal agencies when issuing new regulations that would have a significant economic impact on a substantial number of small entities to prepare plain English compliance guides. SBREFA simply represents a start in providing regulatory assistance to small businesses.

As a former Member of the Committee on Small Business, I have a vested interest in maintaining the success of small business and will continue to build upon this foundation. There exists a multitude of regulations that small businesses find difficult to understand, let alone, comply with.

In the spirit of helping these entrepreneurs, I have reintroduced H.R. 203, the National Small Business Regulatory Assistance Act. This legislation would assist small businesses in successfully finding their way through the maze of regulations that have proliferated in recent decades.

After a great deal of blood, sweat and tears during the 106th Congress, we breathed new life into what began as an outstanding initiative, but unfortunately, had little prospect for implementation. This new and improved legislation has a proven record of support. On September 26, 2000, the House passed the National Small Business Regulatory Assistance Act by voice-vote.

H.R. 203 would amend the Small Business Act to establish a pilot program in twenty states. The Administrator, in consultation with the National Association of Small Business Development Centers, will select two states from each of the ten federal regions. Within the pilot program, Small Business Development Centers would develop partnerships with federal agencies and be a point of contact for small businesses to turn to for free-of-charge, confidential advice concerning regulatory compliance.

To continually track progress and seek improvements to the program, the SBDCs are required to submit regular reports on the assistance provided by the centers to the National Association of Small Business Development Centers. The Association would in turn, maintain a clearinghouse of all the information submitted by the SBDCs and submit an annual report on the level of

outreach, and the success of the program, to the President, the Regulatory Enforcement Ombudsman, and the House and Senate Small Business Committees.

The report will include a description of the types of assistance provided, the number of small business that contacted participating SBDCs, the number of small business concerns assisted by participating SBDCs, information on outreach, and, most importantly, any conflicting information or advice given by federal agencies to one or more businesses.

This type of cooperation is not new. Some SBDCs have already started to "think outside the box." They have fostered relationships with different federal agencies and independent compliance groups to build upon each other's resources in order to assist small business owners with regulatory compliance. H.R. 203 is not meant to replace current regulatory compliance programs, but supplement them. When relevant, participating SBDCs may refer businesses to existing regulatory compliance programs. H.R. 203 intends to take these successes and apply them nationwide to ensure small business has somewhere to turn for every compliance concern.

A wholesale auto salvage business in upstate New York is one such success story. The owner purchased his business, unaware the soil was contaminated after having been a salvage yard for the previous sixty years. Unfortunately, he exhausted his funds with the cleanup and pending buy-out of his partner. With no place to turn and the possibility of losing his livelihood, he contacted the local SBDC for assistance in obtaining funds. The SBDC counselor was able to work with the Department of Environmental Conservation liaison to agree to some type of remediation. The result - after forty hours of invested time and effort, the counselor was able to get the city to back away from its original threat to close his business. This business' inventory is now growing after a nearly "terminal" reduction to facilitate the cleanup and the cash flow figures are improving steadily.

We all know that compliance with federal regulations remains one of the main challenges confronting small business owners. The vast majority of owners are honest, hard-working Americans who want to do what is right. They are not seeking to evade the law. Due to the complexity of the regulatory process, they often simply do not know what the right course of action is.

Before being elected to Congress, I was Commissioner of Labor for New York State. I know firsthand the difficulty that exists in trying to balance the needs of running a small business and maintaining a safe working environment.

While I was State Labor Commissioner I instituted an exhaustive review process that evaluated nearly 150 rules and regulations, resulting in the elimination of 56 regulations. That represented a 30% reduction of outdated, unnecessary and oppressive restrictions on New York's businesses.

In addition, I implemented a directive for the Public Employee Safety and Health Program (PESH) to increase the rate of workplace compliance. This proposal had three objectives: to

educate employers and employees, to increase regulatory compliance rates, and reduce what I considered a hidden tax on small business.

As a result of the approach that I have just described, in 1995, failure to abate notices, which inform an employer that it has not corrected a violation in a timely manner, numbered only 99 in the entire State of New York, down from 244 the previous year.

With government working cooperatively with employers and business in a non-threatening environment, compliance rates are proven to dramatically increase, while workplace injuries and deaths are significantly reduced. This type of partnership is what's needed to assist our small businesses with navigating the maze of federal government regulations.

My legislation, H.R. 203, will forge a partnership among the regulatory agencies, the Small Business Administration and the Small Business Development Centers for the purpose of helping small-sized companies comply with complex regulations rather than resorting to heavy-handed enforcement activities.

This is a good government bill and I urge the support of my colleagues.

Thank you, Mr. Chairman, Ms. Millender-McDonald and Members of the Subcommittee.

TESTIMONY
of the
Honorable Tom Udall
Congressman, 3d District of New Mexico

Mr. Chairman and Ranking Member Millender-McDonald:

Good morning and I thank you for this opportunity to speak to the committee about my proposal which will establish a three-year pilot project providing grants to SBDCs for assisting the Native American, Native Alaskan, and Native Hawaiian populations with their small business development needs.

Today we have demonstrated how important small business enterprise is to the health of our economy. But there are still places in this country

where economic prosperity has often failed to reach. These areas deserve our attention and assistance.

Consider this, nowhere in America has poverty persisted longer than on and near Native American reservations, which suffer an average unemployment rate of 45 percent. However, the number of businesses owned by Indian tribe members and Native Alaskans grew by 84 percent from 1992 to 1997, and their gross receipts grew by 179 percent in that period. This is compared to all businesses which grew by 7 percent, and their total gross receipts grew by 40 percent, in that period.

I would like to continue this growth and expansion of small enterprise with the Native

American Small Business Development Act (H.R.2538). My bill ensures that Native Americans, Native Alaskans and Native Hawaiians seeking to create, develop and expand small businesses, have full access to the counseling and technical assistance available through the SBA's SBDC program. The business development tools offered by the SBDCs can assist Native Americans with the information and opportunity to build sustainable businesses in their communities.

The Native American Small Business Development Act would permit state Small Business Development Centers to apply for Federal grants to establish one or more Native American Small Business Development Centers.

In an effort to ensure the quality and success of the program, the proposal requires grant applicants to provide SBA with their goals and objectives, including their experience in assisting entrepreneurs with the difficulties in operating a small business. In addition, the applicant must show their ability to provide training and services to a representative number of Native Americans, Native Alaskans and Native Hawaiians. Most importantly, applicants must seek the advice of the local Native population on the specific needs and location of the services they will provide.

It is clear we can do more to aid Native American entrepreneurs. Not enough has been done

to assist Native American's in building their businesses which in turn helps benefit their communities. I hope to change that with my proposal.

In closing I would like to mention that we will be receiving testimony from Mr. Leonard Lopez of Bloomfield, NM. Mr. Lopez is opening a convenience store, called Sun Valley Express, on the Navajo Reservation in Shiprock, NM. I know that he will provide the Committee with first had information on the strengths of the SBDC and how this proposal will further assist the development of small businesses for Native Americans, Alaskans, and Hawaiians.

