NAVIGATING THE SMALL BUSINESS ENVIRONMENT: CHALLENGES AND OPPORTUNITIES

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CONTENTS

	Page
Hearing held on April 2, 2002	1

WITNESSES

Alvarado, Alberto, District Director, U.S. Small Business Administration	5
Anderson, Colleen, Area Vice President, Wells Fargo Bank	7
Peterson, Regina Grant, Long Beach Area Certified Development Corporation	10
Tambakis, Paul, Southern California Hub Director, U.S. Commercial Service	12
Duran, Isabel, Director, Capital Partners Program Management	15
Venable, Phyllis Moore, Business Development Officer, City of Long Beach Representing the City and Small Business Council, Chamber of Commerce	27
Unangst, Pat, Workforce Investment Network	29
Borden, Phil, Women's Enterprise Development Corporation	32
Brown, Rolina, Regional Director, Small Business Development Center	34

APPENDIX

Opening statements:	
Issa, Hon. Darrell	40
Millender-McDonald, Hon. Juanita	42
Prepared statements:	
Alvarado, Alberto	52
Anderson, Colleen	61
Peterson, Regina Grant	67
Tambakis, Paul	70
Duran, Isabel	78
Venable, Phyllis Moore	81
Unangst, Pat	83
Borden, Phil	89
Brown, Rolina	98

NAVIGATING THE SMALL BUSINESS ENVIRONMENT: CHALLENGES AND OPPORTUNITIES

TUESDAY, APRIL 2, 2002

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

The Committee met, pursuant to call, at 10:00 a.m., in the Carson Community Center, Hall B, 3 Civic Drive, Carson, California, Hon. Darrell E. Issa [chairman designate of the committee] presiding.

Mr. ISSA. Okay. If I could ask everyone to please take their seats.

I want to thank everyone for coming here today. And although this is an official hearing, because we are not in Washington and in the interest of trying to have the freest flow of communications, we will be a little less formal than we would be in Washington.

We will ask that the opening statements for all of us be limited to 5 minutes if at all possible. If you run a little over, we are understanding.

And one formality we have to observe is, that without objections, all testimony will be placed into the record. All written testimony will be placed in the record. So if you do not either exactly follow your written testimony or if you are cut short, you will still have your entire statement as submitted. And you have 5 business days after this hearing if you would like to revise, extend. Perhaps questions that come out during the hearing you may want to add to. So you can supplement thoroughly in writing. So you do not have to feel like you have to get everything in now, because many staff members will pour over for weeks ahead anything that you supply in writing.

I think it is worth noting that small business represents the backbone of our economy, that over 99 percent of all business is small business, and that small business employs more than 52 percent of the workforce.

This Committee has held during this year hearings in Pennsylvania, New York, New Mexico, New Jersey, South Carolina and now here in the Los Angeles area.

It is our intention here today to concentrate on the impact of small business on our economy, but more importantly, focus on areas such as women-owned businesses, minority opportunities and some of the areas in which the Small Business Administration can positively impact that.

We have representatives here today from the field offices, and I will not recognize all of them, but suffice is to say that there is a great deal of interest by the Administration and by the Small Busi-

ness Administration in this hearing and what you will all have to say here today.

I want to thank you again for taking your time out of your day, both the witnesses and a sell-out crowd in the audience. Thank you for being here today.

I would like to talk in a positive way also about Representative Millender-McDonald. We never call each other by our last names except in these kinds of events. Because her staff really did the hard work to get this together to convince the Chairman to allow for this hearing today and to prepare and meet with the witnesses.

So with that, I would like to yield to the Ranking Member for her opening statement.

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

Ms. MILLENDER-MCDONALD. Thank you so much. And I would like to thank you and welcome you to the 37th Congressional District, Congressman Issa. And I will call you Darrell in just a short time.

He and I are very dear friends, and I can say one thing about this gentleman to my right—to my right, yes.

Mr. ISSA. We can switch places if you want.

Ms. MILLENDER-MCDONALD. I had an amendment on a bill that I wanted to get out to raise the appropriation for women business centers. And, of course, the Chairman was a little tough on our putting any amendments on a bill. It was Darrell who spoke so firmly that we needed that to the degree that it did pass out of Committee without any resentment or anything else after the Chairman saw that Darrell, who is Republican, said we need this. And so this type of gentleman just represent one of many on the Small Business Committee.

So we welcome you, Darrell.

I would like to also welcome the staff from Washington, the counsel and others, the Democratic staff Michael Day and the subscriber who, as the Congressman has told you, this is an official hearing and now we are in Los Angeles whereas we have gone over many states.

I would like to thank my staff coming in from Washington, my legislative director, as well as many other staff members who are outside who came in to make sure that this would happen.

And thanks to all of you for being here today as well.

I would like to make note of one elected official in the city of Carson who has come in for a short time, and that's our City Clerk Helen Helanoe. Is Helen still here? There she is in the back. The best City Clerk in the nation, Helen Helanoe.

And I would like to thank the Chairman of our full Committee, Representative Don Manzullo and the ranking member representative Nydia Velazquez for their support of my request for their field hearing.

I welcome all of the witnesses today and, of course you in the audience for this field hearing and hope that the information sharing will lead to a greater opportunity for success in your future endeavors.

In the aftermath of the terrorist attacks of September the 11th there is an ever greater need for the services provided by federal agencies and lenders for small businesses. Traditionally, small

businesses have been the engine that drives our economy, but they have been devastated by the economic fallout from the combination of the attacks of September the 11th and the resulting downturn in the economy.

In response to the current economic realities, the Small Business Committee offered legislation HR 3230 that will provide support to small businesses. This bill authorizes the SBA to make disaster loans to small businesses that have experienced economic injury from September the 11th. HR 3230 also provides grants to small businesses to enable them to bounce back.

It also provides a provision I authored that I spoke to you about that this gentleman was just so generous and sensitive to my requests for 2.5 million in the appropriation for women's business centers. Now this bill, hopefully, should be coming to the Floor soon.

Today's hearing is an excellent opportunity to hear testimony from small business experts and to have them share some of their experiences and some of their challenges. We will gain perspective from the SBA and the Department of Commerce as to what they are doing to support small business, many of which are female and minority owned.

In addition, we are fortunate to have lenders who can speak on what is necessary to secure funding for your businesses and other pertinent information.

Our second panel will feature individuals who can provide unique perspectives about the types of technical assistance provided to businesses.

I have heard countless testimony about how critical it is for small businesses to be able to acquire the necessary technical support and management assistance that will assist them in the overcoming of hurdles for developing business plans, performing inventory analysis, projecting growth or even conceptualizing starting a business.

As we address today's theme I wish to highlight some of the Small Business Committee successes which members of the Committee fought to improve in the 2003 budget.

We were able to secure $253 million increase in the budget proposal which will support loans, entrepreneurial development and technical assistance. We were also successful in cutting the cost of the 7(a) loan programs so that it is more affordable. However, there are still battles that need to be resolved. Minority and low income communities continue to suffer from the priorities outlined in the budget.

Although this budget represents movement forward, there is much room for improvement. Two glaring problems remain. First, this budget fails to provide any solution to the growing problem of a subsidiary rate while also falling short in funding the SBA's flagship 7(a) general business loan program.

Second, low income communities and minorities have been disadvantaged relative to critical programs that have been drastically under funded or simply eliminated.

The programs for investment in micro-entrepreneurs, which is an important technical assistance program that helps small businesses before they receive an SBA loan, once again, has not been funded.

Business Link, which creates cooperative agreements between small and large business were zeroed out.

Minority entrepreneurs have been cut out from assessing larger market places for their products. New markets which would provide millions in venture capital to growing businesses in low income communities has not received funding for the FY 2003, as of yet.

The One Stop Capital Shop initiative which began in 1994 to support the President's Economic Empowerment Zone and Enterprise Community initiative, a central initiative in the effort to revitalize targeted under served communities, has not received any funding.

Clearly there are many hurdles that make it difficult for small businesses to prosper; however the hallmark of any good business person is being tenacious and resourceful. Today's hearing is intended to provide small businesses and aspiring business owners with a sense of what types of programs and resources are available to them so that they can grow their businesses and fuel America's economy.

I wish to thank this distinguished panel and look forward to the other panel and your testimony.

And, Mr. Chairman, thank you so much for this statement.

[Ms. Millender-McDonald's statement may be found in appendix.]

Mr. ISSA. Thank you, Juanita.

I am going to break the rule I made, because the advantage of being sort-of the acting chair here, and introduce an old friend, a colleague of Juanita's and my former assemblyman, Bruce Thompson. If you would stand up for a moment.

If I am correct, Bruce is also our first panelist's boss, and is the President's designee and appointee here in California. So, it just sort of shows the level to which the Administration considers these hearings. And to be honest, a lot of what we hope to discover here today of importance.

And with that, I would like to introduce—and I will introduce you all very quickly and then we will go through with each of your statements and then we will go through with questions, if that is all right with everyone. Sort of minimize the back and forth where everyone says "When am I going to get my turn."

But Albert Alvarado is the District Director for the Small Business Administration. And again if you can indulge, normally in Washington we would tell you a great deal about his many years, the many times he was the acting head between political appointees and so on. We will dispense with all that here today so we can get right to testify.

Then Ms. Colleen Anderson, who's the Area Vice President of Wells Fargo Bank, my bank for my entire business career here in California. Full disclosure is always required.

Ms. Regina Grant-Peterson is a Long Beach Area Certified Development Corporation representative.

Mr. Paul Tambakis, that is a great Greek name. I will work on it. Southern California—let me put my glasses on and I will be a little bit less——

Ms. MILLENDER-MCDONALD. That is right.

Mr. ISSA [continuing]. Hub Director, the U.S. Commercial Service.

And last on the first panel, Ms. Isabel Duran, Director Capital Partners Program Management. And I do not know more about that, but I will look forward to learning more.

And with that, Mr. Alvarado, if you would begin.

STATEMENT OF ALBERTO G. ALVARADO, DISTRICT DIRECTOR FOR THE SMALL BUSINESS ADMINISTRATION

Mr. ALVARADO. Mr. Congressman, just as an aside, let me say that not only is Mr. Thompson my boss, but he is the best boss I have ever had. He said to me, "Alberto, I have heard you say that before." I said, "But I really mean it this time."

Mr. ISSA. Thank you. Especially today.

Ms. MILLENDER-MCDONALD. If I might just interject something. He and I served in the state assembly together. And while he has a big R behind his name, he is one of the finest that I served with. So it is great to see Bruce back here and in that capacity.

Mr. ISSA. Absolutely.

Ms. MILLENDER-MCDONALD. Now, I will bug him to death.

Mr. ALVARADO. Thank you very much Chairman Issa and Congresswoman Millender-McDonald.

I am Alberto Alvarado, District Director of SBA's Los Angeles office. It is a pleasure for a kid from the barrio of East LA to have the honor to testify before you.

I am proud to report that SBA staff has been recognized on many occasions for thinking outside the box, either as the "Outstanding Capital Access Division," or just last week, for example, as the recipient of the President's award from the Greater Los Angeles African-American Chamber of Commerce. We have even been honored with a White House Presidential Rank Award.

While my comments today reflect considerable activity in the areas of access to capital technical assistance and procurement, Administrator Barreto and I understand much remains to be done in reaching out to our emerging markets, engaging our banks to increase lending, utilizing new technologies and in refining our products.

Our LA office is SBA's number one lending office. During the past four years we have provided $2.8 billion, that is billion with a B, to 9600 businesses. We also led the country in lending to both minority entrepreneurs with 1.4 billion to 5100 businesses, 569 million to 2200 women entrepreneurs.

In a similar four year period, Congresswoman, we provided 170 million to 479 businesses in your district. This has been accomplished through a proactive community lending and outreach campaign where we take bankers on bus tours to see the money making opportunities that await them and where we meet with Asian-American bank presidents to reiterate the importance of lending to all communities.

In Watts, for example, we held a "Hit-the-Streets" event where we mobilized 50 financial service professionals going door-to-door to visit businesses. These "Hit-the-Streets" events are aimed at changing the federal government's image to one where residents come to believe that government can make a difference.

Among our area capital access success stories are Carson's Southland Bagel Company, a past Small Business Person of the Year; Angela Walton owner of Melador Technologies, who just received a multi-million dollar contract from Northrup; and Spectrum Plating, a Torrance start-up, which now has 18 employees and a 20,000 square foot shop.

Our vast technical assistance network involves multiple partnerships with local organizations and chambers of commerce, such as Torrance, Lynwood and Long Beach. Our Women's Business Center also in Long Beach provides business counseling in multiple languages.

One of our technical assistance clients, Victoria Lowe, has become the largest women owned business in Los Angeles County, a sterling accomplishment for this community-minded African-American woman.

Our high tech business information center at MidWilshire has been SBA's number one ranked center serving 5500 largely minority clients per year. Our small business development center program assists entrepreneurs in preparing themselves to approach lending institutions. Our pre-qualification loan program has become an agency model in packaging 399 loans for $42.4 million. We have assisted 7 local organizations including Vermont Slauson Economic Development Corporation in helping micro enterprises in low income communities.

In the area of procurement whether it is through our 13 HUBZone workshops attended by 1,000 area entrepreneurs, or through our "Small Business Showcases" before major prime contractors such as Boeing, TRW, Raytheon and Northrup Grumman, we inform our businesses on how to access federal buyers and in turn those buyers about the expertise of our small businesses.

Our High-Tech Procurement Conference co-sponsored with NASA's Jet Propulsion Lab featured a remarkable 708 firms and 261 procuring activities. During the past year our district's 8(a) firms received 459 million in contract awards. Several area firms: Gene Hale's G&C Equipment in Gardena, Willie Thomas' Thomas Land Clearing in Long Beach and Mary Ann Mitchell's CCOPS have been among our most successful.

We are proud that in the 37th Congressional District federal government contracts worth 30.4 million, 282 contracts, were awarded.

Looking back at LA a decade after the 1992 civil unrest SBA's Los Angeles District Office is proud that we have provided 1.4 billion in financing to 3000 businesses in the Enterprise Zone and Enterprise communities.

Through our media campaign success stories many involving minority and women entrepreneurs have been featured in the L.A. Sentinel, La Opinion and the Korea Times, as well as on NBC Nightly News, CNN and CBS Radio.

Congressman Issa, I do not want you to think that we have not been busy in your district, which is served by our Santa Ana district office. Quite to the contrary, last year we provided 173 of your constituent businesses with 54.3 million in financing.

Mr. Chairman, in closing I affirm to you our commitment and that of Administrator Barreto to build an SBA that helps businesses prosper and ultimately contribute to healthy communities.

I know, Congresswoman, that you know that I and our staff are dedicated to these tasks. We will work closely with your local staff to ensure that we continue to address the concerns of your business constituency.

Finally, we know that many outside this beautiful hall have not been able to enjoy such wonderful surroundings and to benefit fully from the opportunities available in our great country. So it is on their behalf that we dedicate and continue our noble work.

Thank you for your attention this morning.

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

Mr. ISSA. Thank you.

Ms. Anderson.

I apologize. We will have to do a little mike passing here.

STATEMENT OF COLLEEN ANDERSON, AREA EXECUTIVE VICE PRESIDENT OF WELLS FARGO BANK

Ms. ANDERSON. Good morning, Chairman Issa and Congresswoman Millender-McDonald. I am delighted to have this opportunity to present to you today the powerful partnership between Wells Fargo and small business owners.

My name is Colleen Anderson, and I am an Executive Vice President of Wells Fargo Bank responsible for the company's small business lending group in California and the highest ranking executive in business banking in Southern California.

I am here today as the official spokesperson for Wells Fargo Small Business Lending programs.

After 26 years of serving the financial needs of Wells Fargo customers, I fully appreciate the business opportunity and economic potential represented by the small business owner. As the chairperson of Mayor Hann's LA Minority Business Opportunity Committee, the past vice chair of the Community Financial Resource Center in South Central LA, and an active participant in Latin Business Association, among many others, I represent a collective force dedicated to serving the needs of small business regardless of ethnic gender or demographic distinctions.

Wells Fargo's a $308 billion diversified financial services company headquarters in San Francisco providing banking, insurance, investment, mortgage and consumer finance for more 5,400 stores, the Internet and other distribution channels across North America.

With more than 1.5 million small business customers, Wells Fargo is a leading financial service provider to small business owners. In fact, as of 2000 Wells Fargo was the country's largest small business lender among banks for loans under $100,000, and we lent the most dollars to small businesses located in low to moderate income census tracks according to PCI Services, Inc. in Boston.

Today Wells Fargo has over $26 billion in small business loan commitments. Wells Fargo made the most loans in California to small businesses in 2000, Wells Fargo made more than 62,000 loans totaling more than $2.4 billion in California in 2000 and lent more than 692 million to 15,000 California businesses in low and moderate income census tracks.

In the Los Angeles metro area Wells Fargo is the second largest financial institution in the whole consumer and business market and the number one provider for all financial services to small

businesses. We also provide significantly to the California and Los Angeles areas by being number one lender in home equity and home mortgage.

Today by some counts there are approximately 30 million small businesses in the U.S. These businesses create more than half of the private workforce and half of the GDP. These businesses are responsible for about 75 percent of new jobs. Small business represents the backbone of our country's current and future economy.

In 1989 Wells Fargo became one of the first major banks to form a banking division dedicated exclusively to the financial needs of small business. Studies found that the bulk of small businesses with less than $1 million in revenues and annual credit needs of $100,000 or less were grossly under served.

Small businesses have found our programs extremely attractive. Since 1993 many competitors have followed suit with direct lending programs of their own. Loans obtained through direct lending are used to find working capital, payroll, tax payments, cash flow and short term financing requirements of small businesses.

To date Wells Fargo has made an unprecedented commitment to supporting the development and success of small businesses.

Wells Fargo has become integrated in the small business communities and in particular into the emerging market segments through various outreach initiatives. The Wells Fargo Los Angeles metro president has established a community board comprised of community leaders that meet monthly to focus exclusively on the under served markets. The forum has created partnerships between Wells Fargo and FAME Renaissance, the Valley Economic Development Center, Operation Hope, LA Mayor's Minority Business Opportunity Committee among many others in an effort to provide access to capital and aid for financial literacy to small business owners and consumers in low to moderate income communities.

Wells Fargo has also maintained relationships with the Latin Business Association, the United States Hispanic Chamber of Commerce, CHARRO, the National Council of Asian American Business Associations, 100 Black Men, local Asian business associations, NAWBO and other organizations as a means to continue to connect directly with their constituencies.

Our involvement with these organizations include the sponsoring of events, presenting financial workshops, partnering on research and supporting the development of their organizations.

Wells Fargo partners with some of the organizations such as the U.S. HCC and NAWBO to extend the efforts of the four small business services programs that provide the emerging markets including women, Latino, African-American and Asian American small business segments information on the availability of financial services from Wells Fargo

As another demonstration of Wells Fargo commitment to the small business markets emerging segments, we have publicly stated our goal to lend $16 billion to these four market segments 1995 through 2012.

Our connection with small business owners is also extended through our branch network. In Southern California we have a total of 418 store locations. We reach our customers via 247 tradi-

tional stores, 153 locations in supermarkets and 18 business centers. We have adopted a format in favor of fully staffed outlets in order to provide complete and one-to-one service in our various types of store configurations.

In line with our philosophy to out local of the nationals, we have balanced our national outreach to emerging markets specific initiatives. We have tailored the approach to accommodate new entrants into the U.S. Our staff is completely bilingual in our branches in the cross border locations of San Ysidro and Calexico. We are now accepting the Matricula card as a form of identification to open consumer and business accounts in our stores nationwide.

Wells Fargo has worked hard to provide financial services to a broad range of customers including small business owners. The Internet has been an effective vehicle to get busy small business customers information and the ability to transact and apply for products that make them successful without having to visit a branch.

The Resource Center for Small Business Owners on the wellsfargo.com site provides solutions with products and services as well as helpful information and a dedicated section called "Business Tips."

Wells Fargo has been especially involved in providing alternative forms of credit products to small businesses. Beginning in 1994 Wells Fargo bank has been the primary driver of the California Capital Access Program or CALCAP, and we even received recognition from the California State Treasurer's Office for our leading role.

CALCAP provides loan insurance in the form of loan loss reserve co-funded by the borrower, the bank and the state. The loss reserve encourages the lender to extend credit to small businesses that otherwise would not qualify under standard loan underwriting. As of the end of 2001 Wells Fargo has made 1,845 loans totaling $301 million in California, 763 loans totaling $138 million in Los Angeles to small business owners through the CALCAP program.

Wells Fargo is similarly committed to working with the SBA to provide financing to companies that do not meet standard bank loan underwriting criteria. Unlike most SBA lenders who only offer variable rate loans, Wells Fargo's SBA's programs provide adjustable or fixed rate interest rate financing which many small business owners prefer.

As a preferred lender in 2 of the 23 states where we have banking operations, Wells is the leading SBA 7(a) and SBA 504 lender in many of the markets we serve. Our SBA loans have enabled thousands of small and women-owned businesses to expand with an average loan size of $231,500. In 2001 Wells Fargo has funded 4,128 7(a) loans totaling $87 million in California, of which 165 were to women and minority-owned businesses. Likewise, Wells Fargo funded 250 7(a) loans totaling $49.5 million in Southern California with 84 loans to emerging markets totaling $23.5 million.

Wells Fargo strives to provide access to capital and financial solutions to small business owners through a variety of approaches. SBA lending is one approach among others that we have used to address the needs of small business owners. A reduction of the

funding appropriation for 7(a) loans will limit one of these options, particularly in Southern California which currently represents over 10 percent of the $9.9 billion in SBA 7(a) loans made in the fiscal year ending September 30, 2001. If funding is reduced by 50 percent, the impact in Southern California will probably reduce SBA 7(a) lending by up to $500 million in this area.

Small business is big business to our economy and to Wells Fargo. We would like to support an annual review of lending to small business in this type of forum. SBA lending is a critical component of the access to capital that we provide to small business owners. We at Wells Fargo would like to participate with the SBA in making this a less time consuming, more affordable process for lenders and the small business owners so that we can ensure that small business continues to be the engine that drives our economy. And that is not just good banking, that is good business.

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

Mr. ISSA. Thank you.

Ms. Peterson.

STATEMENT OF REGINA GRANT-PETERSON, LONG BEACH AREA CERTIFIED DEVELOPMENT CORPORATION

Ms. PETERSON. Chairman Issa, Congresswoman Millender-McDonald, my name is Regina Grant-Peterson. I serve as Executive Director for the Long Beach Area Certified Development Corporation, which is——

Ms. MILLENDER-MCDONALD. Excuse me a minute, Regina. Can you push that closer to you.

Can you hear her in the back? No, they cannot. So push it closer to you.

Mr. ISSA. If anytime you cannot hear any of the testimony or anything that is being said, just sort of wave a hand and we will probably catch on pretty quickly. Thank you.

Please continue.

Ms. PETERSON. I will begin again.

Mr. ISSA. Yes.

Ms. PETERSON. Chairman Issa, Congresswoman Millender-McDonald, my name is Regina Grant-Peterson. I serve as Executive Director for the Long Beach Area Certified Development Corporation, which uses the acronym CDC.

The CDC is licensed and certified by the United States Small Business Administration as a 504 loan program. The CDC is a direct lender under this program and a loan packager, placement service under all other SBA programs. We also have the designation of intermediary for SBA's prequalification loan program in the Los Angeles and the Santa Ana district offices.

SBA basically has three programs. The 7(a) for regular business loan loans, the 504 which is a fix asset financing program for expanding small businesses which is also SBA's only economic development program and then the 8(a) program for contracting opportunities.

There is room to grow in all these programs in Los Angeles County, even though the Los Angeles District office is the top performer in 7(a) in the nation. There is room to grow in the 504 loan

program and in providing greater access by minorities, women and veteran owned businesses in all three programs.

In our efforts with small businesses, which are minority, non-minority, women and veteran owned, there is a variety of funding sources today which did not exist 15 to 20 years ago. However, the greatest amount of financing is still being provided by the Small Business Administration.

In addition, we have more technical assistance being made available to area businesses than ever before. But more is needed as long as we do not cross that sometimes fine line and start to run their businesses.

In the quest to follow that dream of owning and operating your own business, there is also the reality of becoming a success, a failure or operating a business which is just limping along. In some cases we must say no to certain requests and refer them to other resources for education, more in depth technical assistance and other types of financing.

