HOW ARE OUR VETERAN-OWNED SMALL BUSINESS OWNERS BEING SERVED?

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT & GOVERNMENT PROGRAMS and the SUBCOMMITTEE ON ECONOMIC OPPORTUNITY

OF THE

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HOW ARE OUR VETERAN-OWNED SMALL BUSINESS OWNERS BEING SERVED?

TUESDAY, MAY 24, 2005

HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT AND GOVERNMENT PROGRAMS AND SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
COMMITTEE ON SMALL BUSINESS AND COMMITTEE ON VETERANS' AFFAIRS
Washington, DC

The Subcommittees met, pursuant to call, at 10:03 a.m. in Room 311, Cannon House Office Building, Hon. Marilyn N. Musgrave, [chairwoman of the Subcommittee] presiding.

Present: Representatives Musgrave, Boozman, Brown-Waite, Hooley, Herseth, Lipinski and Udall.

Chairwoman MUSGRAVE. I would like to call this meeting to order. Good morning and welcome to this joint hearing of the Committee on Small Business and Committee on Veterans' Affairs. A special welcome to those who have come long distances to participate and to attend this hearing.

Almost six years ago the President signed into law the Veterans Entrepreneurship and Small Business Development Act. This act created the National Veterans Business Development Corporation, familiarly known as the Veterans Corporation, to assist veterans, including service disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources.

The Veterans Corporation is presently providing services to veterans that include entrepreneurial training, community-based initiatives, credit cards, insurance, and veterans' outreach.

September 30, 2005, marks the end of the federal funding, and after that date the corporation must become self-sustaining. At this hearing we hope to learn of the steps that the corporation is taking to ensure that it will continue to provide services to veterans when funding ends, and answer the question "Can the Veterans Corporation exist without federal funding?"

Four years later the Veterans Benefit Act of 2003 established a procurement program for small business concerns owned and controlled by service disabled veterans. This procurement program permits federal agencies to sole-source contracts and restrict competition to service disabled veterans.

One of the reasons that the program was established was because buyers for federal agencies expressed the view that they needed a set aside program to meet the three percent statutory contracting goal for service disabled veterans contained in the Small Business Act. To date, no major department or agency of the federal government has met the goal, and most departments and agencies are woefully short of meeting the goal.

I ask you why that has occurred. I hope this hearing will energize federal agencies to meet their statutory obligation.

A major purpose of this hearing is remembering our veterans and the sacrifices that they have made for this nation. Memorial Day is the day of remembrance. I can assure you that we in Congress will not forget you.

Again, welcome to this hearing. I yield to my colleague, Chairman John Boozman for his opening statement. Did not mean to rush you, sir; glad you are here. Thank you.

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

Mr. BOOZMAN. Thank you, Madam Chairman, and thank you for inviting us to participate in this joint hearing.

Providing opportunities for small businesses owned by veterans is a very important topic. We all know that small business is the engine that drives the economy, and we want to make sure that small businesses owned by America's veterans are not shut out of any market sector by unfair competition from special interest groups.

The special assistance we can give the men and women who have worn the uniform has been earned as opposed to those given an advantage by acts of birth. There is no group in the nation that should have a place in line for any opportunity to succeed ahead of our veterans. I dare anyone who believes otherwise to go on the streets and alleys of Iraq with the troops, look them in the eye, and tell them they should take a back seat to someone who has never put themselves at risk for the nation.

Madam Chairman, at a recent roundtable on veterans entrepreneurship, which Chairman Bradley was gracious enough to cosponsor with us, I noted that veteran business owners should not fall into the trap of depending on federal set asides for their success.

While I fully support a mandate to federal agencies to set aside a small portion of their contracting opportunities for the veteran-owned businesses, the private sector offers a broader and often less complex avenue to success, and I still believe that.

Madam Chairman, thanks again for offering to bring us together today. I am eager to hear from our witnesses.

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

Chairwoman MUSGRAVE. Thank you, Mr. Boozman.

At this time I would like to recognize the ranking member, Mr. Lipinski, for an opening statement.

Mr. LIPINSKI. Thank you, Madam Chairman, and Mr. Chairman. Thank you for holding this hearing today on veterans and entrepreneurship.

It is critical that we examine the unique issues that veterans face today in starting and running their own businesses. Veterans of all types and classification, whether having served actively in the U.S. Army, Coast Guard, Navy, or Air Force, are deserving of our continued support. They have sacrificed for our country, and have defended our freedom.

It is important for us to show our appreciation for our veterans for the years they selflessly gave to serve their country, and for the hardships that they endured. Clearly, given the sacrifices these men and women have made and the service they have provided to our country, it only makes sense to provide our nation's veterans with the tools to get their businesses off the ground.

We are now beginning to welcome home a new era of veterans, the thousands of forces that have fought and continue to valiantly fight in Afghanistan and Iraq. These men and women are seeking employment opportunities upon their return to the States, and are increasingly turning towards self-employment in small business ownership.

Their years of service in the military have equipped many veterans with a host of valuable skills in areas such as electrical wiring, computer programming, mechanics, and other areas. Many also hold security clearances. They have the knowledge and skills to provide useful services, but may need assistance in launching and developing their businesses. We must strive to provide veterans with the resources they need to succeed, including access to capital, business development, technical assistance, procurement opportunities and affordable health care.

Initiatives such as these have been designed specifically to assist veteran—owned businesses in achieving stability on the road to success.

Unfortunately, many of the essential programs that provide assistance to our entrepreneurs, including veterans, are facing severe budget deficiencies. These programs have not been given sufficient support in the federal budget. Ensuring that these programs are adequately funded and utilized to their fullest potential has been and must remain one of our top priorities.

As our economy continues to lag in job creation, it becomes even more important to provide substantial assistance to veterans in all sectors of the small business community. After all, it is the small businesses that are capable of pulling us out of this period of economic uncertainty and getting us back on track by creating more jobs.

Veterans are such an important component of the small business sector. While often overlooked, veterans are willing to do their part in contributing to our national economy, and we must continue to do our part as well. This includes ensuring that our veterans' outreach goals are met by economic development programs, providing veterans with necessary capital to get their firms off the ground, and removing the regulatory obstacles veterans face in starting a business—all factors demonstrating to this community that we truly care.

I look forward to the opportunity to hear from a variety of organizations and groups representing veteran-owned businesses. Your concerns are important to us.

As we review the challenges that you bring before us, our ultimate goal should be to create a plan that will facilitate the success of our nation's veteran entrepreneurs. Our veterans deserve no less than this.

Thank you.

Chairwoman MUSGRAVE. Thank you, Mr. Lipinski.

Welcome to our witnesses. We are happy that you are coming today to share with us. I would like to tell you that there is a light there on the table that helps you deal with the five-minute rule, and if you would please stay within the time constraints, it will help us with our schedule.

The first witness that I would like to introduce is Walter Blackwell. He is the National Veterans Business Development Corporation president. Welcome, Mr. Blackwell.

STATEMENT OF WALTER G. BLACKWELL, NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION

Mr. BLACKWELL. Madam Chairwoman, Mr. Chairman, Ranking Members and Members of the Subcommittee, thank you for holding this hearing, and for the opportunity to discuss veteran entrepreneurship, economic development by and for veterans.

I would like to submit my complete written statement for the record.

In your invitation to testify you asked me to answer two specific questions. Is the Veterans Corporation providing those entrepreneurial services envisioned in the act and needed by veterans? And will the Veterans Corporation survive without federal funding?

The short answers to these questions are yes and no. The facts are TVC is really beginning to provide the level of entrepreneurial services envisioned in the original legislation. On the other hand, our very existence is threatened without some continuing support from the federal government.

We believe that the veterans' needs in 2005 are far different from those imagined in 1999. World events and their impact on veterans now demand from all of us the creation of a new veteran community. To answer this call and be a catalyst for growth, TVC expanded our definition of veteran to include those soldiers, sailors, airmen and marines who are serving on active duty as well as national guard and reserve.

The TVC's expanded definition of veterans has not changed our mandate outlined in P.L. 106-50. In fact, TVC is working harder to expand access to entrepreneurial education and training, entrepreneurial mentoring and counseling, access to capital, and other business services. We accomplish this through two major program initiatives: the National Veteran Entrepreneurial Education Initiative and the National Veteran Community-Based Organization Initiative.

The TVC regional hubs show in yellow stars and our community-based organizational centers shown in green circles are the result of TVC's new business model where a grant-based system is used that piggybacks on existing educational and communication organizational infrastructure.

We deliver these program initiatives in two way. First, through existing facilities that gives TVC an economic economy of scale, and independent 501[c][3] organizations where we have partner relationships.

The result of this new model are striking. While enrollments in new course starts are cyclical within quarterly intervals, this data demonstrates 129 percent increase in the enrollments for traditional courses above the FY-2005 goal.

To date, we are reaching almost three times the number of veterans in the first months of this new educational plan compared to FY-2004's annual performance.

Building a veteran community means doing some things differently. I have been working with our board, staff, and providers to initiate the restructuring of our web presence into a twenty-first century format demanded of today's successful entrepreneurs.

A current learning project involves active-duty military taking courses from Iraq, being run by our Boston hub. The first two classes held just last week were an enormous success. In fact, we had an overflowing of 42 students.

The Veterans Corporation is truly becoming a vehicle that literally leap frogs over the barriers presented to veterans upon their return home to the U.S.

Added to this is the creation of a new learning pilot beginning in June. TVC will have the ability to reach significant numbers of underserved veterans in VA hospitals, returning guard and reserve units, as well as large rural and minority veteran populations. Courses will range from marketing to applying for a business loan.

Sites across the U.S. span Walter Reed here at home, to San Diego on the west coast.

The current challenges before TVC are budget shortfall for 2005, and future funding for FY-2006 and beyond. The reality TVC faces today without an immediate infusion of cash from Congress, high net-worth individuals, corporations and foundation, TVC will be forced to close its doors October 1, 2005.

Our future funding builds on a platform of public and private partnership that enhance and expand needed programs and services. To date, TVC has submitted foundation grants totaling $30 million, with another $20 million grant applications in process. We have initiated an outreach to high net-worth individuals and to public and private corporations with the interest of assisting veterans.

And perhaps most importantly, TVC is in the process of reducing its back office costs and consolidating and reorganizing its staff. We are taking these steps because we believe when all is said and done TVC's funding is $2 million a quarter, or at least $8 million a year as we expand our programs.

In conclusion, I want to thank the Chairwoman, the Chairman, Ranking Members, and both subcommittees for your past interest and future support on these issues. We know we cannot do this alone. You have our promise to work in partnership with each of us as we work with you to deliver the critical knowledge, tools, resources our veterans, their families, your constituents so richly deserve.

This community, the veteran community is poised to deliver on the investment Congress has made in them to be a strong economic driver in our nation's financial future.

Thank you, and I look forward to your questions.

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

Chairwoman MUSGRAVE. Thank you, Mr. Blackwell, and thank you so much for being respectful of the time constraints. Good job.

The next witness is Arthur David Salus, and he is the president of Duluth Travel, Incorporated. Welcome, Mr. Salus.

STATEMENT OF ARTHUR SALUS, DULUTH TRAVEL, INC.

Mr. SALUS. Thank you. Good morning, Chairman Musgrave and Chairman Boozman and distinguished members.

My name is Arthur Salus. I am founder and president of Duluth Travel located in Atlanta, Georgia.

Chairwoman MUSGRAVE. Sir, I think the audience is having trouble hearing. Let us pull the microphone a little closer. Maybe that will help. Let us know in the back if you cannot hear, and we will try to deal with it.

Mr. SALUS. Okay, can everybody hear me now? Okay, thank you.

Chairwoman MUSGRAVE. Thank you.

Mr. SALUS. Good morning, Chairman Musgrave and Chairman Boozman and distinguished members.

My name is Arthur Salus, and I am founder and president of Duluth Travel located in Atlanta, Georgia. I am an adjunct professor at Gwinnett Technical College in Atlanta where I teach entrepreneurship and travel courses. I am frequently called upon by local and national media for my comments and travel expertise.

I am grateful for the opportunity to appear before you regarding the Veterans Benefit Act of 2003, and the President's Executive Order 13360, matters that concerns tens of thousands of small business owners and veterans across our great country.

As a member of the American Society of Travel Agents and the Society of Government Travel Professionals, I am honored to present this statement with their support and encouragement.

Today, Duluth Travel provides travel services for numerous businesses as well as the state and local government in Georgia. Duluth Travel is currently a federal management, travel management company, a subcontractor to a subcontractor for the Environmental Protection Agency and the U.S. Department of Agriculture.

As a business owner, I began to focus on other possibilities to become a prime contract with the federal government. I did not think the status of a service disabled veteran would one day be of any importance, nor did I think it would lead me to the Department of Veteran Affairs for assistance three years ago in my quest to become a prime contractor.

I quickly found out federal procurement opportunities for small business in travel were dismal at best. Add to the mix of service

disabled veteran with a small business, the opportunities seemed nonexistent.

I promptly became an active advocate for small business veterans. As an entrepreneur, I am a strong believer that tax-paying small businesses deserve a chance to provide goods and services to the federal government. The Department of Veteran Affairs and the House Committee on Small Business and Veterans' Affairs were instrumental in getting to key issues accomplished. One was the passage of the Veterans Benefit Act of 2003, now Public Law 108-83, which provides authority for federal agencies to create sole-source contracts to qualified small business concerns owned and controlled by service disabled veterans.

Current federal regulations called for federal agencies to contract 23 percent of their prime contracting dollars to small businesses, a figure that goes unheeded and rarely sees the light of day.

The Small Business Administration, Office of Advocacy, found that the federal contracts awarded to small businesses in 2002 were overstated by $2 billion. That is because 44 of the top thousand business contractors were actually large businesses.

The Department of Defense and the GSA accounted for 79 percent of their misdirected $2 billion. The National Association of Government Contractor's website reported this in February 28, 2005.

To my knowledge, only a few federal agencies have met the sole-source goal for service disabled veteran-owned businesses. And why is this happening?

I can only relate to my own experience. It took me eight months to the day for Duluth Travel to be approved on the GSA schedule. In my opinion, GSA moves entirely too slow in the approval process. Small businesses can ill afford to spend valuable time in accomplishing the simple act of registering with the federal government.

After Duluth Travel was registered with the federal government, I was directed to take advantage of marketing my own company's services to the federal agencies, and that is exactly what I did. I e-mailed, sent letters, called each of the designated contracting officers at the various federal agencies provided by GSA. The e-mails, letters or calls introduced my company and noted that I was a service disabled veteran, and these are my results.

Out of the 35 e-mails I sent, letters, to the contracting offices, I was stunned to receive only four replies. I received no call-backs, and I was only referred back to their websites. To date, I have had no contracting officer contact me at all regarding sole-source contracts or as an SDVOB set asides for travel procurement.

Here is my observation. The procurement contracting offices seem to be unwilling to use small business firms for the fear that they will fail and thus award process go to the large companies. Procurement contractors avoid making changes to the new process despite the law.

With a 95 percent performance rating from Dun & Bradstreet that GSA required, Duluth Travel surely had the credentials to receive these contracts.

In closing, Congress must take the necessary steps towards strengthening the laws, making it mandatory that federal agencies

shall award, not may award, government contracts to small business. We must make sure that small business set aside and sole-sourcing contracts are available and awarded appropriately.

Small business can do the work while providing cost savings to the government.

I also would like to thank you for this opportunity to testify. I look forward to answering any questions you may have.

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

Chairwoman MUSGRAVE. Thank you, Mr. Salus, very much.

Our next witness is John Lopez. And Mr. Lopez, I would mention, is the Chairman of the Association for Service Disabled Veterans. Welcome to the committee hearing today.

STATEMENT OF JOHN K. LOPEZ, ASSOCIATION FOR SERVICE DISABLED VETERANS

Mr. LOPEZ. Thank you. Good morning, Chairman Musgrave, and Chairman Boozman, and distinguished members of the committees.

Without objection, I will summarize my testimony, and submit full written testimony for the record.

Chairwoman MUSGRAVE. Without objection

Mr. LOPEZ. Okay. It has been five years since the initiative to assist disabled in-service military veterans to participate in self-employment entrepreneurship as a means of supplementing their rehabilitation. During that period of time that initiative, Public Law 106-50, has been a source of extreme frustration and disappointment to the over 2 million adjudicated service disabled veterans attempting to access Public Law 106-50 benefits.

And the present direction bode ill for the latest generation of America's heroes, the Iraqi and Afghanistan service disabled veterans.

In spite of the intent of the U.S. Congress and the executive direction of the President of the United States of America, a vested bureaucracy and special interest groups have made the going very difficult. They have inhibited the promise of assisted vocational rehabilitation for those who specifically and individually sacrificed to ensure the prosperity and security of our nation.

It is imperative that the U.S. Congress and the U.S. Federal Administration take action to closely monitor and review the direction previously specified in Public Law 106-50, and Section 3 of 108-183, and the President's Executive Order 13360.

To ensure the implementation and progress of the initiative, we ask the U.S. Congress to emphasize by resolution and legislation that the service disabled veteran initiatives are not economic policies that will redirect the world economy, and they are not cultural compensation that will resolve the nation's social controversies. Service disabled veteran entrepreneurship initiatives are a moral, ethical, and security imperative that must be absolutely implemented. Otherwise, the basic compact to defend the nation will soon lose its commitment, and we will perish in a babble of political recrimination.

I would be pleased to answer your questions.

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

Chairwoman MUSGRAVE. Thank you, Mr. Lopez.

The next witness is Frank Ramos, and he is the Director of the Office of Small Business and Disadvantaged Business Utilization, and we would welcome you today, and look forward to your testimony.

STATEMENT OF FRANK M. RAMOS, OFFICE OF SMALL BUSINESS AND DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF DEFENSE

Mr. RAMOS. Thank you. Chairman Musgrave and Chairman Boozman, and members of both committees, good morning to all.

Thank you for inviting me to testify on behalf of the Department of Defense on our progress to achieve the service-disabled veteran-owned small business goals.

The subject of service-disabled veterans is a topic of high interest that I take very seriously. It is my time to serve our country in this capacity, and return the effort of the ultimate sacrifice endured by my members—members of my family and other veterans in the service of our country.

It is of paramount importance to us to recognize the leadership and support of the President and the Congress. The President, through his executive order, demonstrated his leadership and commitment to service-disabled veterans. You, through the congressional leadership, enacted enabling legislation to facilitate policy that will help the service-disabled veteran-owned small businesses. I want to acknowledge the help of the veterans' service organizations that support our working groups with invaluable insight to support and execute the Department of Defense strategic plan.

I will begin with excerpts from our official testimony to describe our performance metrics and elements of the plan.