I thank the Chair for the opportunity to discuss

these issues today.

ROBERT A. BRADY
1ST DISTRICT, PENNSYLVANIA

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SUBCOMMITTEE ON MILITARY PROCUREMENT
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Testimony of Rep. Robert A. Brady
To the House Small Business Subcommittee on Workforce, Empowerment and Government Programs
July 19, 2001

Thank you, Chairman DeMint and Ranking Member Millender-McDonald. I appreciate this opportunity and look forward to discussing my proposal with you and with this committee.

It is the American value of hard work and valuable skill that makes our standard of living possible. From machinists and carpenters to auto mechanics and computer technicians, skilled work has made life better for laborers and consumers. In a more competitive and global economy, it is a bedrock truth that to succeed, you must be skilled.

But there is another step to be taken toward a better life, and it too is a part of the American character. That is entrepreneurship ---- talented individuals starting their own businesses. Small business forms the backbone of our economy. The businesses create half of all jobs — and do it more than 60 percent faster than larger firms. Small businesses employ our mechanics, technicians, builders, machinists and draftsmen.

My bill would, for the first time, create a training program to help these skilled workers become entrepreneurs themselves. It is important to realize that many of these very skilled laborers do not have business experience or training that would help them succeed. We want them to succeed. So, we should help them all we can.

How do we propose to do this? I have proposed the Vocational and Technical Entrepreneurship Development Act to provide the resources necessary to help skilled workers learn new skills: how to build their own business and make it thrive.

My bill would establish a program for vocational-technical entrepreneurship development. Through SBA, we would provide grants to Small Business Development Centers to provide assistance to high schools, universities or vo-tech academies to develop and implement curricula promoting entrepreneurship. With over twenty years of experience helping hundreds of thousands of people turn their dreams into profitable businesses, the Small Business Development Centers have developed excellent educational programs to train people on what is required to operate a successful business.

Thank you very much for this opportunity to speak to this committee.

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STATEMENT OF

DONALD WILSON

REPRESENTING

THE ASSOCIATION OF
SMALL BUSINESS DEVELOPMENT CENTERS

HR 203

National Small Business Regulatory Assistance Act of 2001

BEFORE THE

HOUSE SMALL BUSINESS COMMITTEE

SUBCOMMITTEE ON

WORKFORCE, BENEFITS and EMPOWERMENT

July 19, 2001

Chairman DeMint, Ranking Member Millender-McDonald, and Members of the Subcommittee. I am Donald Wilson, President and CEO of the Association of Small Business Development Centers (ASBDC). I am here today representing the Association whose members are the fifty-eight Small Business Development Center programs located in all fifty-states, the District of Columbia, Puerto Rico, The Virgin Islands, Guam and American Samoa.

On behalf of the ASBDC, I would like to thank you, Mr. Chairman, and the members of this subcommittee for inviting the Association to testify at this hearing. Our focus is on HR 203, the National Small Business Regulatory Assistance Act of 2001 authored and introduced by Congressman Sweeney of New York. HR 203 is essentially the same legislation as HR 4946 introduced in the last Congress by Congressman Sweeney and co-sponsored by former House Small Business Committee Chairman Jim Talent, Representative Sue Kelly, and Representative Phil English. HR 4946, as many of you will recall, was reported favorably from the House Small Business Committee on July 27, 2000 and approved on a voice vote under suspension of the rules by the full House on September 26th of last year. Unfortunately, passing the House in late September of last year did not provide adequate opportunity for Senate action. ASBDC sincerely hopes that the House Small Business Committee and the full House will support HR 203 with the same enthusiasm this year as they supported HR 4946 last year.

During the full House consideration of HR 4946 last September, Congressman Sweeney, Congresswoman Velazquez, Representative Danny Davis and others spoke in support of that measure. Congressman Davis put it simply and eloquently when he said,

> "All of us know that small businesses are, indeed, a backbone of the economy in this country. And we also know that as we become more civilized, there is need to protect the workplace and make it as worker friendly as we possibly can, to make it as safe for those who work as we can. That means standards. In many instance those small businesses have difficulty complying because of not having the person-power to figure out how to comply meaningfully with the regulation. Or they may not have the money, the resources, the cash flow. **This bill provides an opportunity to assist small businesses to be in compliance, to know how to comply, and to do it well. It is a good piece of legislation." (emphasis added).**

The ASBDC would like to associate itself with Congressman Davis's remarks.

Mr. Chairman since April of FY 1996 federal agencies have adopted 21,653 major and minor rules. The Code of Federal Regulations as of 1998 filled 201 volumes, with a total of 134,723 pages. The Code occupies roughly 19 feet of shelf space.

In FY 1999 alone, Federal regulatory agencies issued 4,495 non-major rules and 58 major final rules. The IRS issued 265 rules in an effort to clarify our nation's remarkably complex tax code. The EPA issued 701 final rules under the Clean Air Act, the

Comprehensive Environmental Response Compensation, and Liability Act (CERCLA), The Clean Water Act, The Toxic Substances Control Act, and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). The FCC issued 263 final rules. The Agricultural Marketing Service issued 91 final rules. And the nation's fishing industry saw NOAA issue 280 rules regulating their activities. And I did not even mention the Department of Labor and OSHA.

Now please understand, not all small businesses are directly impacted by all of these rules. But many are in one way or another. Congresswoman Velazquez frequently states that small business is big business in America. Well, I would submit that regulation is big business in America as well. Professor Thomas Hopkins of the Rochester Institute of Technology estimates that the total cost of federal regulation last year was $721 billion or $6,800 for each American family.

Look at the federal regulatory scheme from the perspective of many employers. First you have IRS regulations, Social Security regulations, Medicare regulations, and Federal Unemployment Insurance regulations. Next comes the Fair Labor Standards Act, Workers Compensation, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Davis-Bacon Act, and the Serviced Contract Act of 1965. These are followed by Title VII of the Civil Rights Act of 1964, The Age Discrimination in Employment Act of 1967, The Rehabilitation Act of 1973, The Federal Mine Safety And Health Act of 1977, the Worker Adjustment and Retraining Act of 1988, the Migrant and Seasonal Agricultural Worker Protection Act of 1983, the Immigration Control Act of 1986, the Employee Polygraph Protection Act of 1988, the Drug-Free Workplace Act of 1988, the Occupational Safety and Health Act of 1970 and a myriad of environmental regulations under the environmental statutes I mentioned earlier. And of course this is only a partial list. And I have not even raised the specter of state and local regulations with which employers must comply.

Mr. Chairman, I am not here to pass judgment on the laws mentioned above or the tens of thousands of pages of regulations those statutes have spawned. I am here to try and put in perspective the enormity of the regulatory compliance burden faced by small business owners as they try to operate their businesses, pay their employees, service their customers, deal with suppliers and try to make a profit so they can provide for their own families.

