# CRITICAL SMALL BUSINESS ISSUES AFFECTING LONG ISLAND

## FIELD HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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# CRITICAL SMALL BUSINESS ISSUES AFFECTING LONG ISLAND

**THURSDAY, AUGUST 30, 2001**

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

The Committee met, pursuant to call, at 2:00 p.m., at the Government Center, 200 Howell Avenue, Riverhead, New York, Hon. Felix Grucci presiding.

Chairman GRUCCI. I would like to thank everyone for joining us and I would like to thank our hosts here this afternoon, the great town of Riverhead and Supervisor Kozakiewicz and the entire Town Board for allowing us to use this facility to conduct this hearing which makes it easier for everyone to access the federal government in this hearing today.

Good afternoon and welcome to this field hearing of the Committee on Small Business. The hearing will now come to order. On behalf of Congresswoman Sue Kelly and myself, I welcome all witnesses and thank you for your participation in this hearing.

I would also like to particularly thank Ms. Kelly for taking the time to travel to my district from hers, which is in Westchester County. It has been a long and tiring ordeal on the Long Island Expressway on the weekend of Labor Day, but it just shows you her commitment to the small business community and how we can collectively be helpful to the small businesses who have elected to be with us today.

Today's hearing will examine key problems facing Long Island's small businesses and potential assistance or solutions involving the Federal Government. Within the first Congressional district alone small business men and women work in a truly diverse environment, from historic Montauk Point to the beautiful elusive Hamptons, to the scenic intellectual giant of Brookhaven National Laboratory, the educational center at Stony Brook University and the Main Street businesses of Smithtown. With this great diversity comes unique problems for Long Island's small businesses. Our small businesses must balance the effects of seasonal tourism, the significant impact of storms on our coastal businesses, and the high cost of property, along with many other problems. In these slow economic times, small employers need all the help they can get to keep their companies afloat and their employees working. The Federal Government needs to foster the growth of small businesses, not hamper it.

Today we will discuss the local impact and operations of the Small Business Administration programs, such as the Small Busi-

ness Development Center, the SBDC, and the SBA's partners, such as the Service Core of Retired Executives or SCORE, S.C.O.R.E. I look forward to a lively and informative discussion of the issues presented. Again, welcome to this hearing.

Before we get underway, I will turn to my colleague and ask Sue Kelly if she has anything she would like to add.

Mrs. KELLY. I am very happy to be here on Long Island. Actually it is a wonderful place and we had a lot of fun driving out here. We made a lot of Long Island jokes, but it is very interesting to me to be able to be here and be with you.

I am the former Vice Chairman of the Committee. I am also, was for many years, the Chairman of the Regulatory Reform and Paperwork Reduction Subcommittee, and I sit on the Banking Committee as well. I have the chairmanship of the Oversight Committee of Financial Services for the House of Representatives. So the business of being in business is not only of interest to me from that standpoint, but I am the only florist that was ever elected to Congress. I am a small business woman, and my husband and my children are small business, independent business people.

This is a topic very close to my heart and I am delighted that you are all able to be here and join us and I look forward to your testimony and I thank Mr. Grucci for inviting me here today.

Chairman GRUCCI. Thank you, Sue.

Before we start taking our testimony, let me just introduce the panel of distinguished people that are with us here today.

We have Aubrey Rogers, the New York State District Director and Acting Regional Administrator, United States Small Business Administration from New York.

James King, New York State Director of Small Business Development Center, United States Small Business Administration, from Albany.

Judith McEvoy, Director of New York State Small Business Development Center at SUNY, Stony Brook and Supervisor Kozakiewicz here from the Town of Riverhead.

Anthony Aloisio, the Director of Economic Development, the Town of Brookhaven.

Marion Cohn, the Assistant Director of Government Affairs for the Long Island Association.

Roslyn Goldmacher, President and Founder of the Long Island Development Corporation, Plainview, New York.

Judith Shivak, Executive Director of the Greater Smithtown Chamber of Commerce in Smithtown.

Sima Frierman, General Manager, Montauk Inlet Seafood, Montauk, New York.

We will get underway with Aubrey Rogers.

## STATEMENT OF AUBREY ROGERS, NEW YORK STATE DISTRICT DIRECTOR/ACTING REGIONAL ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, NEW YORK, NY

Mr. ROGERS. Members of the committee, my name is Aubrey Rogers and I am the Director the SBA's New York District Office. I am responsible for managing SBA's activities in downstate New York for all 14 counties in the State.

Thank you for inviting me to testify about the assistance that SBA provides for small businesses on Long Island.

SBA is beginning a new era with a new administration in the White House and a new Administrator at the SBA, and his name is Hector Barreto. Administrator Barreto grew up in a small family business and, in fact, ran a business of his own. He understands the problems and the issues that concern small business owners.

The SBA is tasked with helping entrepreneurs start, run and grow small businesses. It does so through a large organization of employees and resource partners who administer several lending and management programs. These programs include financial assistance, counseling and training and access to Federal contracts. SBA's capital access programs are designed to provide financial assistance to a variety of small business types, and to deliver them the agency partners with banks, non-bank lenders, certified development companies, the Long Island Development Corporation and small business investment companies, as well as microloans for intermediate years. The programs include:

Microloans for very small, start-up businesses with loans up to $35,000.

504 loans for the purchase of real estate and equipment, as well as 7(a) general business loans that are used for working capital and general business purposes.

Finally, small business investment company deals where SBIC has invested in small businesses during their growth stages.

Just recently the SBA introduced a new program that's called the New Markets Venture Capital Program that is designed to bring venture capital to low income rural and urban areas. In the first round of applications, seven companies were approved to deliver this program, and in the spring of 2002 another request for proposals will be made.

With respect to counseling and training, SBA delivers this program, again through partners, one of them, the Service Core of Retired Executives. Here on Long Island we have 78 volunteers that deliver that program for Long Island residents, and through the Small Business Development Centers, two of them here on Long Island and one of them is represented here at this panel today.

The Government, the Federal Government buys approximately 200 billion dollars worth of goods and services annually, and SBA is tasked with the responsibility of securing some of those contracts for small businesses. It does so through a Government contracting program where prime and subcontracts are identified for small businesses. It does so as well through the 8(a) business development program, where socially and economically disadvantaged small businessses receive management technical assistance and Government contracts through this program. On Long Island there are 41 certified 8(a) firms.

We also have a small disadvantaged business certification program where companies are certified as "small disadvantaged," in order to make them eligible for special bidding benefits.

Finally there is a program introduced just two years ago, called the HUBZone Empowerment Contracting Certification Program, developed to bring economic development and employment growth in distressed areas. This is a race neutral and gender neutral pro-

gram. To date we have two small businesses on Long Island certified in this program and they are reaching out to expand the outreach. Combined, these programs have had a massive economic impact on the Long Island economy, creating jobs and expanding the local tax base.

With respect to regulations, SBA is also charged with oversight regulatory compliance and, therefore, we have created the office of the National Ombudsman to do that. And a new Administrator of that division has just been named.

Let me close with a word about SBA's award winning Web site, www.sba.gov. This site brings information about SBA into the homes and offices of Long Island businesses, and at the touch of the keyboard, 24 hours a day. It receives about 1.6 million hits per week and is a key component of our outreach efforts.

I want to thank you for inviting me and as both of your offices know, Congressman Grucci and Congresswoman Kelly, we are delighted with the strong support that you have for small businesses in New York State and for your support of the Small Business Administration.

I will be pleased to answer questions.

Chairman GRUCCI. Thank you. As the format is generally conducted, the questions will be asked at the conclusion of the panel's testimony and we will certainly have available some time, I see we have some guests in the audience, if they have any questions as well.

[Mr. Rogers' statement may be found in appendix.]

Chairman GRUCCI. I would just like to take a moment: We will hear from him momentarily, but I would like to acknowledge the presence of Supervisor Kozakiewicz who just joined us at the panel. Thank you once again, personally, for lending us this meeting room. Thank you for letting me sit in your seat and allowing us to conduct this meeting.

Mr. KOZAKIEWICZ. You are welcome.

Chairman GRUCCI. Mr. King.

**STATEMENT OF JAMES KING, NEW YORK STATE DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTERS, U.S. SMALL BUSINESS ADMINISTRATION, ALBANY, NY**

Mr. KING. Thank you, Mr. Grucci and Ms. Kelly. First, I feel like an interloper coming down here to the Island, but I am very pleased with the invitation. Just so you don't feel left out, Ms. Kelly, I was in your district on Tuesday and working with the folks out of Ulster Center.

I would like to point out, it is kind of significant but this might be the first hearing I have ever attended where we had two small business owner families heading up the hearing, and I could also add that only two small business persons would come in from a day like today, off the beach or whatever else was calling, and sit here and pay attention to the issues of small business.

One other thing, before I really get started, I have rather lengthy testimony and I will provide that for the record, but one thing I would like to point out is that last year, I would like to seriously thank the Committee for your efforts in making sure that the SBDC primary core service of business advisement was not forced

to implement fees for our constituents and clients. From my perspective, that would have been a disaster. It would have taken money out of the equity base that many of our smaller clients use to get their businesses started and leveraged with the financial community, and it would have just been the wrong thing to do. So I do want to thank you for your initiatives in stepping forward on that critical issue.

Today we are talking about the issues that confront the Long Island small businesses, and I guess I can go back a few years to—I was around regretfully, well, happy I was around—that many years ago when the soothsayers were pronouncing Long Island's economy dead. We were looking at Grumman and several other large firms leaving the area. The foreign raiders were coming in from other states trying to recruit our businesses away as fast as possible. Thankfully, that did not happen and I think the reason that did not happen was the strength and vitality of the entreprenuerial community here on Long Island and elsewhere in New York.

The change, I think, that is underscored here on the Island, when I looked at the statistics, over 40 percent of Long Island's employment is now provided by firms or in occupations that did not exist ten years ago. Some folks would say that that could be as high as 60 percent. I think that really underscores what I think is the major issue that small businesses are confronting and that is change. The change is increasing ever faster and we try and provide a sector analysis focus on each one of the small business areas. The primary one for us has been manufacturing. Where our manufacturers—in 1998 we had a turnaround for the first time in ten years, that manufacturing employment did not decline in New York State, we actually had an increase. I think that increase is based upon our manufacturers being much more highly sensitive to costs, they're much more productive and they're getting much more investment out into their businesses.

That investment or access to capital and at reasonable rates and terms is often a concern where many small business people fall short, and that's where we spend a lot of time within the SBDC, making sure that small business owners do have proper access to the capital that they need. In that context, I am a very avid supporter of SBA, of the guaranteed programs and some of the programs that have been launched recently, but I really think that we should look to concentrate on even expanding those programs and making them more widely available. There are always many individuals that have good, successful ideas, that cannot get them implemented on a timely basis with the proper amount of capital, because we are confronting some of those loan guarantee limitations, and I don't believe those programs cost the Federal Government; I think they are an investment and they get returned many times over.

One other area of change that I would like to touch upon, and that's an area that, again, the Committee has taken action, and that is with HR203, that's a compliance assistance initiative. Small business people do not have the wherewithal to respond to all the regulatory compliance agencies that are in existence. They don't have experts in OSHA. They don't have experts dealing with the

IRS and some of the intricate rules and regulations there, and definitely they don't have experts that know every chemical and compound that could be declared hazardous today that wasn't declared hazardous yesterday.

My own office, I went out of the way to find someone—we had a person coming in to review my office. We still had some of that liquid whiteout around and I was surprised to hear that that was declared a hazardous material which should no longer be kept in the office.

So we constantly go out in the field. We meet with individuals and I was up in Watertown the other day, met with a small bakery, family owned bakery operation. We worked with them to set up a new facility, expanded to about a 12,000 square foot operation; it's employing about 45 people. OSHA came in and fined him $8,000 because he didn't have his plug outlets covered in an area of the factory that wasn't yet completed. There was no one working there. It was an area that, you know, he had moved in early and he was working on it and he got hit with a fine like that, which was just unbelievable, from the viewpoint that he just moved into a new facility, he was tight on working capital and he received a fine of that nature.

I guess I will wrap up by just saying, I would almost say that the major issue is that small business often times is not a major issue and should be. Maybe that's a reflection of the fact that within the Beltway, SBA is not a major agency, and it should be. We looked at some of the Federal agencies and what we are talking about and often times SBA's budget might be equated to a statistical discrepancy. If we look at how important small business is to the Nation and to Long Island, I think it deserves a lot more.

Chairman GRUCCI. Thank you, I tend to agree with you.

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

Mr. SZYMANSKI. Excuse me everyone. We usually have timing lights, green, yellow, red. I will just wave my hand when you have a minute left and help you track your time.

Chairman GRUCCI. We are trying to keep the opening comments to about five minutes so that we can get to the questions and open up a dialogue because I am sure that people may have questions that they would like to bring forward.

At this time we will go to Ms. McEvoy. It's good to see you again.

**STATEMENT OF JUDITH McEVOY, DIRECTOR OF THE NEW YORK STATE SMALL BUSINESS DEVELOPMENT CENTER, SUNY AT STONY BROOK**

Ms. MCEVOY. My name is Judith McEvoy. I am Director of the New York State Small Business Development Center at the State University of New York at Stony Brook. I think I would like to describe the SBDC to a small extent, but what is very interesting about the SBDC is that we are all located in centers for higher learning and I believe that we are a true partnership of the public, private and both Federal and State Government in servicing small business.

An essential part of the Small Business Development Centers is that we are located in all 50 states. We can talk to each other and offer to our clients at least 23 locations in New York State. Again,

access to the educational community is a very big part of what we do.

We also, because of our affiliation with and administered by the SBA, can help service and retail businesses. There are other economic development agencies; they are looking for value-added business. We are the ones that service the small mom and pop stores and service the retail sector.

The SBDC provides assistance in financial, marketing, and technical matters. What we do is direct one-on-one business advisement. Every client has their own personal business adviser. There is no cost. Again, I thank the Small Business Committee for making sure that fees were not imposed for services. The number of clients who have thanked us for our services, who could not afford, at this point in their establishment, to pay high consulting fees, are hoping that we get them to grow, that we get them to become larger businesses.

Small business on Long Island is 92 percent of all businesses and 75 percent of all the jobs are in the small business sector. It is essential that the no cost services of the SBDC be maintained and available to keep the Island thriving.

The Small Business Development Centers routinely see the types of business that cannot afford the higher priced consultant. Working with our partners, we hope to make these businesses grow.

One of the things that I am proud of, and I am stressing this, is the fact that we are located in centers for higher learning. I have the privilege of being located at the State University at Stony Brook. I tell people many times, in talks that I give, that we see the sublime to the ridiculous coming through. That is absolutely the case; we see the smallest, single entrepreneur to the high tech incubator companies that are being incubated at the State University at Stony Brook. We are a port of entry, if you will, to not only services but those of the strategic partnership for industrial resurgence, and the Long Island Forum For Technology. We utilize every single economic development agency on Long Island if it benefits that client. All of our business advisors know where to send the individual to get the technical services that are available for small businesses.

I am also very proud of the fact that we are located in Southampton, that enables us to service the east end, and of significant interest to this Committee, is the Small Business Development Center located at Brookhaven National Laboratory, the first in the Nation. It is a joint effort of the United States Department of Energy and SBDC. I support the—I will list them very quickly, HR203, which is the National Small Business Regulatory Assistance Act, which is geared for our high tech incubator clients. I also support HR2538, which is the Native American Small Business Act, because Southampton services the Shinnecock Indians. You have another bill, the Vocational and Technical Entrepreneurship Development Act which is important, but more than that, the University utilizes the Small Business Technical Transfer Program which utilizes students, companies incubating on a campus faculty and their association with private businesses.

My other concern from the perspective of what we see, that as banks are merging and becoming bigger and bigger, they are losing

the personal touch with our clients. I cannot tell you how many personnel shifts there have been as each of these banks merge, and I just want to request as banks merge, that small businesses are paid attention to, and that their needs are taken into consideration.

Thank you very much.

Chairman GRUCCI. Thank you, Judy. It looks like I am not paying attention, but I'm trying to do a number of things, so please forgive me if it looked as though I wasn't, but you know me long enough to know that I always pay attention to you.

Ms. MCEVOY. Yes, you do.

Mrs. KELLY. We can hear and read, and we won't talk on our cell phones.

Chairman GRUCCI. That I promise.

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

Chairman GRUCCI. At this time I'd love to hear from our host, Supervisor Bob Kozakiewicz.

**STATEMENT OF ROBERT KOZAKIEWICZ, SUPERVISOR, TOWN OF RIVERHEAD, NY**

Mr. KOZAKIEWICZ. Thank you. Good afternoon, Congressman Grucci and Congresswoman Kelly. I certainly want to first and foremost once again welcome you to the Town of Riverhead, thank you for bringing Washington to Riverhead. We are honored to have members of the House Committee on Small Business here today to visit our town, and I hope that you have a chance to visit some of the small businesses that make this town the great community it is.

We are a small community. We have our roots founded in agriculture and agricultural businesses. We have large shopping districts in three prominent downtown areas, Riverhead, Wading River and Jamesport. The majority of these businesses in the downtown areas throughout our 78 square miles are predominantly small businesses. These businesses are owned by individuals. These businesses are businesses handed down from parent to child.

We are experiencing a growing spirit that will only be enhanced by additional small businessses. To ensure this, we have a very active industrial development agency. We have established or are working to establish, we passed a resolution to establish the East End Office, which will be the home for the Long Island Development Corporation, as well as the Empire State Agency at the former Grumman site in Calverton. In addition to that, I am looking to establish a Riverhead Office of Economic Development to further promote and enhance the opportunities for small businesses to locate within the boundaries of our rural town.

The Town of Riverhead is also collaborating with Stony Brook University and the State of New York to establish an agricultural business incubator at the former Grumman site, to further encourage small businessses to start to grow; this means that the town residents have invested in the future of small businesses. I say this because it is extremely necessary that these agencies have the appropriate funding needed to sustain the individuals who are willing to take these risks to start new businesses and expand existing small businesses. Without your support and without the support of your Committee, the State of New York is limited in what it can

do, as is the County of Suffolk and the Town of Riverhead. Whether we are in an economy that is peaking, stalled or reaching the depths of despair, small businesses have been the life line of American commerce. Your support, continued support for the funding of small business agencies and programs is paramount to the survival of these small businesses into the community here, as well as communities of this great nation.

In closing, as I start to wind down, I do have to take this opportunity to reach out to you and to express to you my sincerest concern that you can address damage that is being incurred in our small business community as we speak, damage that is being sustained because of the skeleton frame, that eye sore, that albatross on West Main Street, which was to be the new and improved United States Postal Office. We in the Town of Riverhead understand that there has been a difference of opinion between the contractor and the Postal Service. We understand the issues surrounding the contractor not meeting schedules and providing an expected quality of work. What we do not understand, and have a difficult time accepting, is the fact that the Postal Service began such an enormous project and abandoned it to the point of causing us serious damage to the beautiful vistas that we have here in the Town of Riverhead and the damage that it has caused, what we are trying to do for our small businesses along West Main Street and our community at large. It is one of our main gateways to the heart of Riverhead Town and it is such an eyesore. It has been forced on the Town of Riverhead and its residents, and I am asking you to do whatever it is in your measures, to take whatever necessary steps you can to help us, to help the Town of Riverhead, to help its residents remediate this problem. I am asking you to please help us with that.

I close, thank you.

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

Chairman GRUCCI. Thank you, Supervisor. You have brought that issue to my attention day one when I became Congressman and I applaud you for your efforts in trying to resolve that issue. We will talk about that more as we get into the question and answer session.

Mr. KOZAKIEWICZ. I do have one additional thing: I have had some photographs that are being developed with a digital camera. May I ask permission that they be made part of the record? I don't have them available at this point, but before we close today.

Chairman GRUCCI. Without objection, they will be made part of the record.

At this time we will turn to my former Director of Economic Development. As most of you here know, I used to be the supervisor of the Town of Brookhaven and Tony Aloisio was the Director of Economic Development, so let's hear from Tony.

## STATEMENT OF ANTHONY ALOISIO, DIRECTOR OF ECONOMIC DEVELOPMENT, TOWN OF BROOKHAVEN, NY

Mr. ALOISIO. Thank you, Congressman Grucci and Congresswoman Kelly. It's nice to have the opportunity to speak to you this morning and to act as an advocate for some of our small businesses

in Brookhaven. I am sure our concerns are similar to what you might experience in other areas of the country.

What I would like to briefly do is highlight a few areas where I think we might have some congressional attention in order to alleviate some of the issues that we are dealing with. The first point I would like to bring up is, you may not think of the dollar figure that I'm going to use usually associated with small business, but Roz, you can correct me, small businesses are usually those with 500 or under employees with the Federal Government.

Often I also act and run an industrial development agency which issues tax exempt bonds, small caps, on behalf of small manufacturers. All of these employees generally fall into what we consider the small business category, 200 or less employees. They really are not large enough to access the corporate bond market, and they are really too large in many cases for traditional bank loans, so industrial revenue bonds are very typically the way they want to go for building 100,000 square foot, 150,000 square foot factories, with building and machinery expenses that will usually be in excess of $10 million, but they very much still fit the small business category.

Since 1979 a cap was put on the amount of individual projects at $10 million per project, and since that date, that number has not been adjusted. So as inflation has occurred over time, we have not been able to assist deals which will have the capital expenditure requirement of over $10 million for a particular new project. So for those larger small businesses—that's the way I like to talk about them—that is really a major issue, and I really speak probably on behalf of most IDA's that that is something that there can be some attention to in the future.

Again, just having some discussions with some of the small businesses in the town recently, a number of issues have come up, and they really come up repeatedly. I know it was just mentioned earlier, some of the regulatory problems as with respect to OSHA and the IRS. You know, I certainly can second those thoughts. A lot of the complaints that I hear will, for example, relate to the IRS's discussion or definition, I guess, of who can be contractors and how they are able to use them effectively. The rules are still somewhat confusing to some of our small businesses and it really does need some attention so that they can be effective in the use of those type of technical skills that an independent contractor can bring.

I might remind you that there was the Small Business Regulatory Enforcement Fairness Act that went into effect a few years ago that essentially was supposed to have the top to bottom review of all agencies that impact small business, and I would just hope that there could be a real commitment to following through on what that law set in practice, and really, because of changes that have occurred in the small business environment, really upgrade or update some of the existing laws.

The other issue that I was little surprised to hear and I actually went into a little bit more research as a result of it, was the interest of our small business community in global trade. One of the statistics that I have become aware of recently, and I think it is up to 67 percent of our businesses with 20 or more employees are

now involved in global trade. That's up eight or nine percent from 1992.

It is really interesting the way some of our companies are really aggressively trying to get into those market areas, but, again there are risks, there is some confusion really working in areas where we do not have any type of trade agreements. I am not only necessarily talking about costs, but issues related to even having the appropriate credit or, in some instances, letters of credit are required for purchases. That really creates a real problem for some small companies, and I guess if there could be some progress in trade agreements between our country and those where there are, it really does benefit the small businesses.

The last point that comes up a lot with some of my companies is, again, transportation and infrastructure issues. A company this morning was just telling me about their concern that the Port of New York has to be dredged because they get a lot of their goods and services through that particular port. Roads, infrastructure connections, trucking to that is very important and there is a concern that we are falling behind in infrastructure, and that, of course, is really the lifeblood of feeding the east end of Long Island for goods and services.

I will just close with that.

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

Chairman GRUCCI. Thank you, Tony. Your information is right on the money and very current in the things that are happening and we will talk about TPA trading, the promotion authority in a moment, but I think that will hit on a lot of issues that you just talked about.

At this time we will hear from Marion Cohn.

**STATEMENT OF MARION COHN, ASSISTANT DIRECTOR OF GOVERNMENT AFFAIRS, LONG ISLAND ASSOCIATION, COMMACK, NY**

Ms. COHN. For the record, the Long Island Association is not a recipient of any Government grants.

Good afternoon. My name is Marion Cohn and I am the Assistant Director of Government Affairs for Long Island Association. I am here substituting today for Mitchell Pally, the Vice President of Government Affairs at the LIA, who is taking his second daughter to college today.

The Long Island Association is the region's largest business and civic organization with over 5,500 members, over 5,000 of which could be considered small businessses. We are very pleased and honored to be able to testify here today regarding the needs of Long Island small business community.

Many of the other speakers on today's hearing list will discuss specific aspects of the needs of small businesses, including financing and capital needs. The ability of our small businesses to move an idea or a product from inception to the marketplace is one of the most important areas where the Federal Government can effect change. From our Small Business Development Centers to our Small Business Administration regional offices, these agencies attempt to provide small businesses with the financing necessary to make their ideas a success and reality. I will defer to the other wit-

nesses here today to discuss the specifics of these entities and how we can make them better for our companies.

In addition to these small business issues, these companies are faced with many of the same needs as our larger companies on Long Island, namely, the need for highly skilled workers. The need for such educated workers cuts across all segments of the Long Island economy, from our service sector to our expanding high technology sector. This need is all the more important, given the issues which evolve from it, including the ability of Long Island to provide affordable housing for our young people just coming out of college, young people who have just the skills necessary for our Long Island companies. If Long Island cannot provide such affordable housing to this segment of the population, these young people will not stay here, nor will they come back here, regardless of the desires of their families. Not every mom or dad wants their grown-up son or daughter living in the basement, and not every son or daughter wants to live in mom and dad's basement.