Our biggest challenge is preparing minority women and veteran owned business persons with the financing opportunities which are available. Many persons are not aware of the types of financing available and the requirements. Some persons need to understand how owning collateral can be beneficial when applying for a business loan. Some persons need credit repair and other enhancements to make their loans requests more viable to the many lenders who desire to provide more financing to qualified businesses.

As businesses grow and need different types of financing, they need to work with a business like ours which can continue to grow with them. Many of our borrowers have already received their second and third loans. However, very few persons know that they can qualify for more than one SBA loan.

Another challenge which we have is to make our services known to interested business persons and to walk them through the processes.

In addition, we are also seeking an expansion of our SBA territory so that we can provide services to businesses on the same level playing field as our other partners who have county wide territory. The Long Beach area CDC is probably the only partial county CDC in the state of California. We only have a third of the county for 504 loans, but no area restriction on all other SBA programs. Yet we have not been permitted to expand county wide because of a perception in Washington, D.C. that Los Angeles county is well served.

When we no longer have a territory restriction of assisting a qualified Los Angeles county business, we will be able to assist more area businesses and assist SBA in increasing its 504 and 7(a) loan volumes.

If you can help us to ensure certain required funding levels for both the 504 and the 7(a) loan programs, and assist us in our expansion requests, we should all see greater assistance and increased loan volume for small, minority and women owned businesses in the Los Angeles County area.

I thank you for the opportunity of presenting my views today.

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

Mr. ISSA. Thank you. And thank you for being the person closest to exactly 5 minutes. Very well done.

Please, Paul.

STATEMENT OF PAUL TAMBAKIS, HUB DIRECTOR, U.S. COMMERCIAL SERVICE

Mr. TAMBAKIS. You mean you are timing us? Okay.

Mr. ISSA. I am timing you. You are not absolutely held to it. If we could be close, it will leave time for follow-up questions.

Mr. TAMBAKIS. I will try to talk fast and hopefully everybody will be able to understand me.

Mr. ISSA. And the balance of anything you leave off will be entered into the record.

Mr. TAMBAKIS. Okay.

Ms. MILLENDER-MCDONALD. And a hand is up back there indicating that they cannot hear you, so——

Mr. ISSA. Paul, if you will pull it just as close as can be.

Mr. TAMBAKIS. My name is Paul Tambakis. I am the Hub Director for 8 offices of the U.S. and Foreign Commercial Service here in Southern California. And my territory stretches from as far north as Ventura County to Bakersfield and all the way down to the Mexican border and as far east as Indio.

I wanted to thank both of you for the opportunity to give me this opportunity to showcase the important work that the U.S. Commercial Service does for small business of the United States. This is especially important in light of recent events that are having a profoundly negative impact in our economy and are causing great hardships to America's small businesses.

WESSCO International is a real live example of difficulties experienced by small business in today's economy. WESSCO is an LA based supplier of amenities and other on-board/in-room service items sold to airlines, hotels and cruise lines. In the wake of the September 11th attacks, WESSCO encountered numerous problems in its business operations including canceled orders, stopped shipments, frozen inventory and delayed payments.

WESSCO recently turned to the Commercial Service for assistance in helping them resolve a financial situation involving a large airline customer in Latin America. This real live example emphasizes the importance of the mission of the U.S. Commercial Service, and I hope that my testimony today will show what the U.S. Government, namely the U.S. Commercial Service can do to strengthen and protect our small businesses and in turn the very jobs that our economy depends on.

In my testimony to you I hope to accomplish three goals. The first is to emphasize the importance of small businesses in the United States and the amazing benefits to our economy that can be realized by supporting small business exports.

Secondly, I want to reintroduce the U.S. Commercial Service to the Committee members and members of the media, and public that have joined us today and give you some insight into exactly what we do to help the small businesses of America.

Third, I wanted to focus on what the U.S. Commercial Service is doing for minority owned businesses in America highlighting some of our work in California.

The facts speak for themselves about the importance of small businesses in our economy.

For instance, 97 percent of U.S. businesses that export are small and medium-sized enterprises. Exports have accounted for 30 percent of U.S. economic growth since 1989. Exports account for 21 percent of U.S. GDP growth in 2000. Export related jobs pay wages that are 13 to 16 percent higher than other jobs.

The U.S. Commercial Service is part of the Department of Commerce that is solely focused on export promotion. Our mission is to assist U.S. businesses in the exporting process and to protect the interests of American businesses abroad. This includes a special emphasis on minority owned companies, women owned firms and companies in rural communities.

Incidentally, we recently in the last year opened up two one person offices in rent-free space in rural communities including Bakersfield and also co-located on a native American Indian reservation in Indio, California.

We have a worldwide network of offices and trade specialists that help small and medium sized U.S. firms realize their export potential. Commercial Service officers are posted in over 150 locations abroad at our embassies and at over 100 U.S. Export Assistance Centers throughout the United States to provide one-on-one counseling for firms.

We offer export counseling, market research, matchmaking services, advocacy towards foreign governments on behalf of U.S. business in numerous business creation opportunities with trade missions and trade events both in the United States and abroad.

Just a few of the important programs we offer. There is a wide range of services, everything from the Gold Key program where we setup appointments for companies overseas, which you are familiar with, Congressman, to a fairly new program called BuyUSA, which is a new e-commerce service provided for American businesses by the Commercial Service in conjunction with the IBM.

This is an international electronic marketplace, a "one-stop" export assistance web site that brings U.S. and international companies together to export U.S. products and services. There is really no web site like it in existence.

BuyUSA integrates the one-on-one export counseling of the U.S. Commercial Service with the latest in business-to-business technology critical for competing in today's global e-economy. The site offers a small business the ability to find international partners, identify sales leads and make an actual international transaction. And this is really critical for small businesses that have good products and services that can not afford the time or money it takes to travel abroad.

We also have very strong partnerships with the Small Business Administration and the Export Import Bank. And this allows the Commercial Service to assist small businesses in finding the working capital and finance programs they need to begin exporting for the first time or to expand their overseas presence.

Our work with Visual Matrix of Burbank, California is a perfect example of this collaboration between agencies. And this is a success story that recently crossed my desk late on Friday, so it is not in your written testimony and I will add it as soon as possible.

Visual Matrix is a developer and manufacturer of professional video products that can be found in television broadcast facilities, video production and post production in studios worldwide. Mora Kim in our West Los Angeles office was first introduced to the client by a referral from our Ex-Im Bank local representative.

Mora invited the client to a seminar on the Small Business Administration's export express loan program. As a result of following up with contacts made at the seminar, the client received a significant SBA export express loan close to the maximum allowable amount under the program. The loan proceeds have been utilized for, among other things, export promotion, advertisements in trade journals and exhibiting at overseas trade shows as the National Association of Broadcasters Show in Sidney, Australia.

By working with SBA the company also received the combined line of credit covering both preshipment and post-shipment financing.

Our client has also worked with Ex-Im Bank and received an Ex-Im export credit insurance policy which allows them to sell on an open account basis to overseas customers.

As a result of participation at all these trade promotion, coordinating counsel agency programs, Visual Matrix in the past months reports significant sales to Australia, China, Germany, France and the Netherlands.

I next wanted to briefly touch on the program that we have in place focusing on minority small businesses. It is called our Global Diversity and Women's Initiative. Additionally we have the Rural Export Initiative that focuses on rural community small businesses throughout the United States.

The Global Diversity and Women's Initiative is designed to greatly increase the probability of minority and women owned companies achieving export success. Maria Cino, our Assistant Secretary and Director General of the U.S. Commercial Service, continues to lead overseas trade missions abroad for minority and women small businesses with one coming up to Southern Europe in July, and which a strong focus will be placed on recruiting companies from Southern California.

Also in my written testimony I have provided at least ten examples of minority business enterprises we have assisted in the last year to export successfully.

Also, to increase our outreach efforts to minority enterprises, the U.S. Commercial Service is in the process of developing promotional marketing material on our services that will be translated into Spanish and will add other foreign languages by next fiscal year.

In conclusion, we have made some huge inroads into assisting the minority business community find overseas business opportunities all across America. The key is for all of us to continue to work together to educate companies about the support and assistance available to small and medium size enterprises.

We continue to work hard to make the Commercial Service part of our elected officials resource network so that when international trade questions arise, you will refer your constituents to us. A good example of some of the most recent work we have done with minority businesses was the program that we put on yesterday in Los

Angeles on the African Development Bank. Over 100 companies attended, 90 percent of those were minority businesses from the Los Angeles area with our keynote speaker being Congressman Ed Royce.

The recently instituted Export Achievement Certificate will help to recognize first time minority exporters and encourage other companies to pursue international business opportunities.

We are all working hard to spread the word about the great work that all of us in the local trade community do day in and day out. Together as partners we will reach out to more American businesses and increase the number of minority businesses exporting profitably.

Thank you.

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

Mr. ISSA. Thank you.

Ms. DURAN. Oh, and if you can share the mike.

STATEMENT OF ISABEL DURAN

Ms. DURAN. Good morning.

Can you hear me?

Mr. ISSA. Yes, we hear you fine.

Ms. DURAN. Okay.

Mr. ISSA. Everyone in the back hear okay?

Ms. DURAN. Thank you, Chairman Issa and Congresswoman Millender-McDonald. Thank you for the opportunity to hear my humble testimony.

I am Isabel Duran, and I am the manager of the Capital Partners Loan Program for Community Financial Resource Center.

Community Financial Resource Center was incorporated in 1992 by the Los Angeles Community Reinvestment Committee. This is Los Angeles' first public and private partnership between the city, financial institutions and the community.

Established as a 501c–3 nonprofit corporation, CFRC opened its doors in March of 1993 with the express purpose of providing financial services and counseling for residents and businesses located in South Central Los Angeles and later expansion to distressed communities throughout Los Angeles county.

CFRC is a one stop of service providers. Individuals may choose from the following types of services: Business lending programs; business plan guidance; technical assistance services in English and in Spanish languages; consumer and business development workshops; home ownership preparation and counseling; business automation technology development, computer training; and money management counseling.

Our loan programs are in three categories. We have the business expansion loan program from 25,000 to 250,000. It is a flexible lending program for businesses that have sustained operations for a minimum of three full years and are unable to obtain adequate financing from the convention private sector.

We have the micro-loan program from 5,000 to 25,000 which provides micro-loans to newly operated businesses with a minimum of 2 years seeking small amounts of capital for leasehold improvements, working capital and fixed assets.

Capital Partners loan program, 500 to 5,000. A comprehensive program that offers loads, business training and education, group support and networking opportunities to self employed business owners and entrepreneurs with limited access to working capital. Loans are offered in graduated amounts from 500 to 5,000.

Our track record is as follows: Since 1993 we have served over 49,000 residents in the Los Angeles County area; CFRC has invested $3.1 million in businesses located in South Los Angeles; we have leveraged over $4 million from area banks for co-lending loans; the average loan amount is $85,000.

CFRC and its banking partners combined have invested more than $6 million in South Los Angeles businesses. Since 1993 CFRC has assisted in creating or expanding approximately 200 small businesses. Over 442 jobs have been created and/or saved through our programs. We are certified California finance lender, certified by the United States Treasury Department as a Community Development Financial Institution, and certified California Community Development Financial Institution.

Thank you.

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

Mr. ISSA. Thank you.

Was not ready for that brevity.

One announcement I would like to make is we have had some requests for questions from the audience. If you have questions that have come up as a result of testimony or maybe you came with questions, if you would write them down and then would—hold up your hand again. He has had to miss in the crowd. And Andy whose a little less tall will come by and pick them up and bring them up so that your questions will not fail to be incorporated into any questions we ask.

The procedures require that this is not a public gathering in the sense that questions from the audience be asked, but we will incorporate them into our questions if you have any.

And while someone may be thinking of some, I just have one quick comment and then I am going to yield to Juanita and let her do most of the heavy lifting on the questions. And that really is for comment from Mr. Tambakis.

I am sorry to mess up a wonderful name.

I did not receive in my own company an SBA loan, never applied for one. But I did receive consulting from the SBA and I did receive some low cost advertising and opportunities to work on some of the overseas pavilions that 20 years ago were being provided, I think still are, where you set up at some of the trade shows. And in my case that allowed our company to go from $7,000 in start up capital to, with me gone last year, doing about $1.3 million, and at one time more than 50 percent of my sales were export as a result of the U.S. Government's making those opportunities available for me to be known in Australia and other areas that would not otherwise, never have done it.

So, I want to thank you for being here today, Paul. And I think that is part of the reason that I sought to be on the Committee on Small Business. And I think it is also one of the reasons that, as Juanita said, it is a very bipartisan committee. It is one of the few

committees in the Congress where it is us on the Committee against the ill-informed the rest of the Congress sometimes.

So, again, I want to thank the panel for being here and helping us at least produce some additional information for the body of Congress as a whole.

And with that, I would yield to the ranking member——

Mr. TAMBAKIS. May I make a quick comment on that?

Mr. ISSA. Please.

Mr. TAMBAKIS. Yes, we still are in the business of helping companies to participate in overseas trade shows and other overseas missions, but we are also seeing recently an influx of businesses coming from overseas to our shows here in the United States and delegations coming from many different countries. Last week, in fact, we hosted a delegation from Vietnam and China in Orange County.

So what we are doing, and particular as an assistance to the small businesses, is being able to offer them briefings and appointment setting at local events right here in the United States.

Mr. ISSA. Excellent. Thank you.

Ms. MILLENDER-MCDONALD. Thank you so much, Mr. Chairman.

As you know, in the House when there are congressional hearings like this, the majority has to be in the forefront. And I think Darrell for allowing me to kind of be in the forefront here in my own district and raising questions on issues that are critical to us.

Before I say this, there is a critical issue. The restrooms are outside; women to the right, men to the left right outside in the corridor.

And I have asked for coffee and tea to be brought in because it is rather cool here, and you might want to do that in between panels.

You have also packets that were given to you that would contain mostly all of the testimony which is really the case of our having the field hearings and other pertinent information in those packets. So if you have not gotten your red folder, there is one outside for you.

Paul, you have raised a question that is so important to my constituents. Because as e-commerce comes into further awareness, small businesses are very nervous about this concept. Because a lot of them really do not understand the concept. Secondarily, they do not feel that they are equipped to do e-commerce or even exports. With that said, how much of an outreach, and I will be asking all of you this because I have taken notes and I need to ask, with all of this money that is flowing here this panel is the one for access to capital; we need to know how we can reach you? What is your outreach efforts? Where are you? We do not want you just in Orange County, want you just in Ventura County, we want you in LA County and we want you in the South Bay.

South Bay is going to be the engine that drives, sorry to say this, sir, but will be the engine that drives the economy in California and bring it up.

Mr. ISSA. We will follow along.

Ms. MILLENDER-MCDONALD. With the ports after the dredging and all of that.

So, Paul, if you can just tell the constituents and the fine business people who have come here, how does one access this informa-

tion? And what degree should business deem itself viable to go into exporting?

And your whole notion on the minority concentration, the Global Diversity and Women's Initiatives, we need to know about that. Where are you? Where can we access you? Where can we find you and how can you come here in this region to give us the information that is critically needed as you recruit Southern California small businesses for international business?

Mr. TAMBAKIS. Okay. I think I got most of that.

First of all, for clarification, in the two years that I have been in this position before being the Director for Orange County, I have really focused on under served communities. And, hence, the opening of the two additional offices out in the rural community, but as well we have an office in downtown Los Angeles and we also have another office in West Los Angeles.

Ms. MILLENDER-MCDONALD. Could we get an address for the one in downtown Los Angeles?

Mr. TAMBAKIS. Yes. It is on Olympic, but I can provide that for you. And also you can go to our basic web site. It is buyUSA.gov. And you can click on offices and get access to all the Southern California offices. It has a map and you can click on the office that you want and it will lead you there. It will lead you to trade specialists who will talk with you one-on-one whether or not the companies comes in the office or we are frequently going out 90 percent of the time meeting at the company's location.

Ms. MILLENDER-MCDONALD. Now, Paul, if a small business does not have, regretfully to say, computer hookups or that type of thing, they are really just starting out but they do find that international trade is something that they want to do, what can they do? Because what you are saying might be a little more advanced in some of the smaller businesses and maybe we need to define what businesses are you looking for in terms of the global trade?

Mr. TAMBAKIS. We are as far as the Global Diversity Initiative, we targeted about 135 minority businesses this year to work with under this program. And the basic criteria is a company that has been in business for one year; that has a marketing plan; that whose products are at least 51 percent U.S. manufactured. We also work with service companies as well including the travel and tourism industry to help bring in inbound visitors into the United States.

And also the program is ideal for the small minority business because education is a big component of it where we are setting up teleconferences, we are doing a lot of hand holding, we are taking the companies to local domestic trade shows; doing everything to get them to a level of export readiness with our goal of getting them into their first overseas market within 12 months.

Ms. MILLENDER-MCDONALD. Could the teleconferencing be at places like on campus at colleges if, in fact, small businesses do not have the wherewithal for teleconferencing? Because I have done teleconferencing at Cal State Dominguez Hills on other issues. A lot of this, and I am not downplaying any of the small business, but a lot of this stuff is Greek to some people in terms of how do they access the teleconferencing, how do they contact you or you contact them, or just what can be done. Because we recognize that

this region will be kicked in with international trade big time and small businesses must play a part in that, but how can they do that?

Mr. TAMBAKIS. I think Maria Cino is correct when she says that the Commercial Service is the best kept secret in government, and we are trying to change that. We are trying to work with you to help get the word out.

We are asking you to communicate to your constituents through newsletters, through any sort of regular communication that you have with them to tell them about the services that we have to offer. And then any referrals that come from your office, we will definitely follow up with the companies.

Also, I just wanted to mention that we have webcasts available by going on to the commercial service web site.

And also usatrade.gov is another source for information on trade resources of the U.S. Government.

And these are great programs. They work. If companies come to us, we are going to spend time with them, we are going to access their level of export readiness, see if they are viable for the Global Diversity Initiative, and also there is other partner organizations that we work with in the community such as the Center for International Trade Development and the Small Business Development Centers that are very useful in providing education to these companies. And the SCORE Executives, retired executives.

Ms. MILLENDER-MCDONALD. So, Paul, I am going to try to get to all of them. Can you tell me, send information to me so that I can get it out to the people here in the audience and others where and what can, and how can and when can you and I get together so you may know small business folks in trying to reach the level of Global Diversity Initiative that you are talking about?

Mr. TAMBAKIS. We would love to sit down with you and workout a strategy for——

Ms. MILLENDER-MCDONALD. Bring the people together again.

Mr. TAMBAKIS. Exactly.

Ms. MILLENDER-MCDONALD. This is just one of many.

Mr. TAMBAKIS. Whether it is a program we want to do together; it is very common that we do that with our congressional representatives.

Ms. MILLENDER-MCDONALD. Okay. Fine. Thank you.

Isabel, if I can just quickly ask you, you have given about $1 million in loans and leveraged about 4 million. And you have reached about 49,000 residents. However, in talking with some of my small businesses they think $5,000 and $25,000 is just nothing in terms of expanding their businesses or even try to survive. What can you tell them in your micro-loan, although you are a micro-loan program so I guess this is more geared for persons who have home business or what? You know, $5,000 and $25,000 just does not cut the mustard.

Ms. DURAN. That is a really good question and I am always asked that when I do the orientations about our $500 loan; what can you do? And we try to give them a little bit of hope that you can use $500 to do research on the business you are going to start, you can start creating your marketing materials and look for cli-

ents. And as you pay back the $500, you can graduate up to $1,000 and $2,000.

Most of them are home based businesses or they partner with other business owners in a coop type of a shop. But as they graduate up to $5,000, we are requiring more documentation, more information, more financial information that they have already been trained when they were at 500, 1,000, 2,000.

Ms. MILLENDER-MCDONALD. You know, I am thinking about Lulu Desserts, because Lulu started in her home.

Ms. DURAN. Right.

Ms. MILLENDER-MCDONALD. And that is now a million dollar business. We can not shy away from the small numbers that we are talking about, but the whole notion of just looking at 5,000 or 25,000 it has to be kind of geared for then the home based business, more or less?

Ms. DURAN. Well you could look at the small shoe repair business. You know, they can buy a tiny little office or a little space for $500 a month or $1,000 a month, or they share that space with a beauty salon.

Ms. MILLENDER-MCDONALD. Now anyone who wants to contact you for this type of loan, where can we find you? I know where to find you, but there are a lot of folks who need to know where to find you.

Ms. DURAN. Right. Right. Our web site is www.cfrc.net, but our telephone number is 323–233–1900. And we have a toll free number. I think it is 866–222–CFRC or 2372.

Ms. MILLENDER-MCDONALD. And you are geared, more or less, for the home based businesses or those who need to have some few improvements?

Ms. DURAN. I specialize in people who are starting small business or who are wanting to start a small business. Our loan program incorporates a lot of training. So we tell people if you stay with our program for at least a year and a half, you can become bankable.

Ms. MILLENDER-MCDONALD. Okay. For Regina, you spoke about the 7(a), 8(a), 504. I am sure most of the people here understand the differences between those programs. Is there anyone who needs further explanation of those programs out there? I do not think so, because you are small business people.

But you spoke about you are unable to expand due to perceptions in Washington. What are those perceptions

Ms. PETERSON. First of all, we have always had support from our friends at the local SBA office in Glendale. But the problem has always been at the central office level.

The bar is constantly being raised or the last standard that was imposed is that as long as the area is making one loan per 100,000 population that the area is well served. But if you take the same standard and look at what is being accomplished up and down the state of California in the northern area and then just south of us in the Santa Ana district office as well as the San Diego district offices, those offices have a much higher 504 loan volume than Los Angeles County does when Los Angeles County's population greatly exceeds all of those areas.

Ms. MILLENDER-MCDONALD. So what can we do then to alleviate this problem that you have?

Ms. PETERSON. I need to have the persons making the decision at the national level to take another look at Los Angeles County. In my view, Los Angeles County is probably one of the last or greatest under served areas in the nation.

The reasons that we had problems in '65 and '92, some of those same problems still exist today. If we were to have another problem, we would undergo the same types of problems that we had before.

Ms. MILLENDER-MCDONALD. So can you then send me a letter outlining all of those concerns so that I can pass them on to Alberto and pass them on to Bruce, and pass them on to folks back in Washington and see what we can do?

Ms. PETERSON. I would be happy to.

Ms. MILLENDER-MCDONALD. Yes?

Mr. ISSA. If I could just ask if it also includes, if one per 100,000 is a very low bar, give us your suggestions of where you think the goal should be? Should it be one in 50,000, one in 20,000, one in 10,000? Because I think that also would help us in understanding just how far we are away from where supporting entrepreneurism we should be.

Ms. PETERSON. Okay. Thank you.

Ms. MILLENDER-MCDONALD. Lastly, few people know you said that they can qualify for such loans. What is your outreach on this? How can you make them further aware of the loans?

Now, most people can not do loans because they do not have the money and the wherewithal to pay it back. What they want are grants. And so while you specialize in just loans, no grants——

Ms. PETERSON. Yes. SBA specializes in loans, and that is our focus is to be a partner with the SBA.

Ms. MILLENDER-MCDONALD. Well, you know, we have been trying to beat up on the Small Business Chairman and all to make more grants and less loans. And so we need to beat up on them back there, too.

Mr. ISSA. We will surround him when we get back.

Ms. MILLENDER-MCDONALD. I know that is right. We will now that they know Bruce is here at the helm.

Colleen, you mentioned——

Ms. PETERSON. Congresswoman, before you go to the next person, may I please interrupt?

Ms. MILLENDER-MCDONALD. Yes.

Ms. PETERSON. May I have an opportunity to let your constituents know how they may contact us?

Ms. MILLENDER-MCDONALD. Oh, please. Please. I did not ask for that. Yes.

Ms. PETERSON. We are located in downtown Long Beach at 11 Golden Shore, Suite 630, and that is just a half block south of Ocean Boulevard.

They can also phone us at area code 562–983–7450. Our web site address is www.longbeachareacdc.com. Our email address is info@longbeachareacdc.org.

For business persons, they are welcome to walk in to visit us anytime between 8:00 and 5:00 Monday through Friday.

Ms. MILLENDER-MCDONALD. Okay.