Many believe that the regulatory burden imposed on smaller and medium sized businesses is disproportionate to that of larger businesses. The evidence suggests this is true because smaller firms cannot spread the overhead costs associated with hiring accountants, hiring attorneys, and the general cost of paperwork burdens and cost of staff needed to try and comply with the maze of federal regulations.

A recent survey of small businesses by the National Federation of Independent Business (NFIB) found that "unreasonable government regulation" ranked fourth on the list of the 10 most severe problems faced by small businesses. By comparison, small businesses

surveyed by NFIB in 1991 ranked " unreasonable government regulation" in eighth place.

According to the Small Business Administration, the average annual cost of regulation, paperwork and tax compliance for firms with fewer than 500 employees is about $5,000 per employee. For firms with more than 500 employees, the cost is about $3,400 per employee. The SBA reports that the costs for businesses with fewer than 50 employees run seven to 10 times higher than costs for firms with 50 to 100 employees. . Firms with 20 to 49 employees spend, on average, 19 cents out of every revenue dollar on regulatory costs. The SBA report, "the Changing Burden of Regulation, Paperwork and Tax Compliance on Small Business" goes on to say that:

> "small business owners often fear that they will inadvertently fail to comply with some obscure rule, and that a government inspector will show up, close down the business, and drive them into bankruptcy. Many believe, with some justification, that the government is more interested in obtaining penalties than in promoting compliance with the law."
> (emphasis added)

Mr. Chairman, I had the privilege several years ago of serving as Administrative Assistant to three Members of the House of Representatives over a ten year period. One of those distinguished members was the Honorable James T. Broyhill, Congressman and later Senator from North Carolina whose district bordered the district you now represent. North Carolina's Tenth Congressional district at that time had thousands of small business owners and their concerns about complying with federal regulations were deep seeded. Letters from constituents frequently expressed concerns regarding the burdens of complying with federal regulations. When I am back in Asheville, Hickory, etc. and have occasion to speak with small business owners, I find that those concerns are as real today as they were when I worked on the Hill, if not more so. I am sure your small business constituents in the Greenville-Spartanburg area have expressed similar concerns to you.

I also served for a number of years as Director of Government Affairs and General Manager for the National Tire Dealers and Retreaders Association, a small lbusiness retail trade association. The association recently changed its name to the Tire Association of North America. In response to the obvious needs of that association's membership, I instituted a Regulatory Assistance Hotline and conducted seminars from coast to coast in an attempt to educate the association's membership on how to comply with federal regulations. I worked closely with OSHA, NHTSA, EPA and other federal agencies. I found dozens of dedicated federal employees in these agencies who were more than willing to help me help NTDRA's members; outstanding federal employees like Karen Brown, the Small Business Ombudsman at EPA. Utilizing resources within the agencies and the association's resources, we helped to educate and assist thousands of tire retailers and retreaders with regulatory compliance problems. However, the percentage we were able to help compared to the numbers in the whole industry was relatively small.

Contrary to what some believe, I have found most small business owners, while not fond of the regulations imposed on them, are willing to comply with regulations. They simply want to know what is expected of them, and how to comply in the most cost effective manner. And why wouldn't they want to comply. Many small businesses are family owned and operated. Small business employees are frequently family or friends of the employer. Most small business owners don't want their employees working in an unsafe workplace and they want their children to grow up in a clean and health environment.

For twenty years, the Small Business Development Center Program has been assisting America's small business owners and aspiring entrepreneurs. Over the last twenty years the SBDC network has provided counseling and training assistance to over 8 million clients. Last year alone SBDC service centers provided counseling and training assistance to approximately 600,000 clients. When I speak of clients, I am referring to small business owners or pre-venture clients who our counselors and trainers meet with face to face for at least an hour or more. The SBDC network directly reaches hundreds of thousands more individuals annually through mail contact, telephone, fax on demand, and e-mail. Numerous small business owners walk into an SBDC, ask a question, get the answer they need and are on their way in a few minutes. These individuals are not included in the program's counseling and training statistics.

This committee is fully familiar with the SBDC program. For twenty years you have supported it on a bi-partisan basis. You have repeatedly supported increases in the program's authorization level, recognizing what the program is accomplishing through its over 1,000 centers nationwide and its roughly 4,500 plus employees. You, more than anyone else in Congress, are aware of the economic impact the program is having. You know that the sales growth of SBDC long term counseling clients is more than three times the rate of the average U.S. business. You know that SBDC long term counseling clients create jobs at a rate almost ten times that of the average U. S. business. You know that SBDC long term counseling clients generate additional federal tax revenues equal to over twice the amount of the program's annual appropriation. These statistics would not be possible without the support the SBDC program has received from the Small Business Committees of both the House and Senate over the past two decades and the hard work of the men and women who work in the SBDC program.

Mr. Chairman, in 1996, Congress amended Section 21(c)(3) of the Small Business Act, by directing Small Business Development Centers to assist the small business community by providing information to small business concerns regarding compliance with regulatory requirements. The network has struggled to effectively meet that mandate because in the half-decade since that amendment was enacted, increases in SBDC program resources have been very modest. Although there has been real growth in overall funding for the SBDC program since 1996, much of that growth went to provide increased resources to low population density states to enable them to simply have a respectable level of funding. SBA figures show that from FY 1996 to FY 1999, forty-four (44) of fifty-seven (57) state, regional and territorial SBDC programs were level funded. And for FY 2002, if the funding level approved by the House Appropriations Committee becomes law, twenty-four (24) of our fifty-eight (58) programs will see substantial budget cuts, some as high as 20%. It is simply not possible to effectively

meet the compliance assistance needs of the small business community when resources to address the program's historical core responsibilities are increasing at less than the rate of inflation.

Despite limited resources, the SBDC network seeks to assists clients as best it can with regulatory compliance. Numerous SBDCs work with state, and federal regulatory agencies to try to get compliance assistance information to the network's clients. The ASBDC and individual SBDCs have worked with the Department of Labor, OSHA, the IRS, and EPA in efforts to improve cooperation and enhance the coordination of compliance assistance delivery. We are encouraged by many of these initiatives. But without adequate resources these efforts will never fulfill their potential and reach large numbers of small businesses.

A number of SBDCs have established working partnerships with other environmental compliance assistance providers in an effort to try more effectively to address the needs of the small business community. ASBDC's Board of Directors has formally endorsed the concept of partnering with other compliance assistance providers whenever possible. The Association has formed a regulatory compliance assistance interest section for those network programs and SBDC employees who have a particular interest in the regulatory compliance assistance area. That interest section is co-chaired by the SBDC State Director in Vermont and the SBDC State Director in Nevada. They have seen first hand what regulatory compliance assistance, even on a limited basis, can mean to their program's clients. It is why they and this Association are so committed to building greater capacity in the regulatory compliance assistance area.