The first step in our plan was to establish a benchmark of those firms for the Department of Defense industrial base supplier pool. In fiscal year 2003, we had 2,200 firms registered in the central contractor registry, which we refer to as CCR. We recognized then that 2,200 firms are insufficient in our supplier pool to meet the goal.

Our first objective is to identify and register more of these firms, a critical first step toward meeting the goal. Our aggressive CCR registration outreach efforts derived from our first objective resulted in an increase to 7,000 firms registered as of May 2005, a 218 percent improvement.

We observe from the empirical data that there is a nexus in the increase in firms registered to a commensurate improvement of the Department of Defense contract awards from $149 million in fiscal year 2001 to an estimated $514 million in fiscal year 2004, a net growth of contract dollars of 247 percent over a three-year period.

Our second objective is to publicize and train our acquisition personnel and the firm owners. Defense Acquisition University is our partner in this initiative to help train the acquisition and business communities.

Our third objective is to include firms in the Department of Defense Mentor-Protege Program. We expect to have some mentor-protege agreements this fiscal year, and as of this morning in the Federal Register there is an interim rule which will facilitate that.

Our fourth objective is to increase the subcontracting opportunities for target firms, working with prime contractors. Defense Contracting Management Agency is our lead component for this initiative.

Our fifth objective will evaluate the effect that bonding has on the target businesses in the construction and environmental clean-up industries. The Corps of Engineers is our lead in this initiative.

The last objective fosters teaming agreements and joint ventures to enable the firms to increase their capability and their capacity to receive larger and more complex contracts with larger dollar values.

The department has developed an ambitious plan as a road map to meet the goal over time. The early performance indicators show that we are on the right path. We must first establish a robust supplier pool of industry-capable firms. I am convinced that the key to success is our synergistic relationship with the administration and with you, the Congress, our sister federal partners, other governmental organizations, and the business community.

I will be pleased to take questions when it is appropriate. Thank you.

[Mr. Ramos' statement may be found in the appendix.]

Chairwoman MUSGRAVE. Thank you very much, Mr. Ramos.

Our next witness is Scott Denniston. Mr. Denniston is the Director of the Office of Small Disadvantaged Business Utilization. Welcome to the committee.

STATEMENT OF SCOTT F. DENNISTON, OFFICE OF SMALL DISADVANTAGED BUSINESS UTILIZATION, DEPARTMENT OF VETERANS AFFAIRS

Mr. DENNISTON. Thank you. Madam Chair, Chairman Boozman, Committee Members, I greatly appreciate the opportunity to testify at this joint committee hearing. Your oversight is exactly what the Federal Veterans Entrepreneurship Program needs at this critical juncture of its growth.

In 1999, you directed federal agencies and the Veterans Corporation to organize public and private partnership, to promote formation and expansion of veteran-owned businesses. This mission has been fulfilled. DOD, SBA and VA have fully supported the Veterans Corporation.

Turnover within the corporation has impeded our efforts somewhat. As a result, federal agencies, contractors and service providers have organized into areas of expertise. We continue to offer the corporation our full support.

The President's executive order requires agencies to create and publish comprehensive strategic plans. The majority have done this. These plans are easily located on our VetBiz.gov web portal as well as on SBA's website. Now it is time to measure performance against those plans.

I believe that formal score cards would be very useful. Since November, VA has hosted meetings of volunteers from federal agencies committed to increasing access for disabled veterans in the federal marketplace. The Honorable David Safavian, Administrator of the Office of Federal Procurement Policy, has been generous in his support of our group. He has actively encouraged the free exchange of visions and ideas. We have shared best practices. We are coordinating outreach conferences. We have identified impediments both real and perceived.

The VA's plan adopts the best practices and tackles some of the impediments. Our target plan has five improvement areas.

Step one is employee awareness and training. This involves all employees. We kickoff our internal campaign on June 14 at our annual Champions of Veterans Enterprise Award Ceremony, and at this time, with the assistance of Mr. Crowder, I would like to present to the committee members and staff our first internal workings that we are going to use as part of our campaign.

Our objective in all of this is to significantly increase our accomplishments with veterans and service disabled veteran-owned businesses. In fiscal year 2004, VA achieved 1.25 percent of total procurement dollars for disabled veterans. While this performance was higher than many federal agencies, it is still unacceptable.

Step two is information sharing. Veterans registered on VetBiz vendor information page does now automatically receive FedBiz ops notices that match the company's industry or product service codes. However, small businesses also need access to decision-makers well in advance of requirements that appear in electronic postings.

Our plan requires local facilities to conduct annual vendor conferences. These sessions will include procurement technical personnel who will explain buying rules and announce opportunities.

The VA now requires formal local procedures that ensure equitable access for small business owners to decision-makers. We are structuring a monthly video conferencing program to begin in October. This program will show-case buying rules and industry's comment to several agencies. We will invite senior VA leadership to conduct periodic town hall meetings with owners. Deputy Secretary Mansfield did this as one of his first actions after accepting his position last year. The VA's video conferencing centers will be available for owners to view these information session.

Step three is sourcing support. Buyers need to easily locate vendors who will perform reliably. The VetBiz information page now offers video streaming. This is an option an owner may post a three-minute film clip to the database. Because of different computers throughout the government, we have learned that many employees do not visit websites because pages are often loaded slowly.

By posing video clips to the VIP database, our visitors do not need to go anywhere else to get detailed information on veterans in business.

Step four is partnering with prime contractors to create subcontracting opportunities for veterans and disabled veterans. We have dispatched letters to large federal contractors inviting them to identify a veteran business advocate to work with VA Center for VA Enterprise. Some prime contractors have responded with en-

thusiasm. General Dynamics, SAIC, and Boeing are several large contractors who we have formal agreements with.

We are working with the Defense Contract Management Agency to develop a model for contractors to improve outreach, mentorship, contract opportunities and direct employment of veterans.

On June 14, we formally recognized federal prime contractors who are leading the way in utilizing service disabled veterans in business. As an example, Anteon is the only large business that we are aware of that made the three percent goal last year.

Step five is modifying acquisition protocols to make it easier to do business with the federal government.

I am excited about the potential for progress and the new framework established by the executive order. Never before have I witnessed such a confluence of legislation, creative rulemaking, openness of agency information, and passionate commitment by advocate.

In closing, it is my privilege to work with leaders such as Secretary Principi, Deputy Secretary Mackay and now Secretary Nicholson and Deputy Secretary Mansfield and are going to make this program work.

Thank you.

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

Chairwoman MUSGRAVE. Thank you very much.

Our next witness is Paul Murphy, President of Eagle Eye Publishers. Welcome.

STATEMENT OF PAUL MURPHY, EAGLE EYE PUBLISHERS

Mr. MURPHY. Chairwoman Musgrave, Chairman Boozman, Ranking Members Lipinski and Herseth. Thank you for the opportunity to address your subcommittees this morning on the issue of service disabled veteran-owned business procurement.

The status of SDVOBs in the federal marketplace remains weak. According to the latest procurement statistics from the U.S. General Services Administration, in fiscal 2004, federal agencies awarded 877 million to SDVOBs, just 2.8 percent of the reported $313 billion federal procurement total.

Public Law 106-50 signed into law in 1999 by President Clinton stipulated that SDVOBs should receive three percent of all prime contract dollars annually.

In fiscal 2004, this would have translated to $9.4 billion. In other words, federal agencies missed their SDVOB contracting goals by $8.5 billion, or over 90 percent. SDVOB spending amounts to less than one-tenth of the established SDVOB procurement goal.

The positive news is that SDVOB prime contract spending is up 68 percent, from $523 million in fiscal 2003. The total number of active declared SDVOBs grew 50 percent, from 906 to 1,355. In fiscal 2003, an average SDVOB received $577,965. In fiscal 2004, this figure rose 12 percent, to $647,000.

However, we should not draw too many conclusions from these growth statistics yet. With overall numbers so small, small dollar increase in spending translate into large percentage gains. Real trends need a longer time to emerge. We also understand that

there will be some additions and corrections to the FPDS data originally reported this past February which will alter dollar totals and percentages.

In Eagle Eye's 2004 study of SDVOBs for the U.S. Small Business Administration's Office of Advocacy, we found a significant discrepancy between the number of active veteran-owned vendors listed in the DOD's central contractor registry and the number of active VOB vendors reported in the GSA's procurement database. We will attempt to recreate this measurement as we process the corrections and enhancements of the GSA data over the next several weeks.

Looking at these SDVOB numbers from another perspective, each of the 1,355 officially recognized SDVOBs would have had to receive $6.95 million in total revenues for agencies to meet their fiscal year 2004 procurement goals. Alternately, it would have taken 14,540 SDVOBs receiving the current average procurement total to achieve the same goal. That is nearly eleven times the current number of SDVOBs, and I provide a series of charts and tables in my presentation, which I hope you will review.

I was encouraged to note that my numbers, I actually came up with 7,000 VOBs in fiscal 2004, which seems to closely match and track the numbers that Mr. Ramos is also measuring.

But we also found 1,355 SDVOBs that were not coded as VOBs, bringing our fiscal 2004 combined total of SDVOBs and VOBs to over 8,000.

Service disabled veterans' spending is highly concentrated by vendor. The top ten SDVOBs receive 27.1 percent of all SDVOB dollars. The top 25 received 56 percent of the total. An average SDVOB received $647,000 in fiscal 2004, approximately 10 percent less than the $709,560 received by an average small business.

The SDVOB contract spending is not just concentrated by company, it is also highly concentrated by agency. Just five agencies accounted for over 80 percent of all SDVOB contract spending. Together, the Departments of Defense, Veterans Affairs, State, NASA, and General Services Administration spent 82.4 percent of that $877 million total.

The high degree of spending concentration by vendors and agencies suggests that government buyers are not yet aware of the availability of qualified SDVOB vendors, and SDVOBs may not be taking full advantage of available avenues to market their goods and services to the government.

In conclusion, steps to raise vendor awareness about the importance of certifying their firms as SDVOBs in the CCR need to intensify, particularly as we prepare for the eventual return of U.S. forces stationed throughout the Middle East. Easing the ability of government buyers to use SDVOBs, as with the new veterans GWAC are to the good but the agencies have significant ground to makeup to fill the government's established three percent goal.

We need clarification about the priority of any assigned to small firms in any given procurement, to avoid unnecessary competition between socio-economic groups while set aside goals remain so significantly unfulfilled, and lawmakers, small business and procurement officials must also realistically assess whether the industrial

base has the capacity to fulfill the government's current $9 billion goal for SDVOB procurement.

The rapid rate of increase in the identification of SDVOBs over the most recent three years will level off and deficits inevitably will drive further cuts in agency spending. it may not be realistic to expect that an average SDVOB can grown nine times larger than the average small firm given the numbers we have today.

Chairwoman MUSGRAVE. Mr. Murphy, if you would please wrap up, your time has expired.

Mr. MURPHY. Thank you. If you have any questions, I will be happy to answer them.

Chairwoman MUSGRAVE. Thank you very much.

Our final witness is Rick Weidman. Mr. Weidman is the Director of Government Relations for the Vietnam Veterans of America. Welcome to the committee.

STATEMENT OF RICK WEIDMAN, VIETNAM VETERANS OF AMERICA

Mr. WEIDMAN. Thank you, Madam Chairwoman and Mr. Chairman, and all the distinguished members of the committee. I also serve, ma'am, as chairman of the Task Force for Veterans Entrepreneurship.

The right to, and we would suggest, to an earned benefit of the three percent in all federal procurement derives from the Fourteenth Amendment to the Constitution which certifies veterans' pensions and set aside. It was originally put in there following the Civil War, having to do with the famous 48 acres and a mule. There are no longer land grants that can be given to veterans, but a ceratin percentage of federal procurement, and yet it has not happened.

In regards to Vietnam Veterans of America, and everyone who has looked at this who anticipates in the Task Force for Veterans Entrepreneurship, the best darn readjustment program we can ever provide to a returning man or woman from Operation Iraqi Freedom or Operation Enduring Freedom is meaningful work at a living wage. For many, that will mean taking a job working for someone else, but for many others, not only the best option but often the only option for profoundly disabled veterans is self-employment and/or mini-business or micro business.

In regard to helping them get to that point, it is not just the procurement aspects of Public Law 106-50 or Public Law 108-183 that are important. There was originally, and Mr. Talon's draft bill, H.R. 5668, a provision that would have been similar to the Jobs for Veterans Act that would have given veterans priority in every single program offered by the Small Business Administration and other programs funded through the Small Business Administration. We would suggest that the committees revisit that particular proposal.

In regard to the problems outlined this morning having to do with getting on a GSA schedule and actually getting business once

one is on there, changing the word "may" to "shall" in the law, and making sure that the original intent, which we believed, and in talking to the people who actually drafted to the members anyway, not the staff, the intent was, we know, to provide both sole-source and a disabled veteran competitive reserve in Public Law 108-183, and all of those things need to be clarified in the law in order to move forward.

Two other things of note—three other things of note if we may. First is that the mentor-protege needs to be expanded beyond DOD, and require agencies to fund it.

Secondly, everyone is looking for some leadership by example from the Small Business Administration, which has been sorely lacking. Quite simply put, currently, to our knowledge, there is not a single service disabled veteran contract with the Small Business Administration. They simply have no moral standing to go to the Department of Transportation or the Department of Defense or anyone else and say you have to do a better job because you are not doing a good enough job when they have none themselves, and that has been true the last three fiscal years.

Similarly, in terms of leadership within the agency of concentrating on veterans, particularly service disabled veterans, while we are at war, while we are at war and have troops in the field, it is not too much to ask for both—for the Small Business Administration to concentrate on reaching out to those returning home to Walter Reed and to the other 24 military medical facilities around the country, and yet it is not happening.

Recently, and in response, we believe, to the scheduling of this oversight there finally was an individual appointed to assist with federal procurement in the Office of Procurement Compliance within the Small Business Administration, but she has no staff. She is very fine, and a veteran herself, air force veteran, but without even any administrative help there is going to be a very limited amount that she will be able to do.

We believe that would only happen because of this oversight hearing. One of our long-term members have suggested that perhaps every other month this committee, these two fine committees should schedule an oversight hearing in order to keep it on a roll, to have SBA to perform the duties that they are paid to do on a daily basis, and I know that that is not possible, Mr. Chairman and Madam Chairwoman, but something on that order in terms of continuous oversight is needed.

Part of that continuous oversight, we would bring to your attention a bill that has been brought by Senator Snowe and co-sponsored by colleagues on the other side of the aisle in the Senate that would re-authorize and mandate the Small Business Administration to have the advisory committee on veterans' business development rechartered and continued as a way of continuing that oversight and pressing within the SBA itself.

I see my time is up, and I would be pleased to answer any questions that I may. In regard to the Veterans Corporation, if I may have one final note.

It has been a very checkered history since August of 1999 in regard to the Veterans Corporation. It seemed like the fates and the forces raid against this corporation, this semi-public corporation,

were something straight out of Odysseus, and yet somehow it has survived to this day. It is something that has caused great controversy within the veterans community, and within the task force as to whether or not it should be supported or non-supported.

The only comment that I would make at this time on behalf of VVA and of the task force is that somehow, some way, if they can succeed, we wish them all the best, and would support them in that. There are too few hands and too few minds and too few resources trying to assist veteran business owners and disabled veteran business owners for any dissention within the community now, whether partisan or otherwise, and therefore anything that you can do to assist that corporation to succeed and assist the community to pull together would be most welcome.

And then one last thing is we suggest, we have suggested in the past a convocation to deal with returning veterans. Perhaps a convocation, if you will, to deal with both the work aspects and self-employment/min-business is for returning veterans in particular, but for other disabled veterans as well, but particularly for the young men and women who are in the field today is needed so that we are prepared to make sure that, frankly speaking, as a Vietnam vet, they do not get all scared up like we did when we came home.

Thank you very much, Madam Chairwoman and Mr. Chairman.

Chairwoman MUSGRAVE. Thank you for your testimony.

Ms. Hooley, do you have any questions at this time?

Ms. HOOLEY. I do. Thank you very much. First of all, I indicated that none of our witnesses were holding back or not being able to state exactly what they think, as I look at this map where you have got the research centers and educational centers, I will make maybe one small comment.

They are not in—excuse me, and when you look at what happened on the west coast, if you live in Washington and you need to deal with anything on the west coast, you are traveling somewhere between 15 and 1800 miles, so it is a fair distance to any of these centers, and I hope that we could eventually change that.

The question I have, Mr. Blackwell, in your testimony you focus on training opportunities for the Veterans Corporation provides to small businesses and the assistance you give them in getting off the ground.

What kind of assistance does the Veterans Corporation provide with any training or assistance specifically on securing government contracts and navigating the procurement process?

I mean, I am really worried that it is—I think it is, as we had one witness talk about, that it is very difficult to get through the procurement process, and how much training do we do with them?

Mr. BLACKWELL. The direct answer to your question is absolutely none. Our charter is entrepreneurial education and training, although I have been speaking with our representatives, or ex-officio members of our board at DOD, VA, and SBA on how we might assist them, particularly as we move into an electronic format with the availability of courses that relate to getting folks ready to par-

ticipate in government procurement contracts. But we do not provide any direct training or education in that area.

Ms. HOOLEY. Let me ask a question of any of the witnesses. Do we do—I mean, we have got this law that says we have to have three percent procurement for small business, we say 23 percent, what kind of training do we do of our procurement officers so that they understand that they need to look at small businesses and small veteran businesses? Anyone want to answer that question?

Mr. RAMOS. Yes, ma'am. In the Department of Defense, we anticipated the enactment of the statute and the regulation, and also the President's executive order. And we have already included a first-ever course at the Defense Acquisition University that incorporates the information relative to service disabled veterans and veterans across the board. That course is available to all of our contracting officer, program managers, and we are also planning, if we have not done this already, is making it virtual so that they can be accessed, and we have already had veterans with the Veterans Corporation.

Because if you would look at our demographics where our veterans are spread, they are pretty much spread-out through the southwest, California, the south, the southeast, and they are clustered right around this area because of obvious reasons. So I think if we were to focus our attention, it would be where that population of veterans are in the CCR that are currently performing contracts which has a close relationship to where our industrial base is located throughout the country, and it is also, by the way, we have a good share located in Colorado and in Washington.

Ms. HOOLEY. Mr. Denniston, how long do you believe it will be before the VA has fully implemented their strategic plan, and have you see any benefits or results from the steps that the VA has already taken?

Mr. DENNISTON. The strategic plans are relatively new. I think we need some time to implement that. As I said before, I am optimistic. I believe that with the steps that we have taken with the strategic plan, that we will make the three percent goal within the next year. I fully believe that.

Back to the question that Frank responded to, your question about training. The best resource, in my opinion, for training small businesses, particularly service disabled veterans, in doing business with the federal government is the Procurement Technical Assistance Centers that are funded by DOD, about 100 of them around the country, and we work very closely with them.