Ms. PETERSON. If it is more convenient for them to continue operating their businesses, then we will be happy to come and visit them.

Ms. MILLENDER-MCDONALD. Okay. Thank you so much.

Colleen, you said something that is very critical and you said it critical "Less time, more affordable funding for businesses."

Ms. ANDERSON. The process, yes.

Ms. MILLENDER-MCDONALD. We need to know what you mean by that and what is done to give us less time, more affordable answers or the wherewithal.

And secondly, less paperwork. I think people do not want to get bogged down in a lot of application and paperwork.

And we also want to know about your committee that meets monthly to look at how under served communities can be served. Who is on that committee from this area? You spoke about all of those great folks we know in the Los Angeles area. We need to have someone down here looking into our interests.

And you have loans of $26 billion in small businesses commitments in what? FY 2002? FY 2003?

Ms. ANDERSON. That is what on the books today.

Ms. MILLENDER-MCDONALD. That is what is on the books today?

Ms. ANDERSON. Be total commitments.

Ms. MILLENDER-MCDONALD. And you have a $16 billion commitment. To whom are you going to commit that, be committed to, whereabouts?

Again, your outreach. We do not know about that down here. For some reason we get missed down here. Folks think that we are wealthy do not need it, but we need it down here like every other small business. Help us out.

Ms. ANDERSON. Okay. Hold on then, I am trying to write all this down. Okay.

First, the comment on the time and cost of the SBA 7(a). Currently, and this is not to be critical this is just, you know, we are a 150 year old institution so we have learned from our experience. And today when you talk about 7(a) program applying for a loan, it is in their own documentation states that the average time to complete the paperwork is 12 hours, and it is about a 30 page process.

Is it not, Alberto?

Mr. ALVARADO. It is what?

Ms. ANDERSON. Thirty pages?

Mr. ALVARADO. No, I do not think it is quite that long.

Ms. ANDERSON. I think it is close. And the point is that when you are targeting the really small companies, and a lot of the 7(a) customers or borrowers are start ups or companies that, you know, small companies that do not qualify for other conventional lending, often times these are one or two people shops. And, you know, you are HR, you are marketing, you are sales, you are bookkeeping, you are accounting, you are ops, you are everything. And to be able to invest that much time in the process probably causes a lot of companies or business owners not to apply.

I also think some of the guarantee fees for the smaller companies may cause some companies not to be able to apply. And I think the

example is a $250,000 loan request, I think the guarantee fees are like $3,750. And our point is not to be critical, because we are very good partners with the SBA——

Ms. MILLENDER-MCDONALD. Now wait a minute. You say for $250,000 loan you have to a $3,000 assessment fee?

Ms. ANDERSON. I think the guarantee fee is $3,750. Yes.

Ms. MILLENDER-MCDONALD. Heavens to Mergatrode.

Ms. ANDERSON. And, again, I don't want to be critical. These are our partners. But my point is is that we have learned a lot in starting out and doing very conventional underwriting and then streamlining our processes where, for example, under $100,000 ours, I believe, it is still one page document that you can do through the mail, you know, fax, over the Internet and in person.

So the comment was to say we would very much like to take our 150 years of experience and partner with the SBA and other lenders to see if we can not, not at any incremental risk to the program, but streamline the process so that the SBA, the private sector lenders and the borrowers and potential borrowers would be more likely to apply and be able to afford.

Ms. MILLENDER-MCDONALD. Do you ever have just an access to capital workshop?

Ms. ANDERSON. Sure.

Ms. MILLENDER-MCDONALD. When can you do one of those in this region? Whenever we ask.

Ms. ANDERSON. Anytime you want me to.

Ms. MILLENDER-MCDONALD. Okay. Fine. So tomorrow—no.

Ms. ANDERSON. We might probably shock you, but we would be here.

Mr. ISSA. I think the question is, do you have the room all day?

Ms. ANDERSON. That is right, it will take all day to do that.

Mr. ISSA. No, no. I just thought that immediately following the panel at noon, we would just go right into one of your opportunities right here. We already have everything set up.

Ms. ANDERSON. We would be delighted to do it.

Ms. MILLENDER-MCDONALD. Well, we certainly do need to know, though, rather swiftly and do want to encourage all of you to have conferences right here in this great conference centers and conference centers in Long Beach and other parts of the 37th. People need to see you and people need to see you up close. They see you too far away and you do not seem to be a tangible item. So we have got to make sure that happens.

Quickly to Alberto. Alberto, now you know you and I have been friends through the last Administration and even before. Again, your outreach, you have this money flowing in both the Congressman's district and my district, a combination of about $39.5 million. Who knows about it? What kind of out reach have you given here so that my people will know about it, the people of the 37th?

Mr. ALVARADO. First, let me introduce to you my staff——

Ms. MILLENDER-MCDONALD. Got to get the mike.

Mr. ALVARADO. Sorry. Our management team and staff, stand up for a second.

Ms. MILLENDER-MCDONALD. My God.

Mr. ALVARADO. Now, all of these fine men and women have money with them. Do not take no for an answer. Close the doors,

do not let them leave. So they are here, as they often are, available today.

Our web site, sba.gov, is really an award winning web site where people can access some very, very good information.

We have two handouts today. One is a magazine format, all of you need to pick one of these up. It has phone numbers, information on local centers that have SBA information.

We also have this handout here. "You Could Be Next," the number of businesses that have received assistance in your district, Congresswoman with the phone numbers to our staff and marketing specialists.

Let me give you my phone number: 818–552–3201. We have money available.

So, we are working continuously with the organizations, with your staff to bring our staff to the community to work with the local organizations. Our marketing is clearly very, very important.

Ms. MILLENDER-MCDONALD. And I think that is the operative word, "our bringing you" or the statement "our bringing you to them" on a more frequent basis. We need to just have these things through the Federal Register, and all of those other things. You just tend to think small businesses are going to access that Federal Register when really we need to bring you out here so that they can touch you, feel you and talk with you. And that is what we are going to do.

I have three questions quickly, Mr. Chairman.

One is I am thankful for the government's involvement with business development. I believe if government can do it, than businesses can do it better. Question: Have you given thought to the value of public/private partnerships as a mean of developing the California small business community?

Example, a mentorship program where major corporations would lend assistance to small business on all levels from start up to sustained growth.

Any of you, well those of you who can.

Mr. ALVARADO. Well, let me say, Congresswoman, that is a tremendous idea. We surely employ that concept. In reaching out to communities, for example, we will often ask Wells Fargo and other institutions to come and sponsor events in the community. We also work with our organizations and successful businesses whether they are from our contracts program or loan recipients to mentor other firms. So we utilize that synergy of the public/private partnerships quite a bit. And that really is a way of maximizing some of the limitations in our budgets so that we can reach out.

Ms. MILLENDER-MCDONALD. So we do have that type of public/private partnership that we need to bring in here. This is another workshop that we need to do and bring in here along with Paul, so that together we can have that type of synergy going.

And so the next question is a question by Alfonso C. Webb. Now, Alfonso did not have any problems letting you know what his question is. Global Internet trade course teacher at King Drew Magna School in my district of Watts.

The World Business Exchange Network and the International Trade Association has developed a global Internet trade course for students that have been implemented in several high schools and

elementary schools throughout California. What can organizations such as these do to increase the cooperation between local manufacturers, politicians and educational institutions for the purpose of preparing our youth to make a smooth school to career transition? Do any of you have any of those programs for this type of need?

Mr. TAMBAKIS. I think that we should give him an opportunity to be involved in our seminar that we are planning together.

Ms. MILLENDER-MCDONALD. Okay. So——

Mr. TAMBAKIS. And that sounds like a gentleman Reggie Robbie that I have before here in the Los Angeles area who also has similar programs. I think it is excellent to get the youth involved in understanding international trade and, you know, transitioning them up the career ladder.

And I do want to mention that for those students that do make it to the university level, we have some great entrantship programs available at the Commercial Service office's locally where the students come in and work basically on a volunteer basis, but they earn college credit. And it is an excellent vehicle to——

Ms. MILLENDER-MCDONALD. I need to get that information right away, because we have really the CAMS program on the campus of Dominguez Hills, these students, 98 percent of them go to the ivy league schools. Also the Charles Drew Magnet School for math and science; these kids are our brightest and best. I want to get that internship information.

The last question: Will any money or is there any money currently to assist business owners in continuing their education at universities, junior colleges or trade schools? Are there any loans or grants for this specific reason?

I believe that we would agree that growing as a business person is just as important as expanding the business itself. Thank you. And this is Danny Bayone. Promote this.

Mr. ALVARADO. We have an Executive Education Program, for our 8(a) firms, our procurement firms. It's in my written testimony, Pacific Harness in Lynwood, one of your firms, was selected last year for example for the Executive Education Program at Clark Atlanta University. And that is a program that we make available, continuing education. We find that, obviously, management is a very, very significant issue for a lot of our small businesses who maybe very good technicians but often lack in management type skills.

Ms. MILLENDER-MCDONALD. But you know what, Alberto? And that is great, because you talked about one of the HBCUs, and that is critically needed. But we need to have something that's closer here that we can utilize.

And once you do one business, it appears to me, and I guess it gets back to what Regina was saying, you think that is the top of it all when we need several of these programs and several businesses coming into play so that we can then expand this whole notion of entrepreneurialship, creating wealth, if you will, to the extent of wealth. But you must put this information in the hands of more people in California, in this region.

South Bay has been neglected. I can see that with an assessment that I have done. Because people just think that we have made it. No, we have not. We need the same type of programs that you

have, the same type of support that we do right here in this region as in all other regions.

Mr. ALVARADO. Let me just state, and I think that is very valid, and we are going to pursue that. Through our SBDC program we also provide a lot of direct technical assistance. Many of those programs done in conjunction with local universities, Southwest Community College, for example. And we find that that's another very, very vital source of direct training to our businesses.

Ms. MILLENDER-MCDONALD. And Southwest Community College is a great college. I know its President. But we also have great colleges such as Compton College, Harbor College, Long Beach City College. We have got to come further into this region and promote it. Because you know what? This is the engine that is going to kick it up for California.

Thank you so much, Mr. Chairman.

Mr. ISSA. Juanita, I know you could see me posed at the mike.

Ms. MILLENDER-MCDONALD. I know.

Mr. ISSA. I want to thank the panel for this in depth discussion. I think you have enlightened us a great deal. And, hopefully, as you are thinking back on what you have said here today, more things will come to mind. Please feel free to include them in correspondence.

I am going to ask in closing both panels, but this panel right now, I have one pet project. And I do not think that a Chairman should use pet projects at a time like this to ask in depth questions, but I have had a couple of companies within my own Congressional District who have bid for what I call "beltway bandit jobs," jobs which, they are small businesses, they bid for them and they somehow come up just a little short even though they are priced the same amount because either they (a) do not have the experience, which is a way of saying you are not the existing inside the beltway known entity. Especially a lot of these are consulting, although some are product. Or (2) it would be more expensive to go all the way out here versus a closer to the source type contract.

As each of you deal with companies, at anytime now or in the future, I would appreciate it if you run into similar situations in which, when dealing with the government, somehow a company is disadvantaged because they are small and they can not get unbundled, the contract, or because they're determined not to have the experience even though their product or service may be equal, and lastly any kind of a hint of a geographic skew toward the sourcing agency's point. Because in this day and age I am a believer that at least within the continent of the United States we should not assume that geographic distance should make any difference at all, other than shipping cost, in our ability to look for sources. And as a Californian, I am acutely aware, as is Juanita, of how far we are from Washington, D.C.

So as those occur now or in the future, I would appreciate it if you would just drop my office a line and we will follow up wherever the person is, even if they are not a constituent. Because this is I think on an ongoing basis this Committee needs to dedicate itself to making sure it no longer happens in government procurement.

And with that, I want to thank you all for your participation.

Ms. MILLENDER-MCDONALD. Thank you so much.

Mr. ISSA. And as Congresswoman Millender-McDonald has said, the coffee has arrived. We are going to take the fastest break you can imagine to get the next panel up, but if you want to get your coffee while we are getting them up, we would appreciate it.

[Recess.]

Mr. ISSA. If we can get started now.

And since you all sat patiently through the earlier session, you kind of know we are going to do this informally. We are going to be a little quicker in the second session, but I want to make sure we get all your testimony in and then an opportunity for a little bit of questioning, which means we will run late, but we will be as quick as we can. And I would only ask that you understand that our lateness is causing you to rush you a little bit, but trust me, we will make sure that no one fails to get their word out.

I'll try to introduce because there has been a lot of changes here. But Rolina Brown is the Regional Director of the Small Business Development Center.

Mr. Phil Borden is the Women's Enterprise Development Corporation. You are the Executive Director.

And then flipping this around, Pat Unangst is Workforce Investment Network, and you are the ED there. Executive Director.

And last, and not least, is Phyllis Venable. And Phyllis is not titled. What do you do there? I am sorry. You are a wonderful substitution. We are glad to have you. What do you do? You are the—pull the mike closer. Here is a chance to toot your own horn.

STATEMENT OF PHYLLIS MOORE VENABLE, BUSINESS DEVELOPMENT OFFICER, CITY OF LONG BEACH, REPRESENTING THE CITY AND SMALL BUSINESS COUNCIL, CHAMBER OF COMMERCE

Ms. VENABLE. Okay. I'm the Business Development Officer for the City of Long Beach, and I am representing the city and the Small Business Council, Chamber, today.

Mr. ISSA. Excellent. So there is an outreach from public/private right now just as we asked for in the last session.

And since we are doing the panel in reverse, back and forth order, Phyllis why don't we start with you and we will go this way.

It is for a little bit.

Ms. VENABLE. My name is Phyllis Moore Venable and I am the Business Development Officer for the City of Long Beach. I am representing the city today and the Chamber of Commerce.

And recognizing that this is a technical assistance panel, I do want to start out by saying in my experience the most pressing problem facing small businesses today, whether they be minority businesses or disadvantaged businesses or women owned businesses is the access to capital. And I have to say that a business can be technically tight in every single way, but if they cannot get the money to do the things that they need to do, then they still have not arrived.

So I would like to address in my testimony some of the ways that I feel that government can impact on this problem in a positive way, this access to capital problem.

You know, small businesses had a tremendous impact on life in Southern California in a most profound way. Sixty percent of all

businesses in Los Angeles County are classified small businesses, but what they deliver in terms of economic impact is no small business. They are vital to our economy. Small businesses often provide people with their first jobs. They lead the way in on-the-job training opportunities for workforce development. They generate big taxes. And making small business healthy should be at the top of our economic development list.

Of course, now, we have a lot of businesses that are in trouble. We had severe economic downturns in 1990s and now we are faced with the recent economic issues related to the terrorism of September 11, 2001.

On top of this the recent trend in bank mergers has created a very conservative lending market almost exclusively for businesses with strong equity contributions and long histories of positive cash flow. These conditions definitely do not favor small businesses, many of which are credit worthy but cannot meet the strict lending criteria of commercial banks, notwithstanding the fact, mind you, that such businesses on the average last longer, collectively employ more people and repay bank loans faster.

And women owned businesses are especially hard hit. Women entrepreneurs earn about three-quarters as much as male entrepreneurs and their businesses tend to be smaller. They lack then in the accumulation of assets and have special difficulty in getting equity financing.

What can we do about this? I have put together a seven point plan which I feel are things that government can do to begin the journey towards recognizing this severely undervalued resource, small businesses.

Number one, we need to improve and coordinate alternate financing resources for small businesses. We need to aggressively seek and procure funding of public and nonprofit lenders who can create favorable lending environments for small businesses.

Two, we need to toughen CRA and fair lending and other lending requirements. We need to put more pressure on merging banks to force them to commit to lending programs for credit-worthy small businesses.

Three, we need to raise the profile of smaller community lenders. These banks are more likely to respond to local market conditions to cultivate closer relationship with customers. They utilize credit scoring less and personal banking more. And they need help in accessing their local markets and improving marketing and outreach.

Four, we need to strengthen private micro-enterprise programs. And as much as I loved my private enterprise program that we operate in the city of Long Beach, it takes too long to get money out the door and we encumbered by a lot of regulations and red tape. We need to put this more in the private market.

One, two, three, four, five. We need to increase support for training and technical assistance. Small business persons are most likely to use these resources. The training and the counseling will help to bridge the gap between where they are now and where they need to become, which is ultimately more bankable.

We need modal youth entrepreneurial training programs. We need to concentrate these programs less on creating businesses and more on teaching life skills, instilling confidence and esteem in our

youth so that when they become adults, they will perhaps become entrepreneurs as well.

And lastly, we need encourage more small business gatekeepers in our financial institutions. We need more people, more women, more minorities who understand the plight of small businesses and can help bring about the changes necessary to create a sensitive lending environment.

Let me just end by saying that the growth in small business activity has to be accompanied by a growth in sophistication, in management ability, in training and in access. We need to positively demonstrate how big impacts can follow from taking significant small little steps that give them the opportunity for many small entities.

Thank you for the opportunity to testify.

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

Mr. ISSA. Thank you.

Our next panelist is Patricia Unangst.

STATEMENT OF PATRICIA D. UNANGST, EXECUTIVE DIRECTOR, WORKFORCE INVESTMENT NETWORK

Ms. UNANGST. Thank you for inviting me today. My name is Patricia Unangst, I'm the Executive Director of the Carson/Lomita/Torrance——

Ms. MILLENDER-MCDONALD. Excuse me. Can you hear in back? Can you bring it closer.

Ms. Operator in the booth, can you raise it a little bit, the volume.

Ms. UNANGST. I am the Executive Director of the Carson/Lomita/Torrance Workforce Investment Network Board, formerly known as the Private Industry Council. We operate programs as a public/private partnership with business and local elected officials.

In fact, Congresswoman McDonald served as a City of Carson City Council policy board member in our initial public/private partnership back in the early '80s, and in fact appointed our incoming chair, Richard Cook, who is here in the audience today. And we are very grateful for that appointment.

He, by the way, is a small business person. Our current chair is a small business person. So we have strong emphasis on getting small business together with the training opportunities. And I am glad Phyllis talked about training, because that is of course the core competency of what we do.

I wanted to mention, and I had this on the back table, but one of the other speakers today is the Small Business Development Center Regional folks, and we opened in the city of Carson right next door to this facility a Small Business Resource Center so that small businesses can have access five days a week including Thursday nights to a series of resources, as well as online resources necessary to make their businesses successful.

We operate three WorkSource Centers. WorkSource is a new name. You will be seeing this in and around the LA area. I do not know if it will make it down to Orange County unless the buses run through there. But WorkSource Centers are the new name for the one-stop career centers, and it is in partnership with the city and county of LA.

One of the issues facing small businesses, of course, is the definition. When you go on the SBA web site there is about 77 definitions of small business. And in looking at that virtually everybody can qualify. But locally we had some statistics from the state employment service and it indicated that 92.9 percent of the businesses in our service area employ less than 50 people. 69.4 percent have less than ten. Furthermore, the U.S. Census says that countywide in Los Angeles four out of ten of LA county small companies are minority owned.

So the impacts are great. They drive our local economy and create the majority of jobs, as Phyllis just said.

The Workforce Investment Boards are your vehicle, Congress' vehicle to put the public/private partnership together; education, business, labor, so on, to strength the role of business and guiding our local job training programs. The Board has a business majority. We have 34 members, 20 of which are business. So it's greater than 50 percent, half of those are small business.

We are working on the branding concept so that people can find us. One of the things you know in government programs is we often speak governmentese, and in doing so we often do not communicate with the customers we are very much trying to serve.

Recently the eight Los Angeles area Workforce Boards along with the County Department of Social Services and the state Job Service joined together to create this branding of the WorkSource Center in a marketing campaign. It will be going on between now and the end of May.

We need to speak the language the business. We need to create one-stop-shopping. Small business in particular cannot afford to go from place to place to look for resources. They need a place they can go.

We established a job developers network in the South Bay which actually includes parts of Long Beach and up through the LA airport area that has over 20 agencies that meet on a regular basis so that only one time a business members needs to have a call. And only one time they have to build a relationship, but then they have access to the services of 20 agencies, 20 plus.

The key to success of this network is building the relationships amongst the individuals and building that trust. If they do not trust, they do not share information and things do not happen.

We also conduct a lot of business roundtables and industry cluster sessions. Just recently last week we had two small aerospace suppliers in our offices talking to a variety of these folks that are job developers about the needs of the aerospace industry. We are also going to do communications and transportation industry. We are hoping to add petrochemical because it is so large in our jurisdiction.

Our Board remains active in various business organizations. We are a partner in the South Bay Economic Development Partnership. We are on several Chamber boards. And we play a lead role in the Regional Business Assistance Network which is part of the Los Angeles Economic Development Corporation. We're members of PHRA, the Human Resource Association, etcetera.

Probably one of the biggest needs of small business is that of recruiting and retaining qualified workers. This is where we can play

the most pivotal role. Those workers are important to the success of the business.

Small businesses do not have human resource departments. They need assistance with dealing with hiring needs, labor laws and training. A single bad hiring decision has a proportionally greater impact on a small business than a large business.

We can assist with screening applicants, providing the resources, providing the place to do the interviews. What do not seem widely known is that that resource is available to small and large business. The large businesses seem to be able to find us, but we can provide that service.

It was spoken about earlier, and Phyllis reiterated it, access to capital the number one issue followed by the qualified workers. As you have heard, it is increasingly more difficult to access.

One of the suggestions we wanted to make is particularly in the area of cultural awareness many of the entrepreneurs in the South Bay area are not native born. They need materials and folks in the institutions that speak their native languages. They need to be able to communicate with them, not just in the language of business, but in their own tongue. Banks needs to look at materials that outreach that audience in the light of the ever changing marketplace.

We have had good relationships recently, Community Financial Resource Center. They conduct regular business workshops since January of 2001 at our Harbor WorkSource Center every third Thursday of the month. They are designed to help businesses run more smoothly. They also run computer workshops. I will talk about that in a few minutes.

WiN Business Services also works with Wells Fargo Bank. We have put on a workshop with a local employment lawyer on growing your own business along with the bank, and we are going to add an insurance company for the next session on taking your business to the next level.

We create a lot of our outreach efforts through business visitations.

Mr. ISSA. I am going to have to ask you to sort of wrap up and then we will get to Q&A.

Ms. VENABLE. Okay.

Mr. ISSA. And as I said to the first panel, your entire written statements plus anything you choose to summarize or to supplement for the next five days will be incorporated into the official report. Thank you.

Ms. VENABLE. Okay. I just want to say something on access to technology. This is an area that small businesses often are most disadvantageous in. They do not have in-house technical advisors, they do not have IT departments. One of the things that both CFRC and ourselves do is we offer free classes in computer and in more advanced classes, as well as access to the regular classes at colleges and so on.

We want to provide small business with advice. They are the backbone of our economy, but the challenges they face are daunting. Working together as partners, local organizations and federal agencies can help provide businesses with information and resources to succeed.

Thank you for this opportunity.

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

Mr. ISSA. Thank you.

Please, Phil.

STATEMENT OF PHIL BORDEN, EXECUTIVE DIRECTOR, WOMEN'S ENTERPRISE DEVELOPMENT CORPORATION

Mr. BORDEN. It was initially not my intention to talk about my organization, but let me give the one minute speech about it.

Since 1991 Women's Enterprise Development Corporation has been a feature of the Southern California landscape. We have touched the lives of 18,000 clients. We have helped start 1700 businesses, generating an enormous impact on the tax base and on the employment of Southern California. If we set aside the large businesses that we have started and focus on our bread and butter, which is very small businesses, they contribute about $10 million a year to the tax base each year, and we grow that by about a million dollars a year.

Eighty-two percent of our clients are people of color and ethnicity, 75 percent are women. We teach in five languages. So we address some of the problems that Pat has talked about. We teach in English, Spanish, Khmer, Chinese and Korean, and we are in the process of adding Vietnamese and Armenian. That question of addressing minorities in their language and recent immigrants in their own language is very critical to us.

Sixty-five percent of our money comes from federal contracts of one sort or another, and we have four SBA contracts. I will not bore you with them, but I was particularly alarmed when Congressman Millender-McDonald talked about the cancellation of the BusinessLinc program. That is a mentoring program. We have 2200 people signed up and we are teaching them technology and them how to deal directly with large companies through supply chain management software and software that has been developed under this program. To have that canceled before a year is out is a tragedy because there will be no chance to access the virtues and vices of the program.