It is essential for Long Island to provide appropriate housing opportunities for this segment of the population. It is for this reason that the Long Island Association has attempted to work with our municipalities to fashion a program to build affordable rental housing for our young people. Long Island has fewer rental units than any other comparable region in the United States. This is the type of housing that our young people want and this is the type of housing which is in such short supply on Long Island.

The Long Island Association is working with the towns of Brookhaven and Islip and Suffolk County to find sites on which such housing can be built. In fact, they are attempting to find just such a site in a downtown area where density can be increased, so that we can attempt to find two solutions: One for such housing and one for the redevelopment of the downtown area. Funding from the Federal and State housing agencies is going to be necessary for this to work, because these rents must be kept below market rates to be affordable for our young college graduates. If we can keep these college graduates here on Long Island, then the expansion of our small businesses can be possible, but without these prospective workers, it is going to be very difficult for our small businesses to expand.

In summation, the Long Island Association remains committed to working with our elected officials at all levels to assure that the atmosphere of success is available on Long Island to allow small businesses to succeed. We remain committed to providing affordable housing for our young people, reasonable energy costs for us all, finding the highly trained workers necessary, providing the financing for the development of new ideas, and providing affordable and accessible health insurance for all. We thank you very much for this opportunity.

Chairman GRUCCI. Thank you. We appreciate your comments.

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

Chairman GRUCCI. Roz how have you been? Good to see you again. The last time I think we were together we were doing a radio show.

Please, the floor is yours.

**STATEMENT OF ROSLYN GOLDMACHER, PRESIDENT/FOUNDER, LONG ISLAND DEVELOPMENT CORPORATION, PLAINVIEW, NY**

Ms. GOLDMACHER. Good afternoon. I am Roslyn Goldmacher, the President and CEO and Founder of the Long Island Development Corporation, which is a 20-year-old regional economic development organization here on Long Island, serving the small business community. Our membership represents the economic development community of Long Island, including banks, businesses and Government. We provide 15 different financing and technical assistance programs for small businessses in Nassau and Suffolk Counties. Over the years, Long Island Development Corporation has made some $450 million in loans to small Long Island companies and helped small Long Island business obtain and perform on $426 million in Government contracts.

We operate the SBA's 504 Certified Development Company program for Long Island, as well as the Department of Defense Procurement Technical Assistance Center for Long Island.

We also operate a targeted industry loan fund aiding defense dependent manufacturers, commercial fishermen and targeted industries under a program of the Economic Development Administration.

There are two issues I would like to address today: One of them is access to capital for small businessses, particularly for minority and women-owned businesses and businesses located in blighted areas. Lack of adequate access to such capital on affordable terms was an issue when LIDC was founded 20 years ago, and it is still an issue today.

The solutions that I would like to propose are policies which will increase such capital for small businesses. For example, increased reliance on Government guarantee programs, such as the SBA 504 program, rather than direct loan programs. It is quite clear from the historical numbers that Government guarantee programs are less costly to the Government than direct programs.

Federal agencies, such as the Small Business Administration, should increase their reliance on private sector, community based partners, such as the certified development companies like LIDC; such as the Small Business Development Centers, et cetera, to deliver financing products. It is less costly to the Government, more efficient, in terms of delivery, and less reliance on limited Government resources, including declining agency staffs. There is also a better knowledge of community needs by the local community partners.

Another way to increase capital for small businesses is to ask that agencies, such as the Small Business Administration, monitor regulations regarding the lending programs, to make sure that they encourage lending rather than discourage it, and that they have enough risk tolerance to permit lending to these targeted communities, particularly during times of recession.

Increasing incentives for lenders is another way that the Federal Government can help increase access to capital for small business. Both bank and non-bank institutions do better when they are provided with incentives rather than mandates. Incentives to make such loans, such as tax credits, giving the lending institution the

ability to expand in exchange for a good record of such lending, these are the ways to get these lenders to get more money out into the small business community.

In addition to access to capital, an issue of importance to Long Island small businesses is high tech. Our economy out here does revolve around high technology. These type industries which Long Island has and continues to foster in the wake of the defense downsizing. Such industries as biotech, pharmaceutical, high-end electronics, software development, biomedical instrumentation. Increasingly such companies are proliferating here on Long Island and we need to support the development of these industries because they provide high paying sustainable wages, they do not negatively impact on fragile physical environment, and they can coexist with our high land costs, high utility costs and labor costs.

It is requested that the Small Business Committee continue to monitor Federal legislation, regulation and funding to encourage high tech businesses with direct funding for research and development, funding and technical support for those industries whose technology can be used by the Federal Government as well as the commercial sector, and by monitoring Federal regulations to make sure that they encourage the growth of such companies, not restrict them with over burdensome reporting and other requirements, particularly in early stages of growth. Finally, that the Federal Government create a tax structure which encourages investment in these types of companies, their capital assets and their growth.

The Long Island Development Corporation is proud to serve the small businesses of Long Island, our affiliate, LISBAC, the Long Island Small Business Assistance Corp., makes mini micro loans to women-owned businesses and we were the first, and to my knowledge still the only community development financial institution in the nation certified by the U.S. Treasury to provide services to women-owned businesses. Together we hope to continue serving the small business community of Long Island with your support.

Thank you very much.

Chairman GRUCCI. Thank you, Roz.

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

**STATEMENT OF JUDITH SHIVAK, EXECUTIVE DIRECTOR, GREATER SMITHTOWN CHAMBER OF COMMERCE, SMITHTOWN, NY**

Ms. SHIVAK. Good afternoon, Congresswoman Kelly and Congressman Grucci. I would like to thank you for inviting me to be part of this panel.

I am the Executive Director of the Greater Smithtown Chamber of Commerce, which as of this week had 310 members. This week actually the Long Island Business News had a listing of all the Chambers of Commerce in Nassau and Suffolk County by order, and we are the sixth largest Chamber in Nassau and Suffolk County.

I also speak as the Corresponding Secretary of the newly created Suffolk Coalition of Chambers, which represents chambers of commerce from Suffolk County, from Montauk to Huntington. Chambers of Commerce are the front door to the business community. We represent professional men, women, merchants, property own-

ers, wholesalers, servicemen, manufacturers and financial institutions in the communities where we are located. In other words, we represent businesses from as little as one person up to 500.

We act as the informational center for visitors and for businesses seeking a new location, and we answer thousands of inquiries by phone, by fax and even now by the Internet. We represent, according to 1999 statistics, 38,000 of the 42,000 small businesses in Suffolk County, and the definition of that was less than 20 people employed, and a good percentage of that is even less than five.

The panel today is intended to focus on critical business issues, and I am speaking as someone who represents, quote, "mom and pop," the people on Main Street. One of the major issues facing them and all levels of the small business community is the continuing struggle to find competent and skilled workers to fill their business needs. This goes across all sectors, from the hourly wage earners to the highly skilled employees.

I questioned a sampling of the local merchants in both my town and several of the other Chambers on every retail level, and the issue that was most often raised was the ongoing shortage of qualified candidates for employment. Almost every store in our town area has a "Help Wanted" sign in the window. They are constantly asking Chambers how can we help them.

The latest unemployment figure for Suffolk County was 3.8 percent as of the end of July, almost the same as last year at this time. This is in comparison to the national unemployment rate figure, the 4.5 percent for the rest of the country, 4.5 for New York State and 5.3 for New York City. In other words, any resident of Suffolk County who wishes to find employment has a 96.2 chance of finding the employment, if he can get there.

What are the reasons for this continued lack of employees? Can it be tied to the fact that Suffolk County has one of the highest costs of living for the entire Nation? Does it have to do with the lack of adequate public transportation to get those willing to work to the places which have the jobs to offer, especially if you are not just going east or west but north and south. Is it the lack of affordable housing or is it a combination of all three.

I would like to ask this Committee to work with the small business community and other organizations which were alluded to on this panel to find these answers.

The downtown area of Smithtown has a unique problem of its own. Its main street is actually two main State roads which go through it. The Department of Transportation wants you to go from A to B as fast as you can. We want people to, quote, "stop and shop."

One of the problems that we have is the need for adequate parking and traffic mediation. I am happy to say that under the auspices of the last Congress, June of 1998 an IST grant, now known as T–221, Smithtown did receive a grant of one million dollars, which will be used now to mitigate traffic and provide parking. This was passed in 1998, it is now almost September of 2001, and we hope—we are saying "hope"—to have a shovel in the ground maybe by October.

I think one of the problems has always been when a grant is given, it takes so many years and so many different levels of Gov-

ernment to get this augmented, and this makes long-range planning very difficult. I would like to see a shortening of the time of actually helping with this. In other words, I would like help from this Congress to help the small businesses in any way they can.

Thank you.

Chairman GRUCCI. Judy, thank you for your testimony.

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

Chairman GRUCCI. Our last panelist who will be speaking, I have had the pleasure of visiting her operation out in Montauk. I was quite impressed with what I saw. You always hear about the east end fishing industry, how important it is, and we all recognize that, but to actually see the process, it was very impressive and I thank you for giving me the opportunity to do that.

You expressed some concerns at that particular time and I think it was important to bring you here so you can put it on the record so that we can continue to try to help our fishing industry, not just here but along the eastern seaboard, as you pointed out.

**STATEMENT OF SIMA FREIERMAN, GENERAL MANAGER, MONTAUK INLET SEAFOOD, MONTAUK, NY**

Ms. FREIERMAN. Thank you, Congressman Grucci and Congresswoman Kelly. It is really an honor in this company for commercial fishing to have been chosen as the small businesses to represent the front line of folks in the trenches, and it is certainly appropriate to be recognized by the Small Business Committee since the over 6,000 floating small businesses that make up New York's commercial fishing industry are under the direct auspices, by an act of Congress, of the Department of Commerce.

I have a little sense of deja vu sitting here. About 15 years ago, in the County of Alachua, Florida, I sat on the board of the Gainesville Area Innovation Network—the acronym, of course, was GAIN. From my office in a glass building, I put together a coalition of State, County, academic, City, venture capital and small business entities to start up and support a high tech business incubator at Florida Power's Innovation Center. It was sexy and exciting and we added the 80 percent of job creation, just like the Baker report said we would.

Now today, as the Congressman mentioned, my office sits at the end of a long dock in Montauk, and when the big trawlers come in with their catch, they bump it and my office sways a little bit. For excitement this week I went in at 5 a.m. one morning to show solidarity with my totally Hispanic crew, because one of the trawlers wanted to squeeze in one more trip before the market closed for the holiday weekend. If you want sexy, you should see the baby bald eagle that hunts from dock piling about 20 feet from my computer.

It is good to be back in the field of economic development, only this time I am trying not to create jobs so much as I am trying to save some jobs. The commercial fishing industry contributed $150 million to New York State's economy in 1999 and $3.6 billion to the national economy. We helped feed 280 million people about 15 pounds of fresh, canned and cured seafood each. The Long Island region employs over 10,000 individuals in commercial fishing and its support industries. I am employed by six middle aged small

businessmen who have had the same job since they were teenagers. They have all been relatively successful so far, but some of them will be out of business within the next ten years. They will be out of business like the Boston Harbor fleet. It used to number over 100 boats right there in Boston Harbor; after years of increasingly restrictive regulations, about 75 percent of the fleet sold out to a Government buy-back program in the '90s. They will be out of business because there is now talk of legalizing individual, transferable quotas that would be issued based on historic catch, and some them, simply don't keep those kind of records. I am not talking about tax evasion or altering records of what was caught. I am talking about fishermen filing scraps of paper and handwritten logs in the proper way over many years. I am terribly sorry, but if I had to produce my paycheck stubs from 1985 to 1995, I would also be out of business. Those who did keep the records may eventually have to sell out if too much quota goes to large corporate operations who will make it financially difficult for small independents to operate.

Some of my employers will be out of business because they are losing heart. My most successful employer has his 22 year old son on the boat. He doesn't want to be a lawyer. He doesn't want to manage a dock. He doesn't want to be a congressman. This boy wants to fish, and every third night the two of them come in angry and depressed and talk about crimes against nature because they had to throw over 4,000 pounds of fish to land the 30 to 60 pounds they are allowed to keep. I am not talking about juvenile fish, I am not talking about a rare stock, I am talking about 14, 16, and 18 inch fish that had spawned three times and are too thick to stay away from. We have to throw them over because of poor science and mismanagement of the fishery industry.

What small business woe would you like to add to the picture? How about the impossibility of finding crews who can afford to live on the east end of Long Island? How about geographic power coalitions that form so that New Jersey processors stop buying Shinnecock quahogs and that fleet disappears or converts?

The same kind of political muscle results in opening season trip limits—that's in January, when all the fish are in southern waters, that are four times the trip limits allowed in the winter when the fish are in New York waters.

I sit on the fishing committee for the Town of East Hampton's comprehensive plan. We distributed a quick survey to the commercial and recreational fishermen, and we asked them to name the problem that most bothers them. Everyone said "regulations." The very language of fisheries management is stilted, and I am going to read quickly from the testimony of Bill Grimm, a fisherman who couldn't be here because he is taking his daughter to college.

The language of the Magnuson Stevens Fisheries and Conservation Management Act and the Sustainable Fisheries Act referred to any and all fishery stock depletion as overfished. That is, if an oil spill results in a fish kill, if an overabundant seal population eats most of the juveniles of a particular stock, if development destroys the spawning habit of a stock and causes it to decline, these stocks are called overfished. The Sustainable Fisheries Act set standards for the level of fish population that cannot be and have never been

attained in nature. Basically, it calls for all stocks to exist at their maximum level all at once. That's like saying that foxes and rabbits should exist at the highest level they have ever achieved, all at the same time.

Mr. Grimm is one of my employers who owns two 90-foot trawlers. Last spring I persuaded his most productive captain to forego a high priced season and do side-by-side comparisons with the Government's research vessel *Albatross.* I stress that the purpose of this research was not to compete with the Government. They have a multi-year time line and it is important that they don't change their methodology, but the fact is they were catching an average of two fish per tow of a certain species, while the commercial vessel caught an average of 110 fish per tow. And when I sat with the Government scientists earlier this month, because they are finally ready to release this data, they actually suggested that the fishing vessel change its gear to reduce professional catchability so that the figures would be more comparable. I am happy to report that we were able to convince them that there might be value in the data to be gained from the commercial boat.

One more example of regulatory language: Managers are beginning to focus on what's being called "essential fish habitat." In reading the definition of that term, one comes to realize that the whole ocean is, of course, essential fish habitat. The next step, according to the National Marine Fishery Service is to identify potential adverse effects and potential habitat degradation. Fisherman have been interacting with that habitat for hundreds of years. Whatever they are doing, it hasn't prevented certain areas from being rich fishing grounds for centuries and centuries. Could it be that they're really the original conservationists? Is there some reason regulatory language doesn't try to identify potential beneficial effects or habitat enhancement?

I will stand here with my education and do quite well splitting semantic hairs with fishing management counselors, but please don't ask the small business fisherman to do that. When you are all at the beach this weekend, if you can see past the charter boats, take a look at their world. When a fisherman wants to go from Point A to Point B, he aims his boat and he goes there. And on the back of my written testimony you will find a chart on the fisheries management structure, and you will see there is no Point A and there is no point B. Not only do management and industry for commercial fisheries work for different companies, sometimes they don't even agree on the product.

Thank you, sir.

Chairman GRUCCI. I appreciate your testimony. As always, you were very articulate about it.

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

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

Chairman GRUCCI. The process now is that we will ask a series of questions and then we will open it up to see if anyone else in the audience may have questions they would like to ask of us or the panel.

Out of consideration and thanks to Congresswoman Kelly for making this trip down today, I will turn the questioning over to you.

Mrs. KELLY. Thank you very much.

Sima, I do not have a written copy of your testimony, I would appreciate having that simply because I have an interest. I have a boat and I am in the waters, I see the fishermen.

Thank you, very much. Is the map there too? Thank you.

I want to go to Aubrey Rogers. Mr. Rogers, you and I have talked with each other over the course of a good many years; I want to know what you have done recently to help Long Island with the 7(a), 8(a) to help the 41 certified businesses get Government contracts. Have you interacted recently with people out there to get them contracts?

Mr. ROGERS. The contracts that we are talking about are Federal contracts with Federal agencies. They can come from local Federal agencies or Federal agencies located outside of the state.

Mrs. KELLY. I understand that, Mr. Rogers. I am asking what you, as the head of the SBA in the New York State region have done to try to help the businesses out here on Long Island? You said in your testimony there are 41 certified 8(a) firms, for instance.

Mr. ROGERS. That is correct.

Mrs. KELLY. But if I read your testimony correctly, there are only seven of those firms who actually have a contract. It's a long process to get certified. It is a hard process to get certified.

Mr. ROGERS. That's true. We have a number of contractors, 8(a) contractors, that graduated from a program that indeed received lots of money and lots of contracts from our program over the years. In the past two years we have been trying to replace those contractors with a new group of contractors, so more than half of the 41 that are now in the program came into the program in the last two years.

We have staff who reach out to Federal agencies to market the skills and products of the companies that are now in the program. They are also training the companies on how to negotiate the Federal process so that they, in turn, will be able to access the contracts on their own.

Mrs. KELLY. Two years, Mr. Rogers, for a small business person is an eternity. A small business person needs to get in, once they go through that process of being certified, they need to get contracts or the process of certification is useless. I would like to encourage you to do everything you can from your position to try to help the small businesses.

I drove through town here in Riverhead and found a fair number of empty store fronts. There are probably small businesses who could use some guidance. You have a whole group of people sitting at this table who have the ability to help you. Having met them, I hope you will take their advice and I hope you will work with them——

Mr. ROGERS. Absolutely.

Mrs. KELLY [continuing]. And emerge from a mere seven. Let's try to get all 41 some kind of a contract.

Mr. ROGERS. Yes.

Mrs. KELLY. That takes me to you, Roz I understand that part of what you said you did here was work with the Department of Defense. Under the Federal Government guidelines, the guidelines

are that women and minority owned businesses should have five percent of all the contracts that are let by the U.S. Government; what have you done, is my question, to help the DOD make that goal? Because I know they are currently not at that goal.

Ms. GOLDMACHER. As a procurement technical assistance center licensed by the DOD, we do have that five percent goal within our mandate. I am proud to say that here on Long Island we exceed that goal. That's not the case nationwide, however.

One of the specific suggestions I would have to help that goal be achieved nationwide, as well as also help the 8(a) certified companies is a closer working relationship between the Department of Defense procurement centers and the SBA. Here on Long Island we do work together. We work with Mr. Rogers' local representatives. Any time there is a workshop regarding Federal contracting, our procurement center is invited to participate. We try to work with the 8(a) companies to search for specific contracts, but nationwide there is no formal means of communication linkage.

For example, in the recent past there was a whole system set up for certification of small disadvantaged business by private certifiers. That's now discontinued, but when that first came up one of the first things I asked Congress to do is let's let the PTAP nationwide do it. You have a whole system out there that can do this and do it for free, instead of charging fairly large sums to these small businesses, but there was no mechanism set up to link the programs. That's something that perhaps the Committee could work on, is to establish a more formal means of communication between the PTAP Center program and the SBA 8(a) program and procurement divisions so that they can work together for the benefit of these companies.

Mrs. KELLY. Thank you very much.

I have a couple of other questions. We have a couple of supervisors here. One of the things that I think several of you brought up, Roz you did and both supervisors indicated something about this. I don't know how many of you are aware that I got through Congress a bill called the Truth in Regulating Act. This is a bill that was signed into law. Unfortunately I haven't been able to get the funding from the Committee, this Committee or other committees or anybody else in Congress, to get funding there. It sets up a separate office in the General Accounting Office that would take a look at all of the rules and regulations that affect small businesses. It would look at them for redundancy, for overlap; it would also look at them from a cost benefit analysis.

There is a great deal of need for this to happen, just as you pointed out, because people don't talk to each other. Both of our supervisors indicated that they felt that there were things that could be, perhaps, I think could have been addressed had this office been funded this year, since it was signed into law last year. Since all of you have something to do with small businesses and this has a direct impact on how small businessses are really affected by what the Federal Government does, it is something I hope that you will, perhaps, talk to your representative and others to help me get some help to get this thing funded.

I do think that according to some of the testimony that I heard, we have an opportunity through this office to prevent small busi-

nesses from having to file numerous pieces of paper. Sima, you talked about your fishermen; if they were able to file once or twice a year with a particular type of thing—I know because I am in small business, my husband is in small business, we are a family of entrepreneurial small business people—we get the weirdest kind of questions from agencies that we didn't think had any control over anything that we did. They invade the privacy of people who work for us, some of them do.

I think that there is a strong need for all of us to work together to try to stop that kind of thing from happening so that you can focus on making money, which is what small business is all about.

I have a couple of other questions. I was writing notes as we went along.

This is, Judy, you talked about the cost of living, the lack of transportation, the lack of housing and the problem with tax incentives. I would ask our supervisors what their approach is, because a lot of this can be handled on a regional level. Are the two of you working together to try to approach some of this, and do you offer tax incentives to small businesses to locate in your towns?

Mr. KOZAKIEWICZ. We do have an Empire Zone created in the Town of Riverhead which does provide tax incentives. We also work closely with the Industrial Development Agency to provide tax incentives for location to the Town of Riverhead. So, yes, there are opportunities that are provided. This does not mean that we should stop looking for other means and other mechanisms to make it work and we will continue to do that.

Mrs. KELLY. Tony, do you want to speak as the representative here?

Mr. ALOISIO. We do have a couple of different programs: in fact, one on a County basis called the Suffolk County Incentive Program, where we have taken downtown areas, special industrial areas, and offered real estate property exemptions to geographic areas, mainly taking in small business.

Of course, our industrial development agencies were able to offer property tax exemptions to small businesses that create jobs. In fact, I would say, I don't know, Roz maybe we have done 15 or 20 projects just in the Town of Brookhaven, which used a combination of an SBA financing, subordinate financing, and an IDA lease, in order to provide relief fund on real estate taxes and sales tax exemptions. So there is a pretty good network of those programs.

Mrs. KELLY. Judy, you seem to want to add something?

Ms. SHIVAK. Because each town is separate and apart and you have, what, five towns—ten towns in Suffolk County, and not all of them are together. I'm not saying "yes" or "no," but everybody's town is independent and that's why we are looking beyond the town level.

Mrs. KELLY. You are trying to look at the regional level.

Ms. SHIVAK. Regional.

Mrs. KELLY. I just want to ask one more question and that is indicative of my concern, again, to start small businessses, to get them moving, and that is: What is the availability of access to capital here on Long Island? It is not terribly good in some areas of the country. What is it here? I am going to throw that question out to anybody, anybody who wants to answer that.

Ms. GOLDMACHER. I will be happy to because I deal with that all the time.

It is probably better here than it is in many areas of the country simply because we have so many banks and non-bank institutions. Also, over the last few years, many of the banks have finally come to realize that the small businesses, truly small businesses, are their only remaining area of profit; that small business lending can be profitable and that small businesses eventually become big, because there aren't that many mega-businesses left, so they have to concentrate somewhere. Since Long Island is mainly made up of small business, we see many more small business products coming out from the traditional lending institutions. But there still is a lack of access.

When I say a lack of access, I am not talking about the person who has a great idea and nothing else. If someone walks into my office with a wonderful idea, the first thing I say to them is: Do you have a business plan? Have you seen the Small Business Development Center? And, do you have some equity to put into this? And it really amazes me how often people will say to me, "Well, no, I have no money to put into this, I want you to give me 100 percent or lend me 100 percent." Even if we get past that and we can find some equity, then the next thing is, "Well, for the loan that I am going to make to you, how can you scrutinize this loan? What kind of collateral can you give me? Sometimes we may even have to look to the person's house. "Oh, no, I don't want to give my house for collateral for a loan." My response to that is always, "As a lender you are asking me to put my dollars at risk, you are the one who is going to benefit economically from this and you don't want to put yourself at risk and you don't have enough faith in your company?"

I think what that all points out to is we need more technical assistance at the start-up level. LISBAC, for example, Long Island Small Business Assistance Corporation, which is a CDFI under Treasury, was formed specifically to meet that need. We don't just make loans to small businesses, to women-owned businesses. Very intensive, free technical assistance is provided to each of those applicants, along with the series of seminars.

Our targeted industry program, under the EDA, even though those are slightly larger businesses, that also combines technical assistance. I am very happy to say that Mr. Grimm was one of our recipients under the Commercial Fisheries Program, and there we said, "Okay, you need a bigger chiller system for your boat so that you can go out further, catch fish that needs to be refrigerated, but we are not just going to make you a loan." Cornell Cooperative Extension came in and provided the technical assistance to go with it.

So that technical component is an important piece of the access to capital. Just throwing money at people doesn't do any good if the technical assistance and the support isn't there at the start-up stages.

Mrs. KELLY. It sounds to me like we are lucky to have you here.

Judy, again?

Ms. MCEVOY. In the past year we have helped our clients, that's over $21 million, and that is a result of the business plan; if they

are willing to do the work that we assign them and work through the process, there is capital available to them, but many times, as Roz said, we get the person who comes in and they say, "Does the money truck pull up at 3:00, I came here just to get the money bag," and when we say, "Well, you have some work to do," those that absolutely do the work, they have a very good shot.