We have had outreach conferences in 35 of the 50 states over the past three years to reach out to service disabled veterans, to get them excited about doing business with the federal government. Quite frankly, there is fear, if you will, of doing business with the federal government and being wrapped up in the bureaucracy.

Ms. HOOLEY. Right.

Mr. DENNISTON. And the red tape, and somehow we have to overcome that, and have veterans understand that working with the federal government, yes, we are a large organization, but if you take the right steps you can be successful, and we have found that the Procurement Technical Assistance Centers to be very beneficial in doing that.

Ms. HOOLEY. Thank you. Thank you all for testifying today. Yes, Mr. Weidman?

Mr. WEIDMAN. There are a number of testimonies here today, including the one having to do with the meager number of disabled veteran business owners, it is really the number of identified service disabled veteran business owners. Many do not self-identify, particularly to the federal government.

Their experience is they do not know about this program, they do not know about the law, and basically they do not want anything to do with the government. They went into small business because they did not want to answer to folks, and they wanted as few bureaucratic things that they had to go through as possible.

The clusters that Mr. Ramos talks about, I agree that that is probably where they are identified, but that does not mean that is where the veteran-owned and service disabled veteran-owned businesses are. They are all over the country, and the veterans demographic is broadly reflective of the demographics of the country at large, by age, and therefore those who are in business and most likely to be in business, they are spread throughout the 50 states and other three jurisdictions.

If you have the contracts the veterans will come. Let me say that again. If you have the contracts and a realistic expectation without going to conference after conference, educational session after educational session, and spending that money and coming up still with no realistic expectation of getting a contract or a subcontract, which I can tell you many service disabled veterans are complaining hard to me and to others of us in the leadership of the task force that that is what has happened to them—

Chairwoman MUSGRAVE. Mr. Weidman.

Mr. WEIDMAN. —fewer and fewer people will identify.

Ms. HOOLEY. Thank you very much.

Chairwoman MUSGRAVE. Thank you. Mr. Lipinski, before we need to go, would you like to ask questions?

Mr. LIPINSKI. Thank you. The first question is for Mr. Blackwell. We—all of us here, not just myself—are concerned, and want to give help to veterans who are seeking to be entrepreneurial and start small businesses. But I am sure you would admit that the TVC has had problems getting going over the years. The five years are running out now.

Do you see—in your testimony, you suggest that you are looking for funding for four years. Do you see funding for only four more

years, or do you see it going on into the future, or do you think there will be a time when TVC will be able to survive on its own without getting the direct funding from the federal government?

Mr. BLACKWELL. I think your question is really the future of TVC as you look at a funding arm. I see it has a long-term partnership. I would like over time for the Congress to have less involvement in that. And if you look at the charts that I furnished you, one of the charts outlines on the left-hand side a number of foundations that w e are already receiving money for or have worked with. MOT is the current group that we look for in June.

The corporations on the right are corporations I am currently approaching for major grants, for short-term funding before September of $1.5 million, and long-term funding for $2.25 million.

If we are successful in our high net-worth individual contributions, the partnership for individuals, partnership for corporations and foundation, I think the burden that has been placed on the Congress will be lessened. But I do believe a long-term partnership with the Congress is an essential one for providing services to veterans long term.

Mr. LIPINSKI. Do you think that—I know that you have not been there very long, but do you believe you have a plan that is different from previous plans in terms of getting this—being able to get this outside funding, which seems to be—has been the plan all along, but has not really succeeded up to this point?

Mr. BLACKWELL. Yes, you are right. I have only been there almost 12 weeks, so I guess I am the new-be in the room. I do believe we have a strong plan. I believe the plan that Chairman Lewis put forth in December is a good plan. The strategy of getting out now and meeting with individuals and corporations is an active process that I am very committed to, and frankly, hope to have very positive results in the next 60 to 90 days.

Mr. LIPINSKI. Thank you. A quick question for Mr. Ramos. This could go on for a long time, I hope you can answer quickly. In terms of—what does, in general, force small businesses—what does the Department of Defense do to ensure that large contractors actually achieve their small business goals? And do you really see this being done efficiently, being done well? If you can answer it in two minutes or less.

Mr. RAMOS. Sure. Let me just get to the point of your question. A year ago—a little over two years ago when I first—no, when I came here, we had problems with that issue. We put on probation one of the major prime contractors of this country for not meeting their subcontracting goals with small business.

We now have at least six prime contractors that have stepped forward with Defense Contracting Management Agency to work on an initiative where we will identify service disabled firms that are already in our active contracting database, and we are going to share for the first time ever a cross-listing of all those firms for all the prime contractors to consider in part of their subcontracting

plan because if you have industries that you are successful in Department of Defense, the big topic is joint inter-operation ability, and these are the lessons learned out of Afghanistan and Iraq.

So we are pushing our veterans who have that experience so they can cross-cut into the other subcontractors—contracting opportunities with these primes.

Chairwoman MUSGRAVE. Thank you. We will break now to go vote, and we thank you for your patience. We will come back and continue our questions after we are finished voting. Thank you.

[Recess.]

Chairwoman MUSGRAVE. I have been a school teacher, and once you let the kids go, it is hard to get them back. At any rate, I am happy that we have been joined by my colleague from Florida, Ms. Brown-Waite, and Ms. Brown-Waite, do you have questions at this time?

Ms. BROWN-WAITE. Yes, I do. Thank you very much, first of all, for holding this hearing. I think it is a very, very important issue.

I have a question for Mr. Lopez.

Chairwoman MUSGRAVE. He is not here.

Ms. BROWN-WAITE. Okay. Well, I know he is not voting.

Mr. WEIDMAN. Madam Chairwoman, I am sorry. Mr. Lopez had to step out to the men's room. He will be right back.

Ms. BROWN-WAITE. That is fine. I have a question for both VA and Department of Defense, perhaps Mr. Denniston and Mr. Ramos.

What mechanism is actually in place for monitoring national and local procurement actions to determine progress toward some of the set aside goals that Congress has mandated?

Mr. DENNISTON. The first mechanism, which unfortunately is after the fact, is the Federal Procurement Data System where all contracts over $25,000 are input. I think the issue is one of market research and one of acquisition planning, and what we are trying to do is put in place mechanisms beforehand.

So as an example, one of the things that are Deputy Secretary, Mr. Mansfield did very recently was we sent a memo directing all acquisition offices to identify all of their procurements between now and the end of the fiscal year, and identify those that were good candidates based on the capabilities of the service disabled vet community in the area to identify using the mechanisms, the service disabled vets set aside, and we are still in the process of gathering those. But that is probably the best mechanism.

The other one, obviously, is awareness of the program from the standpoint of management responsibility and commitment.

Ms. BROWN-WAITE. Just as a follow up, what percentage of veterans who could qualify for this do you believe actually know about

the program? Is it well known in the veterans community, or is it one of those things that you continuously try to educate on?

Mr. DENNISTON. I think it is both. I think we continuously try. I think we have all had difficulty identifying service disabled vet businesses or service disabled vets that want to start businesses.

One of the things that we do every year, as you know, if you are on the rolls of VA as a service disabled vet you get a letter in January telling you what your disability compensation is going to be, because that goes up with the inflation factor, for the last four years in those letters we have had a paragraph that says if you are a service disabled vet business or if you are a service disabled vet thinking about starting a business, contact us in the Center for Veterans Enterprise, and that is probably the best mechanism that we have to get the word out to the entire community of service disabled vets.

Now, what happens is we get inundated with calls of people that want to have an issue, a veterans benefit issue, and want to get their disability compensation raised, and that is obviously not our area, but it is the best way we found to identify these 2.5 million service disabled vets.

Ms. BROWN-WAITE. Must be because they could not get through to my line first.

[Laughter.]

Ms. BROWN-WAITE. Just being facetious.

One of the other questions is the use of subcontractors by prime contractors. Tell me how you all, first of all, encourage it, and track it.

Mr. DENNISTON. Each agency in the way that we encourage it is going to be a little bit different. Obviously, we have got the requirements of Public Law 95-507 which requires a subcontracting plan.

The most effective mechanism, we believe, is having performance of past plans and goals, and a forward-looking plan as part of the evaluation criteria, because if large businesses know that their use of small businesses is going to impact on their ability for an award, they are much more serious about it.

What we have found in all of the subcontracting area is that the prime contractors do it, it is important to their customer. So we in the VA had a concerted effort to make sure that our prime contractors know that this is important to us, and it is the reason, in my opinion, that companies like Johnson & Johnson, like SAIC, are coming to us and asking for our help in identifying service disabled vets that they can use as subcontractors.

Ms. BROWN-WAITE. Madam Chair, just a follow-up question.

Chairwoman MUSGRAVE. Yes, go ahead.

Ms. BROWN-WAITE. If you were to quantify that, what percentage of subcontractors would you say actually are disabled veteran-

owned subcontractors? Could you give me like just a rough estimate even?

Mr. DENNISTON. As far as dollars or as number of companies?

Ms. BROWN-WAITE. Number of companies.

Mr. DENNISTON. Number of companies, I could not. Now, as dollars go, we are finding that our prime contractors pretty much mirror what we have done in the VA, which is about one percent of the total dollars. And it is interesting because what we find is it depends on the industry that we are talking about.

As an example, the information technology area where we know that we have got a lot of service disabled vets that can do that type of work, we get good participation. Contrast that with the pharmaceutical industry as an example where we know that pharmaceuticals is not even a small business arena because of the FDA requirements and the R&D costs and the timing involved. So we know as an example that that is an industry where we are going to have a real difficult time meeting our three percent goal.

Ms. BROWN-WAITE. Thank you. I see my time is up.

[The Honorable Brown-Waite's statement may be found in the appendix.]

Chairwoman MUSGRAVE. Thank you. Ms. Herseth, do you have questions?

Ms. HERSETH. Thank you, Madam Chair, and I would like to submit my opening statement for the record and just move to some questions for our witnesses today.

[The Honorable Herseth's statement may be found in the appendix.]

Ms. HERSETH. Mr. Blackwell, I understand you are new to your position and I appreciate your testimony today, and I could not agree more that the needs that we face today for veterans and service-connected disabled veterans are far different today than they were in 1999, and I know that we have had one-year extension in terms of the federal component of the funding for the Veterans Corporation.

And just to follow up on Mr. Lipinski's line of questioning, in anticipating after that one-year extension where the private money was going to come from other funds, in the event that we are not able to make some legislative changes pursuant to your request or your sense that an additional four years or some sort of permanent partnership with the federal government funding for services that you provide, in that event, whether through federal or private purses, would you recommend that certain of the Veterans Corporation activities be incorporated into the SBA, or the VA Center for Veterans Enterprise?

Mr. BLACKWELL. I guess I would go to Mark Twain, the event of my death has been—I think there are two answers.

The first piece is I really see a long-term partnership with the Congress as really an important, if you will, stamp of approval for this program, that Congress and private industry are involved.

In my meetings with private industry so far, the private corporations, one of the first questions they ask me is why is funding stopping for this important program, and why are we now being asked to pick up this mantle.

I think having Congress as a partner really says that Congress is very concerned about what is happening to veterans; that Congress is interested in these programs. So it makes the, if you will, funding sale to corporates and to high net-worth individuals a lot easier.

If this were just allowed to be a survival on our own with high net-worth individuals, corporations and foundations, the question is going to keep coming up, does not Congress care.

So even if it is a small amount of money, I think the imprimatur of Congress being an active partner and participant in the programs that we are providing is a very key piece.

Ms. HERSETH. Well, I appreciate that, and I tend to agree. I am not one who believes that just because certain programs are offering certain services that may be similar, that we should all of a sudden consolidate all of those programs because you are oftentimes serving different constituencies and different needs in ways that are effective that not all programs can do.

But along that line, is there some collaboration, some communication, you know, when I receive through the materials that we received today—

Mr. BLACKWELL. Right.

Ms. HERSETH. —and I received, you know, this handout, I have to imagine that given the constituency that you are serving, that there hopefully is some communication going on that would at least make the resources that are limited go even further if that communication exists.

Mr. BLACKWELL. I think if you look at what we have been trying to do over the last 12 plus weeks, we are really looking at where there are synergies, where there are matches of service. Working with both Scott and Frank's organization, we are combining a lot of the materials that can be combined into our entrepreneurial education training.

As regarding moving what we do into other arenas if we are not able to survive in our funding, I think the issue is that we focused on very veteranized modules to our education pieces, that sense of community that I talked about building is very, very important to the veterans who go through programs.

If you look at traditional courses offered by SBA, about 10 to 12 percent of the people taking those courses are veterans who did not identify themselves as veterans on the onset of that course. Having them go through a program with someone else going through SBA is valuable. Having them go through a program with other veterans is more valuable. The key to success in what we are doing

now is veterans helping veterans, veterans mentoring who have additional skills in business, who have the ability to long-term reflect on what it was like to start a business, the obstacles they overcame, the venues they pursued, and the avenues for success are all very key to helping veterans succeed in business.

Ms. HERSETH. Thank you, Mr. Blackwell. I appreciate your insights and your testimony.

Madam Chairwoman, could I follow up with a different question for a different member of the panel?

Chairwoman MUSGRAVE. Yes. As a matter of fact, I am going to offer another round, and I will just continue with you, please.

Mr. LOPEZ. Oh, great.

Chairwoman MUSGRAVE. For the two ladies that bothered to show up, we are going to give them a little more opportunity. Go ahead.

Ms. HERSETH. Thank you.

Mr. Salus, am I pronouncing that correctly?

Mr. SALUS. Yes, ma'am.

Ms. HERSETH. Okay. Could you explain the e-travel contract issues you are facing as a small business trying to compete for federal travel contracts?

Mr. SALUS. Yes, ma'am. The federal government spends $20 billion in travel. There are three prime contractors in e-travel, and that is IDS, Northrup Grumman, and Carlson-Wagonlite.

Of the three prime contractors, only one understands the travel business because they are in the travel business. My frustration is that Northrup Grumman knows how to send up missiles, IDS knows IT work, but they do not understand the travel business.

It is my frustration that these prime contractors are not looking at small businesses. I, myself, am a sub for a subcontractor. As a sub for a subcontractor, I have no—I do not get any credit with GSA. So taking eight months for me to be on the GSA schedule, I have no worth under GSA scheduling.

So the bundling effect, what we call bundling, is that these three prime contractors, they still work with the top large agencies for the travel. So the subcontractors, me being a sub for a sub, we have no credit. Yet we are still doing the work.

Ms. HERSETH. Thank you for providing an answer that I anticipated, I guess, but I wanted to make it for the record, and that is, and especially your experience, knowing the travel business and identifying what happens when you have these three prime contractors, and the services they are providing are outside of their sort of primary business. Then what happens when you do not have certain prime contractors that are either as familiar with the law, is willing to do what they could do in this case under the pro-

grams that we have established. So I appreciate you being here today.

Mr. SALUS. Thank you.

Ms. HERSETH. And your responses. Thank you.

Mr. SALUS. Thank you.

Chairwoman MUSGRAVE. Thank you, Ms. Herseth.
Ms. Brown-Waite.

Ms. BROWN-WAITE. Thank you, Madam Chairman.
This question, I think, is for Mr. Lopez. Mr. Lopez, in your testimony you state that the original Veterans Corporation Board of Directors did not appear to be adequately experienced to execute the corporation's mission.
In your opinion, has this changed, and could you describe the necessary attributes, skills, and abilities of future corporation leaders?

Mr. LOPEZ. Thank you. No, I do not believe the original—the veterans organizations proposed three of the leading executives in the country to be members of the board of the original Veterans Corporation. They were all rejected by the present administration has not being adequate, which kind of stunned us because we could not think of anybody more adequate.
One of the characteristics you are looking for if you are going to go to the private sector for money is you are going to look for people who have it, and people who can generate it. If you have a board of individuals who subscribe to the principles, but do not have the experience and do not know how and where to find money, which is what the Veterans Corporation did, you have a bunch of people who are working very, very hard, and getting nowhere.
Looking at the present board, I do not believe that the statute of the board is still sufficient to enable them to generate the necessary support from the private sector. It has to be a very, very high-level support in order to generate the type of money they need to make this program a success.

Ms. BROWN-WAITE. Just a follow-up question. Other than being rejected by the administration, were there reasons given and were the people who eventually were appointed, were they alternates? Tell me how we got into this situation, and let me just preface that with I know having served on boards, it is sometimes a very difficult situation to raise money regardless how great the cause is. And so I want to make sure that it is not just a situation of being unhappy with who was appointed.
So if you could give me some specifics in this area, it really would help me.

Mr. LOPEZ. Surely.

Ms. BROWN-WAITE. Thank you.

Mr. LOPEZ. The board was finally realized, the major part of the board, during the end of the Clinton Administration, and the President, President Clinton at that time took the position and made the statement that he felt that any advice he would get from the Congress in the legislation was "precatory", one of those words you never heard before and you had to run to the dictionary and find out what does that mean.

What it meant was I can accept it or I can reject it. I can listen or I do not listen, so I will do what I want to do.

Consequently, a lot of the individuals who were appointed to the board, in my opinion, were individuals who had perhaps been well meaning, but lacked those attributes that I referred to, and that is, they did not have access to the nation's philanthropy, or even to the nation's veteran leadership. So I felt those two things were missing. It would be almost impossible to carry the message forth. I am not a seer, but that is what I feel happened.

The message was not communicated, and it is a very, very difficult responsibility for this gentleman to try and pick up four years of flurry, and inability to connect. And now to try to restore it again, I do not know. I say in my remarks that I submitted that with some intense—let us say commission-type effort on the part of the Congress, perhaps, perhaps they can restate the message again, and with the fact that we have now a part of a tragic part of our history, and that is the war in Iraq and Afghanistan, this might be sufficient now to change the circumstances and perhaps make them able to reach that philanthropic community.

Chairwoman MUSGRAVE. Thank you, Ms. Brown-Waite. I especially appreciate you coming when Mr. Boozman could not return for the latter part of the hearing.

I just want to challenge the witnesses to tell me what you think is the most single important initiative for assisting the service veterans veteran-owned small businesses in federal contracting if I could just toss that out. Maybe you need to look at each other. What would you say it is?

Mr. LOPEZ. I think we looked at each other many times before. [Laughter.]

Mr. LOPEZ. If I may.

Chairwoman MUSGRAVE. Yes.

Mr. LOPEZ. I believe we are in the battle for the—as I say in my written comments—for the hearts and minds of the contracting officers. They have developed a mindset that responds to what they believe the Congress has authorized them to do, and they are very risk-adverse, and they feel comfortable with that particular mindset.

And getting them to change is very, very difficult, especially if it puts them into a population which, if you take a look, they have never served before. This is service disabled individuals who use a

very word "disabled". You have an implication there that these people are not competent. This frightens the contracting official.

The procurement executive in the agencies, and as the President did in his executive order, must be very, very firm and say I want this done, I want it done now, and the Congress must repeat that. We want this done. We are serious about it. We want it done now.