Now to my testimony. My written testimony is a detailed argument for addressing the following policy issues: The need for improved methods of communication between potential users and suppliers of technical assistance and the need for streamlining the funding and bettering the reporting processes for government technical assistance projects.

I have heard a lot about access to capital. Phyllis and I certainly have been on the same page, and I thank her for giving the statistics. Although getting money is never easy, the problem for small business often is where to find it, how to get it and most important, how to use it well. Knowledge and experience together with money are what capitalize a business.

With a loan in hand but no technical assistance when they need it, small and minority owned businesses simply spend themselves into penury at a faster clip.

In the written statement I surveyed the massive complexity of types and delivery methods of technical assistance and furnished a list of technical service providers in the LA area, more or less off the top of my head. After excluding all by the most narrowly de-

fined types using government dollars, I reached 60 and simply stopped. Technical assistance is a big industry.

This morning I would like to focus on two key problems that plague the technical service industry and the clients it seeks to serve.

Number one, the welter of government sponsored programs is wildly confusing from WMBEs in need. And number two, the funding priorities and reporting requirements of government agencies cripple providers who are seeking to help the WMBEs.

In making my list I began with the Women's Business Center Program sponsored by SBA, WEDC runs two in the area. Depending on how you define Southern California, the state and SBA also fund 14 SBDCs, the Department of Commerce adds five, MBDCs the city of Los Angeles four major programs on at least 20 sites. Two county programs add six sites, two programs network other business technical service providers on at least 7 sites, and on and on. I have not counted workforce, or housing, or faith based technical assistance programs, or those sponsored by BIDs or the area's 91 chambers or the Economic Development Departments at 83 cities in the county. They would add another 300 or so entries. And if we include Internet based services, it increases ten fold again.

Each of these has a geographic base, though most can operate outside of it. No two government agencies use the same geographic definitions, no two government agencies use the same definitions of small business. How can a client seeking help find the right technical assistance for her or his business needs?

The answer is that often they can't. The system of competing jurisdictions and programs, and shrinking and uncertain funding like BusinessLinc create information overload, competition among entities that should be collaborating; and confusion, distraction and inaccessibility for those who need the services.

The other part of the difficulty is that small businesses lack the time and personnel to attend multiple meetings, workshops, seminars and so forth of uncertain business value.

In the written statement I propose more local and direct delivery of service referrals routed through local elected officials' offices. This approach addresses some of the outreach issues. I suggest a model for doing so and the training needed plus the benefits for the sponsoring office.

Local business people think locally, because that is how and where they do business and because local thinking and action fits their sense of time. They call their elected representatives at every level for help. If city council, supervisorial, and/or state and federal legislative offices were to take on a leadership role in attracting such calls, then directing the callers to the right place, a great deal of confusion could be eliminated. And I'd be glad to talk about that in detail.

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

Mr. ISSA. Thank you.

And we appreciate that the remainder of your testimony be placed in the record, and we hope that we can follow up in detail during the Q&A.

Ms. Brown, please?

STATEMENT OF ROLINA BROWN, REGIONAL DIRECTOR, SMALL BUSINESS DEVELOPMENT CENTER

Ms. BROWN. Good afternoon. First of all, welcome back, welcome home.

I am Rolina Brown, and I am the Assistant State Director for the California Small Business Development Center Program also known as the SBDC Program. And I am honored to represented the Small Business Development Center Program Network. We believe that we are the nation's largest consulting and training group.

I am pleased to have opportunity to appear to discuss problems facing Southern California small business owners and their needs in the current economy. I was especially pleased that your invitation seeks to understand the challenges of minority owned firms, especially in light of the recent economic downturn. As you are already aware, minority owned firms are the fastest growing segment of business owners in the nation. Minority owned firms are surpassing the growth rates of U.S. businesses growing at a rate sometimes six times the growth rate of all other firms.

The SBDC Network is broad band service delivery network designed to make a significant strategic investment in building and enhancing local communities. I am pleased to say that we are partners with each of the representatives here.

The California SBDC's mission to provide quality management and technical assistance to existing and potential small businesses resulting in the success of the entrepreneur, sustainable economic growth and prosperity for all Californians.

We accomplish our missions by providing direct customer focused services. We maintain a highly dedicated flexible, diverse and enthusiastic professional and experienced staff. And we act as a catalyst for a sustainable economic development by responding to local needs.

I am the representative for Santa Ana and the Los Angeles SBA districts. We build collaborative partnerships and we and we leverage resources through fundings through our match program.

By virtue of the size, obviously the significant part of the California SBDC program delivery system is here in Southern California. Of course, naturally it is my opinion that the SBDC Network leads the nation in finance innovation and there is no doubt, as Mr. Alvarado has testified, that the SBDC Network in Los Angeles leads the nation in access to capital.

After having said that, I am also keenly aware of the challenges that small business owners face in accessing capital and the challenge that they face in who to approach and where to go for necessary capital to just get their business started.

In our findings and our evaluation and research I find that the barriers to the growth of California small businesses, and in particular minority owned businesses, is access to capital, business assistance and support such as strategic planning and marketing, effective utilization of technology, access to markets outside of their traditional areas and participation in social and business networks. Given that small businesses heavily rely on credit to facilitate the growth, the California SBDC Network has taken a leading role to create a bridge between the small owners and access to capital. Here in Los Angeles in particular we have a wonderful track record

of helping small businesses. We've created an innovative program called the Rover Program which is widely respected around the nation. This program is dedicated to sending experienced business developers to address the needs of small businesses to their place of business.

Access to capital remains, however, the number one problem in the region for most minorities, and in particular African-American businesses especially when it's related to race and other ethnic groups. The Rover program has increased capital to all minority owned businesses and African-Americans. However, in a partnership with the University of Southern California, the Southern California region partnered with the Harvard Business School and the Competitive Inner City initiative to take a closer look at minority owned businesses and to develop an action plan to deal with the issues of limited equity capital, asset pledges, uncertain earning streams and other barriers to minority credit accessibility.

The initiative will also deliver specialized assistance to help smaller businesses gain the capital that they need to establish and grow their business, and to overcome the challenges that face minorities and women owned businesses in the inner city. The project will host a capital access team. This team will not only provide technical assistance to small businesses, but they will also educate banks and communities to help them understand the credit needs of an availability of capital to small businesses.

The Southern California SBDC program will employ a new finance technology system which is designed to speed the process for loan applications by tracking the loan flow of documentation, business assistance and loan review. This data should help us understand the system better, and to understand the credit activities and the impacts on small businesses.

We believe that the outcome of this initiative will help us frame the debate on how we can all provide new age solutions to small business and, in particular, minority owned businesses. We also believe that the combination of these programs can help Southern California small businesses access capital and secure the resources that they need.

We're very proud of our relationship with the SBA, and in particular with our SBA district office in Los Angeles who is the holder of two prestigious awards and the nation's leader in loans.

We are also particularly proud that the Santa Ana SBA district hosts the nation's only venture capital technical assistance center. The Tech Coast SBDC is located in Irvine and provides resources to support early stage and start up businesses. The Tech Coast SBDC produces an annual funding directory and resource guide that is considered a source for emerging growth companies and advisers.

We also have a Diamond Venture Forum, and we have multiple access to capital venues in Santa Ana, and weekly access to capital activities in Los Angeles County.

We understand the challenges that we have heard today about access and outreach, and we have come up with a strategy to create community based relationships by establishing branch offices. And I noticed Cook Snew happens to be here from API and is also one of our branch office locations.

We also have a relationship with Women's Inc. We are establishing a new cultural arts and entertainment SBDC program which will focus on an industry that is often overlooked.

This has just brought a few of the activities that the California SBDC program, and in particular the Southern California SBDC program are doing to deal with the issues of small business development, technical assistance and access.

I want to call to your attention as I conclude, the vast size of the counties that we serve in Southern California. And if you take Los Angeles County and you take Orange County, you will be looking at the largest concentration of minority owned businesses, yet we have eight SBDC centers hosted to provide the services. And while our partnerships are leverage and we have community based relationships, we have to become more innovative in the ways that we approach these businesses. It is for that reason that we have established a toll free line, 1-866-You Ask SBDC as a central point of contact for small business owners seeking not only the assistance of the SBDC program, but technical assistance in Southern California.

And during Small Business Week we will launch a new portal askSBDC.com. AskSBDC.com will not only provide technical assistance and online training, but chat rooms and forums for small business. We are particularly happy that the askSBDC.com will have a digital commerce solution which will allow small business owners to create webpages, have e-mails, shopping charts online at reduced or virtually no cost. Most minority small businesses have Internet access, however few have active sites that allow them to transact businesses on line.

In closing, I would like to give you an idea of the impact that the Southern California SBDC program had on its districts in the last year. Eight of the SBDCs contributed to the creation of 676 jobs. $31,367 in sales. $24,414 in financing of which $20 million was SBA financing.

The California SBDC program is a whole, we operate as a network, created 3,778 jobs, retained 5,295 and increased sales by $115 million.

Mr. ISSA. Ms. Brown.

Ms. BROWN. Yes.

Mr. ISSA. I am afraid I am going to have to ask you to put the remainder into your written statement. It will be retained for the record.

Ms. BROWN. Thank you.

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

Mr. ISSA. Thank you.

Well, first of all, I want to thank you again for all coming. And as I did with the first panel, I want to limit my comments since the Congresswoman's district is here and I am a visitor, and I appreciate the opportunity to be in this district, but I think a lot of the issues are very much germane to this area and I want to concentrate the time on her questions.

The two things I want to do before yielding, first of all, is to ask all of you as I asked the first panel, if you come in contact with access to government contracts being denied either because of bundling, prohibitively large for your companies even though they have

the ability to perform some significant portion of the contract, or what I earlier described as the beltway mentality of "Gee, we have a company that has already done it and they are much closer to Washington, DC." For all of us as Californians I think we need to point up those examples as they occur. Some people in the audience had already brought me some of those during the break, so hopefully we will continue to accumulate that and that will be the subject of another hearing and, hopefully, some efforts in Washington.

And the lastly, Mr. Borden, I wanted to thank you. Your testimony went out of its way to describe something that I think is very important, and that is the inability to manage limited capital that most start up companies have. Having been a micro-business, if $7,000 is micro and 20 years ago I guess it was bigger than it is today, but it is still small. I recognized that in those days one mistake could kill my business. Well, a little bit of luck and sound capital management was the difference between success and failure. And so I appreciate not only your statements, but also the fact that you participate in trying to train start up companies to understand that access to capital is important, but then it takes a lot more capital if you misuse it. And there is not enough capital for any company. To use a current example, Enron had an incredible amount of capital but if one misuses capital, there is not enough money in the whole world and in the piggy bank in Washington to support mismanagement at any level. So, I want to thank you for pointing that out.

And with that, I will yield to the gentlelady from the 37th Congressional District.

Ms. MILLENDER-MCDONALD. Both of us from California. I tell you, it has been a remarkable day with you being here with us in the 37th. Thank you so much. You are welcome at anytime. Not too often, though.

Mr. ISSA. No.

Ms. MILLENDER-MCDONALD. Just kidding. Just kidding. He's my friend.

Mr. ISSA. You can come to Camp Pendleton.

Ms. MILLENDER-MCDONALD. Oh, that's right. Absolutely.

Let me acknowledge some representatives here representing some of our colleagues.

Bobbie Blanks is the field director for Congresswoman Maxine Waters, who is here. Thank you so much for being here.

Mr. ISSA. Just stand up.

Ms. MILLENDER-MCDONALD. And thank the Congresswoman for allowing you to come here today.

Lanny Saunders, the administrative assistant to Congresswoman Diane Watson. Please stand, Lanny, so that we can see you. Tell the Congresswoman as well thank you.

We have mayor pro tem of the city of Gardenia, Steve Bradford who was here, perhaps stepped out for a—oh, there he is. Very good. Thank you, Steve, for being here.

Mr. Basil Kimbre, the Vice President of Compton Unified School District perhaps may be out there in the foyer.

And Eric Lee who is the chief executive officer to Lynwood Chamber of Commerce. If he is not here, they are all outside.

I see my dear friend sweet Alice who has come in from the Watts area, Parents of Watts. It is good to see you here.

I think you have all touched on it; knowledge, experience, capital all elements of a thriving small business. I cannot say enough for Pat Unangst when she said there are 77 definitions of small business. We are also grappling with that in Washington and we need to revisit that issue.

One-stop-shopping or development centers are critical to small businesses. They cannot hop around and try to find the resources and knowledge and all of that that we have.

I am happy to say that Bruce Thompson is still the head of our SBA is still in the audience with us, as well as Alberto Alvarado who is our Executive Director or Director. I might be giving some titles, but that is okay. I will talk with the President and make sure all of this happens. But, anyway——

Mr. ISSA. Between the two of you you certainly are the "go-to's" for the state, and we appreciate you being here today.

Ms. MILLENDER-MCDONALD. And I think with Rolina Brown, all of you are still here. You have heard the expert witnesses talk about the need and the needs of small businesses, so we won't belabor that any longer. I would just like to chitchat with all of you so that we can make things happen for small businesses.

Rolina, you are talking about all the time teams, and LA teams and LA County. You did not say anything about Long Beach, Carson, other places. We have got to talk to you about that.

Ms. BROWN. Well, no, no, no.

Ms. MILLENDER-MCDONALD. Got to come to South Bay.

Ms. BROWN. You are heavily represented in South Bay.

Ms. MILLENDER-MCDONALD. Then you must tell me where you are.

Ms. BROWN. Actually Jim Treat is here and I will allow Jim to respond.

Ms. MILLENDER-MCDONALD. Okay. Jim, we are going to have to talk with you. We are actually in Carson and Long Beach?

Ms. BROWN. Right.

Ms. MILLENDER-MCDONALD. Well, okay, fine. Pat is one of yours.

Ms. BROWN. Right.

Ms. MILLENDER-MCDONALD. Okay. Fine. Well, Pat changed names and so she changed a lot of other things going on, but to the betterment, I might add.

Let me just say thank you.

The time was to be from 10:00 to 12:00. This great man has overstayed the time because he has other things in his district that he must attend to. We are here only for a week, a week and a half and we are trying to cover the waterfront.

And so I just wanted to say thank you to all of you. I will be in touch with you getting to know you better as we continue to move workshops in this area and in the district to enhance small businesses.

Again, thank you to the staff from Washington who has come in. Now you know the tremendous task we have of flying in every weekend. You should appreciate us more.

Thank you to my district office staff. They were tremendous in getting such a great crowd out today.

And with that, I will yield back to the chairman to close it out.

Mr. ISSA. Thank you.

And one last request. If the members from the government side of SBA would please stand for a moment if you are still here. We still have them.

For all of you in the business community, we have this hall for another hour. If you want to get them before they go out the door, I would ask that you give them your card or get their card. Because this is also a networking opportunity.

And with that, this hearing is adjourned. Thank you.

[Whereupon, at 12:25 p.m., the subcommittee adjourned subject to the call of the Chair.]

OPENING STATEMENT

REPRESENTATIVE DARRELL E. ISSA
CHAIRMAN-DESIGNATE
HOUSE COMMITTEE ON SMALL BUSINESS

"Navigating the Small Business Environment: Challenges and Opportunities"

April 2, 2002 10:00AM Carson City Community Center, Carson, California

Good morning and welcome to this hearing of the Committee on Small Business. The Committee has recently held hearings in the Leigh Valley of Pennsylvania; Long Island, New York; Albuquerque and Santa Fe, New Mexico; Paterson, New Jersey; Spartanburg, South Carolina and now in the Los Angeles area. The Committee needs to hear from you regarding the problems facing southern Californian small business owners and their needs in the current economic climate.

Small businesses represent the backbone of the economy and are the key to any recovery. Small businesses represent 99.7 percent of all employers, and they employ 52 percent of the private workforce. Historically, small businesses have out performed large businesses by a wide margin in creating new jobs and have been the engine driving the economy that have brought the country out of periods of recession. In fact, three out of every four new jobs are created by small business.

Within the small business sector, minority-owned firms are the fastest growing segment. The number of minority-owned firms

more than doubled from less than seven percent of all U.S. firms in 1982 to 15.1 percent in 1997. This is a remarkable achievement but more can be done.

Likewise, the role of women-owned businesses is growing in importance. There are now 9.1 million women-owned firms that provide 27.5 million jobs, which is more than are employed by the Fortune 500 companies.

Two weeks ago, 1,500 women entrepreneurs met in Washington, D.C. to discuss problems facing women business owners. The President choose this occasion to lay out his small business agenda which includes: new tax incentives for small businesses to make more job-creating investments; making affordable health care available to more employees; tearing down regulatory barriers to job creation; making Federal procurement more accessible to small businesses; and, providing small businesses with better information with which to succeed. These are issues that the Small Business Committee has worked together on a bipartisan basis in the past, and I pledge to work with him to see this agenda enacted.

Prior to my election to Congress, I owned and operated more than one small business. I know the unique problems that entrepreneurs face in starting and growing a small business. I look forward to the testimony of the witnesses who can help us bring back to Washington a deeper understanding of the challenges and opportunities of running a small business. We also need to learn what the federal government should and should not do to help small businesses grow and thrive in southern California.

Again thank you all for participating in this hearing. And thank you in the audience for attending this hearing. I now yield to my colleague, Representative Millender-McDonald, for her opening statement.

Opening Statement
of
Rep. Millender-McDonald
Los Angeles Field Hearing
On
Small Business
April 2, 2002

Good morning.

I want to extend a warm welcome to Rep. Darrell Issa, my colleague on the Small Business Committee. He is a fellow California delegation member - and he is chairing today's hearing.

I would also like to welcome the witnesses and attendees at today's field hearing.

I am delighted that the Small Business Committee is convening a field hearing to explore the theme of "Navigating the Small Business Environment: Challenges and Opportunities". As the ranking member of the House Subcommittee on Workforce, Empowerment and Government Programs, I am acutely aware of the challenges that confront both established and new small businesses as they attempt to grow.

Today's hearing is an excellent opportunity to hear testimony from small business experts. Our first panel will explore "Old Ideas/New Money". Our witnesses will provide

perspectives on what the SBA and the Department of Commerce are doing to support small businesses, many of which are female or minority owned. Furthermore, we also are fortunate to have lenders who can talk about what is necessary to secure funding for your businesses.

Our second panel will feature individuals who can provide unique perspectives about the types of technical assistance that can be provided to businesses. I have heard countless testimony about how critical it is for small businesses to be able to acquire the necessary technical support and management assistance that

will assist them in overcoming the hurdles of developing business plans, performing inventory analysis, projecting growth, or even conceptualizing how to go about starting a business.

In the aftermath of the terrorist attacks of September 11, there is an even greater need by small businesses for the services provided by federal agencies and lenders. Small businesses are the engine that drives our economy, and they have been devastated by the economic fallout from the combination of the attacks of September 11th and the resulting downturn in the economy.

In response to current economic realities, the Small Business Committee offered legislation, HR 3230 that will provide support to small businesses. The bill authorizes the SBA to make disaster loans to small businesses that have experienced economic injury from September 11. HR 3230 also provides grants to small businesses to get back on their feet, and it contains a provision I authored that would increase authorization for appropriations to Women's Business Centers (WBC). The bill has not been brought to the House floor yet, but my colleagues on the Small Business Committee are pressing for action on this measure.

As we entertain today's hearing theme, and the panel topics, I am sure that many of you are wondering what to expect in terms of continued support from the SBA relative to the president's budget priorities. I want you to know that Small Business Committee members fought to improve the FY 2003 budget from last year's.

We were successful in getting a $253 million increase in the budget proposal, which will support loan, entrepreneurial development and technical assistance for small businesses. We were also successful in cutting the cost of the 7(a) Loan Program so that it is

more affordable. However, there are still battles that need to be fought.

Minority and low-income communities continue to suffer from the priorities outlined in the budget. For example, although this budget represents movement forward, it still needs work. Two glaring problems remain – first, this budget fails to provide any solution to the growing problem of the subsidy rate while also falling short in funding the SBA's flagship 7(a) General Business Loan Program.

Second, low-income communities and minorities have been disadvantaged relative to critical

programs that have been dramatically under-funded or simply eliminated. The Program for Investment in Micro entrepreneurs, which is an important technical assistance program that helps small businesses before they receive an SBA loan, once again has not been funded. BusinessLINC, which creates cooperative agreements between small and large businesses, was zeroed out. By not funding this program, minority entrepreneurs have been cut-off from accessing larger marketplaces for their products. Another important program, New Markets, which would provide millions in venture capital to growing businesses in

low-income communities, has also received no funding for FY 2003.

And finally, the One Stop Capital Shop Initiative, which began in 1994 to support the President's Empowerment Zone/Enterprise Community Initiative, a central initiative in the effort to revitalize targeted underserved communities has not received any funding.

Clearly, there are many hurdles that make it difficult for small businesses to prosper. However, the hallmark of any good businessperson is being tenacious and resourceful. Today's hearing is intended to provide small businesses and aspiring business

owners with a sense of what types of programs and resources are available to them so that they can grow their businesses and fuel America's economy. I thank all of you for coming and I look forward to the testimony from our witnesses.

Testimony
of

ALBERTO G. ALVARADO
District Director
Los Angeles District Office
U.S. Small Business Administration

Before the
House Subcommittee on Workforce, Empowerment and Government Programs

FIELD HEARING

"Navigating the Small Business Environment: Challenges and Opportunities"

Carson, California
April 2, 2002

Thank you very much Chairman Issa and Congresswoman Millender-McDonald. It is a true pleasure for me to have the honor and opportunity to testify before you this morning.

Let me say at the onset that Administrator Barreto asked that I convey his personal good wishes to both of you and additionally that I underscore to you his deep commitment to continue to work closely with your Committee on the many important challenges facing our Nation's small businesses.

I am Alberto G. Alvarado, District Director of SBA's Los Angeles office, a position I have held for about seven and one-half years. Our office covers the California counties of Los Angeles, Santa Barbara and Ventura. I am proud to report that during my tenure we have galvanized our staff into an highly efficient operation and created an economic development network, which thinks "outside the box", and has been recognized for our best practices, national models, reinvention efforts, and as the "Outstanding Capital Access Division" among SBA's field offices.

We are also tops in the country in outreach, participating in an average of 25 community activities per month. And while we are quite proud of our recognition as pacesetters, all of us—under the able direction of our Administrator—continue to look for innovative ways to reach out to all individuals, communities and industries, especially those who may not have availed themselves of SBA services previously.

I'd like to take a quick moment to present our local management staff who run, what I believe to be, one of the most effective government operations in the country. Our entire Management Team is here today at the disposal of your constituents. As you well know, SBA programs span the spectrum of business needs and functions. Consistent with the theme of this hearing, I'd like to highlight our focus and some of our accomplishments in the areas of Access to Capital, Technical Assistance and Procurement.

As you know, these areas present both challenges, and from SBA's perspective, opportunities for our small, minority and women-owned firms. I should say that while my comments today will reflect considerable activity in these areas, Administrator Barreto and I clearly understand much remains to be done in (1) reaching out to our Emerging Markets, (2) engaging our banks to increase lending

activity, (3) utilizing new technologies to increase efficiency, and in (4) refining our products.

Access to Capital

The Los Angeles District Office is SBA's No. 1 lending office for a number of years. During the past four years, for example, we have provided $2.8 billion (that's billion with a "B") to 9,602 businesses in Los Angeles, Santa Barbara and Ventura counties. We are particularly proud of the fact that we have also led the country in lending to both minority entrepreneurs, with $1.4 billion to 5,120 businesses over the past four years, and $569 million to 2,233 women entrepreneurs during the same period. In a similar four year period, Congresswoman Millender-McDonald, we have provided $170 million in financing to over 479 businesses in your district.

Overall during this past fiscal year, we again led the country in approving $716 million in loans to 2,182 businesses, including $375 million to 1,184 minority-owned businesses and $146 million to 497 women-owned businesses. In accordance with national mandates and heralding America's time of national resolve, we were the No. 3 office, among our 70 field offices in the nation, in lending over $51 million to businesses owned by Veterans. We understand that our financing efforts helped to create or retain 17,899 jobs in our tri-county service territory.

These accomplishments have been attained through a multi-faceted, proactive and nationally recognized "Community Lending and Outreach Campaign". For example, we take bankers on bus tours—many for the first time—into communities to see first hand the credit opportunities, or in terms they really understand, money making opportunities that await them.