Ms. FREIERMAN. In further praise of Roz here, not only the technical assistance, but something that they do that I find very important, and the dock is also a client of the LIDC is, they went, they showed up, they had a representative at the fisherman's forum, where there were working people who never have time to think about. They had a representative there. It was that kind of outreach going on. They said, "Here is who we are and here is how we can help you."

Mr. ROGERS. We agree with Roz that indeed technical assistance is necessary. SBA financial assistance programs, have grown tremendously over the last few years. Indeed, as we speak today, this is the only area in the entire district where the lending will surpass last year's levels because lending has dropped off in general.

Mrs. KELLY. I feel it in my district, Mr. Rogers.

Mr. ROGERS. Just a little bit, I keep an eye on it.

The importance of the technical assistance cannot be over stressed, because we know when borrowers see the Small Business Development Center and other technical assistance providers first, they will do much better with the lender and they'll do much better when they get the loan.

I would also add that we recently introduced the microloan program on Long Island, and the micro-lender here won the award as being the top micro-lender in our district last year, as a result of the work they are doing.

Ms. SHIVAK. I just wanted to say that that's what the roles of the chambers of commerce are. We get many calls from start-up companies, especially someone who is starting up in their home, and we tell them to call Roz and Judy and the other agencies. We are the front door. We give them that assistance, whether it's from low-cost marketing or how to develop, where do they go?

Ms. GOLDMACHER. I would like to just ask for one specific issue of relief.

On the SBA 504 program, as you know, it receives zero appropriations. The subsidy issues are addressed by fees to borrowers and to the lenders, and the subsidy rate is determined by a model that OMB manages. Currently OMB is looking at the model, the subsidy model for the 504 program, looking at providing for a shorter look-back period; doing that would substantially reduce the fees to our borrowers and our participating lenders, and it makes the capital more cost effective and more available for more small businesses. So I would urge the Committee to continue monitoring OMB and make sure that they look closely at the subsidy models in the 504 program, as well as the 7(a), in order to reduce the fees, particularly for our borrowers under the program.

Mrs. KELLY. Thank you very much.

Mr. KING. In your question about the access to capital, I think probably for a lot of years I was concerned because money, as a commodity, was flowing out of New York in huge bundles, financ-

ing development all across the country and world wide, but I have been pleasantly surprised since about the late 1990s, a lot of our own financial institutions have come to the recognition that there are some excellent solid investments here locally. It is amazing to me for them to realize so late in the game that they can make a profit lending to small business. They had always approached it as the necessary evil under CRA or something. I think they are awakening to that. Now they are much more proactive with our own organization in going out and asking us to work with them to improve the borrowers' access to them.

Mrs. KELLY. Mr. King, are you helping people like Roz move people from 7(a) to a 504 and then out on their own? Mr. Rogers, are you two working with Mr. King in helping Roz do this kind of thing so we can get these businesses up and out?

Mr. KING. We are in the unusual position that our golden rule is we do whatever is right for the client, and if the 504 program is charging a substantial fee and that fee is very difficult for the client to handle up front, then it is not a good buy for the client.

In terms of some of the guarantee fees, the committee, I think, forced them down recently because they were making a profit. I don't think that's what it should be doing. So that we just look at what is the best financial decision for the client, and if that means going outside of the guarantee, that's probably a good thing, but I think they would improve their term, they would improve their access, and possibly the time line contract if some of these fees were not so oppressive. I think they are oppressive.

Chairman GRUCCI. If I can just interject for a moment, we are going to move on, because I did promise if there were any questions from the audience, and I do want to get to them before our time expires.

I would just like to ask a few questions myself, before taking questions from those who came to visit us today.

Mr. Rogers, I would also like to ask you a few questions, if I may: Obviously, as having a strong voice in Washington and being a voice here in New York, you have a lot of influence over this program, the SBA program. One of the things that I find somewhat confusing, maybe you can help me understand it, is the lack of attention that I believe Long Island has been getting from the monies that are being sent from Washington to New York. It is roughly $600 million that comes into the State of New York for SBA programs. Long Island gets about $14 million of that, but we have about one-third of the population of the State of New York. Simple math would say that we should be looking at about $200 million worth of SBA involvement here on Long Island, which might ease up a lot of the trauma of trying to find access to capital.

Could you explain why Long Island doesn't see more of that roughly $600 million that is coming here?

Mr. ROGERS. I am not sure about the $600 million, Congressman, but if the $14 million pertains to the SBIC financing——

Chairman GRUCCI. The number of $600 million, it's actually $592 million from your testimony, page 3 of your testimony.

Mr. ROGERS. The Small Business Investment Company deals are based on the applications of small businessses for that money, so that, for example, in Manhattan, where there are close to, I believe,

72 Small Business Investment Companies, they tend to get many more applications than applications in other parts of the district. For example, in the mid Hudson Valley, we get very, very few applications for Small Business Investment Company money, even though the programs are advertised across the district equally. The $600 million is the figure for New York State.

Chairman GRUCCI. That's correct. That's what I said. I said the number for New York State is roughly $600 million that comes in; we see here on Long Island about $14 million out of that $600 million, yet we account for about one-third of the population for the State of New York. It would just seem to me that that number of 14 million should be considerably more.

Mr. ROGERS. From these numbers it appears as though these deals are much smaller deals. I would have to look at this much closer to see why the number is so very small.

Chairman GRUCCI. I would certainly like to hear the response to that.

Mr. ROGERS. We will present that to you.

Chairman GRUCCI. Thank you.

Judy, we have been together for a long time on a lot of the projects; working as a former supervisor of the town, I recognize the hard work that you have done. Just to stay in focus to what today was about, today was about to find out how the Federal Government, through its SBA programs, could be helpful to small businesses. Could you tell us what the single most crucial issue is that you see that's a problem with our programs and how our programs can be better tuned or revamped to help the small businesses that you see coming through your front door?

Ms. MCEVOY. I think one of the things is—I'm out there all the time, as you know—we get so many people who say to us, "I didn't know about your program." One of the things that we try and do is to connect them with some of the other Government programs. I don't know why there is this lack of knowledge or this lack of access to the things that we do, but I can't tell you how many times people say to me, "I wish I knew you were here five years ago." "I wish someone had told me that you were here."

So we are trying very hard, all of us here, to connect to each other, to provide the services that we provide, but I really think that the Government is really doing a lot. In my shop alone I have the Deta Delta advisor who is the defense diversification. We have worked with the New York State Department of Labor to provide self-employment opportunities for people who are getting unemployment. There is a tremendous amount of programs out there, but the problem is that people don't seem to be finding out about them. I laugh because I say—someone just came in to me recently and said, "I wish I knew you had been here." I said, "I can't be out any more than I am." I don't know whether there should be an advertising type of promotion, but that's what I get all the time.

I want to add, I was asked specifically to provide some individual stories. I have included about 14 success stories here, so you can see the type of individual that comes in, but I would say that the access to the information that we are out there, that we have these programs, and that we are more than willing to help.

Chairman GRUCCI. Anything that you might be able to provide us as a means to be more helpful to making your programs successful, making your endeavors successful through our programs, we would welcome that on the Committee, because that's what our function is. Our function is to help the small businesses through the SBA programs and there's no better person to tell us if we are succeeding or failing than those on the front line.

Ms. MCEVOY. I would be happy to.

Ms. Kelly, one of the things that I have found interesting, in terms of your questioning about the 8(a)'s, I have a business advisor on the grounds of the Brookhaven National Labs, and one of the goals of that individual is to get more of the minority businesses and women-owned businesses involved. We just recently did a workshop within the last two weeks to advise the purchasing agents there who now have credit cards that they purchase, on how they can use the Internet to look for some of these 8(a) companies, you know, the minority companies, when they do their purchasing with credit cards, and we will run that workshop again.

Mrs. KELLY. It's a Federal mandate that the Federal Government should purchase at the level of 5 percent. Of course, nationally they are not.

Ms. MCEVOY. Right.

We need to get to those purchasing agents, which we have started to do at Brookhaven National Labs. They have their own credit cards that they can purchase with. They have to be advised of the minority 8(a) companies, and we are in the process of doing that; so there are programs where we are working on that.

Chairman GRUCCI. Thank you, Judy.

Roz, let me ask you that same question: How can we better help you? What is it that we can do?

Ms. GOLDMACHER. One specific example, you mentioned venture capital before in terms of the small business investment companies. I have to say that Aubrey and his representatives were extremely helpful to us several years ago when a bunch of us certified development companies, ten of us around the country, got together and we saw a need for that next level of capital for our 504 borrowers, where they got to that next level and they needed equity or debt, but they weren't ready or able to take advantage of the usual sources. We wanted to be able to provide venture capital.

We put together a venture capital firm, which is licensed by SBA to do debt and equity, it's an SBIC. It's a great program, and Aubrey and his people were very helpful to us in putting that together. Unfortunately, we have been stymied in using that fund to help our 504 borrowers, because the SBA at the central office level has instituted a policy prohibiting us from doing so. They are saying that if a Certified Development Company has an interest in an SBIC, then the same borrower cannot receive 504 financing that came from that Certified Development Company, as well as SBIC financing from the SBIC because of an alleged potential conflict of interest.

Now keep in mind, for example, Long Island Development Corporation invested $150,000 in this fund. We were the largest investor, as far as certified development companies; this is a $70 million fund. It is a very tiny percentage. We have no seat on the board,

we have no part in the loan management, et cetera. Conflict of interest is something that can be always be managed. If we could get that policy eliminated, then it would open up nationally more venture capital for small businesses. Those who are going from the 504 level up to that next level. So that's one specific thing that I would like to see addressed. We have not been able to get it addressed on the agency level, and we are probably, at some point, going to be coming to you with some specific proposals.

Mr. ROGERS. If I may, I noted that in Roz's testimony and I brought it to the attention of the 504 office in Washington, and we will be happy to provide a response or an explanation to the Committee.

Chairman GRUCCI. I would be very appreciative of that. I'm eager to see it.

As you know and you are probably aware, but let me just tell you from my perspective, our job here in Washington is to help those on the front line, that's coming from small town Government, and watching how the biggest relief, the biggest help to our business communities have always come at the local level, and the local level is the least equipped financially to make those kinds of commitments.

You have heard the Town of Brookhaven, the Town of Riverhead and every other town here in Suffolk County, as I am sure every town across the State of New York has these programs where they are struggling by giving up tax revenues that goes to supporting the local Governments and supporting the fire departments and the schools and the libraries and a variety of other things, in order to entice businesses to come and locate in their communities to make them grow. The most equipped level of Government is the Federal Government to be able to help with those programs, and if we are failing to do that, then we are failing in our responsibilities.

I am hearing from the small businesses themselves, I am hearing from people like this panel that we have some difficulties, we have some problems, and this committee is very eager to resolve those and to move those problems aside so that we can continue this growth. I know I am preaching to the choir here when I say that the job creation that has happened in this country hasn't happened at the hands of the mega corporations. While we need them as part of the mix, and we all encourage them and we try to do all that we can to see that they succeed, we can't do that on the backs of the small businesses, because 70 percent of the job growth, at least in this area if not the State has been the direct result of small businesses. So I welcome these testimonies here today because I think it is going to help our committee to continue to do its job and do it more efficiently, and we need your help and your assistance. I would like to see more of that resource that is coming into areas that have one-third of the population, that means there's a lot of entrepreneurs out there that are sitting there wondering, as Judy said, "How do I get involved with this?" Maybe what we need is a better advertising and ad campaign, letting the people know what we have, what is available to us.

Mr. ROGERS. I want you to know, sir, that we are anxious to do that; our team is, and our new Administrator, just last week in a meeting he talked about hearing issues such as this, and listening

to what small businesses have to say and responding to these things. So you will see much more of this.

Chairman GRUCCI. Thank you.

I want to turn to Supervisor Kozakiewicz. I know that he talked a moment ago about the Post Office, and that may not seem like a small business issue for this panel, but I assure you in the way that he has presented it and what I have seen here, it most assuredly is because it is the entranceway to their downtown communities, and it is an albatross hanging around the neck of a vibrant community trying to revitalize itself. I would like to ask the Supervisor to expand a little bit more on the problems and what it is that this Committee and we, in the Federal Government as a whole, can do as representatives, to help you alleviate that problem.

Mr. KOZAKIEWICZ. I have the photos by the way, now. Although I travel by the site often, it is when I started to look at the photographs that I got a little chuckle. It says "United States Postal Service," and then, below it it says, "A new facility." I will hand up to you 13 photographs which show the condition of the site. It is not bad enough that the work was stalled, but the site has not been maintained in any way, shape or form as well. It's overgrown, it is weedy, it is an eyesore. It goes beyond what I can do here at the local level, and, therefore, it is incumbent for me to ask you for your assistance.

I understand that you can do many things that we cannot do at the local level or at the State level or at the County level, such as a direct inquiry to the Postal Service, gathering of records, convince them that it is time to get past the impasse that they have been struggling with the contractor, and that is how I come to you. I ask you to use your resources. Perhaps this is not the proper forum, but I believe it can be taken to the proper forum so that it can be done.

It is obvious that the visual impacts are great. If you go past the site, as the photographs depict, it is in deplorable condition, where we have seen a spreading of new businesses. There is a new restaurant that opened not too long ago, which now features some pretty good pizza. There has been the ice cream store that's just a stone's throw away, and they're still managing well and they're improving their site, and we had another nice little business that opened up which features Mexican food, and it's called Funcho's. I have been there. The amazing thing is that people from far away from Riverhead are discovering it, and as a matter of fact they told me that there is one particular person who comes out every weekend on the way to Sag Harbor and makes sure that they stop there before they head out to Sag Harbor so that they can enjoy this food.

The problem is the businesses are trying to improve their sites. They are trying to make the investment, which obviously we need to help them as far as tax incentives or otherwise, but it is tough to convince them when just a short distance away you have to look at this. Furthermore, the fact of the matter is while it sits there, there are jobs that are not being addressed. There are jobs that could be given out to contracting firms and others on that property, not to mention once it is up and running, the maintenance of the site, which are not being addressed.

It also goes contrary to visitors and our residents who see this and tend to want to avoid that area because of its look and because it is not attractive and inviting. If it is not attractive and inviting, again, businesses suffer. So these are things that I am asking for on behalf of our residents that you can address.

Chairman GRUCCI. Supervisor, isn't it fair to assume also that the businesses depend upon that post office for being able to get their bills paid on time and get their invoices out? It was my understanding in reading through the files and records, there was a consolidation that was taking place of several entities coming together to create a more efficient Postal Service covering this community, and being able to help your business community, as well as your residents, and without that there has to be some suffering that is taking place; would you agree to that?

Mr. KOZAKIEWICZ. We are stagnated with what we have. This was designed to be a more efficient location, taking what is existing and providing a more efficient operation; so certainly it has stagnated us and it is counter-productive to the growth and the spurt that we are experiencing in Riverhead.

Chairman GRUCCI. What would you say the impact on the existing businesses are, not necessarily from the standpoint of walking in traffic and having to deal with the eyesore, but the everyday operation of their businesses and dependency upon that post office?

Mr. KOZAKIEWICZ. It forces them to the current location on Second Street, which we have talked about, and we have had some correspondence back and forth. The current location is not handicap accessible, and that is counter-productive to businesses and to the community at large. I see that we need this new facility to be opened. We need help and assistance to make it a reality.

What it is also doing is clearly hampering—again, I can't emphasize this enough—hampering our efforts to just improve that area.

Chairman GRUCCI. Thank you very much.

I know that our time is closing, but I did offer the opportunity to anyone who would like to make a comment or a question. I see a hand raised, so we will take you first.

Mr. MCKNIGHT. Bob knows me, Judy McEvoy knows me. I guess I've worked for BOCES as a consultant.

Chairman GRUCCI. If you would just put your name on the record.

Mr. MCKNIGHT. Warren McKnight, Middle Road, Riverhead.

I worked for BOCES as a consultant, for the minority entrepreneurship program. Part of that program, I was privileged to assist people on disability and handicapped people, to provide employment in the Town of Riverhead. Approximately ten percent of our population receive some sort of disability checks from our Governments.

To get right to the point, these people have a real problem: They want to participate. I have started a number of people in business, sent them to Judy. Part of their problem is that they have temporary housing, rooming houses around here, they become self-employed sales people or they start their own craft business or their own businesses, they work at home. Their problem is this: They have not been able to get a post office box at Riverhead to use. They have to go into hospitals for treatment and when they come

out, they have to live in Riverhead because of low rents, where are they going to get their business checks, their other checks and all their mail sent? They can't get it sent to the rooming house. They can't get a post office box. They can't get a post office box in Calverton. I mean, this is a clear violation of the handicapped rules.

This is why I have been calling your office, being a pain. This is why I have been writing letters to the editors. This is why I am saying, "Can they please, if they are not going to build a new post office, rent a couple of stores and get post office boxes for people with heart conditions and people who have wheelchairs down there, so they can participate and become small business people, become self-employed." They want to pay their double social security. They make anywhere from $5,000 to $30,000 a year.

You know, you want to know what's wrong with the programs, the other thing that I did when I worked for BOCES, as a minority entrepreneurship, I went to soup kitchens, I stayed at the unemployment office there, I told people about these programs. I went to work fairs, I went to job fairs. You need hands-on people. What you really need is somebody in a wheelchair to reach out to people who are in wheelchairs. Somebody who is on disability to reach out to somebody on disability, if you want to get it moving here.

I am going to cut it real short now, but the only thing is that's why I am so upset about this, and that's all we have to do, get some post office boxes down there, get some real outreach workers in this program, people one on one, maybe dedicated people in the clergy. So basically that is I hope you really can do something. Just get some post office boxes.

Chairman GRUCCI. I appreciate you bringing this to our attention. We have been moving forward on trying to help get this resolved. I guess it underscores the point that the Supervisor was making that we really do need the completion of the post office done so we can expand the service of the post office to do just what you are saying, to provide more space, more boxes and more ability for more entrepreneurs, more small businessses to grow and to become a small business. I appreciate your comments.

One of the things that we were just talking about, Congresswoman Kelly and I, is that at least on a temporary basis, places like Mailboxes Et Cetera is a bone fide drop point that could be used for the purposes of delivering mail, if there is any available, but if they're not available——

Mr. MCKNIGHT. It is not available, and what had happened over the years, they go out of business. We are the poorest town on Long Island.

Chairman GRUCCI. I am not suggesting that to be a permanent fix, I was just trying to see if this might be a temporary fix while we work on the Supervisor's bigger problem.

Mr. MCKNIGHT. Only if they could be like Fed Ex, underwritten by the Federal Government. We are the poorest town on Long Island. We have a disproportionate amount of people on disability. We have a disproportionate amount of people who need these services, and that's what really hurts. It hurts this town, it hurts the pride of our Supervisor and everybody that lives here.

We are the poorest town on Long Island, the lowest income. People who are poor have to live here because they are on disability or partial disability, and they have this extra handicap.

Chairman GRUCCI. I am just going to have to ask you to sum up so we can get a couple of more in before we have to close.

Mr. MCKNIGHT. I think I made my point and I want to thank you for listening, and I want to thank the Supervisor and you and for doing it, but please, let's get something done. Thank you.

Chairman GRUCCI. Anyone else?

Yes, ma'am?

Ms. BLOSTEIN. My name is Anne Blostein, from Calverton.

I am very glad that you are going to take care of what is happening in our post office in Riverhead. I think right now it is a blight for our town and it is stopping the economic development, which we are very hard trying to do. Thank you.

Chairman GRUCCI. I appreciate that, but a lot of the credit belongs to the Supervisor for being on the forefront in bringing that to my attention.

Any other questions?

Seeing none, I just wanted to sum up by saying I want to thank our panelists for being here. I think the testimony today was a good one and it will give the Congresswoman and I an opportunity to go back to the full Committee and report what we have heard here today, which is probably not going to be dissimilar to other places throughout the country, the same kinds of problems that are out there. Maybe those in Arizona may not have the fishing problem but I know that they enjoy eating our fish because I have spoken to a couple of them already.

We are going to continue to work on this. Small business is the heart and soul of our economy. It is what has built this country. It is where our giant entrepreneurs started; every one of them will tell you the story, whether it's Mr. Grumman or whether it's Bill Gates, their ideas started in their basement or their library or their garage and grew, and with the help that we can provide from the Federal Government—and, Mr. Rogers, I suspect that you will hear the cries of the small business community and put a special emphasis on helping the Long Island region.

Mr. ROGERS. Yes.

Chairman GRUCCI. We will be able to continue to grow this economy, keep these jobs flourishing, and I thank you all for being here today. Thank you, and God bless you all.

[Whereupon, at 3:50 p.m., the committee was adjourned.]

## Opening Statement by Felix J. Grucci Jr. for August 30, 2001 Field Hearing

Good Afternoon and welcome to this field hearing of the Committee on Small Business. The hearing will now come to order. On behalf of Congresswoman Sue. Kelly and myself, I welcome our witnesses and thank you for your participation in this hearing. I would also like to particularly thank Ms. Kelly for taking the time to travel to my District for this hearing.

Today's hearing will examine key problems facing the Long Island's small businesses, and potential assistance or solutions involving the federal government.

Within the First Congressional District alone Small Business men and women work in a truly diverse environment, from historic Montauk Point, and the beautiful and elusive Hamptons, to the science and intellectual giant -Brookhaven National Laboratory, the educational center at Stony Brook University and the Main Street businesses of Smithtown. With this great diversity comes unique problems for Long Island's small businesses. Our small businesses must balance the effects of seasonal tourism, the significant impact of storms on our coastal businesses and high cost of property along with many other problems.

In these slow economic times, our small employers need all the help they can get to keep their companies afloat and their employees working. The federal government needs to foster the growth of Small Business not hamper it. Today will discuss the local impact and operations of Small Business Administration programs such as Small Business Development Centers (SBDCs), and of SBA partners such as Service Corps Of Retired Executives (SCORE).

I look forward to a lively and informative discussion of the issues presented. Again, welcome to this hearing.

Testimony: Aubrey A. Rogers, New York District Director
U.S. Small Business Administration
Before the House Committee on Small Business, Field Hearing
Congressman Felix Grucci
Riverhead, New York
August 30, 2001

Thank you for inviting me to testify on behalf of the U.S. Small Business Administration (SBA), the issues facing small businesses on Long Island. I am Aubrey Rogers, the district director for SBA's New York District Office, and I am responsible for managing SBA's activities in the lower fourteen counties of New York State.

SBA is beginning a new era, with a new Administration in the White House and a new Administrator at the SBA, Hector Barreto. Administrator Barreto grew up in a small family business, and like many Americans, went on to establish his own small business. He understands the problems and issues that concern small business owners. Mr. Barreto wants to ensure that the SBA is meeting the needs of its constituency, the 25 million-plus small businesses throughout the country, and will be evaluating thoroughly all SBA programs to determine their effectiveness and relevancy. He intends to identify and revamp programs that are not operating efficiently or to their potential, as well as encourage and implement innovative, new initiatives to address the needs of America's small business community, including the several hundred thousand small businesses on Long Island.

The SBA is tasked with helping entrepreneurs start, run and grow small businesses. It does so through a large organization of employees and resource partners who administer a vast, diverse set of lending and management programs and services. Unlike some agencies, much of our talent and budget is focused outside of Washington, where staff can more effectively service America's current generation of entrepreneurs throughout this great nation and its territories. The SBA's New York district office, including our Melville branch office, which covers Long Island, oversees the delivery of

these products and services to downstate New Yorkers. In addition, an important part of our mission is to offer home and business loan assistance to disaster victims.

In 1978 the SBA established a branch office in Melville to address the concerns of Long Island small businesses and to better market the agency's programs to Nassau and Suffolk counties. Over the past ten years, the Melville office approved 3,730 small business loans valued at $776.8 million. In addition to the staff of nine, the office is ably assisted by two Small Business Development Centers SBDCs and four Service Corps of Retired Executives (SCORE) Chapters. These organizations provide much-needed counseling and training assistance to entrepreneurs. In the past ten years, these organizations have counseled and trained thousands of Long Island entrepreneurs.

The agency has begun a comprehensive evaluation of who our core constituency is and how we can provide solutions to the rapidly changing issues facing America's small businesses. There are numerous opportunities for the SBA to increase the access of small businesses to innovative new markets, federal and local, as well as real-time state-of-the-art technical assistance via our Internet outreach services. The agency is currently working closely with Congress and the Administration to evaluate subsidy rate concerns on our signature 7(a) loan program, in order to be more responsive to the needs of our borrowers and lenders. We have also implemented the newly enacted New Markets Venture Capital program, designed to provide venture capital in low-income rural and urban areas. Seven companies were approved during the first round of applications, and there will be another request for proposals for additional companies in late spring of 2002. We continue to identify improvements in the way we structure our services so they may be simple, direct and relevant in today's business economy.

To assist small businesses with regulatory compliance, Congress created the Office of the National Ombudsman. Along with SBA, this office provides small businesses with the opportunity to comment on enforcement activity by federal regulatory agencies. Administrator Barreto knows that regulatory compliance is a major issue for small business and intends to look at increasing SBA's role in this area.