Our guys are dying at the rate of 1,100 a day. Before long the window of opportunity is going to close on its own, and you will have a program that may reach the successes that these gentlemen refer to in terms of form and substance, but there will not be any takers.

Mr. RAMOS. If I may from the Department of Defense. I differ a little bit with Mr. Lopez. I think the contracting officers in the Department of Defense are attempting to do the so-called right thing.

We are different in many respects from the civilian agencies because we have a different mission, and that is to make acquisitions for the warfighter. So that contracting officer has to consider all of the offers or considerations that may be before them, including veterans and service-disabled veterans.

Ultimately in their market analysis in making a consideration, they will consider the best opportunity for the warfighter in terms of that acquisition decision.

Now, the other thing that we have in the Department of Defense that again is different from the civilian agencies is that we try to look and find the firms that fit into the industries.

I think if you look at what Mr. Lopez is saying we are losing 1,000 a day, I understand, of veterans, we kind of think those are the World War II veterans. We think we are looking at—in terms of our supplier base, the Vietnam-era veterans, and from that period on.

What is really interesting, and Congressman Lipinski who just left touched on something that I think we should—we are beginning to focus on, and that is the transformation of the Department of Defense in terms of its requirements from lessons learned in Afghanistan and Iraq.

The veterans that we see coming from Iraq and Afghanistan will have a different knowledge base, particularly in the technology area that we are seeking. And things have changed since 9/11, and it does not affect the veterans so much, but I think it is a commodity that they can sell. They have an ability to sell their security clearances. I believe this is what Congressman Lipinski said. That is a valuable commodity that we are trying to build upon with respect to their experience base.

We are having a conference on June 20, which is the first one for the Secretary of Defense, along with the other military components, where we are sold out, we have 500 registrants and they are already sold out. And we are bringing individuals from the Veterans Administration, Secretary Perry from GSA, the ethics officer from inside of the Department of Defense, and a number of keynote speakers. We are having Everett Alvarez, one of our longest captive prisoners of war, to talk to them because he is a successful businessman, and we want him to talk with candor about what it is to be a successful businessman in the Department of Defense.

So again, that is just a quick perspective of what we are trying to do.

Chairwoman MUSGRAVE. Well, I thank you. I have a son who is serving in the military right now, and in a matter of weeks we will add a son-in-law to the family that recently got home from Afghanistan. So as we approach Memorial Day, I just want to express my love and appreciation to veterans. We have a couple of World War II veterans in the family as well.

You know, we lose about a thousand a day. Those in my family are heroes to all of us, and Korean War veterans too, the forgotten war, if you will. So these veterans' issues are very near and dear to my heart, and I thank you gentlemen for your excellent testimony today, and I thank my colleagues for their participation, and this meeting is adjourned.

[Whereupon, at 11:46 a.m., the subcommittees were adjourned.]

May 24, 2005

OPENING STATEMENT

CHAIRMAN MARILYN N. MUSGRAVE

SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

COMMITTEE ON SMALL BUSINESS

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

Almost six years ago, the President signed into law the "Veterans Entrepreneurship and Small Business Development Act." This Act created the National Veterans Business Development Corporation (familiarly known as "The Veterans Corporation") "to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources."

The Veterans Corporation is presently providing services to veterans that include: entrepreneurial training, community-based initiatives, credit cards, insurance, and veterans' outreach. September 30, 2005 marks the end of federal funding and after that date the corporation must become self-sustaining.
At this hearing, we hope to learn of the steps that the Corporation is taking to ensure that it will continue to provide services to veterans when federal funding ends. And answer the question: Can the Veterans Corporation exist without federal funding?

Four years later, the "Veterans Benefits Act of 2003" established a procurement program for small business concerns owned and controlled by service-disabled veterans. The procurement program permits federal agencies to sole source contracts and restrict competition to service-disabled veterans.

One of the reasons that the program was established was because buyers for federal agencies expressed the view that they needed a set-aside program to meet the 3 percent statutory contracting goal for service-disabled veterans contained in the Small Business Act.

To date no major department or agency of the federal government has met the goal, and most such departments and agencies are woefully short of meeting the goal. I ask you why has that occurred? I hope that this hearing will energize federal agencies to meet their statutory obligation.

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

Again, welcome to this hearing. I yield to my colleague, Chairman John Boozman, for his opening statement.

THE HONORABLE JOHN BOOZMAN

CHAIRMAN
COMMITTEE ON VETERANS AFFAIRS
SUBCOMMIITTEE ON ECONOMIC OPPORTUNITY

JOINT HEARING ON OPPORTUNITIES FOR VETERAN-OWNED BUSINESSES

OPENING REMARKS

Mr. Chairman, thank you for inviting us to participate in this joint hearing. Providing Opportunities for small businesses owned by veterans is a very important topic.

We all know that small business is the engine that drives the economy and we want to make sure that small businesses owned by America's veterans are not shut out of any market sector by unfair competition from special interest groups.

The special assistance we can give the men and women who have worn the uniform has been earned. There is no group in this nation that should have a place in line for any opportunity to succeed ahead of our veterans. I dare anyone who believes otherwise to go into the streets and alleys of Iraq with our troops, look them in the eye and tell them they should take a back seat to someone who has never put themselves at risk for the nation.

Mr. Chairman, at our recent round table on veterans' entrepreneurship, which Chairman Bradley was gracious enough to co-sponsor with us, I noted that veteran business owners should not fall into the trap of depending on federal set asides for their success. While I fully support a mandate to federal agencies to set aside a small portion of their contracting opportunities for veteran-owned businesses, the private sector offers a broader, and often less complex avenue to success. I still believe that.

Mr. Chairman, thanks again for offering to bring us together today and I am eager to hear from our witnesses.

Congresswoman Brown-Waite - Opening Statement
Joint Hearing: Economic Opportunity with the Committee on Small Business, Subcommittee on Workforce, Empowerment and Government Programs: *"How are our Veteran-owned small business owners being served?"*
May 24, 2005 / 10 a.m. / 311 CHOB

Thank you Chairman Boozman and Chairman Musgrave for holding this important joint hearing of the Veterans' Affairs Economic Opportunity Subcommittee and the Small Business Workforce, Empowerment, and Government Programs Subcommittee.

Today's hearing promises to be a powerful discussion of the vital services available to veterans after service to our country.

Veterans face many challenges after being away from home.

Not only must they reconnect with family and friends, but our veterans often must also cope with the mental and physical scars of service.

Many of these veterans find themselves with employment problems because of their new service-connected disability status.

For these veterans in particular, their best option in continuing to provide for their family is to start their own small business.

As such, veterans' small business assistance programs are a lifeline to veterans.

The Government-Wide Procurement Program for Service-Disabled Veterans and the National Veterans Business Development Corporation both provide programs that help veterans develop a small business.

However, as Mr. Salus aptly points out in his testimony, there is great room for improvement.

The procurement program currently in place is accompanied by a 3% contracting goal that no major agency in the government has achieved.

Our Subcommittees recently met in a roundtable discussion on this very topic, where we heard from several agencies on their progress toward meeting this goal.

I was surprised and saddened that many veterans at this meeting recounted stories of hurdles at every stage of the process.

In particular, veterans experience long waiting times for approval on the GSA schedule.

Once they are finally registered, there is still no guarantee that a veteran-owned business will be chosen for a contract.

Congress emphasized the importance of meeting this 3% goal in the Small Business Act.

I would appreciate hearing from the VA and DOD as to the specific measures you are implementing to not only meet, but to exceed this 3% goal.

Again, thank you all for attending today, and I look forward to hearing your testimony.

The Honorable Stephanie Herseth
Ranking Democratic Member – Subcommittee on Economic Opportunity
House Committee on Veterans Affairs
Oversight Hearing on Veteran Small Businesses
May 24, 2005

Thank you Chairwoman Musgrave, Chairman Boozman, and Ranking Member Lipinski. I am pleased to join you all here today and I want to thank the Small Business Committee for inviting us to participate in this joint hearing.

Small businesses are critical components of state economic development plans – especially for rural states like South Dakota. Indeed, small businesses contribute greatly to the nation's overall economic landscape and I firmly believe veterans, through their sacrifices, have assisted in the preservation of this important economic sector.

Starting and growing a small business can be a difficult challenge. In the Economic Opportunity Subcommittee, I would like to work with the Chairman on focusing our efforts on assisting veterans in preparing for and beginning such a challenge.

I am pleased that today's hearing will offer us an opportunity to focus on recent legislative initiatives aimed at improving veterans' and disabled veterans' small business training and development opportunities. Specifically, I am very interested in hearing how veteran small business owners perceive the effectiveness of our legislative actions, as well as how the federal agencies have implemented the new contracting authorities.

I also want to welcome today's witnesses. I appreciate you appearing before us today, and look forward to your testimony.

Thank you.

The
Veterans Corporation
Capital • Training • eCommerce • Services

Statement of

Walter G. Blackwell
President/CEO
National Veterans Business Development Corporation

Before the Joint Hearing of the

Subcommittee on
Workforce, Empowerment and Government Programs
Committee on Small Business

and

Subcommittee on Economic Opportunity
Committee on Veterans' Affairs

United States House of Representatives

With Respect To

The Status, Impact and New Directions of The Veterans Corporation

Washington, D.C.

May 24, 2005

THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION
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Mr. Chairman and Madame Chairman, Ranking Members and Members of the Subcommittees, I thank you very much for holding this hearing and for the opportunity to discuss Veteran entrepreneurship, Veteran small business ownership, and economic opportunity and development by and for Veterans, as well as the National Veterans Business Development Corporation ("The Veterans Corporation"). In your invitation to testify, you asked me to answer two specific questions with regard to the Corporation: "...Is The Veterans Corporation providing those entrepreneurial services envisioned in the Act and needed by Veterans?" "Will the Corporation survive without federal funding?" I will address both of these questions in my testimony.

In December 2004, our Board Chairman, The Honorable Edward G. Lewis, briefed the Congressional Staff on TVC's past accomplishments and future plan for program offerings to the Veteran entrepreneurial community. Our mandate outlined in PL 106-50 is to provide Veterans, including Service-Disabled Veterans, the knowledge, tools and resources they need to start and expand successful small businesses. This means providing access to entrepreneurial education and training, entrepreneurial mentoring and counseling, capital, and other business services.

The TVC Board-approved FY 2005-2009 Strategic Plan is provided in Attachment A to this statement. Concept Papers for the Corporation's two major strategic initiatives, the National Veterans Entrepreneurial Education Initiative and the National Veterans Community-Based Organization Initiative, are also provided in Attachments B and C.

We believe Mr. Chairman and Madame Chairman, that you and your colleagues in Congress will understand through this testimony that Veterans' needs in 2005 are far different than those imagined in 1999. World events have prompted us to expand our definition of Veteran, to include those soldiers, sailors, airmen and marines who are serving on active duty as well as those in the National Guard and Reserves.

TVC has taken this action because we know that there is significant stress currently being placed upon tens of thousands of Guard and Reserve members whose prolonged deployment on active duty is having a dramatically negative impact on their family businesses. According to the Department of Defense estimates over 45% of the current officers and 55% of the enlisted personnel have significant problems in their business enterprises. And over 5 million Veterans with Service Related Disabilities are served by VA hospitals every year with a majority having trouble finding or returning to prior employment upon discharge. These are only a few examples of how times are different. We will underline these statistics later in this presentation with statements from the active duty military currently enrolled in an entrepreneurship course now being offered in Iraq.

To fulfill TVC's Strategic Plan and to respond to this educational mandate, we have developed a plan with three bases to leverage existing educational institutions, to partner with strong community organizations, and to build our own centers where Veterans are without needed services. We have established eight regional education centers across the country, four in conjunction with existing SBA Small Business Development Centers (SBDCs) including the Wharton School Business at the University of Pennsylvania in Philadelphia, The University of Georgia in Athens, The Office of

Economic Development and International Trade in Denver, and Southwestern College in San Diego. Four are represented by independent 501(c)3 organizations: BigAustin in Austin, the Northeast Veterans Business Resource Center in Boston, the Michigan Veterans Business Resource Center in Flint, and the St. Louis Veterans Business Resource Center. These regional education centers deliver entrepreneurial education and mentoring across the broad continuum of issues from start up to succession management for Veterans, including Service-Disabled Veterans. At the national level we have initiated an e-learning pilot program that will reach even more underserved Veterans in need.

This "Coast-to-Coast" methodology interfaces with and delivers programs, products and services to more than 10,000 Veterans, as our initial goal in FY 2005, as summarized below and detailed in Attachment D. A map showing each of the regional hubs is included in Attachment E.

Education Goals and Activities for the 2005 Fiscal Year by Region

	Goals	1-Nor East	2-Mid Atlantic	3- So East	4- Gr Lakes	5- So West	6- Mid West	7- Rocky Mtn	8-West	Total
Traditional Courses	1625	133	122	604	47	14	17	1097	51	2085
Innovative Vet Modules	2020	192	26							218
Events/Seminars	5905			10		11				21
Mentoring/ Counseling	3750			506			187	451	52	1196
On Line	600									
Total	13900	325	148	1120	47	25	204	1548	103	3520

It is important to note that the chart illustrates the result of a new business model where a TVC grant based system is used that piggybacks upon existing educational and community organization infrastructure. The result is that we are reaching three times the number of Veterans in the first months of the new educational plan compared to FY 2004 annual performance. While enrollments/new course starts are cyclical within quarterly intervals, this data also demonstrates a 129% increase in enrollments for traditional courses above the FY 2005 goal.

The following is a summary of the Corporation's educational and community-based organization programs.

I. National Veterans Entrepreneurial Education Initiative (NVEEI)

"It's just the knowledge that you aren't by yourself. To know that there is a group of Veterans who understand what you need and are pulling for you rejuvenates you. Because of our mentors and the education program, doors are opening up for us. What we have gained...is priceless."

Terry Hawkins, Vietnam Veteran

Each of the Corporation's regional education centers lead entrepreneurial learning activities in their metropolitan areas and surrounding states. Business courses are taught on a regular basis to meet a mosaic of Veteran needs from new business ideas to mature business market niche development. Independent seminars are held on hot business topics, and modular approaches make piecing together just-in-time programs effective for Veteran adult learners. Veteran business mentors are the centerpieces of the program. Vets teaching Vets with real world experience in successful business strategies is key to the unusual success of our National Veterans Entrepreneurial Education Initiative. Veterans are served by a cornucopia of education strategies that support the

Corporation's extraordinary success rate of over 63% for new business start-ups (data gathered from selected TVC program administrators for Kauffman FastTrac courses).

The Corporation's successes in face-to-face entrepreneurial education are now being enhanced and expanded to the entire Veteran community via the web. An exciting current project involves active duty military taking courses from Iraq that are being run by our Northeast Regional Veterans Business Resource Center in Boston (for pictures, see Attachment F). This program requires only a Windows-based personal computer and an Internet connection. No training or prior online meeting experience is needed. The meeting organizers control all the activity directly from their own PC, quickly and easily exchanging ideas with participants anywhere in the world. The classes are twice per week. Classes are currently on Monday evening at 5:30-7:30 EDST and Tuesday mornings 6:30-8:30. These times have been adjusted in an attempt to allow US-based guest speakers a greater opportunity to participate in this program.

The first two classes held this week were an enormous success. Some of the immediate feedback from participants:

> *SFC Richard Guzofski "Thank you for this opportunity, these guys have been looking forward to this ever since we started putting it together, we are all very excited. They are willing to give up some of their sleep time to attend this training".*
>
> *SPC David Posluszny – "I just finished your first class today. I'm in Iraq with the 1-102 FA. I have two more years of college at U Mass Amherst taking "Building Materials and Wood Technologies". . I want to be a general contractor specializing in highly energy efficient designs, and this course will take me to my dream!*

These comments clearly demonstrate the changing needs of today's service men and women as they think about their transition home to businesses that they want to dream about. The Veterans Corporation is becoming a central part of that dream and a

vehicle for literally leapfrogging over the barriers presented to Veterans as they return home to the U.S.

While I have been on the job less than twelve weeks, I have been working with our Board and staff to initiate the restructuring of our web presence to include an intuitive and completely interactive set of entrepreneurial education offerings for the entire Veteran community. The TVC web site will be simple, service-oriented and interactive for all who come to us for a wide range of services. Imagine a service mall in which the stores are different programs and services and the user can enter these stores and browse or shop for a variety of needed items. These changes bring TVC's services to the Veteran community in a 21st century format.

Part of that restructuring is the creation of an e-learning pilot titled: ***Veteran Access to the American Dream***. The pilot begins in early June and will continue for three months (pictures can be found in Appendix F). This exciting new educational offering gives The Veterans Corporation the ability to reach significant numbers of underserved Veterans in VA hospitals, returning Guard and Reserve units, currently transitioning servicemen and women as well as large rural and minority Veteran populations. There are three pillars of Veteran entrepreneurship education: Basic Skills, Business Skills, and Career Skills. Courses and modules will be delivered from our website. These skill courses will provide Veterans with a first-of–its-kind capability to deliver any of a wide range of competencies from marketing to applying for a business loan. Sites include Fisher House and the Walter Reed Hospital System in the Washington Metro Area, Central Texas from Houston through Dallas to Waco, Tampa-St. Petersburg and San Diego. The pilot will serve a minimum of 5,000-10,000 Veterans

and Service-Disabled Veterans. The roll out on materials for the first year in 2004-2005 will include many different types of modules and assessment and measurement strategies as well as active mentoring components.

A few of the potential targets in our plans are:

- E-learning delivered into the 3 largest VA hospitals systems that serve 2 million Veterans annually
- Reaching the largest concentration of identified Veterans in the world – 400,000 potential entrepreneurs in a pilot target group in 2004-2005
- Actively teaching in the 3 largest transitioning troop cities – 100,000 troops returning – 20,000 potential Veteran entrepreneurs in 2004-2005
- Working with the 3 largest Guard and Reserve Centers including over 50,000 service men and women

The Veterans Corporation accomplishes this by partnering with the Ewing Marion Kauffman Foundation (First Step and Planning Your Entrepreneurial Venture will be transformed for website use), the Small Business Administration and its Small Business Development Center network, the Department of Veterans Affairs, the Department of Defense, WestHall Alliance, many community colleges and universities as well as many other private organizations and government agencies. The best of the best educational courses and services will now be offered to Veterans on-line. Through these partnerships Veterans can be served worldwide through an entrepreneurial educational continuum supporting all Veteran learning needs for their entrepreneurial endeavors.

II. National Veterans Community-Based Organization Initiative (NVCBOI)

The Center *"was my champion for change when I needed one. This group can go places effectively that the rest cannot."* Lawrence F. Kuberski, President, Gateway Tool and Cutter Grinding Services, St. Louis

We are also building community-based Veterans Business Resource Centers to deliver various programs and services. Our first center in St. Louis has been a huge success. Data showing the wide range of services and the successful mentoring of many underserved Veterans is demonstrated below with additional information in Attachment E.