As another example, we recently met with a group of 13 Asian American bank presidents to reiterate the importance of loaning to all communities. This important mission was reinforced by Administrator Barreto, who emphasized how vital their efforts are to the future of our communities' small businesses. We expect these highly active Asian American banks to increase their lending in our inner city and other minority communities.

Promoting utilization of our Economic Injury Disaster Loan Program, especially in our underserved communities, we convened last week a training program for seven local community groups, including CHARO Development Corporation and the Community Financial Resource Center from whom you'll hear later today. We all know that our EIDL Program is vital to America's economic resurgence. To date we have provided approximately $300 million nationally to adversely impacted businesses.

Another key component of our "Community Lending and Outreach Campaign" involves individual contact with business owners. In the community of Watts, for example, we held a "Hit-the-Streets" event where we mobilized 50 financial services professionals, literally hitting the streets going door-to-door to over 175 businesses to introduce ourselves and SBA services. We've also created a "Snap-Qual Program" where a "Committed Lender Team" rapidly reviews an abridged loan application after SBA's initial approval. During this past year, we conducted 52 lender training sessions to further these and other efforts.

Our many "Hit-the-Streets" activities are conducted not only to promote our programs to businesses and individuals who can make immediate use of them, but possibly more importantly, to work at changing the Federal government's image as remote and unwilling to "come to the people." The benefits of such efforts will be reaped over the years as residents once again come to believe that government can make a difference.

Among this office's many capital access success stories are Amgen, one of the world's largest bio-med firms; Carson's Southland Bagel Company, a past Small Business Person of the Year; Angela Walton owner of Melador Technologies, Inc., who just received a multi-million dollar contract from TRW; El Tapatio Markets, owned by the Flores Family and among the largest volume community markets in California; and Spectrum Plating, a recent Torrance start-up, which now has 18 employees and a 20,000 square foot shop.

Technical Assistance

SBA has long recognized that along with the need for capital, our small business entrepreneurs also need guidance and counseling with regard to many aspects of their business operations. Accordingly, we are proudly committed to going "into the community where the businesses are" to provide technical assistance through

seminars, workshops, conferences and, importantly, through one-on-one consultations.

Our high-tech Business Information Center on mid-Wilshire Boulevard has been SBA's #1 ranked center in terms of clients, in this instance, serving a largely African American, Hispanic and Asian American community. During the past two years, we have served over 11,000 individuals and business owners at the center.

We are proud to note that in dealing with our diverse constituencies we have received scores of awards from such advocacy groups as the National Association of Women Business Owners, the National Center for American Indian Enterprise Development, the Los Angeles Urban League, the Black Business Association, and just last week, we received the President's Award from the Greater Los Angeles African American Chamber of Commerce. We have also been honored with the State of California Star Award and with a White House Presidential Rank Award for Meritorious Service.

This past year alone we reached over 16,000 individuals with training on such topics as starting a business and developing a business plan, capital acquisition, marketing, and new business technologies, including website design. Additionally, we conducted over 40 specifically targeted sessions for minority and women business owners.

Our vast "Technical Assistance Network" involves an array of partnerships with local organizations, ethnic and area chambers of commerce, lending institutions and other community based organizations. For example, we have partnered with ten nearby chambers of commerce, including Torrance, Lynwood and Hawthorne, just to name a few, to provide entrepreneurial training.

We are excited to have provided funding for a Women's Business Center hosted by the Women's Enterprise Development Corporation from whom you will also hear later today. The Center in nearby Long Beach provides business counseling at the grass roots level with instruction in multiple languages to a diverse business populous.

Through our five SCORE Chapters, a team of experienced and successful retired entrepreneurs provide counseling and training in 50 locations throughout Los Angeles county. One of our former SCORE and BIC clients, Victoria Lowe,

owner of Alert Staffing in Culver City has become the largest women-owned business in Los Angeles County, a sterling accomplishment for this community-minded African American woman.

This "Technical Assistance Network" has allowed us to build on the strong support that these groups enjoy in the community and, at the same time, helped build the business expertise and capacity of these groups in order to leverage our resources and maximize the reach of our services.

Our Marketing and Outreach Specialists are empowered with the mandate to reach constituent enterprises and provide them with technical assistance and capital access specifically designed to meet particular needs, regardless of the size of the business or its location.

To achieve these objectives in an era of ever declining operating budgets, we harness the energies of our partnership organizations through the use of MOUs and other working arrangements. Getting more from less necessitates "thinking outside the box" on how we "spend" our limited dollars. We justify each outreach activity for maximum pay out from the long term prospective. Yet, we remain sensitive to insure that we reach all small businesses whether in rural Ventura County or in L.A.'s inner city, so that they can directly access SBA programs and services.

We have made optimum and imaginative use of our Small Business Development Center (SBDC) Program, by expanding the role of our five centers to assist entrepreneurs in preparing themselves to approach lending institutions. This cutting edge approach has led to SBDCs throughout the country becoming more involved in helping their clients access business growth financing. You'll hear more about this exciting venture from Rolina Brown, Regional SBDC Director, later this morning.

We also took the lead in urging and ultimately securing the funding for the opening of two new centers focused on entrepreneurial services in our greater South Central and East Los Angeles communities. We have conducted business start-up and other workshops for businesses in the communities of Carson and Watts, for example, through our new center hosted by the University of Southern California. Our SBDC hosted by Southwest Community College will provide future services to the entrepreneurs of the 37th Congressional District.

Our "Prequalification Loan Program" has become an Agency model and No. 1 in the country in its utilization of local SBDCs as intermediaries to help package, over the last three years, 399 SBA loans for $42.4 million and to help find willing lenders. Under SBA's Prequal Program, we make an initial determination of the viability of the financing request and issue a letter prequalifying the transaction. The business, in turn, is able to utilize this letter to more easily locate an interested lender. In this manner, businesses who otherwise could not obtain needed capital--have done so. In the process, we have ensured that our 90 active lenders have developed local community contracts with whom our SBDCs can sponsor an average of 54 training events, workshops and seminars a year.

Lastly, we have launched a broad effort reaching multiple ethnic and geographically dispersed areas by assisting seven local community-based organizations, including Vermont Slauson Economic Development Corporation, PACE, and the Asian Pacific Islander Small Business Development Program, obtain funding to provide technical assistance to microentrepreneurs in selectively targeted low-income communities all around our location here today. We are quite proud of this initiative, which promises to lend vibrancy to our microentrepreneurs.

Procurement

Finally, let me quickly touch on one very important area, and that is, our efforts to provide access for our local small businesses to the vast multi-billion dollar Federal marketplace. Whether it is through our (1) 8(a) contracting seminars, many done in conjunction with L.A. County's Office of Small Business and the City of L.A.'s Minority Business Opportunity Committee; or (2) through our 13 HUBZone workshops attended by 1,000 area entrepreneurs; or (3) through our "Small Business Showcases" before major Prime Contractors, such as Boeing, TRW, Raytheon, Aerojet and Northrup Grumman, we continually seek to inform our small, minority and women owned businesses how to access Federal buyers and similarly those buyers, about the expertise of our small business community.

Just one of our contractor events, in this instance our yearly High-Tech Procurement Conference directed at small, minority and women-owned firms and co-sponsored with NASA's Jet Propulsion Laboratory, featured a remarkable 708 firms and 261 procuring activities.

During the past year, our district's 8(a) firms, received $459 million in contract awards. Several area firms: Gene Hale's G&C Equipment in Gardena, Willie Thomas' Thomas Land Clearing in Long Beach, Mary Ann Mitchell's CCOPS, Clarissa Howards' bd Systems and Barry Baszile's Baszile Metal Services have been among our most successful 8(a) firms.

We are proud to report, Congresswoman, that in California's 37th Congressional District 282 Federal Government contracts worth $30.4 million were awarded this past year. Portfolio training was another major highlight with one area firm, for example, Pacific Harness in Lynwood selected for the prestigious Executive Education Program at Clark Atlanta University.

Outreach activity in the district has included, among other things, a certification presentation here at the Carson Community Center, coupled with two HUBZone workshops conducted at the recent Long Beach Economic Development Conference. As a true budding success story, one firm, Si-Nor, Inc. in your district, Congresswoman, has received a number of significant contracts. Based in Gardena, the firm experiences annual sales in the $10 million range and has received refuse/recycling contracts throughout the United States, including Hawaii, North Carolina, Nebraska and North Dakota.

You know, as we look back at L.A.-- a decade after the 1992 civil unrest, SBA's Los Angeles District Office is elated to note that we have provided $405 million in financing to 1,248 businesses in our Empowerment/Enterprise Zone and surrounding communities. This is a record that no other SBA office in the country can match.

We have also made effective and judicious use of the media in various forms to advertise the availability of SBA services especially in our Emerging Markets. In this regard, we have also led the country in generating 46 success stories (400% over the required target) during the past two years. Many of these stories involve minority and women entrepreneurs and have been featured in the L.A. Sentinel, La Opinion and the Korea Times, as well as, on NBC Nightly News, CNN and CBS Radio.

Finally, let me reiterate again what an honor and pleasure it is for a kid from the barrio of East Los Angeles to come before you, Mr. Chairman and Congresswoman Millender-McDonald.

While I believe much has been accomplished, clearly much remains to be done in our outreach efforts to ensure that all entrepreneurs, wherever they are located, have the benefit of access to SBA services and programs. Our "Productivity Enhancement Plan", Strategic Operational Business Plan and, indeed, the mandate of the President and Administrator Barreto are focused on the challenges of (1) Access to Capital, specifically getting banks to extend themselves further to our Emerging Markets; (2) Technical Assistance, which is meaningful, readily accessible and bottom-line oriented; and (3) Procurement, where we seek to get Federal agencies to provide greater contract opportunities to firms owned by socially and economically disadvantaged individuals. I know, Congresswoman, that you know that---I and our staff---are dedicated to these tasks.

Congressman Issa, I don't want you to think we haven't been busy in your 48th Congressional District, which is served by our Santa Ana District Office. Quite to the contrary, during the past fiscal year we provided 173 of your constituent businesses with $54.3 million in financing. Technical assistance has been provided to Orange, Riverside and San Bernardino county entrepreneurs through workshops conducted by SCORE and our SBDCs. As you would imagine this assistance is also available in Korean, Spanish, Chinese and Vietnamese. Additionally, a high tech SBDC, currently operating in Irvine, has provides services to high growth technology-oriented entrepreneurs.

Mr. Chairman, in closing, I affirm to you and Chairman Manzullo our commitment and that of Administrator Barreto to build a more efficient and effective SBA--one that helps businesses grow and prosper, and ultimately contribute to stronger and healthier communities. In that regard, we intend to work even more closely with your local staff, Congresswoman, to assure that our record of achievement in California's 37th Congressional District continues, and importantly, that we continue to address your concerns and those of your business constituency. We know that many outside this beautiful hall have not been able to enjoy such wonderful surroundings and to benefit fully from the opportunities available in our great country--so it is on their behalf that we dedicate and continue our noble work.

Thank you for your attention this morning. I would be pleased to answer any questions you may have.

Gilbey

On Access to Capital for Small Business Owners

INTRODUCTION

Good morning, Chairwoman Millender-McDonald and members of the sub-committee. I am delighted to have this opportunity to present to you today the powerful partnership between Wells Fargo and small business owners.

My name is Colleen Anderson. I'm an Executive Vice President of Wells Fargo Bank, responsible for the company's Small Business Lending Group in California and the highest ranking executive in Business Banking in Southern California. I am here today as the official spokesperson for Wells Fargo's small business lending programs.

After 26 years of serving the financial needs of Wells Fargo's customers, I fully appreciate the business opportunity and economic potential represented by the small business owner. As the Chairperson of Mayor Hahn's LA Minority Business Opportunity Committee (which was named the national model by President Clinton), the Vice-chair of the Community Financial Resource Center in South Central L.A, and active participant with Latin Business Association, I represent a collective force dedicated to serving the needs of small business, regardless of ethnic, gender, or demographic distinctions.

ABOUT WF

Wells Fargo is a $308 billion diversified financial services company, headquartered in San Francisco, CA, providing banking, insurance, investments, mortgage and consumer finance through more than 5,400 stores, the Internet (www.wellsfargo.com) and other distribution channels across North America.

Leading Small Business Lender

* Source: extrapolated from the 1997 Community Reinvestment Act small business lending data.

With more than 1.5 million small business customers, Wells Fargo is a leading financial service provider to small business owners. In fact, as of 2000, Wells Fargo was the country's largest small business lender among banks for loans under $100,000*, and we lent the most dollars to small businesses located in low to moderate income census tracks, according to PCi Services Inc. in Boston.* Today, Wells Fargo has over $26 billion in small business loan commitments.

Wells Fargo made the most loans in California to small businesses in 2000. Wells Fargo made more than 62,000 loans totaling more than $2.4 billion in California in 2000 and lent more than $692 million to 15,000 California businesses in low and moderate income census tracks. In the Los Angeles metro area, Wells Fargo is the second largest financial institution in the whole consumer and business market, and the number one provider of all financial services to small businesses. We also provide significant support to the California and Los Angeles areas by being the number one lender in Home Equity and Mortgage products.

At Wells Fargo, our philosophy has always been to put small business, diversity, and community first. We like to say our goal is to "out-local" the nationals and "out-national" the locals. We do this by allowing for local market loan decisions that reflect the community's diversity and specific needs, while making accessible the resources and expertise of a major national financial institution to the local small business market.

Small Business Stats

Today, by some counts there are approximately 30 million small businesses in the U.S. These businesses create more than half of the private workforce and half of the GDP. These businesses are responsible for about 75% of new jobs. Small businesses represent the backbone of our country's current and future economy.

BBG Created

In 1989, Wells Fargo became one of the first major banks to form a banking division dedicated to the financial needs of small business. Studies found that the bulk of small businesses with sales less than $1 million and annual credit needs of $100,000 or less felt under-served.

Small businesses have found our programs extremely attractive. Since 1993, many competitors have followed suit with direct lending programs of their own. Loans obtained through direct lending are used to fund the working capital, payroll, tax payments, cash flow, and short-term financing requirements of small businesses. To date, Wells Fargo has made an unprecedented commitment to supporting the development and success of small business owners.

Integration into Small Business Communities

Wells Fargo has become integrated into the small business communities, and in particular into the emerging market segments, through various outreach initiatives.

LA Community Board

The Wells Fargo Los Angeles Metro area president has established a community board comprised of community leaders that meets monthly to focus on the underserved markets. This forum has created partnerships between Wells Fargo and FAME Renaissance, the Valley Economic Development Center and Operation Hope, the LA Mayor's Minority Business Opportunity Committee, among others, in an effort to provide access to capital and aide for financial literacy to small business owners and consumers in LMI communities.

Wells Fargo has also maintained relationships with the Latin Business Association, the United States Hispanic Chamber of Commerce, CHARRO, the National Council of Asian American Business Associations, 100 Black Men, local Asian Business

Associations, NAWBO and other organizations as a means to continue to connect directly with their constituencies. Our involvement with these organizations includes the sponsoring of events, presenting financial workshops, partnering on research and supporting the development of their organizations.

Business Services Programs (Loan Program goals)

Wells Fargo partners with some of the organizations, such as the USHCC and NAWBO to extend the efforts of the four Small Business Services programs that provide the emerging markets, including women, Latino, African American and Asian American small business segments, information on the availability of financial services from Wells Fargo. As another demonstration of Wells Fargo's commitment to the small business market's emerging segments, we have publicly stated our goal to lend $16 billion to these four markets from 1995 through 2012.

Store Network

Our connection with small business owners is also extended through our branch network. In Southern California we have a total of 418 store locations. We reach our customers via 247 traditional store locations, 153 locations in supermarkets and 18 business centers. We have adopted a format in favor of fully staffed outlets in order to provide complete and one to one service in various types of store configurations.

Border Banking Initiative and Matricula

In line with our philosophy to "out-local the nationals," we have balanced our national outreach to emerging market specific initiatives. We have tailored the approach to accommodate new entrants into the US. Our staff is completely bi-lingual in our branches in the cross border locations of San Ysidro (San Diego) and Calexico (Imperial County). We are now accepting the Matricula card as a form of identification to open consumer and business accounts in our stores nationwide.

Resource Center for Small Business Owners/Business Tips

Wells Fargo has worked hard to provide financial services to a broad range of customers, including small business owners. The Internet has been an effective

customers, including small business owners. The Internet has been an effective vehicle to get busy small business customers information and the ability to transact and apply for products that make them successful without having to visit a branch. The Resource Center for Small Business Owners on the wellsfargo.com site provides solutions with products and services as well as helpful information in a dedicated section called Business Tips.

CalCAP

Wells Fargo has been especially involved with providing alternative forms of credit products to small business owners. Beginning in 1994, Wells Fargo Bank has been the primary driver of the California Capital Access Program, or CalCAP, and we even received recognition from the California State Treasurer's office for our leading role in the program. CalCAP provides loan insurance in the form of a loan loss reserve co-funded by the borrower, the bank, and the state. The loss reserve encourages the lender to extend credit to small business that would not otherwise qualify under standard loan policies. As of the end of 2001, Wells Fargo had made 1,845 loans totaling $301 million in California and 763 loans totaling $138 million in Los Angeles to small business owners through the Cal CAP program.

Wells Fargo SBA Lending

Wells Fargo is similarly committed to working with the SBA to provide financing to companies that don't meet standard bank loan underwriting criteria. Unlike most SBA lenders who only offer variable rate loans, Wells Fargo's SBA programs provide adjustable or fixed interest rate financing, which many small business owners prefer.

As a preferred SBA Lender in 22 of the 23 states where we have banking operations, Wells is a leading 7(a) & SBA 504 lender in many of the markets we serve. Our SBA loans have enabled thousands of small and women-owned businesses to expand, with an average loan size of $231,500. In 2001, Wells Fargo has funded

expand, with an average loan size of $231,500. In 2001, Wells Fargo has funded 428 7(a) loans totaling $87 million in California, of which 165 were to women and minority owned businesses. Likewise, Wells Fargo funded 250 7(a) loans totaling $49.5 million in Southern California, with 84 loans to emerging markets totaling $23.5 million.

Wells Fargo strives to provide access to capital and financial solutions to small business owners through a variety of approaches. SBA lending is one approach among others that we have used to address the needs of small business owners. A reduction of the funding appropriation for 7(a) loans will limit one of these options--particularly in Southern California, which currently represents 10% of the $9.9 billion in SBA 7(a) loans made in the fiscal year ending September 30, 2001. If funding is reduced by 50%, the impact in Southern California will probably reduce SBA lending by up to $500 million in this area.

Close

Small business is big business to our economy and to Wells Fargo. We would like to support an annual review of lending to small businesses in this type of forum. SBA lending is a critical component of the access to capital that we provide to small business owners. We at Wells Fargo would like to participate with the SBA in making this a less time consuming more affordable process for the lenders and small business owners, so that we can ensure that small business continues to be the engine that drives our economy.

And that's not just good banking; that's good business.

Congressional Testimony
April 2, 2002

Congresswoman Juanita Millender-McDonald
Congressman Darryl Issa

My name is **Regina Grant Peterson**. I serve as **Executive Director** for the **Long Beach Area Certified Development Corporation** which uses the acronym CDC. The CDC is licensed and certified by the United States Small Business Administration as a 504 loan program. The CDC is a direct lender under this program and a loan packager, placement service under all other SBA programs. We also have the designation of Intermediary for SBA's Pre-Qualification Loan Program in the Los Angeles and Santa Ana District offices.

SBA basically has three programs: the 7(a) for regular business loans, the 504 which is a fixed asset financing program for expanding small businesses which is also its only economic development program, and the 8(a) for contracting opportunities. There is room to grow in all these programs in Los Angeles County even though the Los Angeles District Office is the top performer in 7(a) in the nation. There is room to grow in the 504 loan program and in providing greater access by minorities, women and veteran-owned businesses in all three programs.

In our efforts with small businesses which are minority, non-minority, women and veteran-owned businesses, there is a variety of funding sources today which did not exist 15 – 20 years ago. However, the greatest amount of financing is still provided by the Small Business Administration. In addition, we have more technical assistance being made available to area businesses than ever before. But more is needed as long as we do not cross that sometimes "fine line" and start to run their business.

In the quest to follow that dream of owning and operating your own business, there is also the reality of becoming a success, a failure, or operating a business which is just "limping" along. In some cases, we must say "no" to certain requests and refer them to other resources for education, more in-depth technical assistance or other types of financing.

Our biggest challenge is preparing small, minority, women and veteran businesspersons for the financing opportunities which are available. Many persons are not aware of the types of financing available and the requirements. Some persons need to understand how owing collateral can be beneficial when applying for a business loan. Some persons need credit repair and other enhancements to make their loan requests more viable to the many lenders who desire to provide more financing to qualified businesses. As businesses grow and need different types of financing, they need to work with a business like ours which can continue to grow with them. Many of our borrowers have already received their second and third loan. Very few persons know they can qualify for more than one SBA loan.

Our challenge is to make our services known to interested business persons and to walk them through the processes. In addition, we are also seeking an expansion of our SBA territory so that we can provide services to businesses on the same level playing field as our other partners who have county-wide territory. The Long Beach Area CDC is probably the only partial-county CDC in the State of California. We only have a third of the county for 504 loans but no area restriction on all other SBA programs. Yet we have not been permitted to expand county-wide because of a perception in Washington, D. C. that Los Angeles County is well-served. When we no longer have a territory restriction of assisting a qualified Los Angeles County business, we will be able to assist more area businesses and assist SBA in increasing its 504 and 7(a) loan volumes.

If you can help us to insure certain required funding levels for both the 504, 7(a) and assist us in our expansion request, we should all see greater assistance and increased loan volume for small, minority, women and veteran owned businesses in the Los Angeles County area.

I thank you for the opportunity of presenting my views today.

Testimony of Paul Tambakis,
Southern California Hub Director, U.S. Commercial Service
Before the Committee on Small Business
April 2, 2002

Location:
Hall B, Carson Community Center
Civic Plaza Drive
Carson, CA

I want to thank the members of Congress for giving me this opportunity to showcase the important work that the U.S. Commercial Service does for the small businesses of the Unites States. This is especially important in light of the terrible tragedies that occurred on September 11. These events are having a profoundly negative impact on our economy and are causing great hardship to America's small businesses.

A real life example of the negative impact that the U.S. Commercial Service has encountered is the problems that WESSCO International is experiencing. WESSCO International is an LA-based supplier of amenities and other on-board/in-room service items to airlines, hotels and cruise lines. In the wake of the September 11th attacks, WESSCO encountered numerous problems in its business operations including cancelled orders, stopped shipments, frozen inventory and delayed payments.

WESSCO has taken a positive approach to maintaining its profitability in these very difficult times. One key strategy they have used is to take advantage of the substantial resources available to them through the local international trade organizations here in Los Angeles. For example, they have recently turned to the Commercial Service for assistance in helping them resolve a financial situation involving a large airline in Latin America.

This real-life example emphasizes the importance of the mission of the U.S. Commercial Service and I hope that my testimony today will show what the U.S. government, namely the U.S. Commercial Service, can do to strengthen and protect our small businesses and in turn the very jobs that our economy depends upon.

In my testimony to you, I hope to accomplish three goals. The first is to emphasize the importance of small businesses in the United States and the amazing benefits to our economy that can be realized by supporting small business exports. Secondly, I want to reintroduce the U.S. Commercial Service to the committee members and members of the media and public that have joined us today and give you some insight into exactly what we do to help the small businesses of America. Third, I want to focus on what the U.S. Commercial Service is doing for minority-owned small businesses in America, highlighting some of our work in California. Minority-owned small businesses are a major component of the economic vitality of this region and the United States as a whole.

Small Business and Exporting:

The facts speak for themselves about the importance of small businesses in our economy. For instance:

1. The U.S. export volume has grown over 243% over the past two decades.
2. 97% of the U.S. businesses that export are small and medium-sized enterprises (SMEs).
3. SMEs accounted for nearly 98 percent of the 1992-98 growth in the exporter population.
4. Very small companies—i.e., those with less than 20 employees—made up 66 percent (two-thirds) of all U.S. exporting firms in 1998. This is up significantly from 1992, when 59 percent of all exporters employed less than 20 people.
5. Exports have accounted for 30% of U.S. economic growth since 1989.
6. Exports account for 11% of U.S. GDP and for 21% of U.S. GDP growth in 2000.
7. Export related jobs pay wages that are 13-16% higher than other jobs.
8. In the high-tech field, hourly earnings are 34% higher than the national average.