SBA's financial programs are wide-ranging and designed to provide financial assistance to a variety of small business types. They include:

- Microloans for very small start-up businesses with loans up to $35,000. We have one active microlender serving Nassau and Suffolk counties – Community Development Corporation of Long Island. In fiscal year 2000, 21 microloans were made for $372,000 to Long Island small businesses. We are very proud of the contribution CDC is making on Long Island. As you will recall Congressman Grucci, earlier this year you participated in a ceremony at which CDC was awarded SBA's Pinnacle Award for being the top microlender in our district last year.

- Certified Development Company (CDC) or 504 loans for the purchase of real estate and equipment. This is SBA's premier job creation program. Last fiscal year, 61 CDC loans valued at $18.3 million were made to Long Island small businesses, creating and/or retaining 1,722 jobs. Long Island Development Company, the 504 lender, also received the Pinnacle Award for being the top 504 lender in our district last year.

- 7(a) General Business Loans used for working capital and general business purposes. In fiscal year 2000, 584 loans valued at $90.2 million were made to Long Island small businesses under the 7(a) guaranteed loan program.

- Finally, we have Small Business Investment Companies (SBICs) that invest in small businesses during their growth stages. In fiscal year 2000, 687 financings for $592.2 million were invested in New York small businesses, of which, 54 financings for $14.3 million were invested on Long Island.

I would like to share with you a snapshot of the SBA efforts to expand lending on Long Island.

- We work closely with 15 Long Island lenders conducting training and outreach seminars to inform them and their customers about our lending programs.

- We work closely with our resource partners – S B D C and SCORE, who assist potential borrowers in preparing business plans and loan applications. These organizations also conduct workshops and training seminars to inform neighborhood groups about our lending programs.

- We have established strong relationships with local trade and business organizations such as Long Island Association, Black Women Enterprises, Long Island Hispanic Chamber of Commerce, Women Economic Developers of Long Island and others to publicize our programs and connect more businesses with financial institutions.

New York is very fortunate to have a business partner such as the SCORE which was expanded to Long Island 25 years ago. It is an all-volunteer organization that conducts management assistance workshops and provides counseling and training to small businesses. We currently have 78 SCORE members on Long Island.

In fiscal year 2000, SCORE conducted a total of 52 workshops attracting nearly 1,100 attendees, and counseled an additional 2,269 prospective and existing Long Island entrepreneurs.

SBDCs are another very important resource for the SBA in program delivery and I understand that James King, the State Director, and Judith McEvoy, the Stonybrook Director, will present their testimony. We enjoy a strong partnership with the SBDC network on Long Island The SBDCs operate under the terms of a cooperative agreement with the SBA in providing counseling and technical assistance. Two SBDCs serve Long

Island at five different locations. Last year, these SBDCs counseled nearly 3,000 entrepreneurs and trained 1,133 Long Islanders at 35 training events.

The agency is charged with accessing some of the $200 billion in federal contracts that are awarded annually in this country and has several programs to do this.

- First is our Government Contracting Program, through which, prime and subcontracts are identified for small business. The latest available data shows Nassau and Suffolk counties ranked third and fourth respectively among all counties in New York State in total federal procurement, in 1999. Nassau and Suffolk County small, disadvantaged businesses received $32.9 million in federal contract awards in 1999.

Other procurement services for SBA's targeted markets include a variety of certification programs:

- The 8(a) Business Development Program provides management, technical and government procurement assistance to certified and economically disadvantaged small businesses. There are 41 certified 8(a) firms on Long Island. Last fiscal year, seven contracts valued at $2.5 million were awarded to Long Island 8(a) firms.

- SBA also administers the Small, Disadvantaged Business Certification Program, whereby SBA certifies small, disadvantaged businesses to make them eligible for special bidding benefits. Credits are available to prime contractors to boost subcontracting opportunities for SDBs.

- SBA's third key procurement product is the HUBZone Empowerment Contracting Certification Program. The HUBZone Program provides economic development and employment growth in distressed areas by providing access to federal contracting opportunities for small businesses

located in these areas. Presently, two Long Island small businesses have been certified into the program. We continue to promote this program in our literature and at procurement seminars throughout the Island.

There are several components to our outreach efforts in underserved areas including SBA's award-winning web site and our on-line classroom. The SBA web site, www.sba.gov, brings SBA into your home or office at the touch of your keyboard. If you cannot visit the Melville office, you can receive information on all of SBA's programs through your computer, 24 hours a day. Similarly, the SBA on-line classroom provides business courses and current information to small business clients, anytime and anywhere. The Bush Administration and Administrator Barreto recognize the important role that Internet access can play in small business success. Long Island is home to many technology-based companies and in fact, is the fastest growing technology communities in the northeast. We will continue to search for ways to incorporate technology into our small business service delivery system.

As you no doubt can tell, I am excited about our accomplishments, both as an agency and as a district office here in New York. I look forward to the coming months when I will be working with Administrator Barreto and your Committee to better serve small businesses, here on Long Island and nationwide. I would be happy to answer any questions.

# House of Representatives
# Committee on Small Business
# Testimony

James L. King, State Director
New York State Small Business Development Center

August 30, 2001

Members of the Committee, my name is Jim King and I am the State Director of the New York State Small Business Development Center here in New York, a program that receives crucial Federal support from the U.S. Small Business Administration and fall directly under your oversight. I want to thank you for the invitation to speak to you today about key issues effectively small business in New York with a focus upon Long Island. Since the Island has become an engine of growth for all of New York, it's definitely a topic of priority.

For the record, I'd like to highlight the SBDC program here in New York before getting into specifics. The SBDC is a unique partnership between the Federal government – represented by SBA, the State of New York, higher education (State University, City University and private campuses) as well as the private sector. It's interesting to note that the private sector includes small and large business, because today's larger corporate entities rely heavily upon small business as contractors and suppliers for almost every product and service manufactured or sold.

Here in New York, we have a very entrepreneurial population that use small business as the means to capture their piece of the American Dream. When we look at small businesses, we see most often family run businesses that have deep seated roots in their community and opportunities for local residents to gain employment opportunities to support themselves and their families.

The SBDC is structured to concentrate upon three very important services that existing business owners and entrepreneurs need and want. The cornerstone of these services are one-to-one business advisement, where an entrepreneur works with an SBDC Business Advisor to overcome an obstacle, take advantage of an opportunity or simply better plan for results.

In this area, its critical to note that we do note that we do not charge for advisement services, thanks to Committee and Congressional action. The entrepreneur is paying for the services though sweat equity, while conserving their scarce capital to invest in their business and leverage further capital. Since most small businesses are undercapitalized at start-up and during periods of change, a few hundred dollars can literally leverage a few thousand dollars that are critical to working capital. I want to again thank the Committee in taking the lead in maintaining SBDC business advisement services without charge.

Each year, in New York, we have approximately 16,000 entrepreneurs and small business owners receiving one-to-one business advisement services averaging almost 10 hours of service. On Long Island alone last year, we had 2,102 clients that received 16,500 hours of services. These clients are evenly divided between existing business (48%) and start-up entrepreneurs (52%).

To a large extent, these advisement services are how we evaluate our work and the effectiveness of our services. We focus upon results. Did our services critically impact the business decision? Was an investment made (or sometimes was a bad investment averted)? Were job opportunities saved or created during the process?

The outcomes I mentioned relate to the investment, job impact and qualitative response these clients provide to us over time. Since the start of the SBDC, our clients have confirmed to

us that they have invested $1.7 billion in their businesses impacting 74,724 jobs. Last year, that was over $192 million and almost 6,000 jobs. These clients range from the kiosk vendor who invests a few hundred dollars to the multi-million dollar computer circuit manufacturer. Long Island has account for over $232 million of that investment and 13,000 jobs.

One final point I'd like to make is the unseen and immeasurable service we provide when we point out a flaw in a business concept or plan that prevents a business that might otherwise be doomed to failure, ever get launched. Our analysis indicates that thousands of these mistakes are averted every year because of SBDC business advisement. I'm sure you're familiar with how disastrous a business failure can be for the entrepreneur, their family and the community. We feel that averting failures is an important component of our services, and usually leads to the entrepreneur returning at a later date with a better idea.

Our only measure of this impact of averting failures stems from some research we did a few years ago with Dunn and Bradstreet. Basically, SBA recognizes that up to 80% of small businesses fail within five years. We compared our business database with D&B's over a seven-year period and found that 80% of SBDC clients survived past the five-year period – a reversal of the stated norm. I feel this validated two components of the SBDC business advisement service; first; SBDC clients were better prepared to deal with the business advisement environment; and therefore survived, and secondly, ventures that had a lower prospect of success weren't laundered and therefore didn't fail.

The second core service is training. This year, SBDC locations will offer over 750 training events that will be attended by over 25,000 persons. Those events range from instruction on accessing capital, to ISO standards, to development of effective ad campaigns, to securing Federal research contracts, or complying with Federal regulations.

These training events also generate a significant portion of our business advisement clients who want to follow-up on information that they were exposed to during the training event. Most training events last approximately four (4) hours, but can be multiple sessions, such as strategic business planning, that extend over several weeks and accumulate substantial hours of instruction.

The Final core service offered by the SBDC is research. The predominant research effort is provided through our business library known as the Research Network and is actually a special library dedicated to SBDC clients and their informational needs ranging from comparative statistical information to Census track date or Internet searches.

Additionally, the SBDC conducts targeted original research into topical areas of interest to SBA, New York state and our clients. A recent example was a year-long research project funded by the NYS Department of Transportation on private airports and private plane usage in New York. This project confirmed the substantial economic impact of private aviation on New York State and highlighted several unusual abnormalities that placed New York at a competitive disadvantage when compared to neighboring states. Some of these areas have already been addressed by New York State to improve our position in this important field while stimulating additional investment.

A second example would be the recently completed CD Rom product developed with New York State Department of Labor to assist day care facilities plan and operated in a more businesslike manner while meeting applicable regulations. Our day care CD Rom was developed here on Long Island by our Stony Brook Center and recently received one of the Long Island Software Awards.

Upon this core group of services, the SBDC has implemented several special emphasis programs such as:

- Veterans Business Opportunities
- Self-Employment Assistance
- International Trade
- Labor Compliance Assistance, and
- Defense Adjustment Assistance

A brief summary of these initiatives highlights that the SBDC is established as a service delivery network to respond to the demands of today's entrepreneur and small business owner. While the SBDC needs to be prepared to meet today's needs from the small business sector, we also anticipate the needs of tomorrow and are preparing to service those requests.

Proposals we have initiated cover a wide array of opportunities including:

- Internet use to expand New York's business to business sales,
- Expansion of Foreign markets for small to medium sized firms,
- Micro-enterprise investment assistance,
- Drug-free workplace training and assistance,
- Expansion of regulatory compliance assistance

Given all this program, the SBDC is most fundamentally a resource of quality people committed to assist the small business sector. Our greatest investment by the SBDC is in the continuous professional development of our staff, so that they are prepared to respond to the small business client.

Today, we are exploring key issues affecting small businesses in New York, with a focus on Long Island. Issues that impact small business are now more critical to the health of New York's economy than it has ever been in the modern history of our state.

A profile of New York just ten years ago would have highlighted large corporate manufacturing that was often defense related, with smaller companies being almost captured shops. A significant portion of New York was simply not competitive in the world marketplace and many soothsayers pronounced New York dead economically and envisioned a continuous outmigration of business to southern and western areas of our country. Thankfully, this did not happen, and the primary reason I find is the strength and vitality of New York's entrepreneurs and workforce.

Our biggest challenge, within the SBDC, for New York State and for Long Island remains supporting our entrepreneurial sector by improving their ability to deal with the faster pace of change. This change is underscored by the fact that an estimated 40% of Long Island's employment is with firms or occupations that didn't exist ten years ago.

The trends that we see today indicate that large business is becoming smaller to be more nimble and able to respond to change more rapidly. Small and medium sized business is becoming larger in recognition of the wider array of skills necessary to compete. The absolute number of small businesses has consistently grown in New York by up to 2% and this happened while the smallest of small businesses, sole proprietorships, actually declined by 1%. This means that a significantly increasing number of small businesses are becoming employer businesses, often handling regulations and administrative requirements for the first time. These firms also are requiring more complicated financial relationships as well as mandatory electronic commerce participation.

One sector where we focus attention is the manufacturing sector. After suffering continuous declines in manufacturers and manufacturer employment, 1998 marked the first growth in this sector in a decade. Niche manufacturing is an area where small business is leading the way. Since New York and Long Island is a relatively high cost area, our manufacturers must be more cost-effective and productive than other areas. This leads us to encourage upgrades in equipment and technology to remain competitive.

Traditionally insulated sectors, like services, are no longer restricted to geographic areas so that competition can come from distant locations.

In order to be competitive, the SBDC focuses upon cost reductions and productivity/efficiency improvements. Often, the small business owner is a technical expert in the business, but lacks the administrative understanding to lead the business during times of change. Access to capital, at reasonable rates and terms, is often a concern that small business owners fall short on.

I'm an avid supporter of the SBA's guarantee programs because we see the impact every day. It's sometimes very stylish to pick at SBA and compare SBA loans to the entire debt market and say that it's insignificant. Candidly, I give those programs much greater credit because they encourage financial entities to look at initially marginal deals that often become solid risks that don't require guarantees. I think we should concentrate upon how to allow these financial programs accommodate change and expand them.

The other major area of concern for small business usually revolves around the intrusion of government through regulations. I'm also an avid supporter of initiatives such as HR203 which the Committee recently reported out. While I'd like to see some minor changes to the Bill and support effectiveness improvements in existing program, Non-regulatory Compliance Assistance is definitely one of those high cost areas where

small business has concerns and needs help to remain competitive in the larger marketplace.

Finally, I would like to return to the fundamental issue of our strength as a state and here in Long Island accrues to the quality of our entrepreneurial people, just as the strength of the SBDC is in our staff. Small business needs to be properly recognized as the economic engine that is maintaining and expanding our economy.

The primary service delivery network of small business is the SBDC network. Small business relies upon SBA for programs and services, but SBA is not a major agency in terms of budget or resources within the beltway just as the SBDC relies upon SBA for matching sponsorship.

Thank you.

**TESTIMONY BEFORE THE US HOUSE COMMITTEE ON SMALL BUSINESS**

**My name is Judith McEvoy, and I am the Director of the New York State Small Business Development Center at the State University of New York at Stony Brook. Stony Brook is the flagship of the New York State higher education system. I wish to thank the House Committee on Small Business for the opportunity to testify before you. I believe that the SBDC can contribute to your committee as a true public private partnership between two governments, federal and state, and the private business sector on issues affecting small business on Long Island.**

**First, let me describe the Small Business Development Center. Small Business Development Centers are located in all fifty states. The United States Small Business Administration and the State of New York through the SUNY system administer the SBDC program. An essential part of the NYS SBDC program is that SBDC's are located in Centers of Higher Education. This feature provides a learning and nurturing atmosphere for business to use the assistance of a Small Business Development Center and makes the University at Stony Brook a full partner in the program. The SBDC assists businesses from the manufacturing, service, and retail sectors through all phases of growth. The SBDC provides assistance in financial, marketing and technical matters for small businesses as they encounter them. The SBDC specializes in providing direct one-to-one counseling to**

**entrepreneurs and small business owners at NO COST. The SBDC also offers training events and seminars for any and all business subjects, from basic startups, home based business to very highly technical information. Since 1989, the SBDC at Stony Brook has assisted over ten thousand business owners and has assisted its clients in accessing over $ 125 million verifiable dollars from banks, private investors and government contracts. SBDC has been responsible for creating and retaining over 3,500 jobs. These jobs enable people to live, work and contribute to both the federal and state economies.**

**Small business on Long Island is 92% of all business and more than 75% of all jobs are in the small business sector. These are the businesses that are eligible but do not take advantage of government programs that provide tax incentives, training funds, IDA funding, etc. It is essential that the no cost services of the SBDC be maintained and available to those who keep this Island the thriving place that it is. The service sector and the retail sector are businesses that are largely ignored by governments in providing supporting programs. The SBDC is the entity that is empowered to help this business sector.**

**Periodically, there comes a proposal by the federal government to charge for the services of the Small Business Development Centers. This would be a major, major mistake. The heartfelt expression of appreciation from our clients is a matter of record. SBDC routinely sees the types of businesses that cannot afford higher priced consultants. Working with other partners, our hope is to make these businesses grow to the point that they are contributing to the economy and utilizing**

**the consulting community. Collecting fees for services would also be a bureaucratic nightmare, wiping out all gains to the government.**

**The SBDC is also the conduit to the services offered on our campuses. SBDC Stony Brook has the honor and privilege of being located at Stony Brook, one of the leading research institutions in the world. Our location allows our clients to access the University expertise through the Strategic Partnership for Industrial Resurgence, the Long Island High Technology Incubator, and the LI Software Incubator. All of them offer a wide range of services to small businesses that is accessed through the SBDC program. SBDC Stony Brook also works cooperatively with other service providers such as Long Island Forum for Technology, Long Island Development Corporation, local Chambers of Commerce, the Industrial Development Agencies, Empire State Development, all of who deserve continued federal support. Cooperative efforts should be supported and most of all encouraged by the federal government. Individual fiefdoms have no place in the delivery of services to small business.**

**The SBDC at Stony Brook has two features that we are very proud of, one is our satellite office in Southampton which serves the retail and service sector at the east end of Long Island. Tourism is a major business on Long Island and the east end is the epitome of tourism. The Southampton office also serves the Native American population and the Latino community on the east end. Secondly, SBDC Stony Brook has established a satellite office on the grounds of Brookhaven National Laboratories, the first in the nation. This is a joint effort on the part of the US Department of Energy and the Small Business Administration. This office is**

**thriving and indicates that businesses need this type of federal support of these co-operative government ventures.**

**I would urge you to shepherd four pieces of legislation through Congress, which would have a very positive impact on business in general, and Long Island business in particular. The first and most important bill is HR 203, the National Small Business Regulatory Assistance Act of 2001 that would establish a pilot program to allow SBDC's, in partnership with environmental entities, to provide regulatory non-enforcement compliance assistance counseling to small businesses. This is particularly important to Long Island because of the fact that technology has replaced the aerospace industry as a growth sector on Long Island. For Stony Brook in particular, the LI High Technology Incubator has great need for this type of assistance. The Incubator at Stony Brook, Brookhaven Labs and the newly proposed Incubator at Calverton could save companies time and money by having a business advisor well versed in regulatory compliance. Long Island pumps groundwater as a drinking water. Regulatory compliance is a major concern and stumbling block to LI businesses. Why not make it easier? The second is HR 2538, the Native American Small Business Development Act that directs more attention to serve Native Americans. The SBDC Southampton office is already involved in this task and would like very much to direct even more time and energy into this population. The third bill is the Vocational and Technical Entrepreneurship Development Act. The fact that SBDC's are located on college campuses makes this bill a perfect fit. The reauthorization of the Small Business Technical Transfer Program is vitally important to the work that Stony Brook University does.**

**Lastly, of concern to SBDC clients, is the trend of banks to merge. As banks merge and become larger and larger, while downsizing their employees, they become very unsympathic to the small business owner. Gone is a personal relationship with the lending officer, credit scoring become the only criteria with little room for innovation and motivation. The federal government should monitor these banks as to their commitment to the mom and pop stores, to the community reinvestment acts and to the good of the general economy. Community reinvestment has most of its goals in the arena of housing; let us divert some attention to the needs of small business.**

**I wish to thank the Committee and Congressman Grucci, in particular, who as a small businessman has always been supportive of efforts to encourage small business owners on Long Island.**

## SUCCESS STORY

Case: HB Interiors
Client: Heloisa Brandao

**BUSINESS DESCRIPTION:** HB Interiors is a top quality upholstery and drapery business started by client four years ago after moving here from Brazil. Her services are geared to the designers and retailers. Since her inception she has consistently attracted a more upscale clientele as those in the field have recognized the quality of her work.

**PROBLEM IDENTIFICATION:** The client has always worked from her home and outgrew her current space. The client wanted to borrow money to add on a garage and storage space for the increasing amount of inventory and number of projects she was working on. As she has grown, pricing, productivity and diversifying her customer base have been constant concerns.

**ASSISTANCE PROVIDED:** The SBDC has been advising Heloisa since the beginnings of her business here in Amagansett. The SBDC has always stressed creating a budget to measure results by and has worked with the client each year to do so. This year the SBDC prepared three years' cash flow projections for the client's bank loan application for her addition. The advisor also kept in constant contact with Bridgehampton National Bank through some misunderstandings between the client and the lender. The advisor also provided the client with a computer program to assist her in creating estimates for her customers and assure that she would be maintaining significant profitability of these projects. Advisor also suggested strategies to increase productivity and worked with client to review these systems. Strategies were also discussed for expanding her customer base.

**RESULTS ACHIEVED:** The client successfully secured a $75,000 SBA 7a guaranteed loan through Bridgehampton National Bank. The client has added four employees to her staff as sales have increased from $45,000 her first year in business to close to $300,000 after her third full year. The quality of the work client produces has allowed her to increase her pricing structure. Client and advisor have been monitoring resistance to price increases but she remains consistently busy even through traditionally quiet months. Client has recently opened a Main Street office in Bridgehampton that combines retail items with interior design services. Client and advisor continue to work on productivity and marketing issues.

## SUCCESS STORY

Case: Seasons Salon Inc.
Client: Olivia Eastman

**BUSINESS DESCRIPTION:** This Hispanic client was referred to the SBDC by the Bridgehampton National Bank for assistance in preparing a business plan. Initially, I met with the client and her sister-in-law, Ana Gonzalez, who acted as a translator, on 4/5/01 in the client's Spring's home. At that time, client had worked as a manicurist for 10 years in an Amagansett salon. Her business partner – Hyordis Tovar from Norway, was doing facials and waxes in an East Hampton salon and working part-time at the East Hampton Day Care Center. Both women had prior business experience. Oliva used to operate a small wholesale plastic bag company in her native Colombia; and Hyordis, with almost 30 years of facial experience used to have a beauty salon.

**PROBLEM IDENTIFICATION**: Client estimated that she needed to borrow $20k from the bank to open a nail/facial/waxing salon in Wainscott. Client had signed a 5-year lease at $1200/month on a space in the Wainscott mini mall, with good parking facilities. Oliva's family members were painting and installing the carpeting in her new space while the landlord was obtaining the necessary permits for her business. Her targeted opening date was scheduled for May – the beginning of the summer season. During the summer, both partners planned to work full time. Client had one month's rent and security on hand plus money for supplies to get started. Both partners reportedly have good credit. If bank financing could not be obtained timely, Client planned to use her husband's credit cards and to borrow from family members. Client estimated income of $6k/mo. Her price list is manicure $17; pedicure $35; facial $90/hr. Hours for the business: Tues-Sat, 9am - 5pm. The business already has some of the necessary equipment. According to client, there are no nail salons in Wainscott, although there are three businesses in East Hampton offering similar services. All have higher prices – E.g., manicure, $18; pedicure, $38; and facials, $120/hr. Both partners expected that their current clients would follow them.

**ASSISTANCE PROVIDED:** Advisor discussed with the client the components of a business plan and a cash flow statement. She had prepared a list of start-up expenses, but she did not have a complete list of Hyordis' start-up expenses. Advisor gave client a business plan guide and requested that she reviews it and to complete a list of her total expenses for our next scheduled meeting on 4/10. Prior to the 4/10 meeting, I received a telephone call from client sister-in-law, Ana Gonzales, that Oliva had borrowed her start-up funds from family. After advisor met with client and explained that she would need a business plan and a cash flow statement in order to seek financing, client obtained money from her family and other sources. She did not have enough time to pursue bank financing if she planned to meet her targeted May '01 opening.

**RESULTS ACHIEVED:** On 8/7/01, Advisor spoke with Ana Gonzales, client's sister-in-law, for an update on the salon. Happily, Ana reported that the salon is always booked. She will be helping the client get her expenses together because the client would like to obtain a loan. (It seems that Oliva did, in fact, This Hispanic client was referred to the SBDC by the Bridgehampton National Bank in East use high interest credit cards for some of her start-up funds). According to Ana, the client and her partner invested approximately $15k of personal funds for their start-up. Clients were anxious to open in time for the summer season and did not want to delay their opening while trying to obtain bank financing. (Client was referred to the SBDC by Bridgehampton National Bank.) Advisor expects that this client will return to the SBDC after the summer season ends for assistance in obtaining additional financing.

## SUCCESS STORY

Case: Affordable Portable Ramps
Client: Joseph Massaro

**BUSINESS DESCRIPTION:** Affordable Portable Ramps is a sole proprietorship that manufactures wood wheelchair ramps.

**PROBLEM IDENTIFICATION:** Mr. Massaro, having been injured in an automobile accident, was unable to locate a source for a temporary ramp and so he had one built. Mr. Massaro felt he had discovered a niche and wanted to go into business manufacturing the ramps. Client had no funds to go into business because his injuries had prevented him from working.

**ASSISTANCE PROVIDED:** The counselor met with client and suggested that he apply as a VESID client in order to get the $11,000 grant available. The counselor assisted Mr. Massaro with the writing of his business plan and cash flow projections.

**RESULTS ACHIEVED:** After meeting several VESID requirements such as moving the business out of his home and changing the non-skid surface, Mr. Massaro received his $11,000 grant which was used to purchase inventory. Client has subsequently sold a number of the systems retail as well as establishing several wholesale distributors. Affordable Portable Ramps has been named a VESID supplier and is in the unique position of being both a vendor and a client.