The Association is seeking an expanded relationship with the Department of Labor's Crosscut program. We are also working cooperatively with the IRS. IRS and the SBDC network have already conducted a number of joint training programs using a curriculum developed cooperatively. We are anticipating a significant expansion of that program if the resources can be found to fund it.

In the environmental compliance assistance area the Association and individual state SBDCs are seeking to strengthen and expand relationships with other environmental compliance assistance providers. SBDCs have established and are establishing partnerships with the Small Business Ombudsmen and Small Business Assistance Programs. These programs provide stationary source technical and environmental compliance assistance under Section 507 of the Clean Air Act. A good example of such a cooperative effort is in the state of New Hampshire. New Hampshire SBDC state director Mary Collins, who also serves as ASBDC Vice Chair, is working cooperatively and effectively with New Hampshire's Small Business Ombudsmen, Rudy Cartier. SBDCs are also working with Pollution Prevention Programs and others. But like SBDCs, many of these environmental assistance programs have limited resources.

Many SBDC s envision their counselors addressing less complicated environmental compliance problems for their clientele and referring more difficult compliance problems to other assistance providers such as the SBAPs. This is not unlike a general practitioner referring a patient with a severe compound fracture to an orthopedic surgeon. However,

if SBDCs refer clients with special needs to other environmental compliance assistance providers, those providers will need additional resources to effectively assist those referrals. ASBDC has explored that issue with senior staff on the Senate Environment and Public Works Committee.

In 1998 or 1999 the EPA's Innovations Task Force released a report entitled "Aiming for Excellence: Actions to Encourage Stewardship and Accelerate Environmental Progress." That report contained some action items, one of which was "Support a network of public and private organizations that provide assistance on environmental compliance".

Quoting further from that report:

> "Many regulated groups, especially small and mid-sized businesses, are wary of seeking help from EPA and other federal agencies. Because of this we are not in the best position to offer direct compliance assistance. But there are many organizations that are in a good position to help because they already have contact with a large number of regulated entities. Some examples are state and local governments; **small business** assistance programs and **development centers** (emphasis added); manufacturing extension partnerships, pollution prevention programs; universities, licensing agencies and issuers of building permits; and trade and professional associations. **These organizations already have an infrastructure in place to deliver information and assistance and businesses often turn to them.**" (emphasis added)

The SBDC program has a nationwide infrastructure of over 1,000 service centers. No other small business assistance program has a comparable infrastructure. Congress has a significant investment in that infrastructure. Small business owners and aspiring entrepreneurs trust the SBDC network and utilize the networks many services. If resources can be enhanced, we are convinced that the SBDC network, working cooperatively with federal regulatory agencies and other compliance assistance providers, can make a significant contribution to improving regulatory compliance within the small business community.

SBDCs are in a unique position to effect change in the rate of regulatory compliance. Working with hundreds of thousands of startup businesses annually, SBDCs can influence regulatory compliance behaviors of entrepreneurs at the critical period when they are launching their businesses. SBDC counselors trained in regulatory compliance issues, can often save startup businesses significant dollars by showing them the most cost effective methodologies for complying with regulations as facilities are being constructed or renovated and employees are being hired.

Congressman Sweeney's legislation, HR 203, is a solid beginning. ASBDC applauds Congressman Sweeney for his commitment to assist small businesses comply with regulatory compliance burdens. HR 203 recognizes the very real need of small and medium size employers for regulatory compliance assistance. It encourages SBDCs receiving grants to partner with other assistance providers for more coordinated, effective

service delivery. HR 203 should prove beneficial to employers, employees and the environment. It directs a modest amount of resources toward a pilot initiative in 20 states. ASBDC would strongly encourage the committee to consider increasing the authorization levels for the second and third years of the initiative. This would allow the initiative to expand during its three-year authorization. Twenty states is an excellent start in the first year. However, we need to launch another twenty programs the second year and another eighteen the third year. If that timetable could be met, by the end of the third year, every state, regional and territorial SBDC hopefully would have an effective small business regulatory compliance assistance program in place. That is something we could all take pride in and something America's small business owners would surely welcome and utilize.

TESTIMONY

National Small Business Regulatory Assistance Act Of 2001

H.R. 203

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT AND GOVERNMENT PROGRAMS

HONORABLE JIM DEMINT, CHAIRMAN

July 19, 2001

Submitted by:

Thomas G. Grumbles, CIH
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CHAIRMAN DEMINT AND MEMBERS OF THE SUB-COMMITTEE:

My name is Tom Grumbles and I am Vice President of the American Industrial Hygiene Association (AIHA). I am also a certified industrial hygienist and have been involved in the occupational health and safety profession for more than 25 years. I appreciate the opportunity to appear before this hearing of the Subcommittee on Workforce, Empowerment and Government Programs and provide testimony on the National Small Business Regulatory Assistance Act of 2001 (H.R. 203). I am particularly pleased to present testimony on the issue of providing a low cost process to significantly improve voluntary small business compliance with the regulations promulgated by the Federal government, specifically those regulations addressing occupational health and safety in the workplace.

Before I begin Mr. Chairman, I would like to take this opportunity to thank you and Representative Sweeney on behalf of the millions of Americans, both employees and employers who desire a healthy and safe workplace, for your involvement in addressing the issue of assisting small business. Your leadership is critical in improving this country's record of workplace-related injury and illness that affects workers and their families, impacts our communities and the success of small business. I applaud your efforts.

The American Industrial Hygiene Association, founded in 1939, is the world's largest association of occupational and environmental health professionals and our members play an important role on the front line of worker health and safety. The members of AIHA come from government, labor, industry, academia and private business. AIHA is the most diverse professional association dedicated solely to the prevention of workplace fatalities, injury and illness. One of AIHA's goals is to bring "good science" and the benefit of our workplace experience to the public policy process directed at worker health and safety.

In considering a program to assist small business concerns with the information necessary to improve their rate of compliance with Federal regulations and provide confidential assistance to small business concerns, AIHA is in total support of H.R. 203 as it pertains to small business concerns, particularly assisting those seeking ways to comply with the numerous and complex regulations of the Occupational Safety and Health Administration (OSHA). AIHA believes that of the myriad of Federal regulations small business must comply with, none is more important than protecting the health and safety of workers, thus our interest in this issue.

Reaching out to small business is an objective of AIHA for many reasons. First, the role of AIHA members in the workplace is to create a healthy and safe workplace, thereby reducing illnesses, injuries and fatalities. This is also the goal of OSHA as well as employees, employers, and Members of Congress.

Second, statistics speak for themselves. OSHA, like the rest of government, has to accomplish more with less. In all sectors of government this is a daunting task, but can be even more difficult with an agency like OSHA. No one is quite sure of the length of time it might take for an OSHA inspector to visit all covered sites, but most would agree it is unlikely for any workplace to be inspected on average more than once every 50 to 80 years. It is equally difficult for a business concern to receive an OSHA consultation service because of the length of time required before an OSHA consultant can respond to the request. One must also be aware of the fact that many employers are not comfortable with calling OSHA for any assistance because of their concern about being placed on a possible inspection list. For the small business in America, the statistics are undoubtedly even more alarming.