Who we are:

The U.S. Commercial Service is the part of the Department of Commerce that is solely focused on export promotion. Our mission is to assist U.S. businesses in the exporting process and to protect the interests of American business abroad. This includes a special emphasis on minority-owned companies, women-owned firms and companies in rural communities. We have a worldwide network of offices and trade specialists that help small and medium-sized U.S. firms realize their export potential. Commercial Service officers are posted in over 150 locations abroad and at over 100 U.S Export Assistance Centers (USEACs) throughout the United States to provide one-on-one assistance.

Whether a small business has never exported before and needs help with the basics of exporting, or if a small business is an experienced exporter looking for new international markets, we are here to help. We offer basic export consulting, market research, matchmaking services, advocacy towards foreign governments on behalf of U.S. businesses, help on treaty compliance issues and numerous business creation opportunities with trade missions and trade events.

Just a few of the important programs that we offer to small businesses to promote exports are the Gold Key service, BuyUSA, International Buyer Program and Flexible Market Research.

The Gold Key is a customized service for finding and vetting potential agents, distributors, sales representatives and business partners abroad for U.S. businesses. This service saves a business thousands of dollars and hundreds of man-hours in locating and vetting foreign partners like distributors and sales representatives. More specifically, the Gold Key provides:

- Appointments with prescreened potential sales representatives and business partners

- Customized market and industry briefings with U.S. Commercial Service staff in advance of business meetings
- Market research on the company's industry sector
- Assistance with travel, accommodations, interpreter service and clerical support
- Post meeting debriefing with U.S. Commercial Service staff to discuss results of meetings and assistance in developing appropriate follow-up strategies
- A video conference option with potential foreign partners is available if their schedule or budget does not permit international travel

BuyUSA is a new e-commerce service provided for American businesses by the Commercial Service in conjunction with IBM. It is an international electronic marketplace, a "one-stop" export assistance web site that brings U.S. and international companies together to export U.S. products and services. There is no web site like it in existence. BuyUSA integrates the one-on-one export counseling of the U.S. Commercial Service with the latest in business to business technology critical for competing in today's global e-economy. The site offers a small business the ability to find an international business partner, identify sales leads and make a transaction. This is critical for small companies that have good products and services that can't afford the time or money it takes to travel abroad.

The International Buyer Program recruits and brings more than 125,000 foreign buyers to the U.S. to visit more than 25 major U.S. trade shows each year. Our overseas trade specialists organize the foreign buyer trips. The buyers usually come in delegation groups and are ready and willing to purchase American goods and services. They only need to be matched up with the right U.S. company. We help organize meetings and provide matchmaking services and business counseling to help the small businesses generate sales while the foreign buyers are here in the U.S.

Flexible Market Research provides small businesses access to customized market research at a price they can afford. This service allows small businesses to avoid relying on generalized market research and move into the realm of using data that is crafted for their unique situation and needs. This service gives reliable answers to their questions about a specific market's prospects for their products and services.

In addition to these programs, the Commercial Service counsels business on the entire range of export promotion and finance services available to U.S. businesses from the government. This means that our trade specialists are required to have knowledge of the vast array of government services available to promote exports. Since we are a client-driven organization, our goal is to provide as much information to small businesses as possible so as to reduce the amount of time they could waste searching for the help they need.

Furthermore, we have a strong partnership with the Small Business Administration and the Export-Import Bank. This allows the Commercial Service to assist small businesses in finding the working capital and finance programs they need to begin exporting for the first time or expand the number of foreign buyers to which they are selling. The

Commercial Service communicates on a regular basis with the SBA and Ex-Im and maximizes the help available to American small businesses by co-locating in many of our offices throughout the United States. This provides a "one-stop" shop for U.S. companies. On a regular basis, the Commercial Service trade specialists refer businesses to the SBA and Ex-Im, and vice versa, so they may receive the assistance that suits them best.

The Commercial Service is also expanding its formal working relationship with several state trade promotion offices so as to provide more access to the necessary services and capital to export. We have arrangements by which states provide grant money to small business to use towards procuring our products and services.

The result of all of these services, products and countless hours of counseling is strong and consistently improving. In FY 2001, the U.S. Commercial Service counseled 110,777 clients, which produced over 11,000 successful export sales, with a dollar value of approximately $28 billion. Of the 11,000 successful export sales, 5,384 were successful sales for companies already exporting, but reaching a new market in a new country. 734 were successful export sales for companies that had never exported before. Small and medium-sized companies produced 90 percent of all successful export sales.

U.S. Commercial Service's initiative which focuses on traditionally under-served communities:

The Commercial Service has focused minority-owned and small businesses for assistance. We have had a program focusing on minority-owned small businesses for over a year. It is called the Global Diversity and Women's Initiative (GDI). Additionally, we have the Rural Export Initiative that focuses on rural community's small businesses throughout the United States.

The Global Diversity and Women's Initiative is designed to greatly increase the probability of minority and women-owned companies achieving export sales. The Commercial Service has two trade specialists fully dedicated to working with minority-owned firms. As a matter of fact, our Southern California operations has one of the two GDI trade specialists.

Maria Cino, Assistant Secretary and Director General of the U.S. Commercial Service, led a Women's Development Trade Mission to Botswana and South Africa this past February which helped women business-owners identify opportunities in Africa. A second Women and Minority business focused trade mission is being planned to introduce SMEs to the European market in July in which a strong focus will be placed on recruiting companies from southern California.

Specifically in Southern California, we also work closely with our local minority partners to help small business and to help get the word out on the Commercial Service. We have excellent relations with Los Angeles-based organizations, including the Los Angeles Chamber, Latin Business Association, Asian Business Association, Japanese External

Trade Organization, the Central American, Korean and Vietnamese Chambers of Commerce, the Black Business Association, the Minority Business Development Agency (MBDA) and the Mayor's Minority Business Opportunities Committee—just to name a few.

On Friday, March 8, 2002, our Los Angeles offices hosted a program with Congresswoman Grace F. Napolitano. More than 100 representatives from local organizations and businesses focusing on trade opportunities in China under WTO attended the seminar. Many of the participants were minority-owned companies, especially from our Chinese business community.

We also work closely with the Minority Business Development Agency (MBDA). We recently participated in a minority business breakfast with MBDA director Ron Langston in East Los Angeles. The informal breakfast provided an opportunity for Mr. Langston to discuss MBDA's objectives and to hear the various issues facing minority businesses in the area. On behalf of Maria Cino of the Commercial Service, Mr. Langston presented an Export Achievement Certificate to a successful local minority business, Lubrichem. This event was important also because it provided a forum for the Commercial Service and MBDA to get feedback on issues facing minority businesses from this community.

Under-Secretary Aldonas has also traveled to Los Angeles with MBDA Director Ron Langston to deliver the keynote address for the Minority Business Development Agency's annual conference held at the Millennium Biltmore Hotel in Downtown Los Angeles. While he was in LA, Under Secretary Aldonas visited two minority-owned companies.

One of the companies he visited was Delta Vehicle Security, a client of our downtown office that was established by two immigrant brothers in 1986. They recently won the prestigious World Trade Week Export Achievement Award for their success in exporting to numerous international markets.

MBDA director Langston also accompanied the Under Secretary on a company visit to Lu Lu's Dessert's factory in Vernon—a Hispanic, women owned business. The Commercial Service has successfully worked with this company to help them sell their dessert products to Wal-Mart in Mexico. This site visit offered an excellent venue where Under Secretary Aldonas was able to meet one-on-one with small minority business owners to discuss the various issues they face as exporters.

Results:

In fiscal year 2001, our U.S. Export Assistance Centers have provided aggressive trade counseling to over nine hundred minority and women-owned enterprises across the country to help identify business opportunities in overseas markets, and have supported over 50 minority and women export events in the U.S. Lastly, to increase our outreach efforts to minority enterprises, the U.S. Commercial Service is in the process of developing promotional marketing material on our services that will be translated into Spanish and will add other languages by next fiscal year.

The following are specific examples of export successes from minority-owned businesses in Southern California that were realized through working with the U.S Commercial Service:

1. In 1994, Edward Yoon decided to get into business and bought Freeway Auto Parts, a small distributor of used auto parts. He now has a three-acre salvage yard and warehouse facility in Santa Ana. Yoon buys banged-up used cars at auction, strips them of salable parts, and then sells the scrap metal to his father's company.

   Earlier this year, Yoon started thinking about selling internationally, and began to explore his possibilities. A referral led him to the Newport Beach U.S. Export Assistance Center, part of the global network of the U.S. Commercial Service. There, Yoon met international trade specialist Raul Lozano, who encouraged him to attend a seminar on the northern Mexican market.

   Yoon was encouraged by what he heard. In Mexico and much of Latin America, many people drive older American cars—often models several decades old that are rarely seen on the road in the U.S. Convinced that Mexico's border area was a promising market, Yoon immediately signed up for Gold Key Services in Tijuana and Mexicali. The Gold Key is a service in which Commercial Service experts in Mexico screened and researched potential Mexican distributors for Freeway Auto Parts, then scheduled appointments for Yoon with the top prospects. Yoon recently made an initial sale to one of the distributors he met in Tijuana.

   Commercial Service Trade Specialist Lozano continues to provide Yoon with information on the Mexican market and help with the mechanics of exporting. Yoon was "really surprised" at the "helpful, entrepreneurial" nature of Lozano and his colleagues, who he describes as "dedicated, serious and sincere."

2. Hanson-Loran is a small, family and minority-owned firm located in Buena Park, CA that had never previously exported. The company specializes in the production of custom-formulated chemicals used for floor care, cleaning, sanitizing and disinfecting in a variety of applications. Through our Gold Key program, this company is now exporting successfully to Mexico.

3. His Excellency Omar Bongo of Libreville, Gabon recently visited Los Angeles, where we introduced him to a local apparel company. The client followed-up with a Gold key visit to Gabon, and as a result, has exported several hundred thousand dollars worth of product to the Government of Gabon.

4. Worldemergency of Pasadena manufacturers disaster product's, specifically Emergency Disasters Shelters homes that are made out of shipping containers. Worldemergency also produces what is a called food store unit, which has a bakery and a water purification system, which can produce 1500 gallons of water per day.

The company's President requested the Gold Key Service to promote the product in the Philippines and West Africa and is now exporting successfully to both markets.

5. During November 13-17, 2000, our Commercial Service Embassy in Beirut led a buying delegation of 23 companies to the Comdex Trade Show in Las Vegas. One of the delegation members signed an agency agreement during the show with one of our local minority firms, Belkin Components.

6. As a result of a Gold Key USA, Multiquip Inc., of Carson , CA was introduced to a visiting delegation of Guatemalan business people who purchased used equipment from Multiquip.

7. C Enterprises of North San Diego County, sells wiring for data communications, telecommunications, voice, video and proprietary computer hardware. The Commercial Service introduced the company to a very large Mexican computer product distributor, who purchased a significant amount of product from this minority-owned business.

8. Fabric Selection is a distributor/Converter of textile and a wholesaler of fabric for apparel and upholstery in downtown Los Angeles. During a visit to our local area, we introduced our client to a representative of Grupo Metro of Mexico As a result of that introduction, the Mexican company purchased $36,056.55 in fabrics.

9. Sun Utility Network designs and sells technology and equipment for a range of sustainable-energy, sustainable-agriculture and sustainable-transportation applications. Our trade specialists from our Downtown Export Assistance Center first met the company's President at a Central American Trade Expo. As a direct result of contacts provided by the Commercial Service staff in Costa-Rica, the company has made sales to this Central American market of its' solar-powered coffee dryers.

10. Regenesis Bioremediation Products of San Clemente manufactures non-hazardous products that are used to clean up contaminated soil and groundwater from a variety of contaminates, i.e. petroleum, hydrocarbons, chlorinated hydrocarbons, etc. After working with Commercial Service trade specialists to resolve Value Added Tax (VAT) issues, the company is now back in the Belgian market with increase-to-market sales exceeding $500,000.

In conclusion, we have made some huge inroads into assisting the minority business community find overseas business opportunities all across America. The key is for us all to continue to work together to educate companies about the support and assistance available to small and medium-sized enterprises.

We continue to work to make the Commercial Service part of our elected officials' resource network so that when international trade questions arise, you will refer your constituents to us. The recently instituted "Export Achievement Certificate" will help to

recognize first-time minority exporters and encourage other companies to pursue international business opportunities.

I am working every day to spread the word about the great work that all of us in the local trade community do. Yes, the recession and 9-11 have impacted our small minority businesses. But together, as partners, we will reach out to more American businesses and increase the number minority businesses exporting profitably.

Thank you.

Community Financial Resource Center

Incorporated in 1992, the Los Angeles community Reinvestment Committee dba Community Financial Resource Center (CFRC) is Los Angeles' first public/private partnership between the City, financial institutions and the community. Established as a 501c-3 nonprofit corporation, CFRC opened its doors in March 1993 with the express purpose of providing financial services and counseling for residents and businesses located in South Central Los Angeles, and later expansion to distressed communities throughout the Los Angeles County.

CFRC is a one stop of service providers. Individual may choose from the following types of services:

- Business lending programs;
- Business plan guidance;
- Technical Assistance services;
- Consumer and business development workshops;
- Home ownership preparation and counseling;
- Business Automation Tech Development. (computers training);
- Money management counseling.

Loan Programs;

Business Expansion Loan Program - $25,000 to $250,000 A flexible lending program for businesses that have sustained operations for a minimum of three full years and are unable to obtain adequate financing from the conventional private sector.

Micro-Loan Program - $5,000 to $25,000 CFRC provides micro-loans to newly operating businesses (minimum 2 years) seeking small amounts of capital for leasehold improvements, working capital, and fixed assets.

Capital Partners Loan Program - $500 to $5,000 – A comprehensive program that offers loans, business training and education, group support and networking opportunities to self employed business owner and entrepreneurs with limited access to working capital. Loans are offered in graduated amounts from $500 to $5,000.

4060 So. Figueroa Street
Los Angeles, CA 90037
TEL 323.233.1900
FAX 323.235.1686
www.cfrc.net

Founded in 1992 by The Los Angeles Community Reinvestment Committee

CFRC is a California Finance Lender and certified by the U.S. Dept. of the Treasury as a Community Development Financial Institution (CDFI),
San Pedro/Harbor Gateway Site: 1891 North Gaffey St., Suite J, San Pedro, CA 90731, Toll Free Telephone: 866.222.CFRC(2372), Facsimile: 310.547.9278

Track Record

Population Served

- CFRC has served over 49,000 residents in the Los Angeles County area since opening its doors in 1993.

Track Record (continued)

Dollars invested

- CFRC has invested $3.1 million dollars in businesses located in South Los Angeles.
- CFRC has leveraged over $4 million dollars from area banks for co-lending loans.
- The average loan amount is $85,000.

Economic Impact

- CFRC and its banking partners combined have invested more than $6million dollars in South Los Angeles businesses.
- Since 1993 CFRC has assisted in creating or expanding approximately 200 small businesses.
- Over 442 Jobs have been created/saved through CFRC programs.

Profile

- Certified California Finance Lender
- Certified by the United States Treasury Department as a Community Development Financial Institution (CDFI)
- Certified California Community Development Financial Institution

Grants Received

CDFI	$750,000 – received 2001
CDBG	$500,000 – received 2001/2002
EDA	$50,000 – received 2001

Isabel Duran
Bio

Isabel Duran is the manager of the Capital Partners Loan Program for Community Financial Resource Center (CFRC). She has been working full time for CFRC since January of 1999. Prior to that, she had been a consultant with CFRC providing business plan assistance and one-on-one technical assistance.

Isabel Duran has more than 10 years experience as a business development consultant working for several non-profit organizations in the Economic Development arena.

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CHALLENGES FACING SMALL BUSINESSES IN THE 21ST CENTURY

Testimony of Phyllis Moore Venable
Congressional Oversight Field Hearing
"Navigating The Small Business Environment: Challenges and Opportunites"
Convened by Congresswoman Juanita Millender-McDonald
Chaired by Congressman Darrell Issa
April 2, 2002
Carson, CA

Small business has had a tremendous impact on life in Southern California in a most profound way. Sixty percent of all businesses in Los Angeles County are classified as "small business", but what they deliver in terms of economic impact is no small business. Vital to our economy, these businesses provided many Los Angeleans with their first jobs. And small business leads the way in on-the-job-training opportunities for workforce development. Small businesses generate big taxes, and making and keeping small business healthy should be at the top of our economic development list.

Now small business In Los Angeles County is in trouble. Those that survived the economic downturn of the 1990's are now faced with recent economic issues related to the terrorism of September 11, 2001. On top of this, the recent trend in bank mergers has created a conservative lending market almost exclusively for businesses with strong equity contributions and long histories of positive cash flow. These conditions do not favor small businesses, many of which are credit-worthy but cannot meet the strict lending criteria of commercial banks, notwithstanding the fact that such businesses, on the average, last longer, collectively employ more people, and repay bank loans faster. Women - owned businesses are especially hard hit. Women entrepreneurs earn about three-quarters as much as male entrepreneurs and their businesses tend to be smaller. They lag men in the accumulation of assets and have special difficulty in getting equity financing.

The pattern of growth of small business over the past 25 years has begun to reflect powerful economic maturity. While industrial giants were going through a process of shakeout, conglomeration, merger, and downsizing, small businesses were increasing at a rapid rate. The recent explosion of small business entrepreneurial activity during the last decade of the twentieth century stems mainly from housewives who have entered the business world to provide second incomes, men and women seeking supplemental incomes as widows/widowers, divorcees, or retirees, and from corporate supervisors/managers who were downsized, right-sized, or otherwise left behind as corporations became more "efficient".

For economic success, this growth in small business activity must be accompanied by growth in sophistication, management ability, training, and access. There are no easy solutions to these issues, but I put forth the following seven-point plan to begin the journey towards recognizing an undervalued resource. We need to positively

demonstrate how big impacts can follow from taking significant little steps that strengthen opportunities for many small entities.

SMALL BUSINESS DEVELOPMENT SEVEN-POINT PLAN

- Improve And Coordinate Alternate Financing Resources For Small Businesses
  We need to aggressively seek and procure funding of public and nonprofit lenders who can create favorable lending environments for small business.

- Toughen CRA, Fair Lending, and other Lending Requirements
  We need to put more pressure on merging banks to force them to commit to lending programs for credit-worthy small businesses.

- Raise the Profile of Smaller Community Lenders
  Such banks are more likely to respond to local market conditions and to cultivate closer relationships with customers. They utilize credit scoring less and personal banking more. They need help in accessing their local markets and improving marketing and outreach.

- Strengthen Private Micro-Enterprise Programs
  Most government ones are ineffective . . . they take too long to fund and are encumbered by a host of regulations and mounds of "red tape".

- Increase Support For Training and Technical Assistance
  Small businesspersons are most likely to use such resources. Training and counseling will help bridge the gap and teach small businesses talk "bank", ultimately becoming more bankable.

- Modify Youth Entrepreneurial Training Programs
  Emphasis in such programs should not be for creating businesses or jobs, but rather in teaching real-time decision-making skills and instilling confidence and self-esteem. This will pay off down the road, as children become young adults and perhaps young entrepreneurs.

- Encourage More Small Business Gatekeepers in Financial Institutions
  They understand the plight of small business and can help bring about the changes necessary to creating a more sensitive lending environment.

Phyllis Moore Venable

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SMALL BUSINESS
Carson, CA

April 2, 2002

Testimony of Patricia D. Unangst, Executive Director
Carson/Lomita/Torrance Workforce Investment Network (WiN) Board

Thank you for the opportunity to speak to you today. My name is Patricia Unangst and I am the Executive Director of the Carson/Lomita/Torrance Workforce Investment Network (WiN) Board. This consortium of three cities was formed to provide local employment and training services to its businesses and residents. To achieve this, we operate three WorkSource Centers (Torrance, Carson and San Pedro). The Centers have a series of resources and materials for both employers and job seekers. Two centers are operated for our consortium and the third (San Pedro) is funded by the City of Los Angeles.

HOW SMALL IS SMALL?
Many of the services we offer are funded by the federal Workforce Investment Act of 1998. A business majority board, appointed by local elected officials, oversees these programs and ensures that the job training programs reflect the needs of local businesses, and the majority of our businesses are small. The traditional federal definition of a "small" business is one that employees less than 500 workers. However, data from the State Employment Development Department (EDD) indicates that 92.9% of the businesses in our service area have less than 50 employees, while 69.4% have less than 10 employees. In 1999, the University of Southern California (USC) Marshall School of Business conducted a survey of small businesses for the Los Angeles Times. They reported that "the vast majority of respondents employed 25 or fewer full time workers." Furthermore, the United States Census Bureau reports that, countywide, four out of 10 of L. A. County's small companies are minority owned. These small businesses are the ones that drive our local economy and these are the businesses that are creating the majority of jobs for local residents. When developing programs that are meant to help small businesses, Congress may want to keep these statistics in mind and redefine its notion of a "small" business.

WORKFORCE INVESTMENT BOARDS LISTEN TO BUSINESS
Congress re-established and strengthened the role of business in guiding local job training programs, the Board's efforts are focused on the needs of local business, the majority of whom meet the definition of small business.

Business majority: Under WIA, local Boards were established with a majority business membership. In the cities of Carson/Lomita/Torrance, our local elected officials created and appointed a 34-member Board—20 of which are business—half of those, small

business. The current Chair of the WiN Board, Patricia Doherty, operates human resources consulting firm; our Vice-Chair, Richard Cook, owns a CPA firm. The voice of small business is actively heard in the Board's leadership.

Branding: One of the most challenging aspects of dealing with our system (and government services in general) is finding us. In the world of job training, we all have different names, logos, etc. Recently, the eight (8) Los Angeles-area workforce Boards joined together with the County welfare system and the State Job Service to "brand" the one-stop career centers. The names were changed to WorkSource Centers and in March an extensive local ad campaign was launched. The focus of the campaign was to make employers aware of the Centers as a viable resource for business. Ads have appeared in business journals, on drive-time radio, buses and billboards. The campaign will run until the end of May. WiN was the first Board, other than the L. A. City and County, to formally adopt this concept and agree to fully participate in the effort.

Speaking the Language of Business: Materials, seminar topics and marketing efforts have been streamlined to minimize "government-speak". WiN attempts to talk to business in their language by avoiding or explaining acronyms, programs and resources. True communication can only occur if we always strive to remember this principle.

One-Stop Shopping: WiN has created a network of job developers throughout the South Bay region of L. A. County. This enables 20+ agencies to be represented in a single employer contact. The businessperson saves time, builds on relationship and can access the services of all partner agencies. The key to the success of this network has been the trust established amongst the agencies.

Business Roundtables/Industry Clusters: WiN and our partners hold business roundtable discussion sessions over breakfasts to dialogue directly in a congenial setting. Sometimes these sessions are clustered around specific industry groupings. Last week, WiN, SBEDP and the local welfare-to-work programs sponsored a panel of aerospace employers, two of whom were small businesses. Future industry cluster panels will include transportation and communications.

Active in Local Business Organizations: WiN staff serves on several local Chamber Boards as well as the Board of the South Bay Economic Development Partnership (SBEDP). WiN plays a lead role in the Regional Business Assistance Network sponsored by the L. A. Economic Development Council. Memberships in PIHRA and other local business organizations help our message reach small business.

QUALIFIED WORKERS: Recruitment and Retention
In many instances, the needs of small businesses are the same as large businesses. For example, the 2001 annual survey of our local businesses by our economic development partner (SBEDP) shows that for businesses of all sizes the "...key issue is successfully recruiting enough qualified workers." Similarly, the L. A. Times Survey

reported small businesses "... expressed frustration about how they might fill openings, citing lack of skilled labor as a top concern." Asked to state their most critical problems small businesses, including minority-owned businesses, cited availability of skilled workers.

Many small businesses do not have a human resource department to help them deal with hiring needs, labor laws, or training. However, the impact of a single bad hiring decision on a small business is proportionally greater than on a large business. The L. A. Times survey reports that many small businesses, particularly minority businesses, with a "...limited ability to screen applicants..." rely on referrals from their existing workers to recruit new employees.