## SUCCESS STORY

Case: Munchkinland Day Care
Client: Debbie Kola

**Business Description:** Munchkinland Childcare was operating as a sole proprietorship as a licensed group home child care provider. With a long waiting list of children, Debbie Kola decided to expand her business into a day care center. Munchkinland cared for both private pay and children referred to her by the Department of Social Services.

**Problem Identification:** Client purchased a building in Farmingdale in order to open her day care center. Half-way through the project, the Kola's ran out of funds and could not complete their project.

**Assistance Provided**: The advisor assisted the client in evaluating the financial needs of the business, its borrowing potential and repayment capabilities. Since the financial statements for the home childcare business could not support the loan request, the advisor assisted the client in developing a business plan and financial projections. The advisor also assisted the client in completing an application for a grant from the Office of Children and Family Services. After the business plan was complete, the advisor contacted several banks and was able to convince Fleet Bank of the merits of the plan. Fleet Bank contacted the client, conducted a site visit of the project and funded the project.

**Results Achieved**: Munchkinland received a $335,000 SBA guaranteed loan, a $25,000 express line of credit and invested $198,000 of their own cash. Munchkinland has a capacity of 85 children and will employ 12 – 18 people.

## SUCCESS STORY

Case: Castle Productions, Inc.
Client: Angel McCabe

**Business Description:** Advertising Agency

**Problem Identification:** This woman-owned, home-based advertising agency needed to grow and expand. Client, however, has two small children and didn't know how to relocate, be competitive and professional and still care for her two school aged children as needed.

**Assistance Provided:** The SBDC assisted client with a clear business needs assessment, including personnel and equipment. Counselor also suggested that client begin looking for potential sites very close to her home, so that the children could join her on days off or after school. It was also important to find a space large enough for a "day care" center for the children, so they would not interrupt the workings of the business. A business plan was discussed and prepared, laying out present and future financials.

**Results Achieved:** Client has purchased a house, which was for sale on the corner of the block on which she lives. This space has been converted into a full-service advertising agency with a separate room for her children to play in when they arrive from school. Her employees are delighted with the space and they have landed several very large accounts. Client is comfortable bringing clients to meetings at her newly relocated advertising agency.

## Success Story

Case: Data House, Inc.
Client: John Cruz

**BUSINESS DESCRIPTION**: **Data House, Inc.** is a startup business that was founded by Mr. John Cruz. The business is a marketing service that is used by banks and other mortgage providers. The client researches the names of individuals with high interest mortgages and sells the names to the lenders.

**PROBLEM DEFINITION:** The client originally came to the SBDC on 9/9/98 for start up assistance. On 1/23/01 he came to the SBDC a second time for assistance in getting in loan in order to expand his business.

**ASSISTANCE PROVIDED:** The first time the client was a client of the SBDC he was seeking start up assistance. The client is an experienced mortgage broker but needed guidance in establishing and operating his own business. The second time the client visited the SBDC he was in business 1½ years and needed a business loan to expand his business. At that time, the SBDC assisted the client in applying for a business loan.

**RESULTS ACHIEVED:** With the assistance of the SBDC this client started his business and received a loan to help him expand it. In April 2001 the client received a $50,000 SBA Express loan from Chase Manhattan Bank. In a recent conversation with the client he indicated that his business is expanding so quickly, he is finding it difficult to keep up. The client started this business in 1999 with only one employee (himself) and with personal resources. Today the client has as 5 full time and 3 part time employees plus 8 outside subcontractors. The client expects this business to continue to grow partly due to the declining interest rates.

## SUCCESS STORY

Case: **Life AFM, Inc.**
Client: Iris Mastrangelo & Paul Hough

**Business Description :** LifeAFM was incorporated in New York State in March 1997. The clients are residents of the High Technology Incubator located on the campus of SUNY Stony Brook. They manufacture a new type of Atomic Force Microscope (AFM). Their new instrument, SensingMode AFM was invented at Brookhaven National Laboratory by Drs. Paul Hough and Chengpu Wang. SensingMode is designed to permit repeated scanning of live biomolecules without damage, so biological functions can be observed at high resolution in real time. Customers can add the SensingMode device to their existing AFMs.

**Problem Identification:** These clients originally came to the Small Business Development Center in July 1999 to learn how to prepare a business plan. They also requested assistance when they were preparing their SBIR Grant application. At a later date they contacted their advisor once again with management issues of concern.

**Assistance Provided:** The clients were instructed in the process of preparing a business plan. The advisor reviewed and edited the draft that they prepared. When they were preparing their SBIR grant application they requested assistance in the preparation of Gantt charts. At a later date they contacted the advisor again for business management assistance.

**Results Achieved:** These clients have been awarded a SBIR - Phase 2 Grant in the amount of $150,000.

## SUCCESS STORY

Case: Eric Messin Jewelry Salon
Client: Eric Messin

**BUSINESS DESCRIPTION:** Eric Messin Jewelry Salon opened July, 2001 with SBDC assistance on Main Street in Southampton. He designs and personally handcrafts high-end platinum and gold jewelry for private clientele.

**PROBLEM IDENTIFICATION:** The client had an extensive 15 years' experience in the field and now wanted to open his own shop. The client had limited capital and did not have a good understanding of how to start or operate a business.

**ASSISTANCE PROVIDED:** The SBDC met with client and identified key issues for client's success in meetings about a year prior to his opening of the business. By providing the client a brief education in the basics of running his own business, the client was able to pursue his business dream with confidence. The client again approached the SBDC once he found a suitable location. The client and advisor worked on a financial plan focusing on the feasibility of the business at that site. Because of the risky nature of the business, the client was unable to fund the project through bank financing alone. The financial plan developed with the SBDC was structured to allow the client to get a small bank loan and combine that with limited personal and family money.

**RESULTS ACHIEVED:** The SBDC was able to assist a client, who had limited resources, to start up his dream business. The client successfully secured a $15K bank loan from Suffolk County National Bank. The client was able to borrow $20K from family with the agreement to repay at a market rate. The SBDC provided client with payment terms through loan amortization tables. The client also provided $5K of his own capital. Eric Messin Jewelry Salon provides employment for two full time employees.

**SUCCESS STORY**

**Case:** **"Charmed Collector – Cups and Things"**
**Client:** **Theresa Spiazzi**

**BUSINESS DESCRIPTION: Ms. Spiazzi dreamed of owning and operating her own business for many years. She finally had the opportunity when she was laid off from her job as an accounting manager. After researching many different business opportunities she decided on a digital photography business. With the aid of computer programs and digital photography, Ms. Spiazzi is able to transfer photos onto various gift and souvenir items. The possibilities are endless including, mugs, plates, T-shirts, picture frames, and mouse pads, to name just a few. Ms. Spiazzi converted her garage into a studio and does most of the work there. She has leased a space at a popular flea market and was fortunate to take over a booth owned by a woman who had run a similar business in the same location for fifteen years. As a result, many of the previous owner's customers became Ms. Spiazzi's customers. In addition to the retail business, Ms. Spiazzi is a distributor of the laminating process to photography studios. She also plans to contact local schools to provide an on-site photography service. She will be able to do the traditional school photos as well as provide the additional keepsake items. She has also mentioned the possibility of contacting churches to do fundraisers and pet grooming businesses to do pet portraits.**

**PROBLEM IDENTIFICATION: This business required a serious commitment of time, money, and space. Ms. Spiazzi was not in a position to secure a bank loan so she had to use her personal savings, 401K, a home equity loan, and some credit cards, in order to finance the business. In total to this point, she has invested approximately $35,000 to cover the cost of remodeling the garage, computer equipment and training in Florida, inventory, and the rental of the flea market space.**

**ASSISTANCE PROVIDED: Ms. Spiazzi had dreamed about having her own business for many years. Learning about the Self Employment Assistance Program made that dream a possibility. She has told her business advisor that the unemployment benefits she collected gave her the cushion she needed to focus her attention on starting her business and the counseling and information she received from the Small Business Development Center helped her get her business off the ground.**

**RESULTS ACHIEVED: The past several months have been exciting and exhausting for Ms. Spiazzi. The space at the flea market became available sooner than she expected and she was not fully prepared. She jumped at the opportunity because she could take over an existing business and the customers that went along with it. The cost of financing the business has been a strain but she is looking forward to a successful Christmas and is confidant that the business holds great promise. The client has talked to her advisor about the need for a bank loan in the future to expand the business even more and she will need the help of the Small Business Development Center to complete a business plan.**

## SUCCESS STORY

Case: The Bagel Place, Inc.
Client: Martin Rubenstein

BUSINESS DESCRIPTION: The Bagel Place, Inc. has been a family owned operated business for 10 years. Client has a terrific following and is doing very nicely. However, he was looking to expand his service offering to include dinner and additional seating but needed more space.

PROBLEM DEFINITION: The rent increase for additional space was cost prohibitive so client decided to build a bagel restaurant that he would own outright. When we first met, he was ready to give a property owner for a one-acre parcel $65,000. He also did not know where to go for the additional financing needed. He estimated that the entire project would cost about $500,000.

ASSISTANCE PROVIDED: First, advisor told client not to tie up all his cash in order to purchase the property in question. Advisor told that that might hurt his chances to get the financing needed to build his restaurant. We needed to combine the property purchase with the build out and our best chance would be the SBA 504 program. Advisor connected client with Fleet and we got the process going. Client's business numbers were so impressive that the loan approval looked very good. Advisor helped client complete a business plan and furnished cash flow projections. Advisor has been assisting client with all aspects of this project: negotiating, contractor bids, zoning issues, legal assistance and his expanded service offering.

RESULTS ACHIEVED: After much to do, the loan was approved for $525,000. We had several miscues with the property purchase but finally agreed to terms. Lining up a contractor was difficult but after talking with a dozen possible contractors, we finally found one we trusted and the rate was fair. Advisor and client also resolved the zoning issues with the Town and seating capacity is okay. Client hopes to be in the new location by January 2002.

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Vol. 23 No. 3 July - September 2001

## ACIT & Microsoft 5th Annual High Tech Golf Salutes NY State Small Business Development Center at SUNY Stony Brook

*Bob Jones*
*Regional Manager for State and Local Government*
*Microsoft Corporation*

ACIT and Microsoft will present the 4th Annual Small Business Technology Solutions Award to the SUNY Stony Brook New York State Small Business Development Center at their 5th Annual Salute to Small Business High Tech Golf Outing to be held September 20 at the Island Hills Country Club in Sayville.

This award recognizes those who have made contributions to the field of technology, promoting its use among small businesses on Long Island.

The New York State Small Business Development Center located at Stony Brook University is being recognized for its role in moving technology forward: providing assistance to small businesses in solving technology problems, affording them a service of technology exchange and development guidance, and offering emerging technology enterprises or technology-oriented businesses direction toward accessing assistance programs offered through the College of Engineering at SUNY Stony Brook and the federal government.

The Award will be presented at a dinner immediately following the golf by Bob Jones, Microsoft Corporation Regional Manager for State and Local Government, who was the initiator of this event, now celebrating a milestone year. Director Judith McEvoy will accept for the Center.

The recipient of last year's Technology Solutions Award was Rudin Management/Cogswell Realty Group.

For complete information see page 2.

*Judy McEvoy*
*Director SUNY Stony Brook NYS Small Business Development Center*

## McMillan Honored for Global Leadership

## Congressman Israel Visits NexTech

### Dedicates ACIT's Satellite Office

Congressman Steve Israel visited the newly renovated and expanded headquarters of NexTech Training Solutions, LLC on May 16 to commemorate the com-

# Small Business Development Center

## *One of Long Island's Best Kept Secrets*

"I can't believe you exist! Why haven't I heard of you?" Judy McEvoy, Director of the NYS Small Business Development Center at SUNY Stony Brook hears this from business owners more than she should. The SUNY Stony Brook Center is one of the best service providers for small business that you will ever find. It is consistently one of the top performers within the New York State system of twenty-six such centers and has also been nationally recognized by organizations such as the National Association of Manufacturing and Technical Assistance Centers for excellence.

So what is the SBDC? For too many Long Island small business entrepreneurs it remains a best kept secret. Funded by the US Small Business Administration and the State University of New York, the Stony Brook SBDC has been assisting businesses from the manufacturing, service and retail sectors through all phases of growth since 1989. Close to ten thousand clients have been assisted by the Center's team of ten professional advisors. Of course, an important aspect of growth is access to capital and the Center has assisted its clients in addressing over $121 million from banks, private investors and government contracts.

What would you expect to pay for these services? If you guessed anything more than zero, you'd be wrong. You pay nothing as a client of the SBDC. The SBDC program, which was authorized by Congress in 1980 under the Small Business Development Center Act, operates in all 50 states plus Washington, DC, Puerto Rico and the Virgin Islands. The Act requires the centers to assist small businesses in solving problems concerning operations, manufacturing, engineering, technology exchange and development, personnel administration, marketing, sales, merchandising, finance, accounting, business strategy development, and other necessary matters.

The business counseling provided by the SBDC is intended to be educational in nature with the client taking an active role in the process. This approach is believed to provide greater benefits than a consulting intervention where most of the work is performed for the client.

"Many people believe that we only work with start-ups," notes McEvoy. "Actually more than half of our clients are existing businesses. Most of them come to us for assistance in developing a business plan. We work with them one on one for as long as is necessary. Some of our clients have been with us for three or more years. They may have entered as start-ups and are now in a position to buy a building. We work with them through the entire life cycle of their business."

*Judy McEvoy displays NAMTAC 2000 Award to advisors.*

Unfortunately, many businesses wait until there is a crisis to make use of SBDC services. "It's really a mistake to wait until crisis. We'd much rather build a relationship with our clients so that we can help them plan for growth. We have great contacts with all the banks and can help our clients get in a position where they will be eligible for a loan, even if they may not be bankable today," says Ms. McEvoy.

Planning and developing internal financial controls is a specialty of Senior Business Advisor Pat Karlak, Ms. Karlak, who holds an MBA in finance, works with many clients on management turnaround and profit improvement plans. Karlak explains, "I have worked with businesses who have been operating for years without any idea of what their real operating expenses or profit margins are. There may be some underlying management issues that need to be addressed. I will work with these businesses on becoming more profitable so that they will be in a position to expand or sell their business." She adds, "I love numbers. Some business owners don't feel comfortable with financial accounting. I can help take the mystery out of the process."

*Director Judy McEvoy meets with Yacov Shamash, Dean of the College of Engineering and Applied Sciences and Vice President of Economic Development at SUNY Stony Brook.*

One of Karlak's success stories is The Good Times Bookshop of Port Jefferson. When owner Michael Mart decided to expand his business he turned to the SBDC for assistance in putting the plan together. "Pat Karlak offered free essential help with the necessary business plans and financial projections" notes Mr. Mart, who also encouraged other small businesses to take advantage of the services in a half-page advertisement he placed in a local newspaper thanking Ms. Karlak.

For emerging technology enterprises or technology oriented businesses, the Center provides guidance in accessing assistance programs offered through the College of Engineering at SUNY Stony Brook and the federal government. The SBDC staff includes a mechanical engineer and a candidate for the MBA in Management of Technology who can offer expert assistance. "Businesses that are involved in substantial R&D activity require significant capital resources. We can assist these companies with developing a business plan that includes a strategy of seeking funds through these programs. Many of our clients have won SBIR awards from NASA, NIH and DOD. Participation in the SBIR program should be an important component of any emerging tech company," says business advisor Michelle Isabelle-Stark. Ms. Stark is responsible for coordinating the Defense Transition Assistance program at Stony Brook and works with many of the incubator companies at Stony Brook, Brinchiffe and Farmingdale. "We also assist companies who need to apply technology to their business operations," adds Ms. Stark. The SBA will provide guarantees for loans used to engage in e-commerce, including the purchase of computer hardware and software. "Of course, the business has to present a solid plan and must be able to personally guarantee the loan" she cautions.

*"Unfortunately, many businesses wait until there is a crisis to make use of SBDC services."*

Success stories of the SBDC can be found in every industry across Long Island. Senior Business Advisor Gloria Glowacki, a former VP of McGraw Hill, really enjoys the variety of businesses she sees. "It's really a lot of fun trying to convince a bank to invest in a seasonal business that is on the water and made out of wood!" recalls Glowacki. But that's just what she did. Her clients, who own The Eastern Star, a floating bed & breakfast, fully credit Ms. Glowacki with their success. Now wildly successful and featured in *Newsday, Distinction Magazine* and other publications, The Eastern Star was only a dream when Nick and Laurie Kotsovros first met with Gloria. "We never could have gotten this business off the ground if it weren't for Gloria Glowacki," said Laurie.

Whether you are a retailer, new venture, manufacturer, or service firm, you will be more successful if you use the services of the Stony Brook SBDC. You don't have to take our word for it. A recent study conducted by the Hankamer School of Business at Baylor University (Chrisman & McMullan, 2000) concluded that clients of the SBDC frequently prosper over time. The rates of survival, growth and innovation of SBDC-counseled clients are higher than in the general population of business starts.

*"What would you expect to pay for these services? If you guessed anything more than zero, you'd be wrong."*

***The SUNY Stony Brook SBDC is located in Harriman Hall on the Stony Brook campus. Outreach centers also exist at Brookhaven National Lab, Patchogue Chamber of Commerce, Southampton Town Hall and the Southampton campus of LIU. Call (631) 632-9070 to schedule an appointment or receive more information.***

June 25, 2001

Al Hirsch
Business Advisor
State University of New York
Stony Brook, New York 11794

(client)

Re: HMS Bounty

Dear Mr. Hirsch,

Thank you for following up on The HMS Bounty business venture.

At this time I have been successful in securing a financial backer for the new business. I appreciate all of the time and effort that you have put forth in my behalf.

I would highly recommend you and your services to others in determining their needs for start up in a business or expansion. I found you to be very informative and highly knowledgeable in your field.

Should I need your services again I would certainly contact you.

Sincerely,

Robert E. Hansen
President

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7/11/00

Newsday Photo / Dick Kraus

Nick and Laurie Kutscera in the main salon of their cruising country inn.

client

# DREAMS Afloat

## An East Northport couple turns a decrepit fishing boat into a 'cruising country inn'

By Debbe Geiger

NICK AND LAURIE Kutscera of East Northport have spent most of their 13 years together cruising the waterways of Long Island in their 28-foot wooden boat. They were married in 1991 and spent their summers entertaining small groups of friends for up to 10 days at a time, going as far south as Atlantic City and as far north as Lake Champlain.

But for Nick, that tantalizing taste of life on the water wasn't enough. Raised in Queens, in Jackson Heights and Bayside, he had a passion for salt air that was instilled in him long ago by an uncle who was a merchant seaman. Nick itched to ditch his career doing computer technical support for a pharmaceutical advertising agency in favor of full-time boating. He tried his hand working summers and weekends as a captain on the Fire Island Pines Ferry Service in Sayville, but that wasn't enough either. He longed to combine his love of the water with his talent for carpentry to create a "cruising country inn."

"Every night after he got off the train he would come home and sit there and dream about doing it," says Laurie, a 44-year-old freelance graphic designer who grew up in Kew Gardens. "I finally said to him, 'If you're going to do this, you better stop talking about it and start doing it. I don't want to hear about it for the rest of your life."

In the meantime, Laurie had goals of her own. "My dream was to illustrate a children's book," she says. She collaborated with friends Marietta Abrams and Peter Brill on "Ravita and the Land of Unknown Shadows." Universe Publishing, a subsidiary of Rizzoli Books, published it in 1994. So it was time, she thought, to start working on her husband's dream.

One year later, when he turned 40, Nick was ready to take the risk. "I thought you really only get one ride on the merry-go-round, and I'd better go for the brass ring while I can," he recalls. The idea of leaving his job "wasn't as scary as being of retirement age and saying, 'I should have.' That was the thing that really got me to do it."

LIVING Transitions

To see if his idea would fly, Nick did some market research. In 1995, he posted an advertisement on America Online's travel section for cruises, calling his dreamboat the Eastern Star. "Sure enough," he says, "people started writing back from all over the country, interested in the trips. That was the deciding thing. It was clear there

See CRUISE on B14

PERSONAL FILE

# Dreams Afloat

CRUISE from B13

is a market for this and I'm going to go for it."

To get the ball rolling, the Kutsceras contacted the Small Business Development Center on the campus of the State University of New York at Stony Brook. The center, financed by New York State and the U.S. Small Business Administration, helped them put together a business plan and secure a $100,000 loan, which went toward the purchase of the boat and its extensive restoration.

In 1996, they traveled to North Carolina to buy an 86-foot wooden fishing vessel that was once used as a party boat. It was nearly 30 years old and in serious disrepair — but to Nick its potential was clear. Where a battered concession stand stood, he envisioned a library with oak wainscotting. Where snack booths sagged in decay, he planned a saloon with a mahogany bar, wood-burning fireplace, comfortable couches and armchairs. Below deck, where 21 bunks were lit by a single fluorescent bulb, he wanted six luxurious staterooms with double beds and built-in storage. And where the fishermen once filleted their catch, Nick saw a formal dining room with cherrywood tables, fine china and hand-blown glasses, kept secure in a custom-built mahogany banquet.

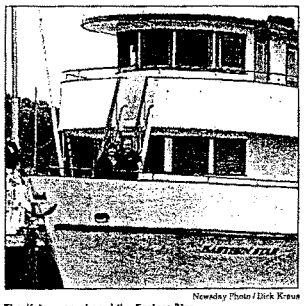
During the next three years, the Kutsceras worked to make his vision a reality. Nick quit his job, gutted the boat to its hull and began rebuilding the cruiser. Laurie designed the interior, buying fabrics, artwork and dinnerware. With her background in marketing, she designed and produced brochures and other advertising tools. She hired a chef trained at the French Culinary Institute, stewards and deckhands. Her flair for entertaining and knack for creative touches is showcased in her role as hostess. "For me, this is just an extension of what I love to do," she says.

On New Year's Eve, the couple christened the boat with a party for their friends. But it wasn't until early last month that the construction and decorating were finally completed. Now comes more hard work, as the Kutsceras are finally ready to begin what they set out to accomplish almost five years ago.

They're busy trying to set up corporate, family or group charters for up to 12 guests from Three Mile Harbor in East Hampton to places like Mystic, Conn., Newport, R.I., Martha's Vineyard and coastal towns along Long Island Sound. In the fall they hope to offer foliage cruises and when winter comes, they plan trips along the coast of Florida and to the Bahamas and the Caribbean.

Eastern Star Cruises is hardly the last of the couple's dreams. "For me, they are like branches on a tree," Laurie says. She'd like to illustrate more children's books and do a cookbook for their cruising country inn, illustrating it with watercolors. "Once we get a couple of seasons under our belt and we know how things will operate here, I can focus back on that."

As Nick reaches his 45th birthday, he has this advice for others trying to follow their dreams: "Be prepared for adversity. Find the positive in every negative. And follow your heart." ■



Newsday Photo / Dirk Kraus

The Kutsceras aboard the Eastern Star

*Debbe Geiger is a regular contributor to Newsday.*

*(For more information on Eastern Star cruises, check the Web site http://www.easternstarcruises.com/ or call 800-445-5942.)*

## Tips for a Reality Fix

IF YOU HAVE a business idea you'd like to pursue, the Small Business Development Center at the State University of New York at Stony Brook can help you make that dream a reality.

The center has 12 staff members who give free, one-on-one counseling on everything from business plan development and financial planning to cost analysis and training programs. It also offers support services such as a comprehensive library, referrals to consultants, workshops and seminars, as well as a computer network linking the Stony Brook Small Business Development Center with other centers in New York State.

According to Gloria Glowacki, a senior business advisor who helped Nick and Laurie Kutscera of East Northport pursue their dreams, "If you have the idea of what you want to do, we guide you through the process." For example, when the Kutsceras first approached Glowacki, they needed start-up information and help in figuring out whether their idea was viable. She also helped them develop a business plan and even went with them to the bank to secure financing. "Then we go to the next stage. Now we have to set up marketing, advertising programs, how they're going to reach that market. We go to another whole phase of counseling," Glowacki says.

Clients can use the services as much as they want. "They fire me," she says, laughing. "I don't fire them."

If you too have a business dream, "explore the idea," Glowacki suggests. "Do some initial research." It's important to have good credit and have some collateral for securing a loan. In addition, she says, you "should have some kind of experience in the business. You can't say, 'I like to eat, so I'm going to open a restaurant.' You have to bring something to the party."

For more information on the Small Business Development Center, call 631-632-9070.

— Geiger

## READ THIS

**THE NEW SUCCESS RULES FOR WOMEN: 10 Surefire Strategies for Reaching Your Career Goals,** Susan L. Abrams, 320 pp., Prima Publishing, $24.95.

IN CASE there was any doubt, a woman's climb up the corporate ladder is still fraught with more unspoken scrutiny, criticism and challenge than a man's. Employers and colleagues are quicker to question women's career motives, behavior and even dress — even as they make way for a man's professional rise in rank.

So there it is. Unfair, maybe, but still, working women are forced to confront a sometimes not-so-subtle workplace double standard. Author Susan L. Abrams explores this in her new book, and then, in interviews, lets women who have made it to the top share their secrets and strategies. Among them: Networking is one of the best ways for women to advance. Never underestimate the importance of job contacts. They can appear seemingly out of nowhere, but most of these types of relationships need work. People tend to help others they know and like, and with women, it's particularly important to seek others who likely have been in a similar job situation. "No one can work in isolation . . . you need allies throughout your company who trust you and will support your project," she writes. The same advice applies outside of your company.