In the United States, the small business sector continues to grow; yet the size of the small business seems to be getting smaller. The National Institute for Occupational Safety and Health (NIOSH) conducted a study in the 90's and found that 16 percent of the U.S. workforce works in businesses of 10 or fewer employees, another 24 percent works in businesses of 11-50 employees. The NIOSH conclusion: 40 percent of the U.S. workforce, or over 90 percent of the actual physical work sites in the U.S. are comprised of businesses of 50 or fewer employees that may have no industrial hygiene or safety expertise on staff, are not regularly inspected by OSHA, and may have little information about health, safety or industrial hygiene. The bottom line: If Congress and other policy

makers are interested in improving worker health and safety, small business concerns must be met by working with them to address their needs. AIHA believes H.R. 203 is a step in this direction.

AIHA's interest in this effort is not new. In the mid 90s, the board of directors of AIHA determined that the industrial hygiene profession should proactively assist small businesses that were unlikely or unwilling to look at the occupational health and safety issues in their workplace. AIHA's first effort was contacting OSHA and offering to work with OSHA to develop some type of "pro-bono" assistance to small business utilizing AIHA members. AIHA members were willing to provide a substantial amount of free consultation services if we could enlist the support of OSHA and others in the program. This first meeting with OSHA resulted in formation of a pro-bono task force composed of participants from AIHA, OSHA, the American Association of Occupational Health Nurses, the American Society of Safety Engineers, the National Association of Occupational Safety and Health Consultation Programs, and the Voluntary Protection Program Participants Association.

The goal of this pro-bono initiative was to provide assistance to small business through the cooperative efforts of associations, consultation projects and OSHA. One of the biggest stumbling blocks to this effort was the issue of liability, especially if such pro-bono efforts were to have OSHA's support. It was also determined that the focus of the program should be on education rather than consultation. After numerous attempts to develop a program, the results have been limited, but no less enlightening.

Approximately five pilot projects of this program were conducted in the states of Georgia, Texas, Missouri, Delaware and Virginia, with training sessions and seminars conducted to assist small business. It is not important at this time to review the success of each of these pilot projects. What is more important is to provide you with some of the things learned with these pilot projects and how they apply to H.R. 203.

First, while AIHA believes the training provided was excellent, we also believe the success of the program was one-on-one follow-up consultation services. This was the number one request of most attendees, regardless of whether or not they represented a small or large business.

Second, small business needs to be defined as a business with less than 50 employees. Businesses with more than 50 employees are more likely to have the resources available to review and comply with health and safety needs. In addition, larger businesses are more likely to belong to national associations that may offer some type of health and safety assistance.

Third, AIHA feels that the pilot programs did not attract the type of individuals envisioned for the program. If 25 individuals were present at one of the seminars, most represented large business. While these attendees found the program useful, the intended audience was not reached.

Fourth, despite the fact that these small business-training programs were conducted with the support of many nationally recognized organizations in occupational health and safety, many small businesses were uncomfortable with the fact that OSHA was involved. The pilot program attempted to keep OSHA's profile low, but small businesses were convinced that OSHA would place them on a list of "upcoming inspections" if they attended.

And finally, while these projects presented an overall view of OSHA and the myriad of health and safety regulations, most attendees had a higher interest in the "hot issues" that were taking place on the regulatory front with OSHA. Recent regulations promulgated by the agency were of the most interest.

This experience leads AIHA to believe that the approach taken in H.R. 203 is the correct approach. Any successful program targeting small business concerns should take our findings into account:

- target small business concerns with less than 50 employees;
- one-on-one consultation services should be a goal of the program;
- administer the program through a third party such as the SBDC;
- involve the occupational health and safety profession in development of the program when addressing health and safety regulations;

- assure that only competent and qualified individuals are involved in providing the education, training and/or consultation services.

In reviewing some of the specifics of H.R. 203, we complement Rep. Sweeney for recommending a pilot program to assure the program receives the attention it deserves. We are also supportive of the fact that the program is a joint effort between the Small Business Administration and the Small Business Development Centers. A public-private partnership has a greater chance of success.

With our experience in the health and safety field, the membership of AIHA would like to offer one suggestion to this legislation. According to the bill, the assistance to small business concerns participating in the system of voluntary compliance shall include access to information and resources; training and educational activities; confidential, free of charge, one-on-one in-depth counseling; technical assistance; and referrals to experts.

AIHA is pleased that the section on "referral to experts" was added to this legislation as compared to previous versions of the bill. This was a recommendation AIHA made in testimony on previous versions of the bill. However, we would like to see the section on "referral to experts" broadened even more.

AIHA recommends that the "referral of experts and others providers of compliance assistance" section be amended by adding language stating "provided that such experts meet educational, technical and professional standards established by the Administrator". Language should also be added to authorize the Administrator to promulgate the regulations necessary for such requirements.

The reason for this addition is to assure Congress, the SBA, the SBDC and the small businesses participating in this program assurance that only competent, qualified individuals will be involved in providing the training and education. Too many times in the past Congress has authorized a specific program to assist a segment of society, only to learn the funds earmarked for such programs have not been spent as wisely as possible.

AIHA would suggest the legislation, or at a minimum the report language, go even one step further. AIHA recommends the following language be added: *"The Committee is concerned that experts to whom small businesses are referred for compliance assistance meet a high standard of professional competency. In the case of small businesses needing assistance with rules promulgated by the Occupational Safety and Health Administration, the Committee believes an expert should be a certified industrial hygienist, a certified safety professional, an occupational health physician, an occupational health nurse, or their equivalent in other professions."* To assist in your deliberations, I have attached a copy of our recommendations to my written testimony.

This language should absolve the SBA, OSHA and/or the SBDC from having to develop their own costly and complex regulations to identify and certify individuals to conduct the education, training or consultations. The occupational health and safety profession has adequate private sector, nationally recognized certification programs to qualify individuals and assure their competency. As an example, a certified industrial hygienist must have, at a minimum, a bachelor's degree in one of the sciences, have five years of experience, and undergo a rigid two-day examination before becoming certified by the independent American Board of Industrial Hygiene. Board Certified Safety Professionals have similar qualification requirements.

In closing, AIHA would like to remind Members of this Subcommittee that there are more than six million workplaces under the jurisdiction of OSHA. Currently, there are approximately 2,500 compliance officers in the federal and state programs. Given the millions of workplaces, it should be obvious that most will never see a compliance officer. In addition, the focus of the "new" OSHA is one that does not focus necessarily on enforcement/compliance, but an OSHA that attempts to build a partnership with business. Therefore, other strategies should also be considered. AIHA has long been supportive of some type of pro-bono assistance or third party workplace review program, such as that proposed by Senator Michael Enzi in the 106th Congress, S. 385. AIHA believes the program being proposed in H.R. 203 is an additional avenue to pursue as we strive to improve worker health and safety.