St. Louis Veterans Business Resource Center Service Information

Time	Client Services			Type of Business		Special Client Groups			Ethnicity	
	New Clients	Email Assistance	Follow-up Visit	New	Old	Service-Disabled	Other Disabled	Guard/ Reserve	Minority	White
Q1*	59	39	8	51	8	8	15	3	34	25
Q2	28	47	60	16	12	12	5	3	18	10
Q3	41	123	62	29	12	15	13	3	18	23
Q4	15	49	66	8	7	1	1	0	8	7
Total YTD	143	258	196	104	39	36	34	9	78	65
% of Total	24.00%	43.20%	32.80%	72.70%	27.30%	45.60%	43.00%	11.40%	54.50%	45.50%

*Q1: Jun-Aug 04; Q2: Sep-Nov 04; Q3: Dec 04-Feb 05; Q4: Mar-Apr 05

In addition, we have spoken with many of the clients, who uniformly express deep satisfaction and gratitude for these services, as reflected in the comments of Rodney Davis, a Service-Disabled Minority Veteran:

"Most people would not believe the success we have had, considering we have only been in business for eleven months. Even I don't believe it sometimes. But we owe our success to TVC services and mentoring. You can't quantify the value of what we learned, and it truly has been the key to our success."

The Veterans Corporation plans to develop Veterans Business Resource Centers (VBRCs) nationally based on our successful initial experience in St. Louis. This VBRC

serves as one of several potential models for individually tailored, community-based service centers that will serve Veterans of all types with a focus on entrepreneurship, market promotion, raising capital, networking, community development and leadership. The centers will be the centerpiece for a Veteran community advisory board and a network of skilled service providers and mentors. They will spearhead assessment, access to education and training, business incubators, and mentoring. They will support Veteran small business owners who have been called upon to serve their country for extended time periods. Most of all, they will be the major drivers in the national Veterans network for community economic development. The Veterans Corporation is looking at other cities including Austin, Atlanta, Boston, Denver, Philadelphia, San Diego, and Flint, Michigan.

The St. Louis model was built on the six activities or pillars of The Veterans Corporation:

> **Access and Assessment** – VBRCs will serve as "concierge" for the local Veteran community, providing access to ideas and services, and conducting ongoing assessments that will identify gaps in local business services, and designing a local program that provides specific access to education, tools, technology, capital, services, mentorship, networking and markets.
>
> **Business Incubators** -- All of the providers and participants of the Corporation's current programs across the nation think that business incubators are a significant element of the success of new entrepreneurs. Most of them have so little infrastructure that access to a copy machine and a computer loom as large obstacles to success. Incubator space for a wide range of types of business starts will be an important base for economic development.
>
> **Community Leadership/Advocacy** – VBRCs will serve to galvanize community leadership with new energy and ideas from Veteran leaders who will work together to transform community economic development into an engine for enterprise and local prosperity.
>
> **Entrepreneurship Training/Counseling** – VBRCs and affiliated groups will conduct entrepreneurship seminars and work with e-learning programs, business

plan development, product development, marketing that includes E-commerce, public and private procurement, legal assistance, accounting, insurance, licensing and certification, and technologies.

Networking – VBRCs will form a national network that provides a constant flow of new ideas and best practices into community development efforts. These networks will include a wide range of business leaders and affinity groups as well as core Veteran organizations.

Mentoring -- Leaders from the business community will do one-on-one mentoring as an integral part of the activities of the VBRC. This will add an important element to the spirit and spread of the entrepreneurial movement. It is equally important to support peer mentoring, because the best network, as attested to by current customers of the VBRC, is often one another and in the case of Veterans, is essential to success.

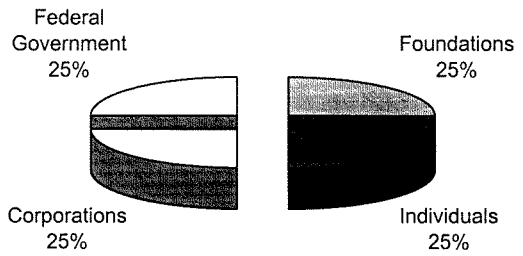
This is the most aggressive agenda, in both entrepreneurial education and local service delivery, that The Veterans Corporation has established. The vision and mission of The Veterans Corporation remains keenly focused on growing a strong base of Veteran entrepreneurs who, with knowledge gained through their time in service to our country, their discipline and strong work ethic, will become a dynamic driver in the economic development and growth of our nation. Today, The Veterans Corporation is delivering strong, "Veteranized" programs and services and will continue to build and strengthen this dynamic agenda and to reach out to many more entrepreneurial Veterans, including Service-Disabled Veterans.

The current challenges before TVC are a budget shortfall for FY 2005 and future funding for FY 2006 and beyond. While Congress provided the initial funding for The Veterans Corporation, it was envisioned that TVC would, over time, become self-funding. The reality TVC faces today is that without an immediate infusion of cash from the Congress, individuals, corporations and foundations TVC will be forced to close its doors October 1, 2005. My staff and I have taken a number of positive steps to address

this challenge. We are aggressively pursuing all funding avenues available to TVC in an effort to maintain programs and services to the entire Veteran entrepreneurial community.

Our plan builds on a platform of public and private partnerships that enhance and expand needed programs and services. To date TVC has prepared and submitted foundation grants totaling $30 million, with another $20 million in grant applications in the process of being written. We have initiated an outreach to "high net worth individuals" and to public and private corporations with an interest in assisting Veterans. We are also planning local special event fundraising and friend raising events in major cities where TVC has Education hubs or Veteran Business Resource Centers.

TVC Self-Sufficiency Partnerships



And perhaps most importantly TVC is in the process of reducing back office costs and is consolidating and reorganizing its staff. We are taking these steps because we

believe that when all is said and done, TVC needs funding of $2 million a quarter, or at least $8 million a year.

Mr. Chairman, Madame Chairman, I need to emphasize that the TVC Board and staff have prepared a plan for strategic partnerships to reach our goal of $8 million in annual funding. We cannot do it alone. We think that the partnership with the United States Congress is an ongoing one that is needed based on the changing needs of Veterans we have articulated in this presentation.

We trust that you and your colleagues in Congress now understand that the needs of Veterans in 2005 are far different than those imagined in 1999. The Veterans Corporation, now more than ever, is uniquely prepared to work with Congress and the private sector to address these urgent needs of America's Veterans in 2005 and beyond. I encourage the Congress to join TVC in a long-term productive partnership.

In conclusion -- I want to thank the Chairmen, Ranking Members and both Subcommittees for their past interest and support on these issues. You have our promise to work in partnership with each of you to deliver the critical knowledge, tools and resources our Veterans, their families, your constituents, so richly deserve to succeed in entrepreneurial endeavors in their communities across our great nation.

Thank you and I look forward to your questions.

Statement of Disclosure

The National Veterans Business Development Corporation is currently in receipt of Federal funding at a total of $14 million dollars (less recessions) for FY 2000 through FY 2005 pursuant to Rule XI 2(k)(2) of the Rules of the U.S. House of Representatives.

Appendix: The Veterans Corporation

Testimony of Walter G. Blackwell

Appendix A: 2005-2009 Strategic Plan

Appendix B: NVEEI Education Initiative

Appendix C: NVCBOI Veterans Business Resource Center Initiative

Appendix D: Education Initiative Data

Appendix E: National Map of Regional Education Hubs and Veterans Business Resource Centers

Appendix F: Visuals of the Iraq Course, the E-learning Pilot and other presentation slides

Appendix G: Data from St. Louis Veterans Business Resource Center

Appendix A

July 25, 2004

THE VETERANS CORPORATION

NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION

STRATEGIC PLAN

FY 2005-2009

I. VISION

The Veterans Corporation (TVC) will be the premier organization in the world assisting America's Veterans, including Service-Disabled Veterans, in creating and expanding their entrepreneurial endeavors and Veteran-owned small business enterprises by providing access to knowledge, tools and resources necessary for success.

II. MISSION

The Veterans Corporation (TVC) will:

A. Expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's Veterans.

B. Assist Veterans, including Service-Disabled Veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the Small Business Administration, the Department of Veterans Affairs, the Department of Labor, the Department of Commerce, the Department of Defense, the Service Corps of Retired Executives, the Small Business Development Centers, and the business development staffs of each department and agency of the United States.

III. CORPORATE GOALS

A. Become the **premier advocate** for Veterans, including Service-Disabled Veterans, in creating and expanding their entrepreneurial endeavors and their Veteran-owned, small business enterprises and in providing the President and the Congress an **Annual Report** on the Corporation's activities and accomplishments and on the efforts of Federal, State, and private organizations to assist Veterans in the formation and expansion of small business concerns.

B. Continue to implement a cohesive plan to **raise private funds** in order to become a **financially, self-sustaining** corporation and to achieve the Federally-mandated self-sufficiency requirement in accordance with Public Law 106-50.

C. Develop the **strategic vision** and provide proactive, positive, national-level, **strategic leadership** to build a coalition of private and public organizations in order to successfully implement the **National Veterans Entrepreneurial Education Initiative**.

D. Develop a **strategic vision** and provide proactive, positive, national-level, **strategic leadership** to build a coalition of private and public organizations in order to successfully implement the **National Veterans Community-Based Organization Initiative**.

E. Establish key **strategic business partnerships** with private sector organizations to support and enhance TVC programs.

F. Establish effective **strategic working relationships** with all components of Federal, State, and local governments that have responsibilities to assist Veterans in the formation and expansion of small business concerns.

G. Establish **effective alliances** with all Veteran Service Organizations to gain their support and commitment for TVC's programs, and to obtain their assistance in the successful implementation of these programs.

H. Develop and implement TVC programs which provide Veterans **access to knowledge, tools and resources** necessary to succeed in their entrepreneurial efforts and Veteran-owned small businesses.

I. Establish strategic venues for effective **business networking and knowledge sharing** opportunities for Veterans and Veteran-owned small businesses.

J. Establish and maintain a network of **information and assistance centers** for use by Veterans and the public, emphasizing and leveraging information technologies and the Internet.

K. Continue to implement a dynamic, positive **communications program and public relations plan** directed toward government agencies at all levels, private sector organizations, Veteran Service Organizations, Veterans, and Veteran-owned small businesses to highlight TVC's mission, goals and programs.

L. Continue to oversee a **Professional Certification Advisory Board** in accordance with Public Law 106-50 to **create uniform guidelines and standards for the professional certification** of members of the Armed Forces to aid in their efficient and orderly transition to civilian occupations and professions and to remove potential barriers in the areas of licensure and certification.

M. Develop and implement a **comprehensive plan**, and then to be updated annually, in cooperation with the **Advisory Committee on Veterans Business Affairs**, for **joint public-private sector efforts** to facilitate growth and development of small business concerns owned and controlled by Veterans.

N. Assume the duties, responsibilities and authority of the **Advisory Committee on Veterans Business Affairs** on October 1, 2004.

O. Administer the affairs of The Veterans Corporation through the Board of Directors, fairly and impartially and without discrimination in accordance with Public Law 106-50 as a federally chartered corporation incorporated under the laws of the District of Columbia, and **disburse TVC funds** in accordance with the purposes of NVBDC and approved by the Board of Directors.

THE VETERANS CORPORATION
FY 2005-2009 STRATEGIC PLAN

STRATEGIC PLANNING GUIDANCE – FY 2005

The following Strategic Guidance is provided to the Corporate Staff to assist in the development and implementation of Corporate Objectives and Initiatives during FY 2005 in support of the above stated Corporate Goals.

As noted above, the TVC Strategic Plan (Vision, Mission and Corporate Goals) is now focused on a five-year timeframe. However, the Corporate Staff will develop Corporate Objectives and Initiatives in support of the Corporate Goals appropriate for implementation during FY 2005 with the understanding that the individual Corporate Goals do not have to be accomplished within a one-year timeframe.

In order to effectively evaluate the Corporation's activities at the end of FY 2005, the Corporate Staff is also directed to develop very specific performance metrics for each Corporate Objective and Initiative, which is developed for implementation during FY 2005.

Achieving all Corporate Goals is important to the future success of The Veterans Corporation; however, some Corporate Goals are more important than other Corporate Goals in the short term.

The above stated Corporate Goals are therefore divided into the following three categories with the Extremely Important Category having the highest priority for level of effort by the Corporate Staff in developing and implementing Corporate Objectives and Initiatives and for the proper and optimum allocation of resources, including the need to consolidate and conserve our limited resources of time, money and personnel.

The new Corporate Goal, the National Veterans Entrepreneurial Education Initiative, should provide a comprehensive, all encompassing, high quality, lifelong entrepreneurial learning continuum, to include a wide range of formal and informal entrepreneurial education, training, networking, mentoring and counseling, and assistance in the most cost efficient & effective manner possible to as many Veterans as possible, including Reserve and Guard personnel, in full support of their entrepreneurial endeavors and small business enterprises -- from pre-Vet to startup to growth to maturity to ultimate entrepreneurial success.

The new Corporate Goal, the National Veterans Community-Based Initiative, should provide a comprehensive, all encompassing, high quality, community-based organizational environment at the local level, providing a cost effective and efficient local service delivery and support system, to include, but not be limited to, a wide range of formal and informal entrepreneurial education, training, networking, mentoring and counseling, and access to tools, technologies, capital, services and markets to as many

Veterans as possible, including Reserve and Guard personnel, in full support of their entrepreneurial endeavors and small business enterprises -- from pre-Vet to startup to growth to maturity to ultimate entrepreneurial success.

EXTREMELY IMPORTANT CORPORATE GOALS:

Corporate Goal B: Raise private funds; become financially self-sustaining

Corporate Goal C: Implement the National Veterans Entrepreneurial Education Initiative (This Corporate Goal will also encompass Corporate Goals A & E-J)

Corporate Goal D: Implement the National Veterans Community-Based Organization Initiative (This Corporate Goal will also encompass Corporate Goals A & E-J)

Corporate Goal O: Administer the affairs of TVC in accordance with P.L. 106-50

VERY IMPORTANT CORPORATE GOALS:

Corporate Goal A: Become the premier advocate for Veterans for their entrepreneurial and small business efforts

Corporate Goal E: Establish strategic business partnerships in private sector

Corporate Goal F: Establish strategic working relationships with Federal entities

Corporate Goal G: Establish effective alliances with all VSOs

Corporate Goal H: Develop & implement programs to provide access to knowledge, tools& resources

Corporate Goal I: Establish strategic venues for business networking and knowledge sharing

Corporate Goal J: Establish a network of information and assistance centers

Corporate Goal K: Implement dynamic communications program and public relations plan

IMPORTANT CORPORATE GOALS:

Corporate Goal L: Oversee the PCAB

Corporate Goal M: Implement comprehensive plan in cooperation with ACVBA

Corporate Goal N: Assume duties, responsibilities and authority of ACVBA

Appendix B

National Veterans Entrepreneurial Education Initiative Implementation Plan

January 24, 2005

Rationale

Many organizations in both the private and public sectors have provided and continue to provide various forms of entrepreneurial education and educational assistance that Veterans may use in support of their entrepreneurial efforts and small business activities. These organizations include The Veterans Corporation (TVC), SBDCs, SCORE, WBCs, MEPs, PTACs, VBOPs, DVA-CVE, SBA-OVBD as well as various university entrepreneurship programs, centers for innovation, and chambers of commerce.

> The strategic vision of the National Veteran Education Entrepreneurship Initiative (NVEEI) of The Veterans Corporation is to provide a comprehensive, lifelong entrepreneurial learning continuum to include a wide range of formal and informal entrepreneurial education, training, networking, mentoring and counseling, and assistance activities for Veterans in full support of their entrepreneurial endeavors and small business enterprises: from pre-Vet to start up, to growth, to maturity, and to ultimate entrepreneurial success.

The goal is to provide high quality entrepreneurial education in the most efficient and effective manner to assist as many Veterans, including Service Disabled Veterans, as well as transitioning military personnel, Reserve and Guard personnel, as possible in their entrepreneurial efforts and business activities along this continuum.

The objectives of NVEEI are:

- To develop and provide a coordinated national level focus and framework represented by the entrepreneurial learning continuum concept.
- To build the necessary coalition of people and organizations dedicated to building and implementing successful entrepreneurial education and assistance.
- To identify, develop, coordinate, leverage and use all available resources and capabilities across the nation in the private and public sectors in order to significantly serve Veteran entrepreneurship needs.

To be truly successful in helping entrepreneurial Veterans over the long term, The Veterans Corporation (TVC) must be able to develop and deliver effective programs and

services that are unique and that directly support Veteran entrepreneurship. These programs must also significantly grow in order to reach out to as many Veterans as possible providing them with the highest quality, most cost-effective and efficient programs and services possible. Uniqueness and growth are critical. Therefore TVC must form coalitions, leverage resources, and develop and implement educational programs and activities that target significant numbers of Veterans and respond to their unique needs and aspirations.

This rationale lays the foundation for the implementation phases of the 10-year NVEEI initiative to reach literally millions of Veterans in need of entrepreneurship education. The first phase will be the focus of this plan. That phase is summarized by the campaign title: Teach 10,000 Veterans Entrepreneurship in 2005. The second phase is a two-year commitment for 2006-2007 that is summarized by the campaign to significantly impact Veteran entrepreneurship in every state in the United States at every stage of the continuum and reach 100,000 Veterans.

The third phase is a three year commitment for 2008-2010 to create a virtual Global Veteran Entrepreneurship Education Program that will provide the glue for the continuum from pre-service, service, and transitioning Veterans including 1,000,0000 Veterans. The fourth phase is a four-year commitment for 2011-2014 to expand and solidify networks to reach at least 4,000,000, but hopefully every single one of the Veterans who are potential or engaged in entrepreneurship. Only then will we have succeeded in our ideal.

Phase One 2005: Teach 10,000 Veterans Entrepreneurship in 2005

The Teach 10,000 Veterans Entrepreneurship in 2005 campaign centers upon the goal of assisting Veterans in their entrepreneurship needs through just in time education in a wide variety of settings and through distance learning. Whether the Veteran desires to begin a business or to improve an existing one, The Veterans Corporation's education programs will fit their needs. Recent studies show that Veterans have invested more in education than their non-military counterparts and acquire valuable professional skills during their service. They also show that Veterans have more of a tendency to go into business than other population groups. Finally, increase numbers of studies are showing that recent Veterans have significant transition problems in both determining if and when they should go into business and how to salvage many once thriving businesses that have languished due to service commitments. There is therefore a large, ready audience for business programs of a wide range of types.