She urges women to take risks and stop second-guessing. While women spend time thinking about and then doubting their abilities, other colleagues, without necessarily any more skill, pounce on new projects or positions. If you're a woman having trouble getting off the dime, this book will help you to examine what it is you want out of your job and help you get it.

— Julie Ostrowski

Pat.
I don't know if you saw our ad when it was published 12/7; but here is a copy.
Thank you again for your help.
Happy New Year, Michael Mart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client

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The best part of the expansion is that all our stock will be available to you on one, not two, floors. No longer will you have to go up and down stairs to browse the entire stock.

**Mr. James Makarius** of Ample Contracting tells us we can expect to begin using the addition in January. He also insists there will be minimal interruption of our **normal holiday business hours--Tuesday through Saturday 11 am to 6 pm and Sundays 1 to 5--,** but if you are traveling a good distance please call first to make certain we are open that day. So far, Jim has shown no reason to doubt this prediction.

We are grateful to the people who helped us make this possible. Particularly you should know that **Mr. Peter Poten** and **Mr. David DeVito** of Suffolk County National Bank made the financing a pleasure, **Ms. Patricia Karlak** at the Small Business Development Center at SUNY Stony Brook offered free essential help with the necessary business plans and financial projections (other local small businesses should take advantage of the services of this Center), **Ms. Frances Campani** is the architect who helped with the design and is involved in the daily construction, and lawyers **Mr. Eric Sackstein** and **Mr. Richard Scheyer** made certain truth and justice prevailed.

We look forward to seeing you this Holiday Season. All things considered, we will be open **Tuesday through Saturday 11am to 6pm and Sundays 1 to 5.** There are over **30,000 Scholarly, Scarce and Out-of-Print titles** for you to browse.

***Wishing you all Very Happy Holidays,***
**Michael and Mary Mart**
**The Good Times Bookshop**
**150 East Main Street, Port Jefferson**
**928-2664**
**Established in 1972**

## RHIC

(cont'd)

found that this was the result of distortions that occurred during high-pressure testing of parallel running tubes, which carry liquid helium to cool the superconducting magnets. The deformities were diagnosed as a systemic problem around both the Yellow and Blue Rings, and so an extensive repair job was undertaken.

Thomas Ludlam, Deputy Associate Director for High Energy and Nuclear Physics, said that such a delay is not unusual, given the complexity of the machine.

The $600 million RHIC construction project began in 1991 and was completed last summer. Designed to recreate under laboratory conditions the state of the Universe just after the Big Bang, RHIC is expected to enable about 1,000 physicists from worldwide to do experiments to explore matter as it existed at the beginning of time.

While the delays may cut the collider's first experimental run from 23 to 25 weeks, Satoshi Ozaki, Associate Laboratory Director for RHIC, said that a final decision on this has not yet been made.

The RHIC team will start cooling down the machine at the beginning of February, with the goal of beginning ion collisions in March or April, and experiments in May.

"With a great many of the commissioning goals accomplished during last summer's run, and all known deficiencies of the system remedied, we are very optimistic that we will achieve colliding beams and be ready for data-taking fairly quickly this spring," Ozaki said.

RHIC's start-up problems have been addressed swiftly. Since September, about 200 of the bellows have been replaced and their connections braced and other modifications made to ensure safe and reliable operations.

For example, technicians replaced 56 valves in the refrigerator and added additional filters to trap contamination from returned gas. Also to be installed before start-up are approximately 100 power supply units, which adjust magnet strength at beam intersections. The power supplies have been delayed because the manufacturer had not met the RHIC design specifications.

Meanwhile, RHIC has been ahead of schedule in meeting environmental standards, as it is the first DOE Office of Science project and the first Long Island-based facility to be registered to the International Standardization Organization 14001 Environmental Management System.

ISO 14001 is an internationally recognized standard that provides a framework for defining and preventing potential environmental impacts, and for monitoring, communicating and improving performance.

Ludlam concluded, "The extended shutdown has provided the experimenters with a window of opportunity for installation, testing and tuning of components that will make this year's running potentially much more effective than it would have been had we started, as originally planned, in November or December of last year. In terms of physics output, this could well offset the delayed start-up."

— Diane Greenberg

## BNLers, Be Your Own Boss — With Help From DOE

Bryce Stoiaschkoff

**Around the sign for the new DOE Small Business Development Center (SBDC) are: (from left) Judith McEvoy, Director, SUNY Stony Brook SBDC; Tim Drawridge, DOE Contract Specialist; Michelle Stark, Business Advisor, DOE Brookhaven Group (BG) SBDC; Jeffrey Waxweiter, CEO, APACE, Inc. of Hauppauge; Lucille Wesnofske, Associate Director, SUNY Stony Brook SBDC; & Robert Gordon, Director, Business Management Division, DOEBG.**

To be one's own boss tops many people's wish list. If starting your own business is your goal, this opportunity for expert assistance could be for you.

A partnership between the Department of Energy (DOE) and New York State has established a Small Business Development Center (SBDC) on BNL's site at the DOE Brookhaven Group. The SBDC provides a range of services to existing and emerging small businesses. It also is a first-of-a-kind at a DOE site.

"This center, with all it has to offer, will be a great benefit to the community, BNL and DOE," said Robert Gordon, Director of DOE's Business Management Division at BNL. "By assisting new and existing small business firms, this new Center contributes to the growth of small business on Long Island. And, BNL will have more potential supply sources."

At the SBDC, a wide range of products and services awaits the business community — business plan development and small business start-up assistance, organizational structuring, financial planning, loan information assistance, and access to public and private capital sources, as well as training programs (workshops and seminars). The Center maintains a comprehensive library, provides referrals to consultants and service providers, offers export assistance, and is linked by computer to the other 20 SBDCs across the state. Introductions to DOE and other federal agency purchasing organizations are also provided. This makes BNL an ideal location for the Center.

*Since its inception, the Stony Brook Center has assisted over 7,500 clients, achieved over $91 million in economic impact, created more than 2,057 jobs, and saved more than 700 existing jobs.*

"BNL plays a significant role in the regional economy as a purchaser of supplies and is a leader in working with small business," Gordon said. "Now it can also be a mentor for emerging businesses."

In 1999, more than 65 percent of BNL's contracts were awarded to small businesses. Also in 1999, BNL's Small & Small Disadvantaged Businesses (SSDB) program in what is now the Procurement & Property Management Division received a DOE national award for success in creating small business opportunities. BNL has several programs that were created for small businesses. For example, BNL's SSDB Liaison Officer has an open-door policy to assist small, small disadvantaged, and women-owned businesses to become viable. Also, the Technical Assistance Program in the Office of Economic Development & Technology Transfer offers a unique opportunity to businesses needing to solve technical problems. Under this free program, BNL provides its staff expertise to a business for up to a week. Also, the Cooperative Research & Development Agreement (CRADA) program in the Technology Transfer Office enables BNL to enter into partnerships with industry to work on projects that are of mutual benefit.

The new DOE Center's doors opened in November, and its counselors have been meeting almost continually with individuals from the community and from BNL. Interests vary — some clients explore the potential for self-employment and others seek funding opportunities.

The new DOE SBDC office is a satellite of a larger SBDC program located at the State University of New York at Stony Brook, under the auspices of the Office of the Vice President for Economic Development, Yacov Shamash. The Stony Brook Center has been in existence for over 12 years, employing seven full-time professional advisors and two support staff. In addition, a full-time advisor is located at the Long Island University satellite office in Southampton. Since its inception, the Stony Brook Center has assisted over 7,500 clients, achieved over $91 million in economic impact, created more than 2,057 jobs, and saved more than 700 existing jobs.

"We are hopeful for similar success at the newest SBDC site," said Gordon.

The DOE SBDC is currently staffed with one advisor who provides one-on-one, confidential counseling for the growth of a business. The Center is open weekdays, except Thursday, 8:30 a.m. to 4 p.m. All visits are free. The Center is housed within the DOE Building 464 on 53 Bell Avenue. For information, call 631-344-2393 or e-mail sbdcdoe@bnl.gov. Walk-ins are welcome, but appointments are recommended to ensure that ample time is put aside to assist you.

## Microcomputer Club Java Presentation

On Thursday, January 20, the BERA Microcomputer Club will sponsor a presentation by Dave Stampf, who programs in Java for the Relativistic Heavy Ion Collider and the Advanced Technology, Applied Science, and Biology Departments.

Stampf will talk on "Java — Fun at the Cutting Edge of Programming," in Berkner Hall, Room C, from noon to 1 p.m. All are invited, bring your lunch.

For more information, contact Club President Steven Stein, Ext. 5694, or visit http://www.bnlmcc.bnl.gov.

## Omnipoint Demo 1/18

Omnipoint Communications will be in Berkner Hall on Tuesday, January 18, 10 a.m.-2:30 p.m., with special rates for BNLers buying digital PCS wireless services on Omnipoint's GSM network.

Service plans include free caller ID, voice mail, SMS messaging, and FOX News headlines. Plans range from $15.99 monthly with free phone, to 40 free minutes at $17.99 monthly, or to 250 minutes, with unlimited weekend calling for the year of the contract at $27.99 monthly. Call Richard Gall at (631) 343-5900.

## Noon Recital January 26 — Ensemble Performs Early Scottish Tunes

At noon in Berkner Hall on Wednesday, January 26, the Orpheus Caledonius ensemble will perform a collection of 18th-century Scottish tunes. The musicians are directed by Rachel Begley, recorder; and include Jennifer Griesbach, harpsichord; Motomi Igarashi, viol; and Christopher Morrongiello, lute.

Popular tunes in Scotland at that time evidence crosscurrents of both folk and classical music. A study in contrasts, from the most plaintive of ballads to the most raucous of dances, the program will include works by Barsanti, Bremner, Gow, Oswald, and Thomson.

Orpheus Caledonius is a new ensemble of some of the most exciting emerging players of early music. Director Begley, a New York-based English recorder virtuoso, assembled the group from colleagues from Canada, Japan and the US. The group's diverse instrumentation — with wind, bowed and plucked instruments, together with a keyboard — provides an ever-changing tapestry of sound.

Noon recitals are free and open to the public. Bring a lunch and come and go as you please.

NEWSDAY, TUESDAY, APRIL 17, 200

# Incentive for Businesses Out East

## Proposed office would give loans, aid to firms

By Jamie Herzlich
STAFF WRITER

A major economic development office that would assist growing businesses on Long Island's East End is being proposed at the former Grumman property at Calverton.

The office would be a joint venture among more than half a dozen key agencies — Empire State Development Corp., Long Island Development Corp., Small Business Development Center at Stony Brook, Suffolk County Department of Economic Development, Long Island Power Authority, KeySpan, Riverhead Industrial Development Agency and Suffolk County IDA, according to a proposal submitted to the Town of Riverhead.

The proposal was presented by Henry Mund, Long Island regional director of the Empire State Development Corp., at a recent work session with Riverhead Town officials.

Trying to get companies to locate farther east is still a "hard sell," Mund said, but that will change, as land becomes scarce farther west and as the former Grumman property develops into an industrial hub. He said Empire State Development Corp. Chairman Charles Gargano has been making a push to reach out to the East End.

Mund said most of the group's members already work together, but this would provide a "one-stop" shop for businesses in the five East End towns.

The office would provide services including long-term, low-fixed rate subordinate mortgage loans to help businesses buy, build and renovate buildings and purchase heavy-duty machinery; interest rate subsidies on bank loans; mini-loans for businesses owned by women; counseling and loan packaging.

Mund said he hoped the office could be operational within the next four weeks.

Last year, the state agency approved 46 Long Island projects, providing total assistance of $7.8 million, which included loans and grants.

The collective group is looking to use space at the South gate building of Calverton Enterprise Park. The proposal asks for use of one office, as well as common areas including the conference room. It would be staffed on an as-need basis, Mund said.

Jack O'Connor of Grubb & Ellis, the exclusive marketer of the former Grumman property, said the building is now used for security guards and as a management office, but said there would be enough room for this purpose, noting that such an office would be helpful in the site's marketing.

Riverhead Town Supervisor Robert Kozakiewicz said he was supportive of the idea but said the board was still reviewing the proposal and probably would need to vote on granting a licensing or leasing agreement within a month.

Judy McEvoy, director of the Small Business Development Center at Stony Brook, says her group has been seeing more East End activity and last year — out of the $21 million the group helped clients access — about $9 million of that was for the East End.

"There's a real need," said Tom O'Rourke, an attorney and president of the Eastern Long Island Executives Roundtable, a group created to foster business growth on the East End. "The population is growing out here and more businesses are moving closer."

Deputy Suffolk County Executive George Gatta said it would supplement the county's efforts out East, noting that the county already has a presence at Gabreski Airport in Westhampton Beach and at Southampton Town Hall.

Eric Brown, executive assistant to East Hampton Supervisor Jay Schneiderman, said he supported the idea, but hoped the office would be sensitive to the differing needs of the East End towns — an issue Mund said the office would address.

"There are significant differences between East Hampton and Riverhead," said Brown: "Some things that Riverhead would like to see like manufacturing might not be so compatible in East Hampton. Our major industry here is tourism."

This former Grumman property in Calverton is the proposed site of a new economic development office in which several agencies would provide help for East End businesses.

Newsday File Photo / David L. Pokress

For detailed information on the proposed economic development office in Calverton log on to **www.newsday.com/ebiz.**

Additions to testimony submitted to the House Committee on Small Business hearing, August 30, 2001

When asked to respond to Congressman Grucci's question regarding the most pressing needs of small business, I would like to clarify my answer. I indicated that small business seem to have trouble finding and utilizing the assistance that is available to them. Every individual offering testimony has a wealth of information to assist the Long Island businessperson. All of our agencies, at one point in time, have indicated that they feel like "a best kept secret". Specifically, I feel that small businesses need to use the resources that are available to them.

Several agencies have budgets to commercially advertise their services. I would suggest a coordinated promotional campaign to highlight all agencies that work together and provide services that can dovetail to meet the needs of entrepreneurs and individual business owners. At the SBDC, we focus upon providing a "one stop" service for small business, so we actively solicit partnering services, but this is not always the case. For a business owner to research, visit and utilize the different levels of service would be a costly undertaking in time and energy. Although it would be worth it, a business owner can be frustrated in trying to understand the alphabet soup of agencies.

In Suffolk County, several of us are banding together to provide services in one place, a 'one stop mini-mall of services'. For instance, the proposal to open a joint SBDC service office on the grounds of the Calverton Navy Base, the SBDC already has an office in Southampton Town Hall to assist residents while conducting business at Town Hall. If there were more joint efforts like these, none of the small business network would be a "secret". The federal government and SBA could assist us with this effort by financially supporting cooperation and providing the resources necessary to expand SBDC services between agencies.

The SBDC has been doing targeted outreach to some populations and I am happy to report that Stony Brook assisted double the amount of Hispanic clients in the last federal year. In addition, Stony Brook can boast of a client base of close to fifty percent female owned businesses.

Again, I wish to thank the Committee for the opportunity to testify and to add to my testimony.

TOWN OF RIVERHEAD

Robert F. Kozakiewicz, SUPERVISOR

200 HOWELL AVENUE
RIVERHEAD, NEW YORK 11901
(631) 727-3200 EXT., 250
FAX (631) 727-6712
WWW.RIVERHEADLI.COM

# CONGRESSIONAL FINANCE COMMITTEE TESTIMONIAL ON CONSTRUCTION OF THE POST OFFICE BUILDING ON WEST MAIN STREET

Good afternoon Congressman Grucci and Congresswoman .....

Before I begin my testimony, I would like to welcome you to the great Town of Riverhead. We are honored to have members of the House Committee on Small Business visit our town and we hope you have time to visit some of our attractions before leaving.

The Town of Riverhead is a small community. It has its roots in the agricultural and aquacultural industries. We have large shopping districts along County Road 58 and three prominent downtown areas in Riverhead, Wading River and Jamesport.

The majority of businesses in these downtown areas and throughout the town's 78-square-miles are small businesses. They are businesses owned by individuals; family businesses passed down from parent to child.

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200 HOWELL AVENUE
RIVERHEAD, NEW YORK 11901
(631) 727-3200 EXT., 250
FAX (631) 727-6712
WWW.RIVERHEADLI.COM

The Town of Riverhead is experiencing a growing spurt that will only be enhanced by additional small businesses. To ensure this we have a very active Industrial Development Agency, established an East End office for the Long Island Development Corporation and the Empire State Development agency at the former Grumman site in Calverton. In addition, the Town of Riverhead will be establishing a Riverhead Office of Economic Development to further promote and enhance the opportunities for small businesses to locate within the boundaries of our rural town.

In addition, the Town of Riverhead has collaborated with Stony Brook University and the State of New York to establish an agricultural and aquacultural business incubator at the former Grumman site to further encourage small businesses to start and grow. That means the residents of the Town of Riverhead have invested in the future of small businesses.

I must say, it is extremely necessary for these agencies to have the appropriate funding needed to sustain those individuals willing to take the required risks in starting a new business or expanding an existing small business.

Without the support from the members of your committee, the State of New York is limited in what it can do, as is County of Suffolk and the Town of Riverhead. Whether the economy is peaking, stalled, or reaching the depths of despair, small businesses have been the lifeline of American

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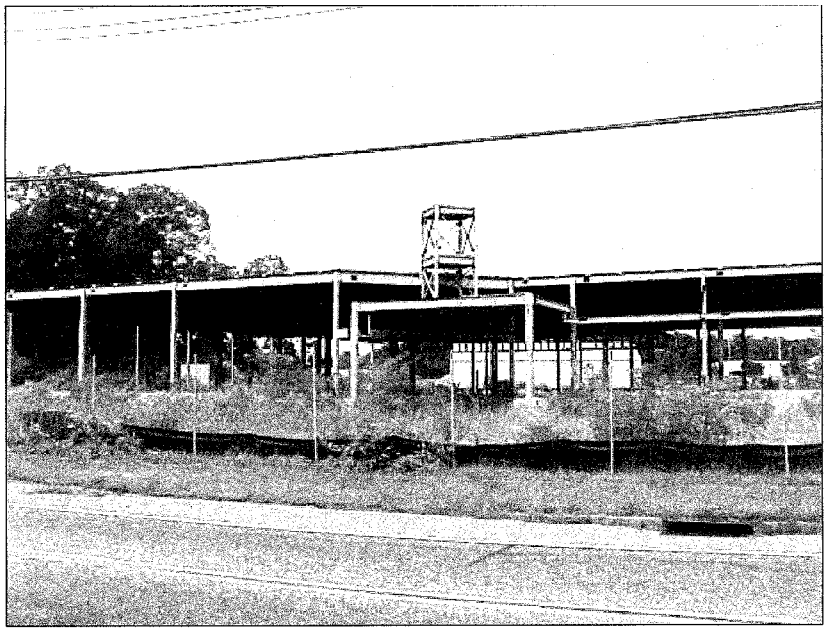
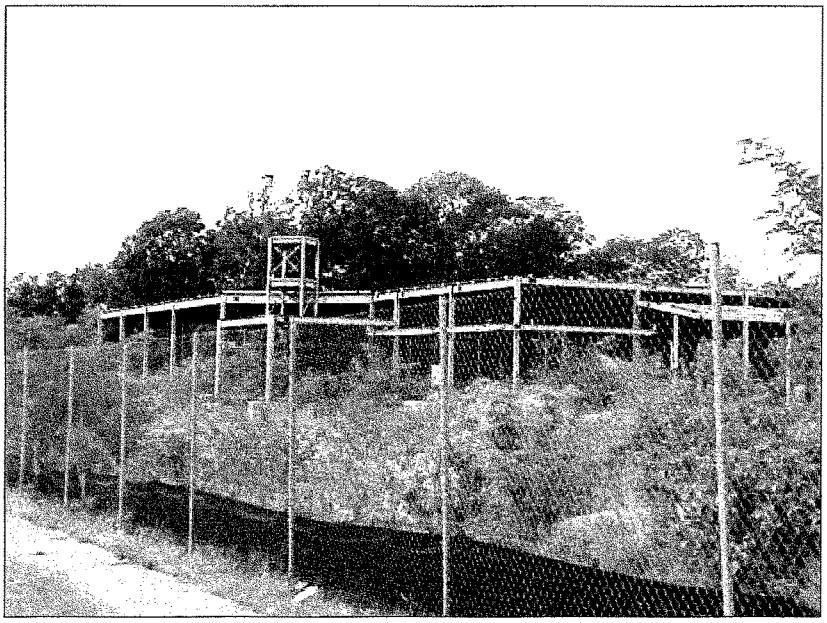
commerce. Your support for the funding of small business agencies and programs is paramount to the survival of the industry and of most communities in this great nation.

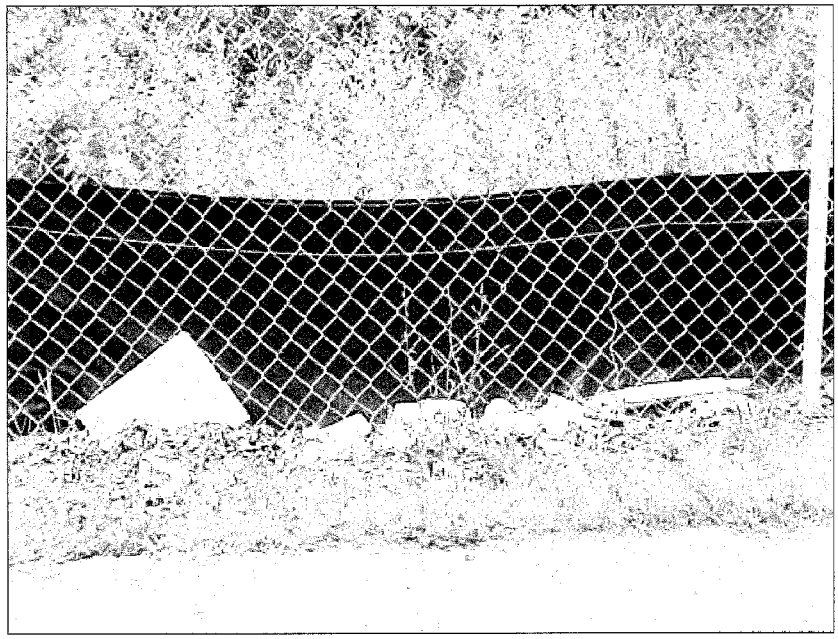
On a final note, I must stretch my arms out to illumination the damage to our small business community that has been instigated by the skeleton frame on West Main Street that was to have been a new and improved U.S. Post Office. We, in the Town of Riverhead understand that there is a difference of opinion between the contractor and the Postal Service. We understand the issues surrounding contractors not meeting schedules and providing an expected quality of work. What we do not understand is the Postal Service beginning such an enormous project and abandoning it to the point of causing serious damage to the beautiful vistas we have in the Town of Riverhead. West Main Street is a designated corridor that the Town of Riverhead has been attempting to enhance with productive small businesses and scenic parks along the Peconic River. It is one of the main gateways to the heart of Riverhead Town and such an eye sore, which has been forced on the residents of the Town of Riverhead by the U.S. Postal Service, cannot ruin it. Something must be done and I respectfully ask for your assistance on behalf of all the residents of the Town.

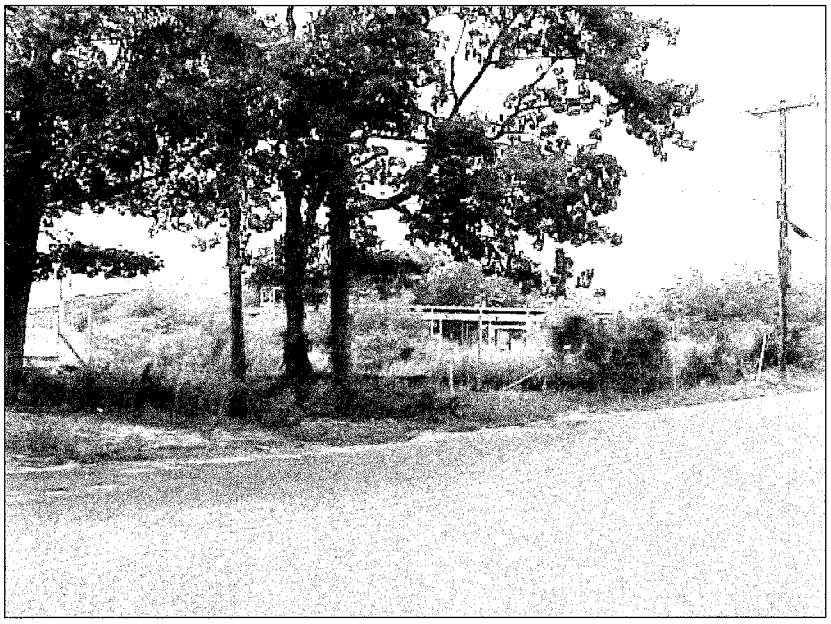
Thank you.