AIHA applauds your efforts and sincerely hopes you will be successful in your endeavor to advance the cause of worker health and safety as well as assist small business in the United States. AIHA stands ready to assist Congress in every possible way in developing legislation that will best protect workers.

Again, I appreciate the opportunity to appear here today and provide input on the issue of occupational health and safety and its importance to small business. I would like to ask that my entire written testimony be inserted into the record. At this time I would be more than happy to answer any questions you may have.

Thank you.

AIHA SUGGESTED STATUTORY AND REPORT LANGUAGE FOR H.R. 203

SUGGESTED STATUTORY LANGUAGE

SEC. 36 Small Business Regulatory Assistance Pilot Program

"(c) (1) (E) referral to experts and other providers of compliance assistance", **(ADD)** provided that such experts meet educational, technical and professional standards established by the Administrator.

SEC. 5 Promulgation of Regulations

ADD (5) standards relating to the educational, technical, and professional competency of any expert to whom a small business is referred for compliance assistance.

SUGGESTED COMMITTEE REPORT LANGUAGE

The Committee is concerned that experts to whom small businesses are referred for compliance assistance meet a high standard of professional competency. In the case of small businesses needing assistance with rules promulgated by the Occupational Health and Safety Administration, the Committee believes an expert should be a certified industrial hygienist, a certified safety professional, an occupational health physician, an occupational health nurse, or their equivalent in other professions.

HR 203
"National Small Business Regulatory Assistance Act of 2001

Testimony of

Rudolph A. Cartier Jr., PE
Small Business Ombudsman
New Hampshire Department of Environmental Services

representing the

National Steering Committee
of the
Small Business Technical Assistance Programs
and Small Business Ombudsmen

before the

House of Representatives
Committee on Small Business
Subcommittee on Workforce, Empowerment, and Government Programs

July 19, 2001

Good morning Chairman DeMint and members of the committee. I thank you for the invitation and opportunity to present testimony to the subcommittee on HR 203.

My name is Rudolph A. Cartier Jr. and I am the New Hampshire Department of Environmental Services Small Business Ombudsman. I appear before you today as the Chair of the National Steering Committee of the Small Business Technical Assistance Programs and Small Business Ombudsmen created under Section 507 the Clean Air Act Amendments (CAAA) of 1990.

Section 507 of the Clean Air Act directed each state to develop a state specific technical assistance and advocacy program to help small businesses understand, comply with and have representation in the development of regulations promulgated under the Clean Air Act with an impact on small business. In addition, most programs have an appointed Compliance Advisory Panel made up of small business owners or their representatives, a representative from the environmental regulatory agency and at least two members of the general public to oversee the effectiveness of the Programs

Although initially created to address Clean Air Act issues, all the programs have evolved into repositories and/or referral agencies where small business owners and operators can go for a myriad of environmental assistance and direction to other business services. This is accomplished through a variety of options including formal (and informal) state level expansion of the Program responsibilities, development of networking systems and, most importantly, the development of strategic partnerships with other assistance providers. Indeed, the vast majority of states have developed effective outreach assistance efforts in conjunction with state Pollution Prevention Programs, Small Business Development Centers, Economic Development agencies, trade associations and local governmental agencies to name a few. In addition, the partners regularly conduct regional and national conferences, seminars and workshops to increase our effectiveness in providing accurate, timely and appropriate assistance.

The Programs were also instrumental in the formulation and development of the "507 Enforcement Response Policy" and the "Small Business Compliance Incentives Policy" with the Environmental Protection Agency, which, for the first time, granted "safe haven" status for small business owners who voluntarily identified and agreed to remedy violations of environmental regulations. These policies encourage sound environmental practices and minimize the threat of punitive fines or the need to remain confidential.

I am very pleased to be able to report that the Programs are active in all 50 states and U.S. territories and are very well received by small business. Collectively, we provide environmentally related assistance to over 1 million businesses and owners yearly through direct contact and in partnership with others. The programs have found that demand for our services usually exceeds individual state capabilities, which further increases our need to utilize existing partnerships and create new ones when possible.

As a final note on the Programs, I would like to mention that our basic services provided are currently accomplished without any federal funding. Under the Act, funding for the state level programs is to be provided under the individual state air permitting program emissions based fee systems. This has proven to be beneficial in ensuring that the programs were developed to address the differing needs of each state and to assure a strong level of support from trade associations concerned with increased government subsidies.

I appear before this committee today to offer our support of legislation such as HR 203 which has the potential for increasing the effectiveness of all our efforts to provide the highest level of services to our small business clients. We see this bill as an opportunity for Congress to provide incentives to continue the cooperation and coordination among all programs that deliver regulatory assistance to small businesses, especially our SBDC partners.

In our experience addressing environmental issues, we have learned first hand the importance of the interaction between environmental and non-environmental problem solving. For example, in the National Federation of Independent Businesses (NFIB) "Small Business Policy Guide" published in November 2000, taxes and related issues were identified as the second highest concern to businesses. The guide notes:

> "The second base is that taxes are vastly too complicated and require too much time and expense to be compliant. The problem is not just the cost of the tax per se, it is the cost of professional tax assistance and record keeping plus the personal hassle often involved."

It is interesting to note that a similar concern was voiced by the printing industry concerning environmental regulations in the early 1990's, but in a recent presentation by Ben Cooper of the Printing Industries of America, it was noted that the printing industry in general currently has a "neutral rating" of environmental concerns. As the Printing Industries of America was instrumental in the development of the Small Business Technical Assistance Programs under the Clean Air Act, he attributed this "best you can get" rating to their success. Indeed, the NFIB Policy Guide ranks environmental issues at a relatively low 39th on the list of small business concerns. We further attribute this success to the conscious decision to form strategic partnerships to maximize our effectiveness.

It is essential that the expertise found in all small business assistance programs be woven together through partnerships utilizing the expertise presently in place in each of these programs to ensure we are appropriately meeting the true needs of businesses.
Our Programs, along with those of our numerous partners, are proof that well crafted and coordinated technical and compliance assistance programs are extremely valuable to small businesses. Our existing national and regional organizations conduct numerous independent and cooperative meetings, workshops, seminars and conferences to ensure we provide consistent and non-duplicative services in the environmental arena.

We applaud Congress for recognizing the successes that have been the hallmark of each of these programs. We encourage your efforts to build and expand on this experience in delivering small business assistance to cover these and other pressing small business issues. We would note, however, that although pilot programs can provide support for creative breakthroughs, we would encourage Congress to also recognize the critical nature of the continuing need for stable financial support for these programs.

As noted in the NFIB Policy Guide, small business assistance programs must deliver a variety of services in an efficient manner while operating from the most logical venue. This is highlighted in the report as follows:

> "It should be understood that this chapter argues for consolidating of existing economic assistance programs, i.e., subsidies. It does not necessarily argue for consolidation of compliance assistance programs, many of which would probably perform better remaining in the program or regulatory agencies where they are now located."