What does not seem to be widely known is that local WorkSource Centers can serve as human resource centers for small businesses. They can and do deliver many business services, such as recruitment, pre-screening and referral of qualified applicants, interview space, assistance in development of job descriptions, and training customized to the needs of the individual employer.

Here in Carson we have established a **Business Resource Center** that we operate in partnership with several agencies such as the City of Carson Economic Development Department, Small Business Development Center (SBDC), State Job Service and El Camino Community College. This center offers workshops and seminars on things such developing a business plan, marketing for small businesses, labor laws, tax credits and financial planning. In addition, information about applying for local business licenses and permits is available. The center has computers, and other business machines, professional journals and other resource materials. Space is provided for business meetings and interviewing of prospective employees.

ACCESS TO CAPITAL

SBEDP's 2001 survey of local businesses revealed that the smallest companies showed difficulty in accessing capital (33%) and were the least likely to receive financing (50%). This information is supported by the L. A. Times survey which also broke out its survey respondents according to ethnic minority. In this survey, almost two thirds of African-American owned businesses reported lack of access to capital as an important concern. The Office of the Comptroller of the Currency, an agency of the U. S. Department of the Treasury, has issued a valuable report entitled *"Access to Financing for Minority Small Businesses"* that identifies effective approaches that some national banks have employed in meeting the needs of these customers. Some of the best practices in this report are easy to implement, such as providing more complete information about the documentation required to apply for a loan and routinely offering suggestions as to why an application is declined or how to improve it. Such feedback would provide the applicant with valuable information to revise his business plan and/or improve future loan proposals. Other suggestions are to develop products specifically designed to meet the needs of the small business and minority community. An example would be the availability and marketing of small loans typically needed by retail and service businesses.

In some cultures entrepreneurship is something of a tradition, but dealing with local financial institutions are a challenge. For this reason, Banks may want to consider having materials printed in languages other than English and having loan officers from diverse backgrounds. Moreover, traditional lending policies need to be reviewed in light of the ever-changing marketplace.

Financial institutions can also leverage their efforts by developing partnerships with community organizations, such as the WiN Business Resource Center, and becoming part of a collaborative effort to make a wide variety of small business development programs available to the small business person. In addition to the seminars and workshops or access to capital offered by WiN partner agencies, one such partner (who spoke earlier) is the Community Financial Resource Center (CFRC). The Small Business Workshop series began in January 2001 – the Harbor WorkSource Center provides the meeting space. These workshops are designed to help businesses run more smoothly.

In addition, seminars have been put together by a WiN Board member who is an attorney, WiN Business Services and Wells Fargo Bank (another of today's presenters) on "Growing your Business." The next session will be "Taking Your Business to the Next Level" adding an insurance company as a new resource. The sessions will be offered in the evening hours in attempt to enable more small business to participate.

BUSINESS NEEDS INFORMATION

SBEDP's 2001 survey reported that small companies are the least likely to know about business assistance programs. These small companies have only a few employees and they are often fully consumed with the day-to-day responsibilities of running a business. They may not have the time or manpower to be active in business organizations or other groups, where they might hear about services that could be of assistance to them. Other means of outreach, such as targeted websites, direct mail, public service announcements in the radio, and local city cable television must be utilized.

Coordinated on-site visitations are also important. WiN staff participates in coordinated business visitations with SBEDP, city economic development agencies and other partners to provide a wide variety of information about the services available to local small businesses. The purpose of the visitations is not only to provide information, but also to collect information about what services would be useful to the small company and how they could best be delivered.

Another effort important to the local economy is international trade. WiN has partnered with the Center for International Trade (a division of El Camino College) to enhance their marketing materials and assist them in their business outreach efforts. The majority of the employers in this industry are very small (less than 5) and family run.

Perhaps most important to any small business, is information about how to successfully work with the City in which it operates. How to get licenses, apply for permits, connect with utilities and other parts of the city's infrastructure, comply with regulations and understand procedures for working with local governing bodies are all critical pieces of knowledge. This is where a local Business Resource Center, such as the WiNs, can play an important role as repository of information and link to critical business services.

WiN has focused outreach efforts on connecting business to their City. An extensive local marketing campaign was developed in conjunction with the City of Lomita's Economic Development Office. A series of "nostagia-themed" postcards were sent out to Lomita businesses – 100% of which meet the definition of small business. The campaign promoted WiN services but also asked for responses as a way of introducing City assistance at the same time. It was designed as a two-way communication tool – business learned about WiN and the City, and we learned about their needs.

The City of Carson and the Board (then called PIC) joined in an economic development marketing brochure. This pamphlet gave testimony from local businesses on the services of each agency. It presented a uniform outreach to the local business community.

ACCESS TO TECHNOLOGY

Like large businesses, small businesses must find ways to be increasingly productive if they want to be competitive in their market. Through technology a small local company has the ability to market its products and services globally. Large businesses often have in-house technical advisors or can afford to hire expert consultants. However, many small businesses do not know how to go about utilizing technology to help them grow and do not know where to go for help.

To assist in this effort, CFRC offers free computer classes at the Harbor One Stop – designed to teach small businesses how to apply technology in their workplace. The Carson Business Resource Center provides a less formal one-to-one training in office equipment. A series of introductory computer lab classes are offered each month.

Ways must be found to provide small business people with advice about how to harness the power of technological tools and training in using them effectively. As in hiring, when a small business makes an ill-informed technology decision, it can have a proportionally more severe impact than on a large company.

THE BOTTOM LINE:

The Resources offered by or through the WiN WorkSource Centers help small business contribute a positive bottom line result. In addition to the HR functions provided by WiN, the Centers offer access to information as well as one-to-one counseling from professionals who will assist businesses in completing the necessary forms to receive tax credits.

Moreover, if the company is located in an enterprise or Empowerment zone (such as parts of the LA harbor), they may come to the Harbor WorkSource Center to attend a tax credit seminar the 3rd Wednesday of every month. Recently, these sessions have been expanded to include WOTC and Joint Strike Fighter tax credit filing info.

CONCLUSION:
Our small businesses are the backbone of our local economy, but the challenges they face are daunting. Working together as partners, local organizations and federal agencies can help provide them with information and resources they need to succeed and recognition and appreciation they deserve.

To this end the WiN WorkSource Centers will continue to emphasize business as their primary customer. We will develop the Business Resource Center in cooperation with the Small Business Development Center (SBDC) and other partners to insure that small business is aware and can access resources – on-line or in person.

We, along with other local and State Workforce Boards, will continue to make every effort to outreach and inform this vital element of the business community. Just last week, the State Board, in conjunction with the Greater Long Beach Workforce Development Board, asked WiN to partner in promoting and providing resource material for a small business forum to be held April 24, 2002 at the Long Beach Marriott. Topics will include much of what we spoke about today –

- Economic impacts
- Information on legal issues
- Qualified workers

The need is there – we are all challenged with meeting that need! I want to thank you for the opportunity to speak to you today and would be happy to answer any questions that you may have.

TESTIMONY TO CONGRESSIONAL FIELD HEARING: HOUSE SMALL BUSINESS COMMITTEE

The Honorable and Henry Issa, Chairman,
and The Honorable Juanita Millender-McDonald, Ranking Member
April 2, 2002

INTRODUCTION: TECHNICAL ASSISTANCE IN CONTEXT. Thank you for inviting me today. I am particularly honored and excited to speak about business technical assistance with a panel of experts who are so well respected in their fields and in the community, before public officials who influence small business policy.

Although getting money is never easy, recent analyses in the Los Angeles Times and elsewhere strongly suggest that there is plenty of money around just now. The problem for small business more often is to find where the money is, how to get it, and most important, how to use it well. Money is only one element of the capital small businesses need. Capital also means time, knowledge, and experience. Together with money, they capitalize a business. If small business owners and managers do not have the have the intellectual, experiential, and temporal resources to use money properly, their businesses will fail. That is where technical assistance comes in.

The majority of business owners who come to our organization are seeking money. 90% of them need management help more urgently. This is not surprising. In a survey of failed business owners five years ago, over 90% said they it was not lack of money that did them in, but rather inadequate management training, a mismatch between their skills and their businesses needs, or unbalance in their experiential background. The business owners who responded to the survey were generally unprepared for what they faced. With a loan in hand but no other support, small businesses simply spend themselves into penury at a faster clip.

BUSINESS TECHNICAL ASSISTANCE CHALLENGES. Appended to this essay is a list of about 65 technical assistance providers in greater Los Angeles area. It is a modest list. If it included the area's advocacy and professional organizations, churches, chambers of commerce, city economic development centers, one-stop centers, and referral agencies, it would be at least three times that size.

Though Los Angeles represents the most intense area for business assistance, conditions here roughly mimic those elsewhere. Multiply the number of Los Angeles businesses centers by an appropriate factor, add in the private consultants and Web-based institutions and sites offering business help, and a picture of the size of the technical assistance industry, and the variety of options represented within it emerges. It is an industry. Often made up of self-appointed helpers, the business assistance industry lacks uniform standards and has uncertain funding. It creates both benefits and challenges for businesses seeking technical help, those providing it, and those making policies to forward it. This essay will address three of those challenges:

- Those seeking technical assistance find a confounding variety of choices that restricts their ability to find help rather than advance it;
- Funding agencies collect the wrong data for assessing the impact and value of technical assistance programs, biasing technical assistance in wrong and often unhelpful directions;

- Overlapping jurisdictions and ineffective programs can cripple the intent of the Administration and Congress and dilute the power of the investment government makes.

CURRENT STATUS OF TECHNICAL ASSISTANCE. Over 1500 years ago, Chinese philosopher and warrior Sun Tsu said, "The flavors are only five, but the combination of flavors is infinite." He might well have been talking of business assistance today.

Five Flavors Of Technical Assistance (TA) now being offered in Southern California:

1. **Comprehensive long term entrepreneurial training:** interwoven classes in marketing, management, finance, and related topics, usually leading to a business plan, and requiring a strong investment of time and energy by the client.
2. **Business assistance workshops:** detailed stand-alone seminars on specific aspects of business management and control, typically transmitting information to clients, rather than requiring extended commitment.
3. **Management assistance and counseling**: general one-on-one or few-on-one assistance offered by business counselors who usually work for an economic development organization.
4. **Targeted technical expertise:** the specific counseling provided by attorneys, accountants, insurance agents, technologists, agents, etc., usually directed toward resolving single narrow issues or finding real estate for businesses.
5. **Lending assistance and support:** assistance in polishing business plans and proposals specifically directed toward achieving a loan from a traditional or alternate lending resource, or managing the use of the funds after a loan has been granted.

The Combining Of Flavors: A Sampling of Service Offerings:

- **Integrated small business support programs**, such as the services offered by Women's Enterprise Development Corporation: cradle to maturity help aimed primarily at entrepreneurial training, but leading clients through all the other steps necessary to transform ideas into working products and services, and stagnant businesses into growth ones. It also may include pre-loan preparation, loan packaging, and post-loan assistance.
- **Technology support programs** that boost the technological content and abilities of client companies or help launch them toward the e-business world for faster, sounder growth, either through training, counseling, or incubation.
- **Mentoring**, a special relationship between an experienced entrepreneur and a newer one, aimed at improving the protégé's chance of success as a supplier to the mentor, or for a variety of less directly self-serving reasons.
- **Coaching,** through which an experienced business or counseling professional leads the counseled client to insights and, hopefully greater success, through Socratic methods.
- **Incentive programs,** which tie grants, loans, or investments to particular kinds of training as a pre-requisite or post-requisite.

- **Incubation activities,** either high technology or otherwise, often combining any or all of the business assistance forms in support of the clients on site or otherwise associated, plus office and other services to reduce start-up costs.

This is a tiny sampling of categories, and within each category there are many forms. Across all the categories listed, business assistance techniques range from high touch, greatly intensive one-on-one or few-on-one approaches, whose high costs are most often offset by government grants, to high tech-low touch Web-based training and information sites; from the dissemination of strictly business information to interactive softer psychological approaches which seek more to build confidence than to transmit information.

Support For Small Business Assistance Services. If we examine only those business assistance activities sponsored or somehow underwritten by governments, the view is equally dizzying. WEDC began as a Woman's Business Center (WBC), funded by the Office of Women's Business Ownership of the Small Business Administration. At present there is a WBC in every state, and over 80 have been funded since the inception of the program more than a decade ago. WBCs may serve cities, rural or sparsely populated regions, or even multiple states. Each WBC defines its own service area. Perhaps the most strikingly successful and least well-funded of all government technical assistance programs, the program experienced zero growth this year, with no new centers. The Los Angeles area features two WBCs, both run by WEDC.

Others have told you about SBA/state sponsored Small Business Development Centers. With about seven times the funding of WBCs, SBDC's have most often been tied to community college districts and programs. Depending on how we define greater Los Angeles, there are about 14 in the region. The mission of SBDCs is less comprehensive and more counseling oriented than most WBCs. Just now they are floundering and suffering greatly reduced funding prospects. Hence, many have turned from programs that supplemented WBC activities to programs that overlap WBCs and even invade each others' territories. As is the case with a number of SBA programs, SBDCs often are judged by the number of loans they write, rather than their counseling abilities. You also have heard from the Department of Commerce, whose Minority Business Development Centers tend to be urban based, have a higher technology base than either WBCs or SBDCs, and overlap their territories unevenly. Again, depending on how one defines greater Los Angeles, there are five MBDCs.

The City and County sponsors it own technical assistance entities. The Minority Business Opportunities Committee of the City of Los Angeles draws together several of the business assistance providers and has its own program of support for small business suppliers to city departments. The County's Economic Development Corporation provides economic data, business attraction and retention activities, assistance referral services, and five regional assistance offices, none of which corresponds exactly to a WBC, SBDC, or MBDC. The Los Angeles Community Development Department has at least three programs that overlap in jurisdiction and function those programs listed above. The City and County Housing Authorities each sponsor technical assistance/training programs for residents in territories defined by the public housing units affected.

Other County and State programs, and workforce programs which allow entrepreneurial training and counseling as an element of workforce training, bring a dozen more entities into the local technical assistance picture. Other SBA lending, contracting support, and related programs which supplement SBA's powerful lending orientation with tons of available information and

support, and the 40+ SBICs offering similar services in the region swell the options. Each of these programs has a geographic base, though most are not limited to clients from their core geography. Not only do the geographic bases overlap, but they do so in a random pattern that often time finds four or more agencies competing for the same customer with about the same service. WEDC is a highly collaborative organization. We have strong relationships with many of the other technical assistance agencies, but that is not the norm in the industry.

WEDC participates in two of the City programs, has had grants from both housing authorities, and currently runs two additional SBA grants. WEDC's mission and audience have not changed. Each of the programs named addresses substantially the same activities, the same audiences, and the same geographies. The differences between the programs relate not to the services rendered, but nearly only to the reporting required. The local SBA office oversees two of the SBA grants, and two different Washington-based entities oversee each of the two others. Each grant requires different reporting in content and transmission. Even within the same agency, none two accept similar data or data submission formats. None integrate with SBDC or MBDC reporting in any way. There are no administrative economies of scale for the technical service agency. While it is positive to offer a variety of options to the client, if the situation is this confusing to the technical service agency, think of how it must appear to the client.

COMMUNICATION: THE COMMON THEME. This nearly infinite combination of flavors and massive and non-parallel reporting overhead makes serving its clients harder, not easier for the service provider. That would be acceptable if it resulted in greater ease and access for users. Does this infinite variety make access to the kind of capital represented by technical assistance. more accessible to small business owners looking to improve their enterprises? I think not. In a meeting with Congresswoman Millender-McDonald's advisory group on women's issues last month, two of the participants complained of being paralyzed by not knowing who to go to or how to access the resources. One went out of business, the other limps along. Their experience serves as a metaphor for the situation small businesses find themselves in when seeking help.

Part of the difficulty inheres in the system of competing jurisdictions, programs, and reporting requirements. They create information overload, competition among entities that should be collaborating, a high level of noise that drowns out the help semaphors significance, and confusion and inaccessibility among those who need services. Even Sun Tsu would have difficulty figuring out the technical services battle ground and designing a meaningful strategy for negotiating it. The other part of the difficulty is that small businesses lack the time and personnel to attend multiple meetings, send bosses, managers, or employees to workshops, seminars, coaching, etc. of uncertain impact. Small business owners need tools for finding out what in the scheme of help actually fits their needs and what works.

The common themes that emerge from this picture all involve coordination and especially communication, both on the part of the agencies who provide technical services and those who use them. Because most providing agencies offer more than one kind of business technical assistance and often in a unique combinations, and because most operate within geographical limits not clear to the user, there needs to be a better way of categorizing them and getting the word out about what they do and how well they do it. Because the would-be users of technical services usually have an end goal different from the providers—remember, they come in for money when they really have specific management issues—there need to be mechanisms for translating the language of support into the language of client need. Because users have limited

time and dollar budgets—and time IS money—there needs to be some quick way of cutting through the clatter to get to the information.

ADDRESSING THE COMMUNICATIONS TANGLE: CHALLENGES AND OPTIONS. One may look for solutions to the communications tangle by fostering an overarching authority with the ability to speak for the client, making better use of technology, or creating a personal and local way of being routed to solutions. In fact, all are necessary.

Authority, Technology, and Personal Service. Six years ago, the city of Los Angeles tried to create a "Business Resource Network" (BRN) linking technical assistance providers. It encountered three fatal problems: 1) every consultant looking for business tried to get listed, 2) every entity not in Los Angeles proper objected to what they saw as the dictatorship of the "big city" in the process, and 3) the dependence on high technologies like voice mail and faxes left a lot of agencies—including the vast majority of the chambers—out. The BRN transitioned into the Regional Business Assistance Network (RBAN). RBAN embraces the five county area, so it has the appropriate convening authority. Although it bars individual consultants, it welcomes workforce development into the mix. The good news is that this strategy has enabled RBAN to grow many fold over BRN. The bad news is that business technical assistance often gets lost in the flow of much more powerful workforce interests, with the result that RBAN finds itself facing the same confusion it has tried to eliminate. Finally, although today's technologies are more sophisticated than voicemail and faxes, many of the community helping organizations lack the necessary technical resources to address the issues of the businesses they purport to serve.

More local and direct delivery also offers a potential solution to the communications issue. The best single point answer by far for broad gauge client technical services now is SBA. Those services are good. However, businesspeople do not perceive SBA as a local resource. Its lending policies fit many but not nearly all young businesses, and the way its funder—Congress--judges its performance often rests on loan volume rather than the range of activities that make lending meaningful. Loans are simply easier to measure than the results of libraries, Web sources of business information, experiential advice, and expert counseling and support.

Local businesspeople think locally because that is how and where they do business, and because local thinking and action fits their sense of time. They call their elected representatives at every level for help. If city council, supervisorial, and state and federal legislative offices had the ability to direct such calls to the right places, a great deal of confusion could be eliminated. In order to that, they would need training, and in some instances added staffing support. Technical service referral information can be given out electronically, but it is much more likely to be used if tailored and delivered personally. The best model for referral service delivery remains a reference librarian model in which a knowledgeable, warm, and responsive person directs a caller to the right resource and can follow up as needed to see if the referral solved the problem.

The role of technology rests not so much on providing mass communication as on making the best and highest use of data. Databases driven by expert systems or simple branching programs can match users' needs and available resources if the results are delivered personally. WEDC has designed a simple system in which whoever answers its phone can ask the caller a series of questions, each based on the answer to the last, if the caller does not fit the profile of a WEDC client. As the caller describes her/his concerns, WEDC's "librarian" narrows the range of referral options until the caller receives a direct referral or two.

WEDC's is a highly simplified version of a system in which the librarian types answers into a program in real time. The program creates a number of local referral options that the librarian can discuss with the caller, perhaps picking one to start and offering to help if the caller gets "lost in the system." If the program is properly designed and the librarian well trained, it does not require a high degree of expertise to make good answers. A program such as this, operated out of a Congressional office also could help cut the red tape and the tangle of confusion surrounding local licensing, permitting, and tax intricacies—something neither SBA, WEDC, nor most of the help agencies can do as effectively. Finally, such a model has the potential to provide local legislators and representatives with a more finely honed sense of the dynamics and spectrum of needs of one of the key constituencies of any district—small business.

Standards. Any routing program requires standards to measure the success of the agency in meeting the needs of its users, and standards for geographically or demographically defining the focus of the program. Creating standards for the latter is exceedingly difficult and perhaps beyond the scope of this comment. Even the census bureau cannot decide between census tracts and zip codes and hence provides data that often does not fit a given service area. The welter of government jurisdictions tasked with economic development missions, from sub-local Business Improvement Districts to the Federal government, exacts further complexities. The propensity of those directing programs to hold onto their territories makes it even more difficult to impose a rational structure on technical assistance territories.

The issue of devising performance measurements that actually measure business economic development and the role of technical assistance in it, creates difficulties, too. Numbers often, but not always, describe program effectiveness. From what I have seen, Congress responds best to big numbers, like lending volumes. Other impressive numbers include numbers of people contacted or served in some capacity, job placements, and so on. These numbers tend to be generated at the top of the funnel where clients are poured in, not at the bottom, where the fully served client exits the system. The numbers technical service agencies are called upon to provide most often simply do not measure program effectiveness very well. They are at their worst as a measure of entrepreneurial training and counseling effectiveness.

Again, WEDC's experience provides an illustration. Very low income populations represent about 60% of our clientele and the hardest to serve. We may send out 200 fliers to attract such clients for every strong inquiry returned. We rarely admit more than two thirds of those who enquire into class. Only half who are admitted will stay the course of our 40 hour program with equal amounts of homework. Half of these will complete a business plan on time, the others later, if at all. Half will begin businesses. Moreover, those who begin businesses will most likely do so 6-12 months after graduation. What is WEDC's client count? Is it:

- 6,000 clients: the top of the funnel?
- 30 clients: those who make serious enquiry and with whom we may spend up to an hour?
- 20 clients: those who enter the program and take at least some classes?
- 10 clients: those who graduate?
- 3-5 clients: those who begin businesses?

Clearly, in terms of cost per student, 6,000, many of whose names we can produce for audit, is sexy. Funding agencies like 30 or 20. WEDC cares about the 3-5. But the problem is more complex. If we measure at the end of the class, when the grant stops, the likely outcome is 0-2.

If we look at the same group 12 months later, perhaps 5 businesses have been generated. Another 7-10 attendees probably have found through their participation the confidence to go out looking for a first job or better job, or got added job training, or enrolled in more education or ESL training. If we measure again 18 to 24 months out, we will see that the average business is still up and running and has created another 5-8 jobs directly, retained 5-8 out of those who achieved employment, and perhaps generated more indirect jobs we do not know how to measure. Granting entities rarely, if ever, ask for this longitudinal data.

If assessed at the end of two years, entrepreneurial training may well have changed lives of individuals, families, neighborhoods, and more. The businesses generated will now be paying employment taxes and income taxes. The tax investment will be re-paid to the funding entity through taxes in about 2.5 years. But who will wait two or more years to see the payoff? Who will pay for the measurements two years after the fact? Not government grantors or grantees. Those who funded the program may no longer be public officials. Even if they are, the program may no longer be funded. Government funding cycles are too short. Technical assistance providers simply never have the resources to make their case. So the system conspires against its most passionate advocates to insist on short term measures and easy answers.

Government agencies need the latitude to not be penalized for measuring the "right thing," no matter how much time it takes. They also should realize that training clients with multiple barriers to success is likely to be expensive and time consuming, and surpassed only by the cost of not doing it. If the government funder insists on longer term effectiveness measures from its grantees, it will get them. One method for funding longitudinal measures is to alter the conditions of grants so that obtaining appropriate data is rewarded. A way to accomplish this is to require escrow, hold-back, or similar accounts as part of each technical assistance grant in order to pay for the collection of the data. The money could be obligated when the grant is made, but paid out only under conditions of satisfactory reporting 3 or 6 or 12 months after program delivery. Non-profit technical service providers would be encouraged to follow through and follow-up, and they would have the resources to do so.

SUMMARY. These are only a few of the challenges facing policy makers for technical assistance like yourselves. The challenges are great, but so are the rewards. We who offer technical assistance through WBCs have been fortunate that members on both sides of the aisle in Washington have recognized the importance of our programs and the cumulative economic and elective power of our constituency. Because women's businesses represent 40% of all businesses and tend to dominate small business even more, it is not inconceivable that a similar bi-partisanship and collegiality could come to characterize the support of small business technical assistance in general. We at WEDC hope so.