TVC will launch its 2005 Campaign from eight regional centers across the United States. They are located in Atlanta, Austin, Boston, Denver, Flint, Philandelphia, San Diego and St. Louis. Each of these centers has pledged to train 1-2,000 Veterans in 2005. It is important to note that these centers already significantly demonstrate the spread of possible partnerships making Veteran education strong: SBDCs, WBCs, entrepreneurship organizations,

universities and VA sites. These centers are working on a multi-dimensional strategy consisting of the following elements:

- Maximizing a wide variety of training approaches that fit regional needs
- Utilizing many high quality venues including classrooms, special seminars, association programs and distance learning
- Partnering with at least 3-5 community-based, state and/or national organizations that are currently serving Veteran educational needs

In addition there will be several special projects devoted to specific needs of Veterans groups. They also include partnerships with the full range of possible Veterans organizations including government agencies.

- Disabled Veterans will be reached by distance learning specifically suited to their needs
- Native American Veterans will be served through programs working directly with tribal communities
- Women Veterans will be assisted through partnerships with entrepreneurship centers
- Minority Veterans will be served through targeted programs in major US cities
- Veterans in areas of high growth technology, health and other industries will be served by new programs designed to meet workforce needs

TVC's goal for 2005 is to begin the basic activities that will under gird a national movement forging a Veteran entrepreneurship alliance that will serve as a major force for economic development proving that Veterans can serve the economic needs of their country with the same excellence that they have demonstrated in their military service.

Regional Model and Regional Implementation Plans

In order for a national movement to be anchored, it needs to have regional support that will provide local applications that are unique as well as infrastructure that will provide direction to both planning and activities. This regional support will be provided by the strategic location of Veterans Business Resource Centers (VBRCs) as hubs for activity in each of eight regions. The synergy between local centers that are serving a wide range of needs of Veterans and a wide range of educational programs will provide a strong base for national impact.

Eight VBRC sites will be established in 2005 through a combination of TVC and grant funding along with local fundraising campaigns. They include the following sites and states (See map in Attachment A):

1 - Northeast:	Boston Hub: Maine, Connecticut, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont.
2 - Mid Atlantic:	Philadelphia Hub: Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, and West Virginia.
3 - Southeast:	Atlanta Hub: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.
4 - Great Lakes:	Flint Hub: Illinois, Indiana, Michigan, Ohio, and Wisconsin.
5 - Southwest:	Austin Hub: Arkansas, Louisiana, New Mexico, Oklahoma, and Texas.
6 - Midwest:	St. Louis Hub: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota
7 - Rocky Mountains:	Denver Hub: Colorado, Idaho, Montana, Nevada, Utah, and Wyoming,
8 - West:	San Diego Hub: Alaska, Arizona, California, Hawaii, Oregon, and Washington

Each of these regions will train 1-2,000 Veterans in 2005. Each will begin to institutionalize regional campaigns for Veteran education services. Plans will be submitted in January, 2005 to establish benchmarks and funding needs and opportunities. Sample plans are included in Appendix B.

Six Major Education Activities

The 2005 campaign will be implemented through six major education activities. They include:

1. Teaching courses in structured settings such as classrooms
2. Offering flexible modules on topics where knowledge is needed
3. Presenting ideas about entrepreneurship that improve opportunities
4. Guiding Veterans to valuable resources
5. Pairing Veterans with mentors who provide key educational experiences
6. Engaging Veterans in flexible distance learning offerings

Teaching courses in structured settings such as classrooms. Currently, the TVC education program has a focus on Kauffman Foundation FastTrac courses, particularly New Venture and Planning. Much has been accomplished over the past few years in training Veterans through these courses. Over 1,000 Veterans have taken one or both courses and have begun new businesses or reinvigorated existing businesses as a result. This teaching will remain a key component of the new campaign. To this point in this year, FastTrac courses are planned and operating in over 20 states. These courses will continue to be conducted under TVC national office leadership until April 1. After that time, regional directors will incorporate FastTrac course planning and implementation into the regional plans under the regional model.

There is a wide range of offerings available to Veterans who are interested in entrepreneurship. The goal of the new TVC NVEEI plan will be to utilize the courses that are most likely to fit Veteran needs in the regions. Regional Directors will work with others to survey the needs of Veterans as well as available materials to fit their needs. TVC will bring on board an Instructional Designer January 31, 2005 to survey materials and needs nationally. The Instructional Designer will work continuously with the Regional Directors to assess needs, to survey existing course materials from a wide range of sources, and to develop materials as needed to meet gaps in course delivery.

It is anticipated that approximately 2,000 of the 10,000 Veterans educated in 2005 will be involved in courses offered in structured settings such as classrooms.

Offering flexible modules on topics where knowledge is needed. TVC surveys and those of others such as the SBA and Department of Labor demonstrate that there are specific needs for modular education in which a 2-4 hour module is created and taught in a wide range of flexible settings. There are specific needs for modules on procurement, marketing in various local areas, thinking about starting a Veteran-owned business, and many more.

The TVC Instructional Designer will make a complete survey of available modules on a wide range of topics as indicated by the current Veteran surveys and the TVC Regional Directors. Modules will be amended, repackaged, and developed as needed in key areas. Currently, TVC is encouraging those with materials or needs to submit them so that they

can be reviewed. It is also working with the Denver Regional Hub in the creation of materials for Veterans on business development.

Approximately 15 modules will be planned and implemented during 2005. These modules will be a combination of existing offerings, repackaged offerings, and new modules developed by The Veterans Corporation or under TVC auspices. These modules will be able to be used singly in presentation settings or linked together to form certificate programs. These modules will be disseminated nationally and internationally.

It is anticipated that approximately 2,000 Veterans of the 10,000 Veterans educated in 2005 will be involved in modular education.

Presenting ideas about entrepreneurship that improve opportunities. There are a wide range of opportunities through work with Veteran Service Organizations and many other professional and community groups to plant the spark of entrepreneurship in the minds of Veterans. Many are eager to find fulfilling jobs. The nation as a whole needs successful entrepreneurs more than it ever has to spark the economy and to build the future. Moving the Veteran from interest, confusion or lack of direction into entrepreneurship is an important educational function for The Veterans Corporation.

A series of presentation formats will be surveyed and created in order to utilize meeting and seminar situations occurring in all of the various organizations that share interests in Veteran entrepreneurship. It is anticipated that Regional Directors will include many partners in the effort to "get the word out" about the possibilities and potential of Veteran entrepreneurship. The Corporation will create at least a half dozen formats to be used to reach Veterans who would like to think about starting a business as well as employing other Veterans in need.

It is anticipated that approximately 1,000 Veterans of the 10,000 Veterans educated in 2005 will be involved in presentations about entrepreneurship. This number could easily be substantially increased.

Guiding Veterans to valuable resources. This has been and will continue to be one of the central goals of The Veterans Corporation. Information is a key part of Veteran education, which is underutilized because of lack of knowledge of available resources. Many, many Veterans need information about a particular law, a new opportunity to expand their business, or details about a particular innovation in their area of business growth. It is clear that the partners involved in this goal also have independently created resource bases. They key here is to mesh these resources so that substantially more Veterans can be matched with the specific resources they need.

Under this activity, TVC will promote the gaining of information by Veterans from any source. It will attempt to lead Veterans to courses, websites, people, information clearinghouses created by any reliable information purveyor. In this way, TVC will bring value added to existing resource bases by encouraging Veteran use of all partner resources.

It is anticipated that approximately 2,000 Veterans of the 10,000 Veterans educated in 2005 will be involved in securing educational resources that they need in order to begin a business or to improve their business substantially.

Pairing Veterans with mentors who provide key educational experiences. Veteran education requires sustained counseling and mentoring situations that are an integral part of the individual educational experience. Without this key element, Veteran education is likely to fail. Pairing Veterans with business mentors has been an extremely successful part of the TVC education program. It is becoming increasingly vital as Veterans need help in growing their business during the initial stages. Every Veteran we have interviewed who has sustained a mentorship experience has believed it to be the most important element of their business education.

Regional directors will actively seek business mentors and incorporate them into their planning and programming in an effort to develop an active regional mentorship council for as many Veterans engaged in entrepreneurship education as possible. A national Veteran mentorship program will be established and communications will be made throughout the national network linking mentors across the country. Mentors will therefore get to meet mentors in similar businesses in other states and mentees will benefit from a broad range of experiences.

It is anticipated that approximately 1,000 Veterans of the 10,000 Veterans educated in 2005 will be involved in mentorship relationships that will have a significant impact on their business ventures through the wide experiences shared as part of their education into an expanded business world.

Engaging Veterans in flexible distance learning offerings. Distance learning is an important part of Veteran education because of the fact that most Veterans cannot reach a formal classroom for a variety of reasons and most need to have self-paced, flexible educational tools at the time they need them. Therefore, distance learning can serve Veterans from VA hospitals to remote rural farming areas. TVC is currently engaging a Disabled Veteran-owned distance learning business to work with the education program in order to serve Veterans who are transitioning in hospitals. This pilot project is part of a much larger effort to gauge the true potential of distance learning for Veterans.

It is expected that several of the regional sites will be actively engaged in distance learning pilots during 2005. Philadelphia has volunteered to be such a site. TVC will engage the Philadelphia distance learning effort as part of the NVEEI initiative. Philadelphia is currently testing materials on line to be used in Veteran entrepreneurship efforts.

It is anticipated that approximately 2,000 Veterans of the 10,000 Veterans educated in 2005 will be involved in distance learning offerings of a wide variety of types.

Timeline for Implementation

During 2005 the timeline for implementation includes the following key benchmark dates:

Feb 1	4 Regional Hubs established with approved implementation plans
	Distance learning pilot development initiated
	Entrepreneurship course teaching of Veterans will be increased
	Veterans will be paired with mentors who provide key educational experiences
Mar 1	4 remaining Regional Hubs established with approved implementation plans
	Resource inventory will be compiled to demonstrate what is available for Veterans in entrepreneurship education and what they key needs are
	Entrepreneurship course teaching of Veterans will be increased
	Veterans will be paired with mentors who provide key educational experiences
	Distance learning pilot materials developed
Apr 1	New regional model in full implementation
	Entrepreneurship course teaching of Veterans will be increased
	New flexible modules will be developed and first flexible modules from Denver will be tested
	Presentations will be made about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources

	Veterans will be paired with mentors who provide key educational experiences
	Distance learning pilot materials begin to be implemented
May 1	New flexible modules will be developed and tested
	Presentations will be made about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources
	Veterans will be paired with mentors who provide key educational experiences
	Distance learning pilot materials revised
Jun 1	Entrepreneurship course teaching of Veterans will be increased
	New flexible modules will be developed and tested, revised modules will be implemented
	Presentations will be made about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources
	Veterans will be paired with mentors who provide key educational experiences
	Distance learning pilot materials begin to be available and used
Jul 1	New flexible modules will be developed and tested, revised modules will be implemented
	Presentations will be made about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources
	Veterans will be paired with mentors who provide key educational experiences

	Mentors will form regional and national networks and a mentor conference or teleconference will be held
	Distance learning pilot materials in full use by pilot groups
Aug 1	1,000 Disabled Veterans will be using distance-learning materials on entrepreneurship education
	New flexible modules will be tested, revised modules will be implemented
	Presentations will be made about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources
	Veterans will be paired with mentors who provide key educational experiences
	Distance learning materials in full use by pilot groups
Sep 1	Entrepreneurship course teaching of Veterans will be increased
	Survey will demonstrate that regional and national coalitions with 12 major partners will have been developed and are being implemented
	Each Regional Hub will demonstrate 3-5 significant partnerships with organizations currently serving Veteran education needs have been implemented
	Survey will demonstrate that responses to 2 primary needs in Veteran entrepreneurship education are being implemented.
	Presentations will have been made to over 1,000 Veterans about entrepreneurship ideas
	Veterans will be guided to major database and individual entrepreneurship resources
	Veterans will be paired with mentors who provide key educational experiences
	Distance learning materials in full use by pilot groups

Oct 1	200 women Veterans will be assisted through partnerships with entrepreneurship centers.
	Over 1,000 minority Veterans will be served through targeted programs in major US cities
	Over 1,000 Veterans in areas of high growth technology will be served by new programs
	Over 2,000 Veterans will be registered in FastTrac and other entrepreneurship courses
	Over 2,000 Veterans will have been guided to major database and individual entrepreneurship resources
	Over 1,000 Veterans will have been mentored with a rich array of educational experiences
	Over 2,000 Veterans have registered for distance learning modules and courses
Nov 1	Native Americans in the Southwest will be served through programs in a pilot test that will then be disseminated nation-wide
Dec 1	8 regional hubs will have gained local and national recognition and the entrepreneurial learning continuum will be a known concept and in full implementation

Appendix C

NVCBOI OPERATIONAL PLAN

Service men and women are currently returning from Iraq and Afghanistan as they did earlier from Vietnam in large numbers and finding, as did their predecessors that services for Veterans, particularly in the small business area, are either virtually unavailable or difficult to locate. There are also many reservists and guardsmen and women yet to be deployed serving as civilian Veterans. They are all eager to serve their communities and contribute to economic development. The impact of the movement proposed here is:

- *A wide range of Veteran entrepreneurs living in major communities across the country will benefit directly and significantly from new entrepreneurial ideas and services.*
- *Veteran leaders will promote a community-wide mobilization of a "can-do" spirit that will change mentalities as well as provide a venue for new voices in local problem solving.*
- *Community economic development will be sustained by grassroots Veteran entrepreneurial leadership and participation as well as by a strong national community-based organization (CBO) partner network.*

The Idea

Our idea is that a Veteran community economic development movement can be a significant force for improving the future of communities nationally. There are several important reasons. The Veteran population is large: over 26.4 million with an estimated 4.6 million Veteran-owned businesses (2000 US Census). They are concentrated in major cities in California, Florida, Texas, New York, Pennsylvania, Ohio, and Massachusetts. According to Department of Defense and Department of Labor statistics, approximately 200,000 service members leave active duty each year. These Veterans are mature, skilled and loyal workers who want the opportunity to lead and serve in their communities. They represent a largely untapped resource for community development and change.

The National Veterans Business Development Corporation, carrying out activities as The Veterans Corporation, is a Federally-chartered 501(c)(3) Corporation that was created by Public Law 106-50 in 1999. This law recognized that America "has done too little to assist Veterans in playing a greater role in the economy of the United States."

The Corporation was charged with creating and enhancing entrepreneurial business opportunities for Veterans and Service Disabled Veterans. The Veterans Corporation strives to be the premier organization assisting and advocating for America's Veterans, including Service Disabled Veterans, in creating and expanding their entrepreneurial activities. It now supports projects serving thousands of Veterans nationwide (see www.veteranscorp.org).

TVC can act as a lynchpin because it is independent, yet fully linked into the Veteran community. The Veterans Corporation has shown its leadership and skill at mobilizing veterans in at least two noteworthy ways. First, it has initiated the National Veterans Community-Based Organization Initiative (concept paper attached) in order to mobilize Veterans in major communities nationwide. Under this rubric it has begun a Community-Based Organization (CBO) in St. Louis with several others emerging in other cities. Community business executives, government and service officials as well as clients testify that the St. Louis CBO is doing outstanding work that has made a huge difference in the entrepreneurial thrust for community development there. As Robert Fulstone, retired VP of CBS and a noted media consultant says:

> *"Veterans are often isolated from their "Veteraness" and they really want to work with others and bring "value-added" to the community. They know leadership and responsibility, and yet they can be a casualty of life because of their war experiences if they do not get a boost. This place is that booster for them, and for the whole community."*

Second, TVC has formed the National Veterans Entrepreneurial Education Initiative that aims to empower Veterans through educational services of a wide variety of types ranging from hands-on work with veterans in homeless shelters to high level mentoring by Veteran Fortune 500 executives. The Boston area Veterans Entrepreneurial Training Program has helped at least eleven Veterans to start or grow their businesses in the last six months

What we have found is that while TVC can, and increasingly does, act as a national facilitator, the home-grown CBOs are vital for grassroots success. What is a CBO? It is an independent 501(c)(3) organization under the TVC umbrella in a major city serving four important purposes: 1) to activate a clearinghouse of entrepreneurial associates and services for Veterans; 2) to catalyze community Veteran leadership; to give it strong voices, ideas and actions that promote economic development; 3) to provide entrepreneurship training in a lifelong educational continuum that contributes to community life; and 4) to mobilize a national network of a wide variety of coalitions, all sharing a common goal of increasing Veteran leadership in entrepreneurship that propels community economic development.

The CBOs form a major resource base for the movement with one-on-one, Vet-to-Vet services, but they also serve as a conduit for a confluence of voices that are both unheard and too often unheralded by their communities. In short, the CBOs prove that

Veterans matter and their voices are important to shared local community economic development success. Veterans can mobilize others to lead and to succeed. The result transforms communities. There is no better case we have found to demonstrate this success than that of Judith Johnson-Hawkins who says:

> *"Being a Veteran is what I am most proud of. It (the St. Louis CBO) felt so empowering…. I couldn't figure out the Vets piece in entrepreneurship before now, and it was so important to do."* Judie is a partner with her husband, Terry, in a growing, flourishing business, Ichi-Ban & Associates, and is a major figure in United Way raising funds to support small business entrepreneurs with facilities funding and business incubators.

The Plan

TVC plans to develop CBOs nationally based on successful initial experiences in St. Louis. This CBO serves as a model for individually tailored, community-based service centers that will serve Veterans of all types with a focus on entrepreneurship, market promotion and community leadership. Veterans are a population that is reflective of the diversity of the nation and they include a full range of minorities in disproportionately large numbers. In fact, the Veteran population can be said to be the original Rainbow Coalition, encompassing men and women of all races, religious beliefs and lifestyles. The centers will be the fulcrum for a community advisory board and a network of skilled service providers and mentors. They will spearhead assessment, education and training, business incubators, and mentoring. They will build clearinghouses on websites that will increase access to services of all types a thousand fold. They will support Veteran business owners who have been called upon to serve their country for extended time periods. Most of all, they will be the major drivers in the national Veterans network for community economic development.

The network for community economic development has begun with the identification of leaders and veteran owned businesses in each of the sites where we want to have the four original national hubs: Boston, Cleveland, and San Antonio as well as St. Louis. In each of these cities there are many partners eager to join in a network to support the civic economic development movement. The Veterans Business Resource Center Advisory Board in St. Louis is currently being activated with strong leadership from Richard P. Grote of American Medical Claims.

The St. Louis model is being built on the six activities or pillars of The Veterans Corporation:

> **Access and Assessment** – CBOs will serve as clearinghouses for the local Veteran community, providing access to ideas and services, and conducting ongoing assessments that will identify gaps in local business services, and designing a local program that provides specific access to

education, tools, technology, capital, services, mentorship, networking and markets.