The Small Business Technical Assistance Programs across the country are committed to remaining on the path of continued cooperation and coordination of our environmental assistance services. We appreciate your work to support this effort and look forward to additional targeted assistance by federal agencies with a commitment to specific, accurate and timely assistance. We, on the state level, will continue our commitment to fostering strategic and appropriate partnerships within our individual states. We have found that the most appropriate methods for delivering useful assistance must be developed to meet the unique needs of businesses in each of the individual states. We certainly are supportive of efforts to direct any potential federal funding to these partnership programs to increase the resource availability and capabilities of assistance providers in meeting these needs.

Thank you for this opportunity to provide this testimony to you today. I would be pleased to make myself available to the committee for any other assistance deemed appropriate.

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STATEMENT OF

CHRISTIAN CONROY

ASSOCIATE STATE DIRECTOR

PENNSYLVANIA SMALL BUSINESS DEVELOPMENT CENTERS

THE WHARTON SCHOOL

PHILADELPHIA, PA

Vocational and Technical Entrepreneurship

Development Program Act of 2001

BEFORE THE

HOUSE SMALL BUSINESS COMMITTEE

SUBCOMMITTEE ON

WORKFORCE, BENEFITS and ENPOWERMENT

July 19, 2001

Statement of Christian Conroy, Associate State Director of the Pennsylvania Small Business Development Centers on the Vocational and Technical Entrepreneurship Development Program Act of 2001 before the Subcommittee on Workforce, Empowerment, and Government Programs of the Committee on Small Business, United States House of Representatives

Chairman DeMint, Representative Millender-McDonald, and members of the Committee, I am Christian Conroy, associate state director of the Pennsylvania Small Business Development Centers. I would like to thank you Mr. Chairman and the members of this committee for inviting me to testify at this hearing on the Vocational and Technical Entrepreneurship Development Program Act of 2001.

For the past twenty years the Pennsylvania Small Business Development Centers have been helping entrepreneurs start and grow successful businesses. During that period we have seen many changes that have affected small firms – the development of sophisticated computer management tools such as spreadsheets and databases, the globalization of trade, and the advent of the Internet to name but a few – but one thing has remained constant: the lack of relevant entrepreneurial educational experience of the majority of people who come to the SBDCs for help in starting their businesses.

What we continue to see on a daily basis is many people who have technical skills and an entrepreneurial disposition, but no formal training to prepare them to start and grow a business. Eighty per cent (80%) of our pre-venture clients have not owned or operated a business before and eighty per cent (80%) do not have the educational background to prepare them to start and operate a business.

If you consider the courses of study offered in our principal educational systems – high schools, community colleges, and vocational/technical schools – the lack of preparation should not come as a surprise. With few exceptions, these institutions do not offer a comprehensive, coherent course of study to prepare students to become competent business owners and managers. This is not to say that no relevant courses are offered. But, to quote the authors of the *"E" Generation*, a study by Kourilsky and Walstad assessing the readiness of today's youth for an entrepreneurial economy:

> "The piecemeal approach of today's high school curriculum in areas related to the entrepreneurial process has contributed significantly to the poor quality and incompleteness of high school level entrepreneurship education," and "… the course taking situation appears not to be any better at the undergraduate level."

Yet, as you well know, small business is the engine of economic growth in Pennsylvania and in this country. There are currently over 22 million small businesses in America. Small companies account for 99% of all U.S. businesses. They employ 53% of the private work force and contribute over half of the nation's private gross domestic product.

So what we have in Pennsylvania, and I would argue in the United States as well, is an economy dependent upon the initiation and growth of small business for its vitality and a set of educational institutions doing little to prepare students to participate in that entrepreneurial economy.

Today, I want to provide some information for you to consider as you evaluate the proposed Vocational and Technical Entrepreneurship Development Program Act of 2001.

I begin with the statement that we in the SBDC's provide potential entrepreneurs with the information and sets of skills required to start and grow successful businesses. I can make that statement because we have been careful to evaluate the effect of our consulting on entrepreneurs. Starting a business is relatively easy compared to staying in business and growing that business in a competitive environment. However, entrepreneurs who avail themselves of SBDC assistance in starting their businesses are far more likely to survive and grow at rates that greatly surpass those of the average small firm. In fact, as a result of working with an SBDC, a significantly larger percentage of our clients achieve "gazelle" rate, high-growth as defined by noted researcher David Birch, than found in the general population of business start-ups.

We know this from the results of a recent independent analysis of the impact of SBDC services on the long-term performance of start-up clients by James Chrisman, professor of management at the University of Calgary. The study's results are dramatic:

- Survival

  SBDC clients survive at a rate approximately 35% higher than the general population of new businesses in the US. In fact, nearly 60% of start-up clients are still in business after eight years.

- Growth

  SBDC assisted businesses grow at rates far in excess of the average small firm. For example, businesses started with SBDC assistance in 1992 have compound sales growth of nearly 20% and employment growth of over 16%.

- Innovation

The primary contribution of the SBDCs to our clients' ventures is making them aware of the importance of innovation and competitive advantage. Companies that develop innovations and competitive advantages survive longer and grow faster than the average small firm.

We also know our resources are such that we cannot expect to meet the demand for assistance in starting businesses. Present survey research indicates that five in ten people in the 21-30 age group are considering starting a firm and about 7.7 million individuals nationally are engaged in launching a company - substantially more than the number of people who get married every year. Currently in Pennsylvania, the SBDCs operating at capacity are only able to assist a tiny fraction of this population. Thus, if the SBDCs are to serve a greater number of these potential entrepreneurs, we must transfer our knowledge of the entrepreneurial process to those educational systems having the capacity to reach and to educate a much larger segment of the population than can currently be served by the SBDC's.

The question for us was "Where do we start?" We needed to identify an educational system that was market-driven and through which a significant number of potential entrepreneurs pass. We chose, as a starting point, the vocational/technical school system. That choice was made for a number of reasons:

1. Each year, the Pennsylvania SBDC system works with over 8,000 entrepreneurs. A large number of these clients are skilled tradesmen and women who turn to the SBDC for help in starting a business in their area of expertise.

2. The Temple University SBDC's experience in developing its Construction Management Certificate program over the past ten years has demonstrated the importance of business training to helping skilled trades people operate successful businesses. This nine month program combines business management and technical skills training with courses such as methods and materials, cost estimating, contract administration, budgeting, accounting and financing. Hundreds of contractors in Philadelphia are now operating successful construction companies as a result of this award winning program.

3. In Lancaster, Pennsylvania, the Kutztown University SBDC operates an outreach office at the Thaddeus Stevens College of Technology. This relationship has enabled dozens of

Stevens students to work with an SBDC consultant to learn about how to start a business while also acquiring expert skills in areas such as information technology, carpentry or automotive repair, providing them with the option of succeeding in self-employment upon graduation.