Thank you very much.

APPENDIX:
A SAMPLING OF TECHNICAL SERVICE PROVIDERS IN THE GREATER LOS ANGELES AREA

Compiled by Dr. Philip Borden and Women's Enterprise Development Corporation
For Presentation to the U.S. House Of Representatives, April 2, 002

NOTE: Each agency is listed only once, though it may provide services in more than one category. The categorization is to some extent arbitrary. Not listed are chambers, professional associations, etc. No attempt has been made to be comprehensive. The categories follow the text.

1. Comprehensive Long Term Entrepreneurial Training

ADVANCE	www.advance.org
CHARO Community Development Corporation	www.charocorp.com
FAME - Renaissance	www.@famechurch.org
Los Angeles Valley College Entrepreneurial Training Program	www.lavc.cc.ca.us
Los Angeles Urban League	www.laul.org
PACE Business Development Center	www.pacela.org
Valley Economic Development Center (VEDC)	www.vedc.org
Vermont Slauson Economic Development Corporation	www.vsedc.org
Women's Enterprise Development Corporation	www.wedc.org

2. Business Assistance Workshop Providers

Asian American Economic Development Enterprises, Inc. (AAEDE)	www.aaede.org
Compton Business Assistance Center	www.gateway.org/compton/cityser
Huntington Park Business Assistance Center	
Little Tokyo Service Center Community Development Corporation	www.ltsc.org/cdc

3. Management Assistance and Counseling Providers

Alameda Corridor Business Outreach Program (ACBOP)	
Athens Westmont Business Center	
California Resources and Training (CARAT)	www.caratnet.org
California Technology Trade and Commerce Agency	www.commerce.ca.gov
Economic Alliance of the San Fernando Valley	www.valleyofthestars.org
Economic Resources Corporation	
Gateway Cities Partnership, Inc.	www.gateway-partnership.org
Korean Youth & Community Center	www.apanet.org/~kycc
Los Angeles County Economic Development Corporation (LAEDC)	www.laedc.org
Los Angeles Regional Technology Alliance (LARTA)	www.larta.org
Minority Business Opportunity Committee (MBOC)	www.lamboc.org
National Center For American Indian Enterprise Development	www.ncaied.org
Operation HOPE, Inc.	www.OperationHope.org
Pasadena Development Corporation	www.ci.pasadena.ca.us/services

Pasadena Enterprise Center	www.pec-sbi.org
Service Core of Retired Executives (SCORE)	www.score.org
Small Business Development Centers: 8 to 11 separately funded	Find through www.sba.gov
South Los Angeles Economic Development Partnership	
USC - Business Expansion Network (BEN)	www.uscben.net
West Angeles Economic Development Corporation	www.westa.org/cdc

4. Targeted Technical Expertise Providers

Business Technology Center of Los Angeles County	www.labtc.org
California Manufacturing Technology Center (CMTC)	www.cmtc.com
California Trade and Commerce Agency - Office of Foreign Investme	www.commerce.ca.gov
Center for International Trade and Development - Citrus College	
Community Development Technologies Center (CD Tech)	www.cdtech.org
Glendale International Trade Development Center	
Los Angeles Office of International Trade	
Long Beach Export Development Office	
NASA Far West Regional Technology Transfer Center (RTTC)	www.usc.edu/dept/NASA
World Trade Center, Los Angeles - Long Beach (WTC)	www.wtcanet.org

5. Lending Assistance and Support

Barrio Planners	
Asian Pacific Revolving Loan Fund	
California Economic Development Lending Initiative (CEDLI)	
California Organized Investment Network (COIN)	www.insurance.ca.gov/coin
Community Financial Resource Center (CFRC)	www.cfrc.net
Genesis LA	www.genesisLA.org
Long Beach Area Certified Development Corporation	www.longbeachareacdc.com
Los Angeles Harbor-Watts Economic Development Corporation	www.LAHarbor-Watts.org
Los Angeles Local Development Corporation (LALDC)	
Minority Business Development Centers: 3-5 separately funded	Find through www.mbdc.gov
Pacific Coast Regional Small Business Development Corp. (PCR)	www.home.earthlink.net/pcrcorp
The East Los Angeles Community Union (TELACU)	www.telacu.com

Testimony of
Rolina Brown
Assistant State Director
California Small Business Development Center Program
Before the
U.S. House of Representatives
Committee on Small Business
On
Challenges of Operating a Small Business in Today's Economy
April 2, 2002
10:00 A.M.

Chairman Manzullo and Members of the Committee, good morning and welcome to California. I am Rolina Brown, Assistant State Director for the California Small Business Development Center Program. I am honored to represent the Small Business Development Center Program (SBDC), and to have the opportunity to appear before this Committee to discuss problems facing southern California's small business owners and their needs in the current economy. I am especially pleased that your invitation seeks to understand the challenges of minority-owned firms, especially in light of the recent economic downturn. As you are already aware, minority-owned firms are the fastest growing segment of business owners in the nation. Minority-owned firms are surpassing the growth rate of all U.S. businesses, growing at a rate six times the growth rate of all firms.

Thanks to the historic vision of the Small Business Committee and Congress, the Small Business Development Center Program that I represent today, provides a valuable contribution to small business owners. The SBDC Program is a broadband service delivery network designed to make a significant, strategic investment in building and enhancing local economies in the US, Puerto Rico, US Virgin Islands, Guam and American Samoa. The SBDC Program is designed to deliver up-to-date counseling,

training and technical assistance in all aspects of small business management. SBDC services include, but are not limited to, assisting small businesses with financial, marketing, production, organization, engineering and technical problems and feasibility studies. Special SBDC programs and economic development activities include international trade assistance, technology solutions, procurement assistance, venture capital formation and rural development. As you know, the SBDC Program has helped small businesses succeed, from start-up through the many stages of growth. In fact, many big businesses whose names are now household words -- FedEx, Intel, Nike, Apple, Ben & Jerry's, Compaq and AOL, just to name a few -- received support and money from the SBDC Program and their government partners.

The SBDCs also make special efforts to reach minority members of socially and economically disadvantaged groups, veterans, women and the disabled. Assistance is provided to both current or potential small business owners. Some SBDCs also provide assistance to small businesses applying for Small Business Innovation and Research (SBIR) grants from federal agencies.

While the SBA is a primary sponsor and helps to administer the SBDC program, an important aspect of the program is its acceptance and financial support by state and local governments, educational and business communities, and private foundations. Because these organizations desire to improve economic development through the growth of small businesses, they provide matching funds to help support services delivered by the SBDC program.

The California SBDC's mission is to provide quality management and technical assistance for existing and potential small businesses resulting in success for the entrepreneur, sustainable economic growth, and prosperity for all Californians. To accomplish our mission, we

- provide customer-focused, cost-effective, consistent core services (results-oriented, one-on-one consulting, training, and information and referral services) as well as specialized services to meet local needs;
- maintain a highly dedicated, flexible, diverse, enthusiastic, professional, experienced staff and consultant network;
- act as a catalyst for sustainable economic development by responding to local small business needs;
- build collaborative partnerships;
- leverage resources within our network to enhance and expand services; and,
- work together to build awareness of the SBDC program—local, state, national.

Diversity and partnerships are hallmarks of the California Small Business Development Center (CSBDC) Network. Unlike most SDBC programs, the CSBDC is actually a union of three separately funded small business assistance programs: one Federal (SBA), one State (CSBDC), and one Community College-based (COCCC). Assistance from an SBDC is available to anyone interested in beginning a small business or expanding an existing small business. Since many clients may not be able to afford the services of private consultants or even know what type of services they need, it is generally believed that SBDCs are providing very important and valuable services to the community. The thousands of clients served each year indicate through surveys conducted by individual

SBDCs and by the Association of Small Business Development Centers (ASBDC) that they have benefited from the services.

Just by virtue of size, a significant part of the California SBDC Program delivery system is within the Southern California SBDC network. Naturally, in my opinion this network is the leader in small business development, finance and innovation. Without a doubt the Southern California SBDC network is the most innovative and responsive to the needs of minority and other small business owners in the areas of access to capital. The southern California SBDC network is dedicated to fostering the growth and development of Southern California's most vital asset, the significant population of minority owners of small businesses. By being home to the largest base of multi-ethnic entrepreneurs in the country, the California SBDC network and its partners deliver specialized services to the heart of Southern California's striving economy.

Mr. Chairman, the selection of Southern California as the location for today's hearing is most appropriate given the topics for which I was invited to discuss. California has always been known as an "incubator" of new ideas, new products and entrepreneurial spirit. Southern California and most especially LA County have led the way in celebrating and nurturing that spirit. The people, institutions of knowledge, great climate and infrastructure have enabled the LA region to emerge as a leading business, trade and cultural center. As you know, Southern California is nationally recognized for a highly diverse economy fueled primarily by small businesses, and its economic position rivals many nations.

As the Assistant State Director for most of the southern California SBDCs, I am is keenly aware of the challenges small business owner face is accessing capital and the

challenge they face in who to approach and where to go for the necessary capital to get started. Your request for my views on these and other related issues is most appropriate given the number of small business firms located in Southern California and data and trends that the California SBDC program possess regarding these topics.

The primary barriers to the growth of California's small businesses, which greatly prevent revenue growth and job creation, are:

- Access to capital.
- Business assistance and support such as strategic planning and marketing.
- Effective utilization of technology.
- Access to markets outside of their traditional areas.
- Participation in social and business networks.

Given small businesses' heavy reliance on credit to facilitate growth, the southern California SBDC network has taken a leading role to create a bridge to capital. The Los Angeles SBDC programs, in particular, have a great track record in helping small businesses access capital. The southern California SBDC network is widely respected for its "Rover" program, a program that dedicates experienced financial experts and business developers to address the financial needs of Southern California small business owners. Southern California has the highest concentration of African-American firms in the nation. Access to capital remains the number one problem for the region's African-American businesses, especially relative to other racial and ethnic groups. The Rover program has increased capital available for small business owners, particularly minority-owned firms. The program also provides data that documents many similarities,

as well as important differences, in financial and non-financial characteristics between minority- and white-owned firms and between those owned by males and females.

For example, black-owned firms tend to be smaller (whether measured by assets or employees), newer, and more likely to be located in inner-city areas than their non-minority counterparts. Black-owned businesses also tend to be owned by people with fewer years of business experience and with poorer credit histories, but they are also more likely to be owned by a person having at least some college education. Finally, black-owned businesses are more likely to be a sole proprietorship and in the services industry. Other differences between other minority-owned firms and white-owned firms tend to be less pronounced.

According to our research, minority and women-owned firms also differ from white and male-owned firms in some of their credit market experiences. For example, in urban markets, which accounted for the vast majority of firms, differences in turndown rates are less pronounced than in suburban areas. And when small retail establishments are considered separately, denial rates for black-owned and white-owned firms are similar.

The Los Angeles Inner-City Initiative – an Initiative created in partnership with The National Business School Network (NBSN), a program of the Initiative for a Competitive Inner City (ICIC), founded in 1994 by Harvard Business School Professor, Michael E. Porter, the University of California (USC) , the California Black Chamber of Commerce and the southern California SBDCs – is currently engaged in research to better understand these complexities and other factors that challenge minority small business owners. We know that smaller businesses with limited equity capital, fewer assets to pledge as collateral, uncertain earnings streams, and high failure rates can reasonably

be expected, on the whole, to experience greater difficulties in obtaining credit than larger firms. The Initiative will deliver specialized business assistance to help smaller businesses gained the capital needed to establish and grow their businesses and to overcome the challenges that face minority and women-owned businesses.

In an effort to respond to the huge disparity between minority owned businesses, typically located in inner-cities, and non-minority owned businesses, the Initiative will introduce a special Capital Access Team to specifically serve inner-city small businesses and to become an advocate for capital access for inner-city businesses. The expansion of specialized programs will address the capital needs of inner-city small business and is designed to improve understanding of factors that bear on the approval of small business financing.

The Los Angeles Capital Access Team will also provide information and technical assistance to help banks and their communities understand and address credit availability issues. These services, combined with a new finance technology system, will speed the process for loan applications by tracking the flow of loan documentation, business assistance, loan review and approvals. Data collected from this system will help the CSBDC Program to better understand credit activity and its impacts on small business.

The Initiative also has a new center for Business Innovation and Learning, which will focus on wealth creation for inner-city businesses. The new center will house the most comprehensive capital access center in the country, and was developed as a response to findings from an Inner-City Forum hosted by USC last fall. Focus groups revealed

that a centralized center with multiple economic development components would facilitate the advancement of inner-city businesses.

The center will serve as a "living laboratory" for the Initiative and a model for inner-city businesses across the nation. The center will capture particular trends and data to identify barriers to inner-city small business growth as well as the positive responses to the strategies and innovation provided at this center. This data will be synthesized and used as a model for other inner-city projects.

We believe that the outcomes of this project will help frame the debate on how we can all provide new age solutions to minority owned and other small businesses. We also believe that the combination of these programs can help southern California small business access capital and secure resources and tools necessary to compete in today's economy.

We base our prediction for success on our partnership with U. S. Small Business Administration (SBA) and in particular, the Los Angeles District Office (LADO), which is the nation's leader and record holder for consecutive years of number-one performance in loans. The Southern California SBDC program is a model for the nation in access to capital, and for its innovation related to capital access and business assistance solutions that support successful capital outcomes.

With two prestigious Administrator's Awards, for excellence in increasing public awareness of specialized SBA lending programs and for excellence in providing capital access in Los Angeles, the Southern California SBDC's partnership with the SBA presents a perfect model for replication throughout the nation. The North Los Angeles

SBDC manages a Capital Access Center, which has a stellar track record for SBA loans and micro-enterprise financing. The Center for Innovation and Learning will house the Capital Access Team, which will concentrate on serving inner-city small business communities with a high concentration of minority-owned businesses. The addition of a center for Cultural Arts and Entertainment, with an emphasis on outreach for women, will provide specialized financing to an industry sector typically overlooked in the area of capital, and will focus on a minority group identified as the fastest growing segment in America – women.

The Santa Ana SBA District Office hosts the nation's only venture capital technical assistance center. The Tech Coast SBDC is located in Irvine and provides resources to support early-stage and start-up success. The Tech Coast SBDC produces an annual Funding Directory and Resource Guide that is considered the source for emerging growth companies and their Advisors.

As impressive as the models created in southern California are, there are still many small businesses that are not aware of the services offered by the SBDC program or how to prepare their business for financing. Because small firms provide the entry point into our nation's workforce for about two-thirds of all workers, providing them opportunities to gain workplace skills, the challenges before small businesses related to finance and access to assistance are very critical. We recognize that our existing centers' comprehensive programs are still not adequate to bridge the gap that exists for small businesses accessing capital. The geographic territory of the two primary SBA districts in southern California covers the counties of Orange, Riverside, San Bernardino, Los Angeles, Santa Barbara, and Ventura.

Within this territory, Los Angeles and Orange Counties are not only the two largest counties in the Southern California region, but Los Angeles County contains the highest concentration of minority-owned businesses in the country, and Orange County is the fastest growing in minority enterprises. Southern California is home to more than 320,000 minority owned businesses according to the last census. Los Angeles and Orange Counties together contain an estimated 280,000 minority firms. Orange County represents the expanding economic and cultural role of 'post suburban' communities in America. We're seeing major structural changes in the way the region's economy works and the expanding economic role of immigrants and ethnic entrepreneurs. This emerging multi-ethnic population provides the region with a competitive economic advantage in today's global economy.

With the vast number of small business owners in southern California, and only eight SBDC's host organizations to service their needs, the Southern California SBDC network is working aggressively to establish satellite locations and outreach centers. Community Branch Offices have been established in partnership with community-based economic development organizations, as a part of the Los Angeles Inner-City Initiative mentioned earlier. We know that Southern California small business owners are the most diverse, and each segment has different needs and uses different approaches for engaging support and accessing capital. The SBDC's branch office co-locations with the California Black Chamber and Los Angeles Chamber of Commerce, and partnerships with community-based groups like the Asian Pacific Islander (API), Black Business Association, and Women's Inc., are improving access to services for Southern California small businesses.

As you noted in your invitation letter, Mr. Chairman, the creation of new business opportunities for small businesses, such as finding new customers outside the nation's borders through international trade, is consistent with findings observed by the CSBDC network. We know that language and culture will directly link new global markets to fast-growing minority groups in Southern California and the U.S. With this in mind, the CSBDC program is the host to the nation's only SBDC solely dedicated to international trade – the California International Small Business Development Center in Los Angeles. Established to advance the competitiveness of California's small businesses, this center's only function is to proactively build bridges between small businesses and our international partners. The CSBDC International Center uses "strategic sourcing" to help small businesses procure business opportunities abroad. The center will help minority businesses operate outside of their typical market limits, which are both ethnic and geographic, and, with only a minor exception, within closed business and civic networks.

Your interest in problems facing Southern California's minority-owned small businesses may be addressed by a recent study Sponsored by Merrill Lynch Foundation and produced by the Community Development Technologies Center. The needs identified in the report are consistent with the needs of majority owned small businesses, with the only variations being the order of importance. Minority owned small businesses generally list access to capital as its greatest challenge while majority and some Asian-owned firms list business assistance and training as the greatest need for business expansion. While minority businesses are growing faster than majority firms in numbers and revenues, they remain severely constrained by a lack of access to capital and access to clients beyond our nation's boarders. Business assistance was considered the most important contributing factors explaining favorable sales performance for minority owned small businesses. Companies that received business assistance

services indicated superior sales performance outcomes. The most significant areas of business assistance are business and strategic planning, and human resource/job training and succession planning.

Another problem facing southern California's small businesses is the utilization of technology to improve the competitiveness of their businesses. The Internet provides a great opportunity for creating new customers and expansion beyond our boarders. Even though many small business owners have access to the Internet and even an Internet presence, these small business owners lack the digital commerce required to transact business over the Internet. Also, small businesses in Southern California continue to be faced to by a shrinking supplier base due to the pressures of the new Internet environment for business-to-business commerce. They also lack basic enterprise software applications to help them compete in this fast pace economy.

Minority-owned businesses in Southern California are significantly contributing to the growth of the region's economy, but need better access to technology, markets outside their traditional ethnic communities and capital to expand. Technology may present a less formidable challenge, since the Internet is colorblind. But even there, it takes resources and planning to compete effectively within e-commerce as many corporations cited technology utilization as a great contributor to sales review performance.

In an effort to help small businesses locate and access technical assistance, financing, education, and technology solutions the Southern California SBDC Program developed a small business portal. The portal, called *AskSBDC.com*, provides online technical assistance and information to small business owners 24-hours each day. By accessing *AskSBDC.com*, small business owners may receive training online, receive information,

training and access to digital commerce, secure business opportunities, expand services beyond the national borders, and transact business. And they may do this from their desktop or the desk top of any SBDC center, partner, library, association, or any other location with Internet access. *AskSBDC.com* provides online chats, consulting, information for business start-up, access to capital, and more. The Portal will be launched during Small Business Week in Los Angeles and Santa Ana SBA Districts. To further assist small business owners in accessing technical and financial assistance, small businesses may dial a toll free number (1-866-U-AskSBDC) to request assistance and to locate the nearest business assistance center. It is our belief that these single points of contact, which are free to small business owners, will help to improve the competitiveness of California's small businesses.

To give you an idea of the impact of the Southern California SBDC program, last year, the eight SBDCs conducted contributed to the creation of 676 jobs, 31,367,237 in sales, and $24,414,140 in financing, of which $20,931,200 was SBA financing. The California SBDC Program contributed to the creation of 3,778 jobs, retention of 5,295, and increased sales of $115,988,812. The CSBDC Program help develop 209 SBA loans totaling more than $60 million, 339 non-SBA loans for more than $47 million and equity investment in excess of $61million. The CSBDC Program is proud of its contribution to the development of more than $168 million in capital for California's small businesses.

The Initiative's partnership committee will continue to address capital availability issues, and will engage broad participation from capital providers, business owners, small business support organizations, and legal and accounting professionals both to help identify and shape issues, and to develop solutions to financing for small and minority-owned businesses. A representative planning committee was formed to help guide the

process, and to champion the new capital access system strategy under the Initiative. The Initiative's finance committee was created to help narrow the gap between the need for and the availability of start-up and expansion capital for new and growing businesses. The finance committee includes representatives of small business finance intermediaries, venture capitalists, and is supported by the Milken Institute, Community Bank and California Federal Bank.

The CSBDC Program and the Southern California network can do more to help small businesses, but are restricted by the amount of funding available. Additional funding will allow the SBDC Program to provide more innovation and deliver more services to under-served communities. The network has a tradition of providing high-quality consulting, training and financial development support to the very diverse small business population that they serve. This network provides a broad spectrum of specialized services to help small businesses remain competitive. Our network is ethnically diverse and culturally sensitive to the needs of Southern California small business owners and potential owners.

The southern California SBDC Program is positioned to serve as the central source for consulting, education, financing and referrals for all small businesses in the region. The positioning of the CSBDC Program within the California Technology Trade and Commerce Agency offers additional assistance and resources to small businesses. The California Technology Trade and Commerce Agency is California's lead agency for trade and business development, offering numerous businesses, community and trade development programs. The Agency's support of the CSBDC Program is one of the primary reasons that the Southern California SBDCs' economic impacts are significant. Please be assured that meeting the needs of our small business customers is the only

role of the CSBDC program -- it is vital to the health of our local economies and the success of California.

As southern California improves its infrastructure for service delivery and professional development, it will soon become apparent that the California SBDC Program leads the nation in meeting the needs of small business owners. Our participation is critical to filling the gap in the commercial marketplace, which makes obtaining financing especially difficult for those small businesses with the smallest borrowing needs and for those that require additional guidance and support to achieve competitive success. We represent the first and final elements of the continuum of services that small businesses need to start and grow their enterprises.

In closing, I want to summarize my response to the questions raised in your letter of invitation about responses to issues facing small businesses, particularly minority-owned small businesses. That is, the SBDC Program and its strategic partners are dedicated to helping business owners respond to the changing business environment, compete effectively, secure financing and expand their customer base. Our research confirms that these companies must go beyond the fundamentals. The SBDC Program is improving its delivery system to offer every level of services and resources necessary for small businesses to grow and be successful.

You asked in your letter of invitation, Mr. Chairman, about focusing on new opportunities and accessing capital, with a particular emphasis on providing guidance to these small firms on who to approach and where to go for the necessary capital to get started. California's SBDC Program delivers these with a toll free number for questions and to get referrals for capital and growth development needs; with a small business portal that

provides online technical and loan assistance 24 hours each day; with specialized programs to improve capital access; and, with centers for Innovation and Learning, International Trade, Finance, Technology, and Culture and Entertainment.

While it is evident that capital is a critical component of any business, technical assistance is the backbone of sustainability and growth. The SBDC Program provides the small business owner with an integrated approach to capital and business development knowledge by offering strategic planning and business guidance through training in areas critical to the success of any business. Technical assistance is such a critical part of the lending process that the Southern California SBDCs partner with local business assistance centers and business cluster associations to provide training and consulting, in conjunction with access to capital. Single points of entry, along with coordination through technology, will allow the SBDC Program to better utilize resources and get the business owner to technical support faster.

The Southern California SBDC Program and its three centers focusing on capital, combined with a strong and reliable partnership with SBA and its highly cost-effective guarantee program, as well as partnerships with other financing entities targeting small businesses that do not typically meet bank-underwriting standards, and a dedicated staff of trained and experience professionals, will continue to help place Southern California at the top of small business growth and lending.

The region, like most of the country, is undergoing a profound transition from a domestic and industrial age focus to one more clearly tied to the global information economy. In line with these new realities, the Center for Business Innovation and Learning will

establish a new models and mechanisms for reviving small businesses, particularly inner-city businesses in Southern California.

No region is better positioned to garner a larger portion of this surging, high-wage employment than Southern California. Not only does the southern California region possess one of the world's largest concentrations of scientists, engineers, and high-technology industries, but is has established a predominant presence in global culture-related industries such as movies, television, multimedia, virtual reality, and craft-based lifestyle products. Most importantly, the region possesses the Southern California SBDC Network.