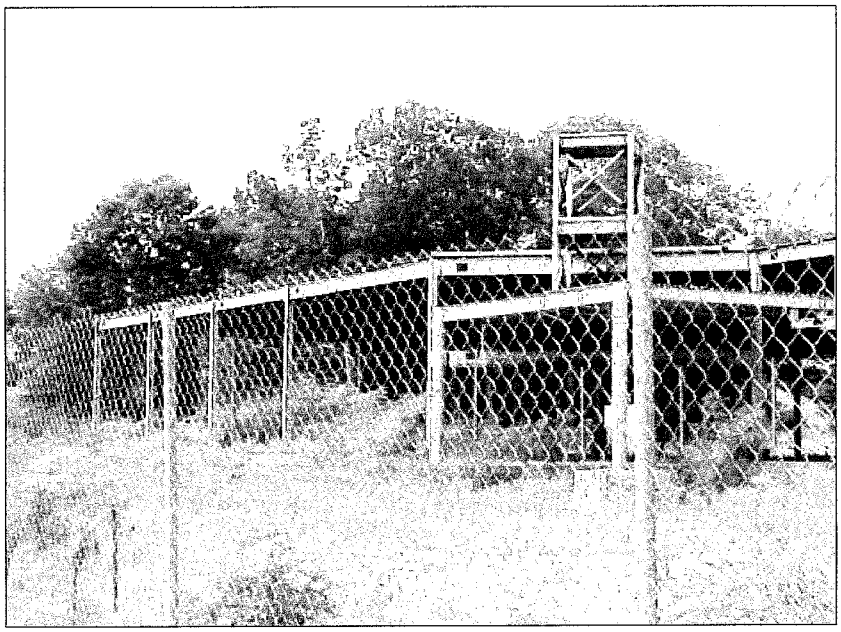
UNITED STATES
POSTAL SERVICE
A NEW FACILITY

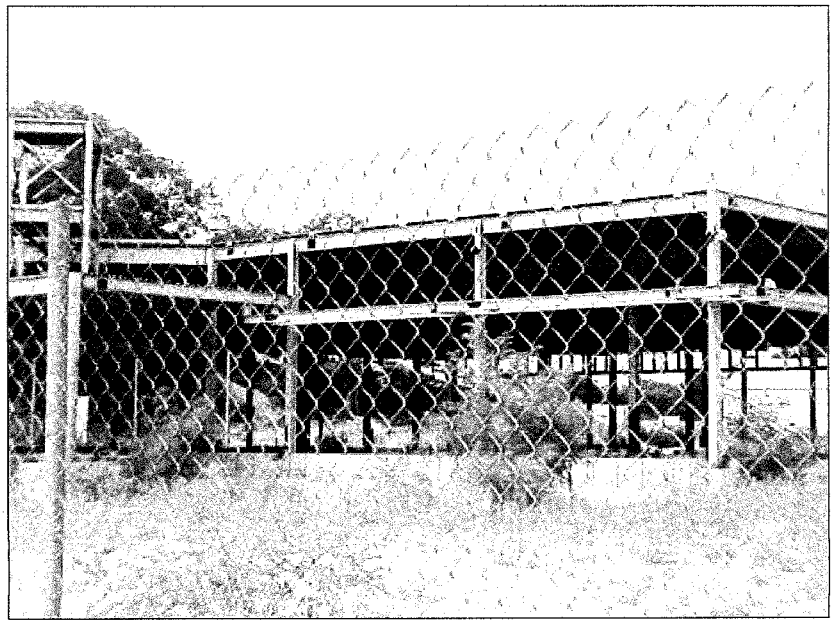


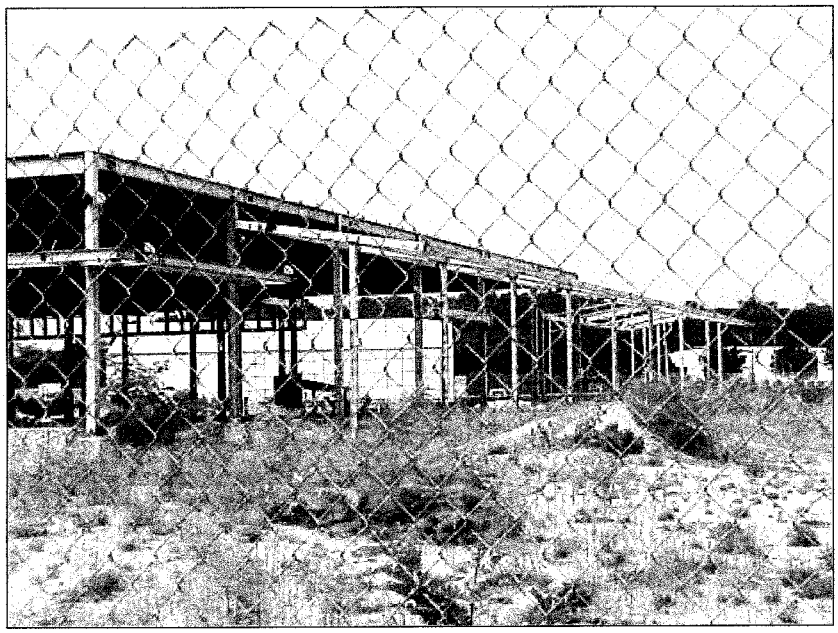


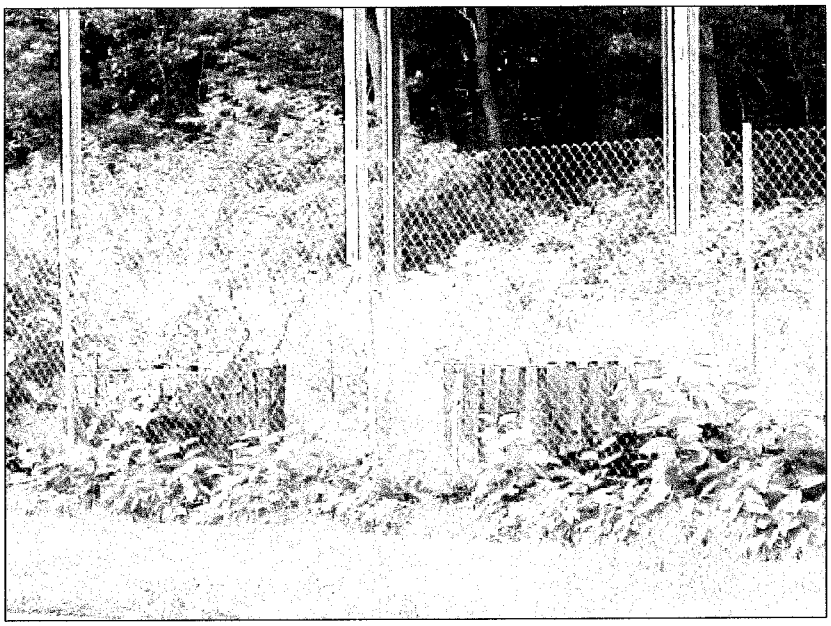


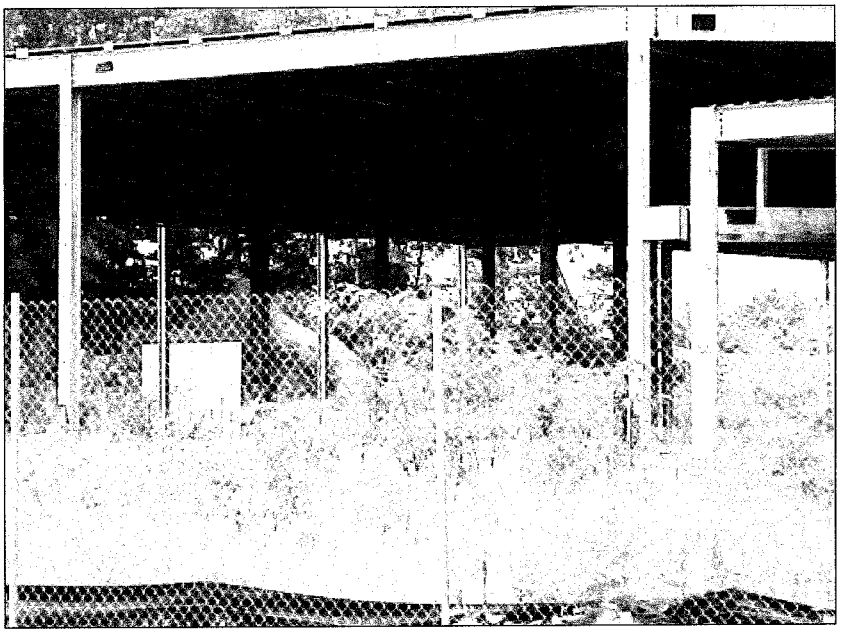


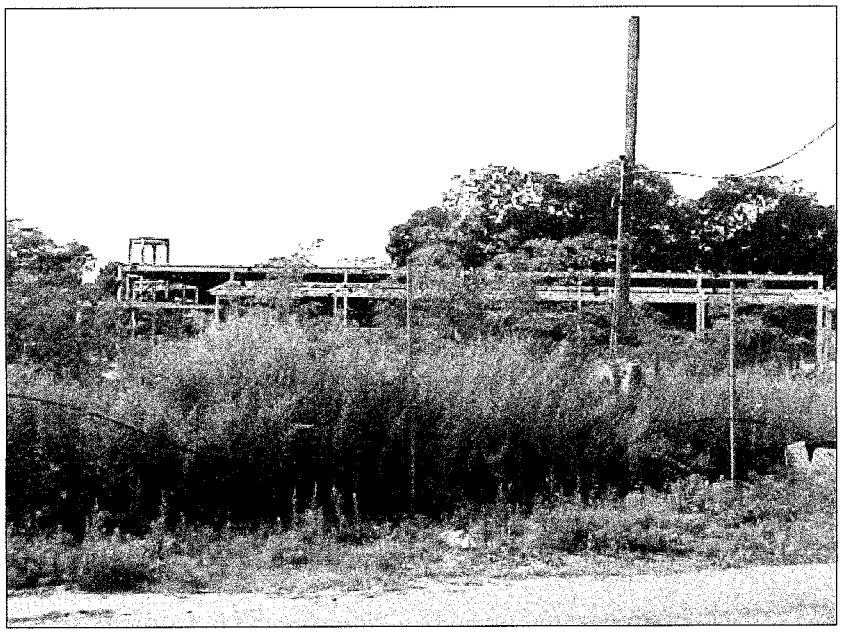












**HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES**
**COMMITTEE ON SMALL BUSINESSES**

**TESTIMONY OF ANTHONY J. ALOISIO**
**DIRECTOR OF ECONOMIC DEVELOPMENT –TOWN OF BROOKHAVEN**

The Town of Brookhaven's small business community is comprised of a broad range of businesses involved in almost every type of commercial activity, from local retailers to national distribution companies, from tool and die shops to high technology companies involved in biotechnology and the development of laser technology. Although business objectives, target markets, and financial strategies may vary greatly throughout our business community, there are a number of common concerns they share with respect to the business environment, and its relationship to the federal government. The access to capital to fund capital expansions, the regulatory practices of the federal government, global trade policies, and the maintenance and improvement of transportation infrastructure necessary to conduct business in the 21st Century, are important issues to our small business community.

From my vantage point as Director of the Town of Brookhaven Industrial Development Agency (TOBIDA), there are a number of federal restrictions that are limiting the Agency's ability to assist small businesses. TOBIDA is authorized to issue tax-exempt industrial revenue bonds (IRBs) on behalf of manufacturers to finance the construction and equipping of their facilities. The primary objective is to create long-term jobs for our community. Most of the companies that pursue tax-exempt financing via a local IDA may be considered small businesses in that they employ under two-hundred (200) people in facilities generally under 100,000 square feet. Currently, IDAs operate under a federal restriction that places a capital expenditures limit of $10 million dollars on manufacturing projects. The expenditure limit was placed on IRBs over twenty-five years (25) ago, and has not been adjusted since. As a result, a number of companies that fall within small business parameters are not able to fully utilize this business incentive. It may be appropriate at this time for Congress to consider raising the capital expenditures limit for IRBs to reflect the impact of inflation on this figure.

The impact of government regulations on the operation of business activities continues to be a major issue for all types of small businesses within the Town of Brookhaven. Although the business community recognizes the role of the federal government in regulating business activities throughout the country, many question the fairness and effectiveness of various regulations. In particular, the regulatory practices of the Department of Labor, as exercised by the Occupational Safety and Health Administration (OSHA), generate numerous complaints from members of our small business community. The rules and their applicability within the workplace often confuse businesses seeking to comply with the myriad of regulations affecting employee safety.

The Internal Revenue Service (IRS) is another federal agency that is often the subject of frustration as it relates to the operation of a small business. For example, numerous

concerns have been expressed to me by business owners regarding the IRS with respect to its interpretation or definition of rules related to the employment of "independent contractors". Many small businesses rely on the use of independent contractors due to the nature of their operations and to address specific technical needs. IRS rules regulating the use of independent contractors often appear confusing to small business operators, limiting their effectiveness, and sometimes leading to unnecessary litigation. Congressional review of existing regulations should be a priority in order to eliminate those laws that may have become obsolete, and no longer serve legitimate policy objectives. There should be a commitment at the Federal level to conduct top to bottom reviews of government agencies that regulate small businesses, as contemplated in the Small Business Regulatory Enforcement Fairness Act (SBREFA).

It is also important to take note of the growing number of small businesses in the Town of Brookhaven that have either entered into, or are actively seeking global markets for their products. Government statistics indicate that small businesses with less than twenty employees comprised approximately sixty-seven (67) percent of all U.S. exporting firms in 1998, an eight (8) percent increase relative to 1992. In order for small businesses in Brookhaven, and across the country, to participate in global markets there are a number of initiatives the Congress should consider.

Small business advocates have recommended that the United States pursue several strategies in order to reduce trade barriers and open up new markets to the small business community. Conducting trade in foreign markets is time-consuming, and in many cases risky to small businesses due to the absence of trade agreements between the United States and many of our global trading partners. Due to the growing dependence of small businesses on global trade, this may be the appropriate time for Congress to seriously consider a number of actions to help small businesses in the United States expand the market for their products. One recommendation that should be considered is to grant the President permanent fast-track trade negotiating authority. This would allow for the development of favorable trade agreements that would provide an incentive for our small businesses to be more competitive in areas abroad where global trade is constrained.

Due to our geographical constraints, transportation will always remain a key issue to small businesses on Long Island, and in particular, to a growing community like the Town of Brookhaven. The ability to ship and receive goods in a predictable and timely manner is of considerable importance to all small businesses. In addition, traffic on our major roadways results in some of the longest journeys to work experienced by employees in the United States. These transportation infrastructure problems result in increased costs and the loss of time and efficiency. Federal funding of projects that ease the transportation bottlenecks on Long Island will be a key component of any plan to improve the business environment on Long Island. Mass transportation improvements for commuters, expanded rail service for freight, and expanded roadways all need to be considered to address the growing problems associated with transportation.

Long Island Association, Inc.
80 Hauppauge Road
Commack, Long Island, NY
11725-4495

**TESTIMONY BEFORE THE U.S.**

**HOUSE OF REPRESENTATIVES**

**COMMITTEE ON SMALL BUSINESS**

**August 30, 2001**

**Riverhead, New York**

Good afternoon. My name is Marion Cohn and I am the Assistant Director of Government Affairs for the Long Island Association. I am here substituting for Mitchell Pally, the Vice President of Government Affairs of the LIA, who is taking his second daughter to college today. The Long Island Association is the region's largest business and civic organization, with over 5,500 affiliated members, over 5,000 of which could be considered as small businesses by your committee. We are very pleased and honored to be able to testify here today regarding the need of the Long Island small business community.

Many of the other speakers on today's hearing list will discuss specific aspects of the needs of small businesses, including financing and capital needs. The ability of our small businesses to move an idea or a product from inception to the marketplace is one of the most important areas in which the federal government can be a great asset. From our Small Business Development Centers to our Small Business Administration regional office, these agencies attempt to provide our small businesses with the financing necessary to make their ideas a success. We will leave it to the other witnesses to discuss the specifics of these entities and how we can make them better for our companies.

In addition to these small business issues, these companies are faced with many of the same needs as our larger companies on Long Island, namely the need for highly skilled workers. The need for such workers cuts across all segments of the Long Island economy, from our service sector to our expanding high technology sector. This need is all the more important because of the issues which spring from them, including the ability of Long Island to provide affordable housing for our young people just coming out of college, young people who have just the skills necessary for our Long Island companies. If Long Island cannot provide such affordable housing for this segment of the population, they will not stay here or come back here,

regardless of the desires of their families. Not every mom and dad wants their grown up son or daughter living in the basement and not every son or daughter wants to live in mom and dad's basement, and it is essential for Long Island to provide these housing opportunities for this segment of the population. It is for this reason that the Long Island Association has attempted to work with our municipalities to fashion a program to build affordable rental housing for our young people. This is the type of housing which our young people want and this is the type of housing which is in such short supply on Long Island. The LIA is working with the towns of Brookhaven and Islip and Suffolk County to find a site on which such housing could be built. In fact, we are attempting to find just such a site in a downtown area, where density can be increased, so that we can attempt to find two solutions, one for such housing and one for the redevelopment of our downtown area. Funding from the federal and state housing agencies are going to be necessary for this to work because these rents must be kept below market rate to be able to be afforded by our young college graduates. If we can keep these college graduates here on Long Island, then the expansion of our small businesses can be possible, for without these prospective workers it is going to be very difficult for our small businesses to expand, notwithstanding the financing opportunities which may be available.

The Long Island Association remains committed to working with our elected officials at all levels to ensure that the atmosphere of success is available on Long Island to allow our small businesses to succeed. We remain committed to providing affordable housing for our young people, finding the highly trained workers necessary, providing the financing for the development of new ideas and providing affordable health insurance for all. We thank you very much for this opportunity and look forward to the roundtable questions which will follow.

Written Statement of Roslyn D. Goldmacher
August 30, 2001 Riverhead Hearing Before Members of H.R. Small Business Committee

Good afternoon. It is an honor to appear before esteemed members of the House Small Business Committee regarding the topic of small business- problems and solutions.

I am the President, CEO and founder of the Long Island Development Corporation (LIDC), a regional economic development organization serving small businesses in Nassau and Suffolk Counties, Long Island, New York. LIDC's membership represents the economic development community of Long Island: bankers, businesses, labor, management, education, attorneys, accountants, government officials, etc. LIDC provides loans and technical assistance to small business under various government and private sector programs. Its direct programs include:

- US Small Business Administration 504 Certified Development Company for LI. Under SBA 504, LIDC lends long term, subordinate mortgage financing for small business' acquisition or renovation of capital assets.
- US Department of Defense Procurement Technical Assistance Center for LI. Under PTAC, LIDC provides free counseling to help small businesses obtain and perform on government and private sector contracts.
- LIDC operates a targeted industry loan fund for New York State and the Economic Development Administration (US Dept. Commerce) providing technical assistance and loans to: defense dependent manufacturers seeking to diversify; commercial fishermen negatively impacted by pollution or regulation; targeted industries such as software development, pharmaceutical, bio tech which can co-exist with LI's high electric and land costs, fragile environment and pay living wages.
- LIDC operates HUD 108 revolving loan funds for small business on behalf of Suffolk County, and The Towns of North Hempstead and Hempstead. These loans are designed to help redevelop blighted areas of the town through assistance to the small business community.
- Branch bank of the NY Job Development Authority providing long term subordinate mortgage loans to small businesses in conjunction with SBA 504 loans.
- Limited partner in a national venture capital firm, licensed by SBA as a Small Business Investment Company (SBIC)-DCC Growth Fund LLP. DCC Growth provides debt and equity investments to high growth companies.
- Through its affiliate, the Long Island Small Business Assistance Corp., LIDC lends small loan amounts to women owned businesses, tied to intensive technical assistance and seminars. LISBAC is the only Community Development Financial Institution (CDFI) in the nation, certified by US Treasury to deal strictly with women owned businesses.

In addition, LIDC provides complimentary financial services to small business clients including packaging SBA 7A loans and conventional loans. And, LIDC is part of initiatives such as Rebuild America , promoting energy efficient buildings on LI and Sustainable America, promoting smart growth principals on LI.

LIDC is twenty years old and has made $450 million in loans under its various programs to Long Island businesses and has assisted small LI companies to obtain and perform on over $426 million in government contracts.

My testimony today is on behalf of LIDC and LISBAC. There are many issues impacted by federal legislation, regulation and funding which affect Long Island's small businesses. Among them are:

- Affordable housing and mass transportation. In this and other times of low unemployment ,Long Island small businesses are in desperate need of qualified employees. The lack of employees is due to an inability to keep or attract young people and low-moderate income employees because of an insufficient supply of affordable housing and adequate mass transportation (particularly in Suffolk County and in the north to south routes). Part of the solution is a federal policy which supports the development of affordable housing and mass transportation and provides some of the funding for same through direct funding or financial incentives to other parties.

- Bank consolidations.The effect of bank consolidations on small business is often a negative effect because the consolidations result in increased credit scoring and other practices which do not promote lending to small businesses. The proposed solution is to prevent such consolidations unless it can be shown that small business services, including loans, will not be adversely affected by the mergers and acquisitions. Alternatively, federal policies which encourage the growth of new banks and non bank lending institutions can achieve a desired level of diversity in the financial services industry.

- Federal mandates. Small businesses are particularly impacted by federal mandates. Business owners whose companies have less than 20 employees shudder when suggestions are made to extend the Family & Medical Leave Act to those companies. Such small businesses cannot afford the cost (direct compensation or time off for one of a small staff). The problem is the financial cost of such mandates to small business. The solution is to consider the adverse impact to small business when reviewing such suggested mandates.

My oral testimony will address another small business issue of importance to Long Island businesses. The vast majority of businesses on Long Island are small businesses with most having 20 employees or less. Access to affordable capital is always an issue with such small business. The problem is lack of affordable capital for small business, particularly in areas in need of redevelopment. Suggested solutions include:

- Encourage banks and non bank lending institutions to make loans to small businesses in targeted communities (low-moderate income; communities with large minority populations; blighted communities in need of redevelopment ). Such communities have historically been "red-lined" by lending institutions. The

situation has improved with the use of the Community Reinvestment Act which rates banks on performance in such communities as part of the decision whether to permit the banks to expand and take other actions. The situation has also improved due to federal financial incentives such as credits achieved under the US Treasury Community Development Financial Institution program. However, there is still a lack of sufficient access to affordable capital by small businesses in these communities. My suggested solution is not federal mandates, but more incentives. For example, if a lender makes a small business loan in a targeted area, give the lender more CRA credits which they can use to enable them to expand. If a lender makes a small business loan in a targeted area, give them direct tax credits. Incentives which can translate to a healthier bottom line for lenders will work much better than mandates. Further, such incentives need to be extended to non bank lenders as well as banking institutions since non bank lending institutions have become a major source of small business loans in our nation.

- Increase federal government's risk tolerance in small business programs in tough economic times. During recessionary times, it is more important than ever to keep small businesses working and keep commerce flowing. Adequate capital is necessary to get small businesses through those times. Yet, historically, government related small business lending programs tend to "tighten up" underwriting criteria to offset predicted increased losses. Exactly the opposite should happen- more money should be made available to small businesses in those times since small businesses are the "engine" that drives the US economy. Any government lending program should be an economic development program, designed to improve the economy. As an economic development program, rather than simply a finance program, the lending programs should have more risk tolerance in order to accomplish "social" goals such as increased jobs, redevelopment of blighted areas. etc.

- Increase the use of government guarantees rather than direct lending programs for small business. Federal tax dollars go much further when used to provide incentives to private sector small business lenders, rather than being used for direct loans. The supply of capital for small business can increase with this additional leverage.

- Increase reliance on private sector lending partners . Historically, more capital has flowed to small business through government loan programs conducted by private sector intermediaries-generally community based organizations. There is no question that, during these times of federal budget crunches, reduced federal workforce, etc. it is more efficient to rely on the private sector partners to conduct the programs and get the money and technical assistance out to the small business community. Here on Long Island, we have multiple community based, private sector partners for federal programs such as SBA 504, HUD 108, SBA microloan, EDA Title IX Revolving Loan Funds, etc. Federal policies should

increase reliance on these partners. Let the partner do the work and have the federal agency simply be the monitor/auditor.

Long Island Development Corporation is one such "private sector partner" of a federal government agency- the US Small Business Administration. LIDC is an SBA 503 Certified Development Company- which delivers the SBA 504 loan program to small business. LIDC issues a debenture for each loan funded. The debentures issued by every CDC in the nation are pooled each month. The pool is guaranteed 100% by SBA and sold into the market. Pieces of the pool are purchased by major investors. The program is the perfect blend of public and private sector. Thanks to the government guarantee- the pool can be sold and the loans funded. However, the guarantee is at virtually no cost to the taxpayer as there are no federal appropriations for the program. The fees paid by the borrowers, CDC's and bank participants cover the losses and administrative costs by SBA. The CDC-SBA partnership is an excellent example of delivery of a federal small business loan product through private sector, community based intermediaries. In connection with this program , I would like to make some suggestions to strengthen the partnership and thus enhance the ability of CDC's to help small businesses in their communities and to help LIDC assist Long Island small businesses:

A. <u>SBA should adopt the following guiding principles in conducting the SBA 504 and other loan programs:</u>
   1. SBA is the enabler for its partners, providing guarantees and supportive services which enable the partners to deliver products and services in their communities.
   2. SBA should be overseeing its partners, not micro managing them. The purpose of the SBA programs was and is to have private sector, community based organizations making the decisions about what is needed in their communities and delivering the appropriate products and services. SBA has niether the resources to micro manage, nor the in house knowledge of community needs.
   3. SBA should be working with its partners to manage risk to an acceptable level. Zero tolerance is not an acceptable level given SBA's mission to assist small businesses who cannot receive all necessary assistance elsewhere.
   4. SBA should respect the experience, commitment and expertise of its partners.