In Pennsylvania, as in the balance of the United States, the vocational/technical educational system represents a substantial public investment, annually turning out thousands of individuals who have excellent technical skills. Many of the graduates of these programs will eventually gravitate toward business ownership. When they decide to make that move, they will generally find that acquiring or starting and managing a firm requires a very different set of skills than those they acquired through training at the vocational/technical school. Many attempting to make this transition are ill prepared and many fail. There is no acceptable reason for so many entrepreneurs to struggle and even fail when there are proven educational programs to increase the probability of their success.

Thus, when Congressman Brady requested information on how to increase support for entrepreneurship, we were delighted to work with his staff on developing this concept. The Vocational and Technical Entrepreneurship Development Program Act of 2001 will provide resources to the SBDCs to adapt and apply our curriculum on how to start a business in select vocational and technical schools throughout the nation.

Each year, the SBDCs in Pennsylvania alone, help entrepreneurs start approximately 1,500 new businesses. The first step for most of these folks in the process of starting a company is attending one of our workshops on how to start a business. These workshops, which have been refined over the past twenty years, provide the crucial information that prospective entrepreneurs need in order to start their entrepreneurial journey. Topics include assessing the feasibility of their business idea, how to develop a business plan, how to obtain financing, how to market their product or service and complying with regulations.

Supplementing these "First Step" workshops, the SBDC offer hundreds of other educational programs on topics to provide more detailed information on specific business management topics, such as "Cash Management Solutions," or "Managing Your Marketing Communications Mix," or that are relevant to particular industries, such as "The Basics of Retailing Success".

With this bill, the SBDCs will adapt their business management training programs to develop a cohesive curriculum on starting and operating a successful business that can be provided to students in vocational/technical schools. The training will focus on the essential business operational areas such as management, marketing and finance. Additionally, the programs will be modified to provide information that is relevant to the particular industry sectors in which students are learning skills.

In order to reach as many students as possible, with funding from this bill the SBDCs will be able to modify their training programs for application within vocational/technical schools and will then train teachers on how to deliver the information to students in vocational/technical schools. The SBDCs will not conduct the training of students, but rather will train teachers on how to deliver training on starting and operating a successful business. Thus, far more students will benefit from this training than if the SBDCs used their limited resources to conduct the training.

As we see it, there are three benefits of this bill:

The first and most obvious benefit is the training of potential entrepreneurs so when they do decide to start firms, they will be prepared to succeed.

The second benefit accrues to employers of individuals who have gone through this training. Whether or not a person starts a business, the knowledge of such key aspects of operating a business as customer relations, controlling costs, and how money is made, creates a more effective employee.

The third benefit is, once we demonstrate the value of this type of training in the context of one set of educational institutions, it will, we believe, be easier to transfer these processes to other educational systems, such as high schools, community colleges and colleges and universities.

In the long term, we believe, entrepreneurship education should be an option available through high schools, community colleges, and colleges and universities. This bill represents an excellent vehicle to combine the resources of two well established, proven programs to begin to make that education available if provided the resources to do so by Congress. Our economy, and our communities, depends on it. I urge the Committee's approval of this bill.

STATEMENT OF

LEONARD LOPEZ

L&A ENTERPRISE, INC.

BLOOMFIELD, NEW MEXICO

EXPANDING SBDC OUTREACH

TO NATIVE AMERICANS

BEFORE THE

HOUSE SMALL BUSINESS COMMITTEE

SUBCOMMITTEE ON

WORKFORCE, BENEFITS and EMPOWERMENT

July 19, 2001

Mr. Chairman,

My name is Leonard Lopez and I live in Bloomfield, New Mexico—the Four Corners Area. My wife and I are members of the Navajo Tribe and grew up on the Navajo Reservation in New Mexico. I appreciate the opportunity to appear before the subcommittee today on behalf of Congressman Tom Udall's bill to provide Small Business Development Centers with resources to assist Native American populations.

My wife and I began working on the idea of opening our own business a convenience store/filling station, on the Navajo Reservation in Shiprock, New Mexico in April 1995. Four years later, after much red tape with the tribal and BIA regulations and the required signatures, we were finally granted our business site lease.

For five years we aggressively wrote our business plan, gathered our financial projections, completed the environmental and archeology studies, compiled the traffic survey studies, and the list goes on. We knew we were in for the long haul of getting a business started on the reservation. We were told it would be discouraging and difficult to work with the Tribal officials. Our friends were right.

When it came time for us to approach the lending institution for a loan on our business, we received minimal support. We thought we were well prepared to submit our application for a business loan, but later found that there were just as much information needed and time required to secure a loan as getting a business site lease with the Tribe. We are proud of ourselves that we were able to be convincing enough to the bank and SBA that we are close to finalizing the loan agreement. I believe that had we been guided and coached from the beginning by a knowledgeable small business counselor like Orestes Hubbard at our SBDC, we would have avoided many

unnecessary delays. Not only would this have been to our advantage, I believe we would have had our doors open for business by now.

There are a few small business assistance providers that shared information, but basically, we were left to ourselves to figure out what we needed to do. We did receive assistance from the Southern Utah College Small Business Department in Blanding, Utah, and the Regional Business Development Office (RBDO) of the Navajo Nation in Shiprock, New Mexico. They, however, were not able to supply all the needed information. My wife and I did all the work in seeking out resources that helped us complete our project—I am not saying that someone should have done all my work while I sat around. No—I only needed directions.

We finally received the directions we needed, when we approached Mr. Orestes Hubbard, Manager of the Small Business Development Center (SBDC) at San Juan College in Farmington, NM. I first met Mr. Hubbard when I attended a "Meet Your Lender" seminar held at the college by the SBDC a year ago last spring. I was hesitant at first to solicit his help because I figured he might direct me to speak with the RBDO people in Shiprock as has been the case with previous directors. After explaining to him my goals and desire of opening a business on the reservation Orestes Hubbard made arrangements to meet with me personally to discuss my project. He evaluated my business plan and suggested a few changes and recommendations. According to his list of requirements, I had met all the requirements. He then recommended a number of lending institutions that I should contact for a loan. At this time three lending establishments had turned me down.

The SBDC has been following up on the progress of my project. It was either Orestes personally or one of his staff who contacted us for updates. He has invited us to small business seminars and conferences held at the college. He kept abreast of our progress and is very helpful in giving suggestions.

I believe a small business development center on the reservation will be an advantage and benefit to those Native Americans who desire to start their own business. With an SBDC nearby, anyone can plan to work on starting a business. They will learn the techniques of starting a business as well as how to manage a business. The center will also provide information on available resources. The personnel will be there for consultation. They will provide guidelines for writing a business plan, the implementation and the components of a business; namely, financing, marketing, operations, management and technology. The Native American SBDC could also work closely with the San Juan College Small Business Development Center where they have, in addition, a department specializing in business incubation that help companies grow and succeed.

For these reasons Mr. Chairman I support Congressman Udall's efforts to strengthen the outreach of the SBDC program to more Native Americans. I urge your committee to support Congressman Udall in his efforts.

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