Community Leadership/Advocacy – CBOs will serve to galvanize community leadership with new energy and ideas from Veteran leaders who will work together to transform community economic development into an engine for enterprise and local prosperity.

Entrepreneurship Training/Counseling – CBOs and affiliated groups will conduct entrepreneurship seminars in business plan development, product development, marketing that includes E-commerce, public and private procurement, legal assistance, accounting, insurance, licensing and certification, and technologies.

Networking – CBOs will form a national network that provides a constant flow of new ideas and best practices into community development efforts. These networks will include a wide range of business leaders and affinity groups as well as core Veteran organizations.

Mentoring -- Leaders from the business community will do one-on-one mentoring as an integral part of the activities of the CBO. This will add an important element to the spirit and spread of the entrepreneurial movement. It is equally important to support peer mentoring, as the best network, as attested to by current clients of the CBO, is often one another and in the case of Veterans, is essential to success.

Business Incubators -- All of the providers and participants of current TVC programs across the nation think that business incubators are a significant element of the success of new entrepreneurs. Most of them have so little infrastructure that access to a copy machine and a computer loom as large obstacles to success. Incubator space for a wide range of types of business starts will be an important base for economic development.

With these services linked directly to community needs, Veterans will have programs and services tailored to their needs in their communities that help them to meet their economic development goals and aspirations. The leadership pool for entrepreneurship will increase several fold.

In the initial years, we intend to fund each CBO with $250,000 per year. Each local operation will be required to provide half that amount in matching funds. In addition, TVC will hire a Director, a National Network Coordinator, and an Administrative Coordinator. We will hire one additional Coordinator for each 10 new CBOs added to the network. In addition, travel and other direct costs will add to the expense. We estimate that a network of 10 CBOs will cost approximately $3.0 million per year to run

and maintain. Allocations of indirect costs will add another $100,000 annually to that total, so that the fully loaded cost to TVC would be approximately $3.1 million.

Based on the experience of these initial centers, we will diversify the model and make it transportable to many more cities. Obviously the pace of expansion is highly contingent on our ability to generate funds to finance new operations. The national movement is a special goal, as we strongly believe that once Veterans are mobilized in these cities and once advisory board members are activated locally and nationally, we will succeed in grassroots leadership which is not only sustainable, but unstoppable.

Benefits and Impact

We will be able to measure impact in terms of who was assisted and their success in entrepreneurship. We will gather statistical data, but we will also chart the stories of people involved so that we can see not only who benefits, but who gives back into the community to promote economic development. The twinning of these two outcomes is gathering force in St. Louis as this is being written.

We all have seen small groups of determined people change communities. We have a higher aspiration. We want to change the dynamic of the dialogue about economic development in these communities. We want many new voices to be heard. We want many more leaders to step up to the task in ways that contribute to the greater good of the entire community. We have seen in our efforts so far that those on the bottom can rise to the top and can do so helping others come with them. The "can-do" spirit is a shared community spirit, not an individual one.

Over the four-year period and beyond, we will assess the leadership of Veterans in these communities. The leaders will be evaluated based on community goals and aspirations. We will also interview leaders and assess long-term commitments. TVC will be judged by their success, but also in the national movement growth. The headquarters in Alexandria, Virginia will be charged with making the four models the hub of a network of successful CBOs in every city in need and in every state by linking the ideas, values and best practices into a strong national force including all major community groups.

Next Steps

- Identify other cities/municipalities that are good candidates for this program. Pittsburgh, PA is in the process of becoming our second CBO site. Discussions with community and Veterans groups in Boston, Cleveland, Honolulu, Flint, San Francisco, Central New Jersey and Washington, DC have taken place and are in various stages of development. Groups in Los Angeles and South Texas are also being explored. A primary determinant of where we go next will be the availability of funding sources for each location.
- Identify and pursue local, regional and national funding sources and establish contact. Proposals have been prepared for foundations based in Cleveland and Flint. Federal grant programs in DOL and DHHS may also fit neatly with this

program. We are currently investigating a wide range of possible funding sources and will apply for as many grants as possible to expand the program as rapidly as possible.

Appendix D

Data on Goals and Activities of Eight Regional Education Hubs

Education Goals for the 2005 Fiscal Year October 1, 2004-September 30, 2005

	Region 1 Boston	Region 2 Philadelphia	Region 3 Atlanta	Region 4 Flint	Region 5 Austin	Region 6 St. Louis	Region 7 Denver	Region 8 San Diego	**Total**
Traditional Courses	150	250	250	100	510	100	115	150	**1625**
Innovative Vet Modules	600	150	150	200	510	200	60	150	**2020**
Events/ Seminars	750	800	200	500	1,390	400	1,715	150	**5905**
Mentoring/ Counseling	800	900	500	200	50	350	400	550	**3750**
On Line	200	100	50	25	100	50	50	25	**600**
Total	**2500**	**2200**	**1150**	**1025**	**2560**	**1100**	**2340**	**1025**	**13900**

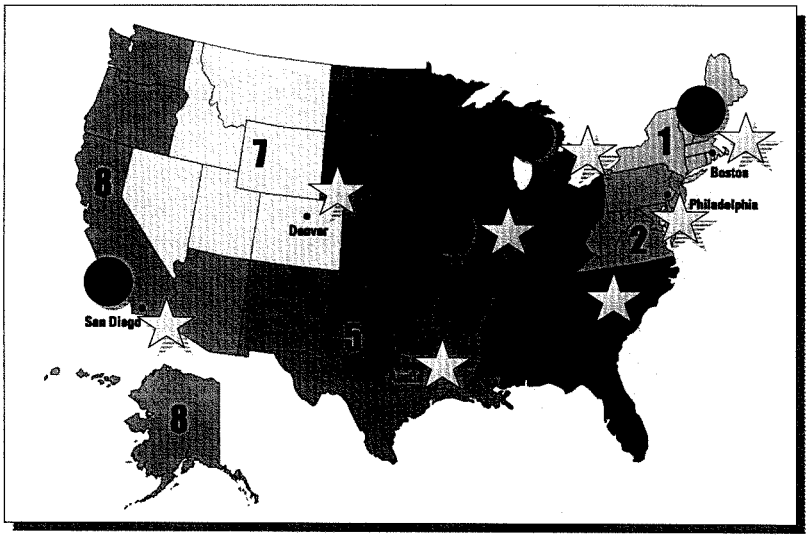
Education Activities for the 2005 Fiscal Year (New Program Begins April 1, 2005)

	Region 1 Boston	Region 2 Philadelphia	Region 3 Atlanta	Region 4 Flint	Region 5 Austin	Region 6 St. Louis	Region 7 Denver	Region 8 San Diego	**Total**
Traditional Courses	133	122	604	47	14	17	1097	51	**2085**
Innovative Vet Modules	192	26							**218**
Events/ Seminars			10		11				**21**
Mentoring/ Counseling			506			187	451	52	**1196**
On Line									

Total	325	148	1120	47	25	204	1548	103	3520

Appendix E

TVC Regional Centers and Hubs



Veterans Business Resource

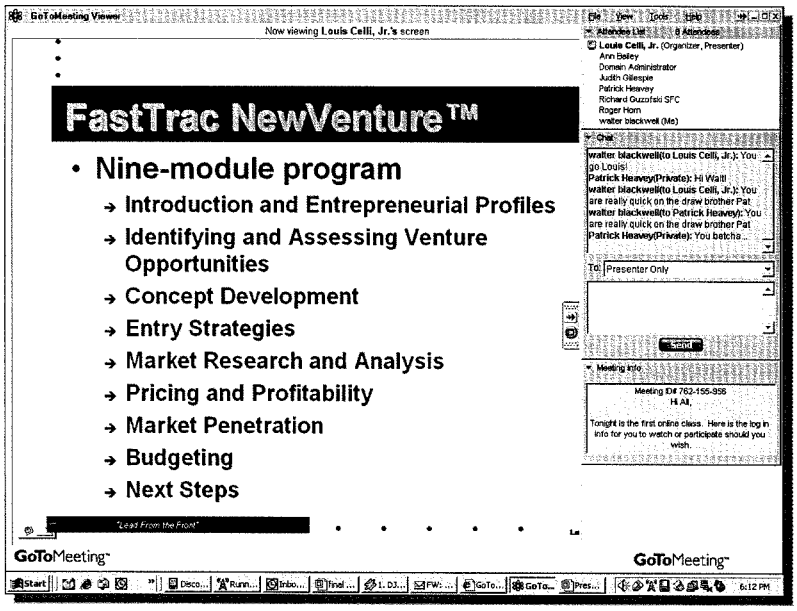
Regional Education Hubs

Appendix F

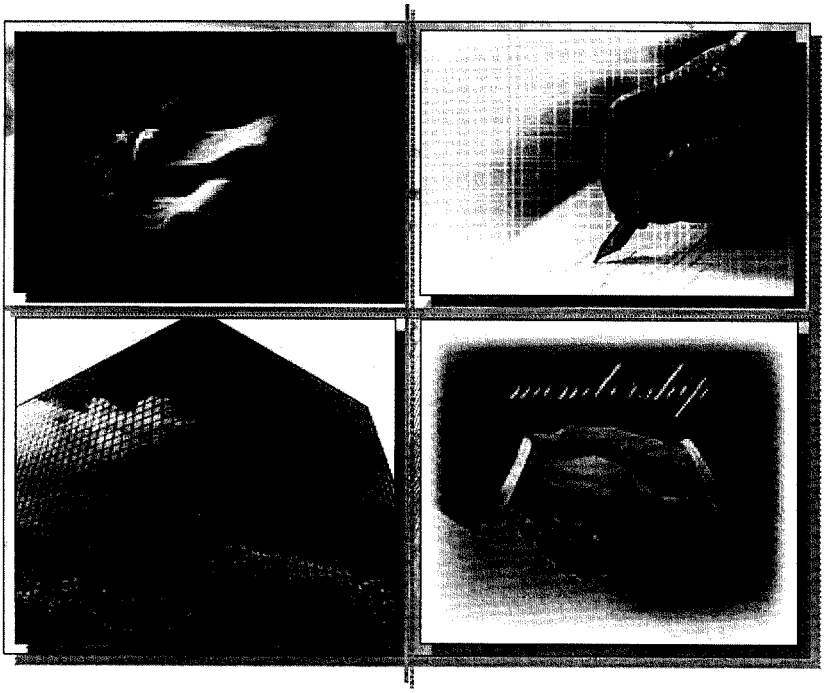
Visuals from the Presentation

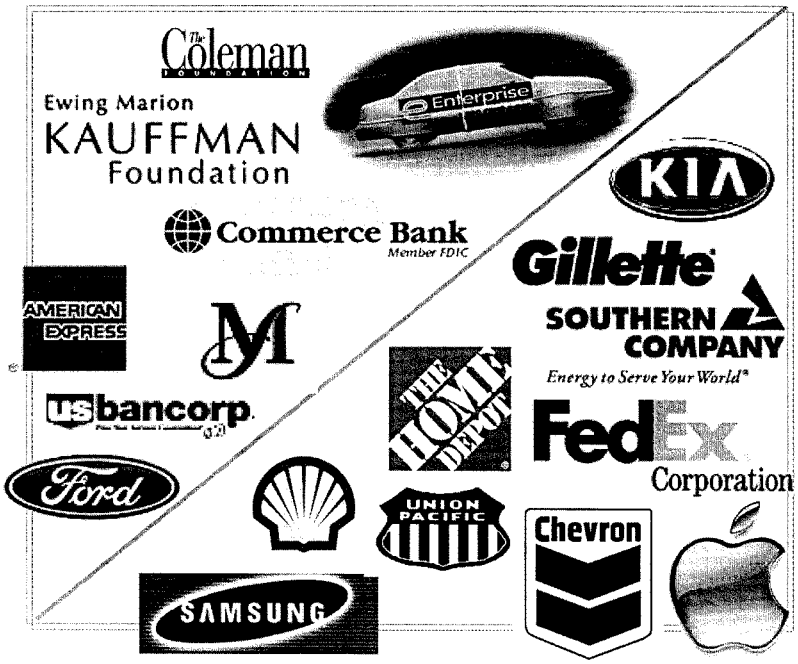
Northeast Veterans Business Resource Center VBRC (Boston to Iraq)

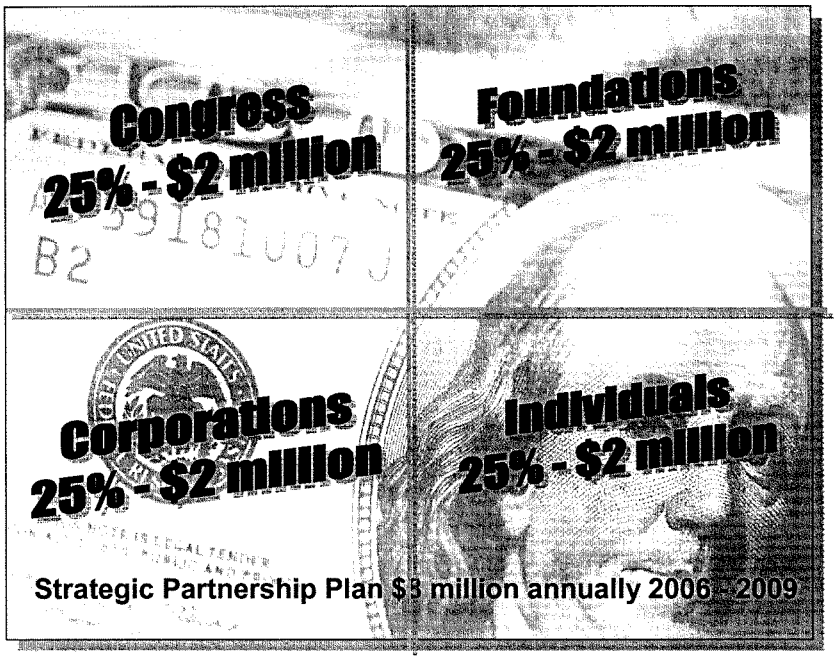
GoToMeeting Viewer
Now viewing Louis Celli, Jr.'s screen
lewVenture™
320 x 240
Take a Picture
Record a Video
Close
Options
Pricing and P
Market Penetr
Budgeting
Next Steps
GoToMeeting
86%
Start
6:15 PM


GoToMeeting Viewer
Now viewing Louis Celli, Jr.'s screen
FastTrac NewVenture™
• Nine-module program
→ Introduction and Entrepreneurial Profiles
→ Identifying and Assessing Venture Opportunities
→ Concept Development
→ Entry Strategies
→ Market Research and Analysis
→ Pricing and Profitability
→ Market Penetration
→ Budgeting
→ Next Steps
"Lead From the Front"
GoToMeeting
GoToMeeting
Louis Celli, Jr. (Organizer, Presenter)
Ann Bailey
Domain Administrator
Judith Gillespie
Patrick Heavey
Richard Guzofski SFC
Roger Horn
walter blackwell (Me)
walter blackwell(to Louis Celli, Jr.): You go Louis!
Patrick Heavey(Private): Hi Walt!
walter blackwell(to Louis Celli, Jr.): You are really quick on the draw brother Pat
walter blackwell(to Patrick Heavey): You are really quick on the draw brother Pat
Patrick Heavey(Private): You batcha ...
To: Presenter Only
Send
Meeting ID# 762-155-955
Hi All,
Tonight is the first online class. Here is the log in info for you to watch or participate should you wish.

E-learning Pilot: ***Veteran Access to the American Dream***


membership


The Coleman Foundation
Ewing Marion KAUFFMAN Foundation
Enterprise
KIA
Commerce Bank
Member FDIC
Gillette
AMERICAN EXPRESS
SOUTHERN COMPANY
Energy to Serve Your World
usbancorp
THE HOME DEPOT
FedEx Corporation
Ford
UNION PACIFIC
Chevron
SAMSUNG


Congress
25% - $2 million
Foundations
25% - $2 million
Corporations
25% - $2 million
Individuals
25% - $2 million
Strategic Partnership Plan $3 million annually 2006 - 2009

Appendix G

Month	Special Client Groups			Sex		Ethnicity			
	Service-Disabled	Other Disabled	Guard/ Reserve	Male	Female	Black	White	Indian	Hispanic
Jun 04	4	9	1	27	3	13	15	1	1
Jul	4	6	2	20	1	13	7	1	0
Aug	0	0	0	8	0	5	3	0	0
Sep	6	0	2	12	3	9	5	1	0
Oct	2	3	0	5	0	3	1	1	0
Nov	4	2	1	7	1	4	4	0	0
Dec	3	2	1	13	0	8	5	0	0
Jan 05	7	5	2	15	2	7	10	0	0
Feb	5	6	0	10	1	3	8	0	0
Mar	1	1	0	8	0	4	4	0	0
Apr	0	0	0	6	1	4	3	0	0
Total YTD	36	34	9	131	12	73	65	4	1
% of Total	45.60%	43.00%	11.40%	91.60%	8.40%	51.00%	45.50%	9.30%	0.70%

Data from St. Louis Veterans Business Resource Center

Month	Fast Trac Report		
	Fast Trac Referred	Missouri Fast Trac Classes	No Shows
Jun 04	17		7
Jul	14		7
Aug	6		4
Sep	6	15	1
Oct	0		0
Nov	4		3
Dec	2		0
Jan 05	8		3
Feb	5	12	0
Mar	3		2
Apr	3		1
Total YTD	68	27	28

Month	Client Services			Type of Business		Brought to the Center by...				
	Follow-up Visit	Email Assistance	New Clients	New	Established	TV	Radio	Word of Mouth	Referral	Other
Jun 04		11	30	25	5	18	3	8	1	1
Jul	2	19	21	19	2	5	3	2	7	11
Aug	6	9	8	7	1	3	0	2	2	3
Sep	16	15	15	5	10	1	3	5	5	1
Oct	25	15	5	4	1	0	0	4	0	1
Nov	19	17	8	7	1	0	0	3	1	4
Dec	18	40	13	10	3	0	0	7	4	2
Jan 05	25	38	17	12	5	1	2	7	5	3
Feb	19	45	11	7	4	0	1	1	8	1
Mar	38	31	8	5	3	0	0	1	4	3
Apr	28	18	7	3	4	0	0	3	4	0
Total YTD	196	258	143	104	39	28	12	43	41	30
% of Total	32.80%	43.20%	24.00%	72.70%	27.30%	18.20%	7.80%	27.90%	26.60%	19.50%

July 26, 2004

NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION

CONCEPT PAPER

NATIONAL VETERANS COMMUNITY-BASED ORGANIZATION INITIATIVE

GENERAL BACKGROUND:

Demographically from the 2000 Census, there were approximately 26.4 million Veterans, including 1.9 million Service-Disabled Veterans (VA statistics). Approximately 16.6 million Veterans were below the age of 65. Based on DoD and DoL Transition Assistance Program information, approximately 200,000 service members leave active duty each year, becoming Veterans. The Veterans Corporation further extends the definition of "Veteran" to include those individuals serving in the active/inactive Reserves and National Guard, currently numbering approximately 1.2 million. Finally, from the Economic Census conducted in 1996, there were, at that time, an estimated 4 million Veteran-owned businesses and approximately 220,000 Service-Disabled, Veteran business owners.