B. <u>In connection with the SBA 504 program specifically</u>:
   1. <u>any borrower under SBA programs should be able to receive the benefit of all SBA programs-</u> SBA 504, SBA 7A, SBIC venture capital. Presently, SBA (by policy) prohibits the same borrower from taking advantage of the SBIC venture capital program if it is a present SBA 504 or 7A borrower from the same or affiliated lenders. This has been described as a "conflict of interest" issue in relation to CDC's who invest in SBICs and want their 504 borrowers to receive SBIC funding. The "conflict of interest" can be managed and eliminated without complete prohibition of capital access for the small business borrower.

2. In its economic development programs, ie. SBA 504- SBA should accept an alternative economic development objective to job creation. This is an important issue on Long Island where there is a shortage of workers. Also, current economic policy is trying to encourage efficiency and technology. Mechanization and technology often reduce the number of workers but have the benefit of paying higher wages. Instead of just requiring a certain number of new jobs to be created, SBA could require retention or creation of jobs at sustainable wages. Less jobs at higher, living wages works better for the LI economy than more jobs at nonliving wages.

3. Since the SBA 504 loan program is at zero subsidy rate, but the SBA 7A program requires a subsidy- all capital asset small business projects which are appropriate for SBA 504 should be financed by SBA 504 rather than SBA 7A in order to preserve government funding. Currently, SBA permits a lender to have an SBA 7A loan subordinate to its conventional loan-the 7A piggyback. This essentially means the lender is "insuring" itself with federal funds. A much more efficient use of federal programs would be to eliminate the 7A piggyback in capital asset projects and require use of SBA 504 behind conventional loans.

These are just some of the challenges and actions which might improve the Long Island economy and the environment for small businesses here.

I appreciate the opportunity to address you on these matters pertaining to small business. I am available to work with you to address some of these issues, problems and solutions for the benefit of Long Island's small business community.

Respectfully submitted,

Roslyn D. Goldmacher, Esq.
President/CEO Long Island Development Corporation
Long Island Small Business Assistance Corp.

Final Copy

Testimony Before the U.S. House of Representatives Committee on Small Business,
August 30, 2001 , Riverhead, N.Y.

Good afternoon, My name is Judith Shivak, and I am the Executive Director of the Greater Smithtown Chamber of Commerce. Our Chamber represents 310 member businesses. We are a not-for-profit, but not tax exempt organization. The mission of our Chamber is to represent the professional men and women, merchants, property owners, wholesalers, service businesses, manufacturers, utilities and financial institutions in the Township of Smithtown and surrounding areas. As its Corresponding Secretary, I also represent the newly created Suffolk Coalition of Chambers of Commerce. This organization, which now numbers 39 members, represents most of the Chambers of Commerce in Suffolk County from Montauk to Huntington. My chamber, as well as these others, represent the approximately 38,000 out of the 42,000 small businesses in Suffolk County (according to1999 statistics as per the Suffolk County Department of Labor). The majority of these businesses have less than 20 people employed, and a good percentage have less than five.

The panel today is intended to focus on Critical Small Business issues affecting Long Island. As someone who represents the "Mom and Pop" sector of our economy, I would like to focus on the issue of employment. I questioned a sampling of the local merchants in my town, and have been in contact with several other Chambers regarding this issue. The issue that was most often raised was the ongoing shortage of qualified candidates for employment. Almost every store in our town area has a help-wanted sign in the window.

The latest unemployment figure for Suffolk County as of July, 2001 was 3.8% which, while up from 3.1% at the end of May, 2001, was almost at the same rate as last year at this time (3.5%). This is in comparison to the national unemployment rate (4.5 %), New York State (4.5 %) and New York City (5.3%). In other words, any resident of Suffolk County who wishes to find employment has a 96.2% chance of find employment.

What are the reasons for this continued lack of qualified employees? Can it be tied into the fact that Suffolk County has one of the highest costs of living for the entire nation? Does it have to do with the lack of adequate public transportation (especially north and south) to get those willing to work to the places which have the jobs to offer? Is it the lack of affordable housing for those willing to work in Suffolk County? Or is a combination of all three?

Could it be that those jobs that are going unfilled in the retail sector are doing so because business owners are either unwilling or unable to pay more than a minimum wage (which has not been raised since 1999)? A wage that is unequal to the task of living on Long Island because of the above stated issues.

We ask that Congress focus on these issues.

A large percentage of the businesses on Long Island are made of retail merchants. One of the ways our small business community would like Congress to help them is to make more funds available for tax incentives. These funds are not available to them under the law as it is currently written. Perhaps a way of doing this would be to redefine the current categories in the SIC (Standard Industrial Code). For example, doing a quick survey of the florists in the Smithtown, and environs, there are more than nineteen separate florist shops. Each store has anywhere from three to twenty employees. These include delivery persons, floral arrangers, and sales people. Using the current SIC code for "flowers and ribbons" a business that employs one hundred and fifty persons or more could be eligible for tax mitigation incentives or the possibility of being invited to move into a Business Improvement Districts. These options are not available at present for the small business. Perhaps a way could be

found to redefine these SIC codes to qualify smaller businesses together as a group in a defined area (such as a town) so they could be eligible for these type of incentives.

The downtown area of Smithtown has a unique problem all of its own. Its main street is actually two major state roads which come together right down the middle of the town. The traffic on this road grows more congested daily. Adequate parking has been one of our major problems. I am happy to say, that through the auspices of Congress in June 1998, an ISTEA now known as Tea-21 a grant in the amount of $1,000,000 was received to be used to mitigate traffic and provide parking for the downtown area.. While this act was passed in 1998, it is now 2001, and work is just now slated to begin this fall. We also have been fortunate that we have been able to raise the requisite 20% of the matching funds needed for this project with the awarding of Downtown Revitalization Program funds from the Suffolk County Legislature. While we are thankful for this grant, truthfully, this has been a long and drawn out process, and perhaps there are ways of shortening the time between the actual awarding of these grants to its actual implementation to make more accurate long term planning possible.

Those speaking before me have offered other suggestions and I would like to thank Congressman Felix J. Grucci, Jr. and the Small Business Committee of the House of Representatives for holding this hearing and inviting me to be part of it. I look forward to working closely with him and this committee in trying to solve some of the problems I alluded to today.

Judith Shivak
Executive Director
Greater Smithtown Chamber of Commerce
1 West Main Street
Smithtown, NY 11787
(631) 979-8069 Fax (631) 979- 2206
Smithcoc@spec.net www smithtownchamber.org

Judith Shivak is a highly experienced public relations executive who has been involved in the public relations area for more than 20 years. For the past 4 1/2 years, Judith has been the Executive Director of the Greater Smithtown Chamber of Commerce, a 310-member not-for-profit organization.

In that role, she has been instrumental in originating, developing and administrating the activities of the Chamber. These activities include new member recruitment, interaction with various governmental agencies from local to federal. In connection with her administration of the above she has been instrumental in the creation and development of the Suffolk Coalition of Chamber of Commerce (now 39 members), a member of the executive board of the Industrial Advisory Board with the Smithtown Central School District; a member of the North Shore Promotional Alliance and a member of the Downtown Revitalization Committee of the Suffolk County Legislature.

Judith has extensive experience in the complex area of planning and oversight. This experience, managing the interaction between her chamber, other chambers and regulators has provided and amplified her ability to explain chamber needs and how to seek solutions.

Judith's experience not only traverses the traditional public relations arena of the business community, but also includes heavy involvement in conference planning, civic concerns, health care and management and publication of a health care newsletter.

Judith has spoken before various institutions, including the Suffolk County Legislature, Brookhaven and Smithtown Town Boards and the League of Women Voters. She possesses an unusually informed perspective on the role of government in relation to the needs of local business people and therefore believes she is singularly qualified to speak about a variety of situations in today's turbulent business environment.

**EDUCATION:**

State University of New York at Stony Brook 1986 Master of Arts Liberal Studies, with concentration in Health & Aging

**HONORS**

1993 Named "Woman of Achievement in Civics" by the Three Village Herald
2001 Honorary Ph.D., Smithtown Highschool School of Business.

**COMMUNITY ACTIVITIES:**

*National Action Forum for Mid-Life and Older Women* (NAFOW)
Member of the Executive Board, Managing Editor of Hot Flash, quarterly international newsletter, 1981-present
*Three Village Civic Association*
President, 1992 - present
*Civic Association of the Setauket*
Board of Directors 1994 - 2001
*Eldershare, Inc.* Executive Board, 1991 - 1995
*Citizens Advisory Council, SUNY Stony Brook* -1991 - present

*Walk for Beauty - Breast Cancer Walk* - Member of Organizing Committee 1995 - present
*Suffolk County Coalitions of Chamber of Commerce* - 1/98 -present
Member of organizing and steering committee; Corresponding Secretary
*Suffolk County Legislature* - "Downtown Revitalization Committee" - 1/99 -present
*Smithtown Central School District. - Industrial Advisory Board- 2/97-present*
Member of Executive Board - 6/01
Island Harvest -Advisory Board 3/00 -

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## WHAT IS THE GREATER SMITHTOWN CHAMBER OF COMMERCE?

### Who are its members?

They are professional men and women, merchants, property owners, wholesalers, service businesses, manufacturers, utilities and financial institutions who share a common interest in the continued improvement of the Greater Smithtown area. All civic minded individuals and firms are eligible.

### Who runs it?

The Board of Directors elected by the membership sets the Chamber's policies and develops its programs. The officers are all elected by the membership. Like all successful Chambers of Commerce, the Greater Smithtown Chamber employs a professional who is responsible for the internal workings of the Chamber, for translating the policies and decisions of the Board and its committees into action.

### What does it do?

The Greater Smithtown Chamber of Commerce is the front door to the business community. It acts as an informational center for visitors and for the businesses seeking new locations in the area. It orients newcomers, refers leads to appropriate businesses, answers thousands of inquiries personally, by mail, telephone fax and the internet. Through its staff it implements the policies and decisions of the various committee appointed for specific purposes.

### What is its future?

The Greater Smithtown Chamber of Commerce has been effective instrument for the good of the business community. Its goals are simple and clear to keep Greater Smithtown prosperous by keeping it in the forefront to of activity, to make it attractive to both long-time residents and newcomers, to encourage new employment in the area and to continue a close working relationship with village and town officials, township school boards and civic organizations. Its goals are flexible and adjust to the current and long term needs of the businesses and the community. It also works actively with other local and county-wide Chamber of Commerce's to meet the growing needs of the business community and to provide coordination and cooperation to advance the economic and general well being of residents and business of Suffolk County.

United States House of Representatives
Committee on Small Businesses
Hearing July 30, 2001, Riverhead, New York
Testimony of Sima Freierman
General Manger, Montauk Inlet Seafood Inc.

Thank you, Congressman Grucci and the Committee on Small Business for allowing me to testify about the critical small business issues faced by the commercial fishing industry on Long Island. Unfortunately, I was a late addition to the witness list and was unable to share my testimony with the other witnesses before today. One does not usually consider a twenty-five to ninety-five foot boat a small business. For that matter, most people in the village of Montauk and Town of East Hampton are unaware that our hamlet is home to New York State's largest commercial fishing dock, which is the business I manage. Yet commercial fishing on Long Island's South Fork contributed over $54 million the local economy in 1999, over a third of the industry's $149.6 million economic contribution to the State of New York.

I suspect that some people, upon reading the witness list, found the choice of a dock manager as a representative of private enterprise and entrepreneurship somewhat odd. I want to commend the Chairman for his insight about the added dimension that a discussion of our industry might bring to the proceedings. My business is owned by six small businessmen, who also have interests, between them, in nine commercial fishing vessels. We are in business 52 weeks a year and employ more people year-round than any other business, I believe, in the Town of East Hampton. At the Town of East Hampton's Comprehensive Plan meeting, fishing was referred to as the town's "oldest and most important industry."

Our industry faces many of the problems addressed in discussions of manufacturing, retail and service concerns, and then some, because we fit into none of those categories. We are harvesters of a renewable resource that is deemed to be public property. Management philosophy stresses a precautionary approach and aversion to "the tragedy of the commons" (depletion of a common trust.); Our product cannot be readily seen or counted and the body of knowledge about its habitat, life cycles, reproductive capabilities and other biological factors represents less than ten percent of the total picture, yet 'science' establishes the basis for our

regulatory climate; Other stakeholders in our product, who are actively involved in limiting the available commercial harvest, include relatively wealthy (sportsfishermen) and educated (professional environmental lobbyists) individuals who, by virtue of these attributes, are accustomed to bringing their influence to bear in a number of political and financial arenas; In the business of commercial fishing, 'industry' (fishermen) and 'management' (government councils) do not work for the same company!

In terms of the government services offered to small businesses, some are more applicable to commercial fishermen than others. The LIDC plays an active role in our industry and my own dock currently has a loan with that agency for capital equipment. They also have made funds available to fishermen who would otherwise have gone out of business because of negative regulatory or environmental impacts.

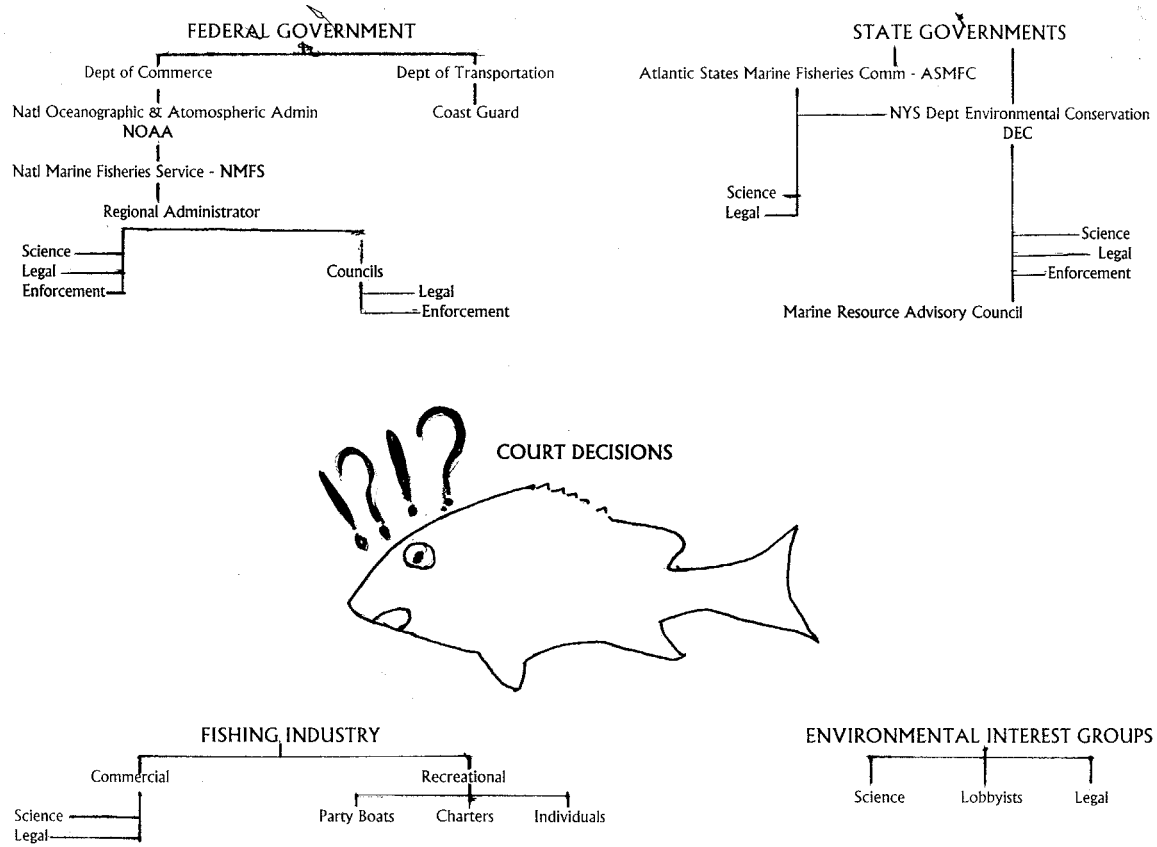
The commercial fishing industry faces the same problems of affordable housing for employees and/or transportation for those employees from places where housing is affordable. The problem is exacerbated, however, by our necessity to be on or near the water. Waterfront properties and their surrounding areas are, by nature of their scarcity and attractiveness, far less likely to be affordable to working people. Likewise, transportation to areas dominated by water resort economies is not likely to be practical for any sort of commuting. One can hardly expect someone to come home from four to ten days at sea and conveniently hop a train or bus for a two-hour ride back to a more affordable suburb.

Commercial fishing is regulated by a network of regional councils and boards under the auspices of the Department of Commerce as mandated by the Magnuson Stevens Fisheries and Conservation Management Act as amended by the Sustainable Fisheries Act. Inequitable and nonsensical regulation is, of course, the bane of all small businesses, and I noted that several of the other witnesses set the streamlining and simplification of regulatory bodies and language as desirable goals to attain in order to further assist their small-business constituents. However, while the widget manufacturer and local delicatessen must submit to unannounced inspections and fines if they are not in compliance with health or OSHA regulations, the commercial

fisherman can and will be boarded by armed enforcement agents at any time and can face felony prosecution for non-compliance with fishing regulations. I have personally seen Department of Environmental Conservation officers run up my dock with their hands on their guns to 'apprehend' a boat that was landing and make sure it didn't have more than the quota of a particular species.

For the most part the commercial fishing industry is trying to work within the system for change. My employers spent over $200,000 last year to have me participate at council and other management meetings; in donations of resources and money to industry-sponsored science in cooperation with the National Marine Fisheries Service; and in contributions to various legal funds supporting some of the over-130 lawsuits against that same regulatory body. They were able to do this because of their common interest in Montauk Inlet Seafood Inc. and I believe our progress is measurable in very small increments. This kind of effort and expenditure for so little return would be virtually impossible for most small businessmen operating independently.

Fishermen who give up sometimes benefit from services of the SBDC. They become landscapers or pool companies or carpenters and get a little help in setting up their books or filing for the right license. I don't know what this does to job creation statistics. Does the fifth-generation fisherman who picks up a hammer instead of fishing the boat where he used to earn a living with his father and grandfather count as a new entrepreneur? Or is there terminology in Small Business Committee jargon for the painful loss of a part of Long Island's heritage?


FEDERAL GOVERNMENT
Dept of Commerce
Dept of Transportation
Natl Oceanographic & Atomospheric Admin
NOAA
Coast Guard
Natl Marine Fisheries Service - NMFS
Regional Administrator
Science
Legal
Enforcement
Councils
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Enforcement
STATE GOVERNMENTS
Atlantic States Marine Fisheries Comm - ASMFC
NYS Dept Environmental Conservation
DEC
Science
Legal
Science
Legal
Enforcement
Marine Resource Advisory Council
COURT DECISIONS
FISHING INDUSTRY
Commercial
Recreational
Science
Legal
Party Boats
Charters
Individuals
ENVIRONMENTAL INTEREST GROUPS
Science
Lobbyists
Legal

Testimony of William Grimm
House Committee on Small Business
August 30, 2001
Riverhead, New York

I want to thank Congressman Grucci and the House Committee on Small Business for allowing me to testify here today. My small business is part of the oldest industry on Eastern Long Island. But it is an industry that may cease to exist in the next decade.

I am a commercial fisherman, the owner of two ninety-foot trawlers operating out of Montauk, New York. In 1999, the value of commercial fish landed in this state reached $76 million, excluding Aquaculture and the Great Lakes fisheries. The total economic impact from our industry in New York State was $149.6 million. Commercial fishing employed 10,500 full-time, part-time and seasonal workers and an additional 800 full-time jobs were created as an impact of the economic activity within the industry.*

I am directly responsible for the employment of about twenty people, including the crews of both my boats and the staff of a commercial fishing dock owned by myself and five other trawler captains. Over $13 million worth of fish were landed in 1999 in the village of Montauk. Fishing vessels and their support industries represent a large part of the year-round employment in this hamlet of about 3200 year-round residents, which is dominated by resort interests including charter and party boats.

My business is governed by a complex beauracracy that includes the United States Department of Commerce; the National Oceanographic and Atmospheric Administration; the National Marine Fisheries Service; the Department of Transportation; the United States Coast Guard; the Atlantic States Marine Fisheries Commission; the Mid-Atlantic Fisheries Management Council; the New England

Fisheries Management Council; the New York State Department of Environmental Conservation; the Marine Resource Advisory Council; the local Marine Patrol and various Town of East Hampton officials.

Most of these agencies have legal and scientific staffs. Fisheries management law comes from the Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA) as amended by the Sustainable Fisheries Act (SFA) in 1996. It is up for reauthorization by congress this year and I am trying to influence several changes in the act through participation in the Long Island Commercial Fishing Association and the National Fishing Institutes Scientific Monitoring Committe (NFISMC), and by having our dock's general manager devote a great deal of her time to council meetings and lobbying. I have not received any government grants in the course of my work, but have contributed one of my boats to conduct side-by-side tows with the government research vessel Albatross during its spring survey of mid-Atlantic waters. Reimbursement for crew and fuel expenses incurred doing this research will hopefully be raised through contributions from commercial fishermen from Maine to North Carolina through the NFISMC.

I support these groups and activities (when I'd rather be fishing) because of inequities and frustrations I face daily as a commercial fisherman.

EXAMPLE: the language in the MSFCMA and SFA refer to any and all fishery stock depletion as "overfished." That is, if an oil spill results in a fish kill; if an overabundant seal population eats most of the juveniles from a particular stock; if development destroys the spawning habitat of a stock and causes it to decline... These

stocks are called "overfished." Several industry groups are working to have this language changed in the Act's reauthorization.

EXAMPLE: SFA sets standards for the level of fish populations that cannot and have never been attained in nature. Basically, it calls for all stocks to be at their maximum level at once. That is like saying that foxes and rabbits should exist at the highest level they have ever achieved at the same time.

EXAMPLE: MSFCMA specifies use of the "best available science" in the setting of fishing regulations. Simultaneously, fishery management bodies call for "the precautionary approach" by their staffs. If the science is "off" - which is often is, and the approach is precautionary, quotas are set that do not reflect the amount of fish that are actually in the ocean. The difference between the fish we catch and what we land are called "regulatory discards." In plain English, we're throwing over thousands of pounds of valuable, adult fish because the "best available science" isn't even close.

EXAMPLE: A new management tool called "ecosystem management" is coming into vogue. But environmentalists won't let managers even consider culling marine mammal populations. How can an ecosystem be managed if the most voracious predators in the sea are at all-time highs because of unnatural levels of protection devised by humans?

In the end, it is often the courts that decide when and where I can fish. The National Marine Fisheries Service is currently facing over 130 lawsuits. My dock is party to one and I have contributed to others.

Commercial fishermen face competition for their harvest from both domestic and foreign sources. I have heard charter boat owners claim they should get a higher

percentage of the allowed landings because there are approximately 1.7 million recreational fishermen and less than three thousand commercial fishermen in the state. Don't they realize we are part of the food chain and not doing this for fun? The fish we catch is sent to dealers and eventually reaches the millions of people who are not fortunate enough or rich enough to charter or own a boat or live near the water.

Time and again, we have had our quotas cut and management has told us it is okay because we will receive a higher price per pound with less fish on the market. In reality, when New York fishermen can't land fish, those from other states (with higher quotas) and overseas rush to fill the gap. In 1999, New York Commercial fishers contributed $25.1 million of the fish sold through the Fulton Street Market. Imports accounted for $82.8 million and fishers from other states shipped $267.3 million of fish into our backyard for sale! The bottom line is we receive the same or lower prices for a much smaller share of the fish.

In a good year, I can gross as much as $1 million with my boat. People are quick to say "Well, what have they got to complain about?" By the time I account for crew shares, fuel, boat maintenance, dockage, insurance, fees and gear, I'm very lucky to net 20%. This is for the "most dangerous occupation in the world." I will make the bulk of my money by fishing hundreds of miles offshore in stormy January and February weather because that's when management sees fit to open the quotas. I can be boarded at any time by government enforcement agents who would have to show a warrant if I were a foreign boat suspected of drug trafficking. Because everyone is forced to fish at the same time, I am receiving the same or less money per pound of fish as I did ten years ago. I am entitled to the same quota with my 90-foot trawler as a 20-foot boat with a single

hook and line fisherman on board. I can name fisheries where I once landed tens of thousands of pounds and now face trip limits of 30 or 50 pounds because permits were issued indiscriminately when the stock became more abundant.

That's what I have to complain about. Many of my fellow fishermen have given up. Others have been driven out of business by smaller and smaller quotas combined with higher and higher expenses. I have been fishing for over thirty years and it's the only way I know to earn a living, but it's the last business in the world I'd want my son to enter.

*Facts and figures taken from "The Economic Contribution of the Sport Fishing, Commercial Fishing and Seafood Industries to New York State" prepared by TechLaw Inc. For New York Sea Grant, May 2001.

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