By the end of WWII, local independent Veterans' Information Centers had been created in more than 50% of major US metropolitan areas. Historical data from these Centers indicate that the fourth most requested service by Veterans was information and assistance with loans, including small business loan guarantees from government.

Beginning in 1969, some 6 years before the official end of the Vietnam War, community-based Veteran's information and assistance centers (CBVOs) were being created by returning Veterans and their families. Many of these centers still exist today. These centers and their networks became the model for government service delivery.

In 1979, the Federal Government created the VA VET Center Readjustment Counseling program in community settings. This program was created in consultation with, and partially modeled after the CBVOs. These VET Centers began providing readjustment counseling to Vietnam combat Veterans 10 years after the majority of Vietnam combatants had returned home. This

decade-late government program was created in direct response to the successful advocacy of self-help community centers created by Vietnam Veterans.

Historically, independent community-based assistance and information centers for Veterans have been the most effective model for responding to and coordinating Veteran's requests for information, assistance and services. They also provide the means by which Veterans impact the public policy process. These organizations deliver client-focused, hands-on services, while playing a key role in informing and coordinating Veterans access to federal, state and local Governments, not for profit and private assistance and resources.

PUBLIC LAW 106-50:

Under the general provisions of Public Law 106-50, passed in August 1999, Congressional intent is clear, Veteran-owned small business enterprises are critical to this Nation and to our national economic viability. The National Veterans Business Development Corporation (aka The Veterans Corporation), a Federally-chartered Corporation, was established by Public Law 106-50 with the following purposes:

> (1) To expand the provision of and improve access to entrepreneurial technical assistance, and
>
> (2) To assist Veterans, including Service-Disabled Veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources.

Public Law 106-50 also directs that the NVBDC "shall establish and maintain a network of information and assistance centers for use by Veterans and the public". In crafting PL 106-50, Congress incorporated two specific goals (independent centers and business assistance & information) into one deliverable.

U.S. House of Representatives Report 106-206 states "The most significant single purpose of the corporation will be to work with the public and private sectors to establish an independent nationwide network of business assistance and information centers for Veterans".

By establishing the National Veterans Business Development Corporation, a vehicle was created to bring national attention to, focus on, and support for Veterans in their entrepreneurial endeavors and small business enterprises. To be successful in supporting Veteran entrepreneurship, The Veterans Corporation must facilitate and coordinate public and private resources in a dynamic collaborative effort across this country in order to provide Veterans with access to the necessary resources and capabilities to start, build and grow their small business enterprises.

These resources must include all categories of business assistance, information & knowledge, as well as effective entrepreneurial education, both formal and informal, training, networking, mentoring and counseling in order to provide the proper knowledge and tools necessary for

Veterans to succeed in their entrepreneurial endeavors and small business enterprises, and thus continue to make a significant contribution to this Nation's economic growth and competitiveness.

MAJOR ISSUE:

Federal, state and local Governments spend billions of dollars each year, attempting to service the needs of transitioning military personnel, Veterans and their families. Most of these Government-centric approaches revolve around structured and bureaucratically limited access to specific, statute-based benefits such as education, medical care, disability assistance/ compensation, employment, housing and readjustment counseling in the aftermath of traumatic military experience.

This bureaucratic focus creates significant lag time in responding effectively to emerging needs and aspirations of Veterans. Entrepreneurial Veterans have typically created their own independent community-based service delivery, networking and advocacy systems, because existing government systems are not geared to their emerging needs. These independent systems have become the tool for the Veterans to impact, reshape and reprioritize the bureaucratic delivery systems.

The lessons & success of community-based, Veteran-centric service is that the delivery structure is directly client driven. It responds to the needs of the Veterans first, and the government structured bureaucracy second. It fills a critical gap by delivering experience, expertise and assistance to the Veteran while coordinating access to effective, available services from various elements of government and others. This ensures expedited and efficient services for Veterans, while helping shape future services from government that become more responsive to the needs of Veterans. Service effectiveness is also assured because any surviving community-based delivery system for Veterans is sought by, created, managed and supported by the Veterans themselves. Positive word of mouth from Veterans is the life blood of community-based programs for Veterans.

NVCBOI STRATEGIC INTENT:

Develop and provide a strategic vision and strategic leadership at the national level, building a coalition of private and public organizations which will focus on commitment, communication, coordination, collaboration and cooperation in order to achieve successful implementation of this Community-Based Organization Initiative. It is clear from the mandate in Public Law 106-50 that The Veterans Corporation must assume a proactive, positive leadership role in building this coalition and in coordinating the effective implementation of this Initiative. In order to accomplish this, The Veterans Corporation must re-evaluate how it is organized and managed.

NVCBOI STRATEGIC VISION:

Provide a comprehensive, all encompassing, local service and support delivery system, to include, but not be limited to, all categories of business assistance, information & knowledge, as well as a wide range of formal and informal entrepreneurial education, training, networking, mentoring and counseling, and access to tools, technologies, capital, services and markets for Veterans in full support of their entrepreneurial endeavors and small business enterprises.

NVCBOI STRATEGIC GOAL:

Develop, implement and continue to grow a high quality, community-based organizational environment at the local level which can provide a cost effective and efficient service delivery system and support to as many Veterans as possible, including transitioning military personnel, Reserve and Guard personnel, in order to assist these Veterans in their entrepreneurial efforts and small business activities.

As a starting point, the development and implementation of this Community-Based Organization Initiative will begin with the implementation of two pilot tests in order to develop a successful template for future CBO efforts. The successful pilot tests will then lead to the rollout of an ever –increasing number of local Community-Based Organizations to assist Veterans in their entrepreneurial endeavors and small business enterprises. The pace of this rollout will be directly dependent upon the availability of resources, specifically money and people.

NVCBOI STRATEGIC OBJECTIVES:

The National Veteran Community-Based Organization Initiative is focused on identifying and bringing together key people, and organizations, both at the national level, but most importantly in various local communities, with the experience, knowledge and understanding of the critical issues involved in and with the resources and capabilities to support the following three tasks in order to build an overall dedicated effort to support and assist Veterans in their entrepreneurial endeavors and small business enterprises:

1) **To develop and provide a coordinated, national-level focus and framework** dedicated to providing a dynamic service and support delivery system in local communities in support of Veteran entrepreneurship.

2) **To build consensus and the necessary coalition of people and organizations** both at the national and local levels dedicated to building and implementing this coordinated, national-level focus and framework in providing a dynamic, effective service and support delivery system in local communities across this Nation in support of Veteran entrepreneurship.

3) **To identify, coordinate, leverage and use all available resources and capabilities** across this Nation, both in the private and public sectors, in order to succeed in providing this coordinated, national-level focus and framework in providing a dynamic, service and support delivery system in local communities across this Nation in support of Veteran entrepreneurship.

OVERALL NVCBOI OPERATIONAL IMPLEMENTATION:

A Task Force is being established to help evaluate, develop and implement this National Veterans Community-Based Organization Initiative. Representatives on this Task Force will include entrepreneurial Veterans from local communities who have experience in these types of community-based initiatives.

The major tasks and key issues involved in this Community-Based Organization Initiative include defining and identifying: 1) overall NVCBOI concept; 2) CBO program goals and objectives with clearly defined metrics and outcomes; 3) evaluation criteria for the selection of future local CBOs, including deliverables to Veterans; 4) identification of future CBOs for participation in this program; 5) resources (money and people), capabilities & organizations; 6) issues, problems & obstacles; 7) key strategic stakeholders, their role, relationships & functions; 8) action coalition of key people & organizations; 9) recommendations; and 10) action and implementation agenda for a more in-depth perspective on a CBO service delivery model, including tasks to be performed.

The Task Force will assist in identifying and establishing the necessary coalitions of individuals and organizations, both in the private and public sectors, at the local level to successfully implement this CBO Initiative in order to provide a dynamic, effective service and support delivery system in local communities across this Nation in support of Veteran entrepreneurship.

This coalition building at the local level should focus on and leverage many of the current successful educational, training, networking, mentoring and counseling, and access and assistance efforts by private and public organizations as well as various individuals in support of Veterans and their entrepreneurial activities.

The following overall key action items have been developed for implementing a specific CBO in a given local community:

1. Identify existing and potential CBO candidates

2. Solicit proposals from candidate CBOs

3. Evaluate CBO proposals

4. Phase I: Enter into initial contractual agreements with selected CBOs; provide initial funding

5. Phase II: Enter into subsequent contractual agreement with selected CBOs; provide additional funding

6. Conduct initial In-Progress Reviews

7. Coordinate assistance from national-level strategic partners

8. Phase III: Continue support of local CBO with additional funding

Currently, two CBO pilot tests are under development in St. Louis and in Pittsburgh in order to develop a successful template for future CBO efforts. The successful pilot tests will then lead to the rollout of an ever–increasing number of local Community-Based Organizations to assist Veterans in their entrepreneurial endeavors and small business enterprises. The pace of this rollout will be directly dependent upon the availability of resources, specifically money and people.

TVC has also asked Robert Morris University in Pittsburgh, Pennsylvania, which has conducted several of our VET Program courses, to consider establishing an Institute for Veteran Entrepreneurship and Economic Development that would outwardly and very visibly promote Veteran entrepreneurship within the local business and academic communities, as well as continue to promote and support entrepreneurial education.

Effective metrics must be developed that can be easily managed and analyzed to assist in the effective development and implementation of this CBO Initiative.

ROLE OF THE VETERANS CORPORATION:

To be successful in supporting Veteran entrepreneurship, The Veterans Corporation must facilitate and coordinate public and private resources, in accordance with P.L. 106-50, in a dynamic collaborative effort across this country in order to provide Veterans with the necessary resources and capabilities to start, build and grow their small business enterprises. The Veterans Corporation must focus on developing a dynamic, comprehensive, all-encompassing community-based infrastructure, and it must continue to significantly grow this program in order to make a successful difference in the Veteran community in support of Veteran entrepreneurship.

The Veterans Corporation has already established several strategic goals in support of its vision, mission and the purpose contained in P.L. 106-50 which focus on building coalitions and partnerships with private and public organizations in order to support Veteran entrepreneurship; which focus on providing access to knowledge, tools and resources necessary for Veterans to succeed in their entrepreneurial efforts and Veteran-owned small businesses; and which focus on developing the necessary local infrastructure by emphasizing business networking and networks of information and assistance centers.

The Veterans Corporation must assume a proactive, positive leadership role in building these coalitions and partnerships and in coordinating the effective implementation of this Initiative. This leadership role must focus on building commitment and trust at both the national and local levels. The Veterans Corporation, as the principal "hub" of this Community-Based Organization Initiative, must effectively communicate, coordinate, collaborate and cooperate with all of its strategic partners and stakeholders in order to achieve successful implementation of this Initiative. In order to effectively accomplish these actions and become the principal "hub" of this Community-Based Organization Initiative, The Veterans Corporation must re-evaluate how

it is organized and managed. The availability of resources, both money and people will be a critical component to the successful implementation of this Initiative by The veterans Corporation.

NVCBOI's FUTURE:

In addition to the National Veterans Community-Based Organization Initiative, The Veterans Corporation is also in the process of developing a parallel initiative, referred to as the National Veterans Entrepreneurial Education Initiative. The purpose of this Initiative would be to establish a dynamic, lifelong approach to entrepreneurial education at the local level, building the necessary coalition of people and organizations at the local level to assist Veterans in their entrepreneurial endeavors and small business activities.

In the long term as these two Initiatives evolve and a strong network of Community-Based Organizations supporting Veteran entrepreneurship is established across this country, the Education Initiative would merge into and become a significant component of the overall Community-Based Organization environment, which would provide a full range of support, including entrepreneurial education, networking, mentoring and counseling, and access and assistance, for Veterans in all aspects of their entrepreneurial endeavors and small business activities.

NVCBOI SUMMARY:

Many realize that, for The Veterans Corporation to be truly successful in helping entrepreneurial Veterans over the long term, The Veterans Corporation must be able to develop and deliver effective programs and services that are unique and that directly support Veteran entrepreneurship, including entrepreneurial education, networking, mentoring and counseling, access and assistance. It is also realized that, to make a significant difference with our programs and services in the Veteran community and with key stakeholders, these programs must significantly grow in order to reach out to as many Veterans as possible providing them with the highest quality, most cost-effective and efficient programs and services possible, including entrepreneurial education, networking, mentoring and counseling, access and assistance.

Uniqueness and growth are critical, significantly more can be done, more business assistance, information and knowledge, entrepreneurial education, mentoring and counseling, access and assistance can be provided to Veterans with sufficient future support and funding. To be successful over the long term, to effectively support Veteran entrepreneurial activities and small business enterprises, The Veterans Corporation must continue to develop effective coalitions, collaborative and cooperative partnerships, and relationships with key people and organizations, both in the private and public sectors, both at the national and local levels, to assist The Veterans Corporation in carrying out its mandate under Public Law 106-50.

TESTIMONY

OF

ARTHUR DAVID SALUS

PRESIDENT

DULUTH TRAVEL INCORPORATED

With The Support of

AMERICAN SOCIETY OF TRAVEL AGENTS

And

SOCIETY OF GOVERNMENT TRAVEL PROFESSIONALS

Before the

UNITED STATES HOUSE OF REPRESENTATIVES

HOUSE SMALL BUSINESS SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

And

HOUSE VETERANS' AFFAIRS SUBSOMMITTEE ON ECONOMIC OPPORTUNITY

May 24, 2005

Presented by:

Arthur David Salus
President
Duluth Travel, Inc.
3067 Main Street
Duluth, GA 30096
770-813-9895

arthur@duluthtravel.com

Good morning Chairmen Musgrave and Boozman, distinguished members of the House Small Business Subcommittee on Workforce, Empowerment, and Government Programs and the House Veterans' Affairs Subcommittee on Economic Opportunity.

My name is Arthur Salus. I am the founder and president of Duluth Travel, located in Atlanta, Georgia. I am an Adjunct Professor at Gwinnett Technology College in Atlanta where I teach entrepreneurship and travel courses. I am grateful for the opportunity to appear before you regarding the Veterans Benefits Act of 2003 and the President's Executive Order 13360 – matters that concern thousands of small businesses owned by veterans across our great country.

As a member of the American Society of Travel Agents (ASTA), and the Society of Government Travel Professionals (SGTP), I am honored to present this joint statement on their behalf. ASTA, established in 1931, is the world's largest and most influential travel trade association with over 20,000 members in more than 140 countries. Its mission is to enhance the professionalism and profitability of members worldwide through effective representation in industry and government affairs, education and training and by identifying and meeting the needs of the traveling public.

SGTP is the national, non-profit education forum for all components of the $20 billion government travel market. Since 1984, SGTP has been an all-encompassing and inclusive association for government travel/finance managers, suppliers and travel

agents whose primary objective is to facilitate and promote best practices with a spirit of innovation in government travel.

Founded in 1993, Duluth Travel is an affiliate of the Uniglobe Travel Group, one of the largest franchised travel companies in the United States. It is also a user of Worldspan and Sabre, two leading Global Distribution Systems (GDS). These partnerships permit the incorporation of the most advanced technology, Internet options and management systems needed to create effective and cost saving travel programs for our clients.

At present, Duluth Travel provides leisure, corporate, government, meeting and incentive travel services for numerous businesses as well the State of Georgia. Duluth Travel is currently a federal travel management sub-subcontractor for the Environmental Protection Agency and the U.S. Department of Agriculture. The company provides full travel services for air, hotel and car rentals and maintains a fully staffed office with bilingual professional agents.

Small Business Attempts to Participate in Government Contracts

Three years ago, I received information from a non-governmental source regarding a program that assists veterans with their small businesses. As a service-disabled veteran, I did not think this status would one day be of any importance, nor did I think it would lead me to the Department of Veterans Affairs (VA) for assistance. As a business owner already providing travel services for the State of Georgia and a sub-subcontractor

for the federal government, I began to focus on other possibilities available to be a prime contractor in the federal government procurement arena.

Much to my dismay, I quickly found out federal procurement opportunities for small business travel agencies were dismal at best. Add to the mix a service-disabled veteran with a small business and the opportunities seemed non-existent. I promptly became an active advocate for small business veterans. I learned that only a few organizations were actually lobbying Members of Congress in support of meaningful legislation that would assist veterans with their small businesses. As an entrepreneur, I am a strong believer that taxpaying, small businesses deserve a chance to provide goods and services to the federal government.

With the assistance and guidance of key Members of Congress and individuals* at the Department of Veterans Affairs and the House Committees on Small Business and Veterans' Affairs, two key measures were accomplished. One was passage of the Veterans Benefits Act of 2003 now Public Law 108-183, which provides authority for federal agencies to create "sole-source" contracts to qualified small business concerns owned and controlled by service-disabled veterans. The other was the President's

* Rep. Don Manzullo, Chair, House Small Business Committee; Rep. Nydia Velazquez, Ranking Minority House Small Business Committee; Rep. Christopher Smith, former Chair of the House Veterans' Affairs Committee; Rep. Lane Evans, Ranking Member of the House Veteran's Affairs Committee; Rep. Spencer Bachus; Scott Denniston, Deputy Director, Small and Disadvantaged Business Utilization and Center for Veteran Enterprise, Department of Veterans Affairs; Tyrone Lassiter, Small Business Specialist, Department of Veteran Affairs; Michael Day, Minority Staff Director, House Small Business Committee; Nelson Crowther, General Counsel, House Small Business Committee; Joe Hartz, Professional Staff Member, House Small Business Committee; Michael Brink, Majority Staff Director for the Subcommittee on Economic Opportunity, House Committee on Veterans' Affairs; and Geoffrey Collver, Minority Staff Director, for the Subcommittee on Economic Opportunity, House Committee on Veterans' Affairs.

October 20, 2004 Executive Order 13360 calling for increasing opportunities for service-disabled veteran businesses for federal prime contracting and subcontracting.

Program Oversight is Flawed or Failed

Current federal regulations call for federal agencies to contract 23 percent of their prime contracting dollars to small businesses, a figure that goes unheeded and rarely sees the light of day. The Small Business Administration's (SBA) Office of Advocacy found that the federal contracts awarded to small businesses in 2002 were overstated by $2 billion. That is because 44 of the top l, 000 small business contractors who received government contracts were actually large businesses. The Department of Defense and the GSA accounted for 79 percent of the misdirected 2 billion dollars. The National Association of Government Contractors web site reported this inequity on February 28, 2005.

To my knowledge, no major federal agency has met a "sole-source" goal for a Service-Disabled Veteran Owned Business (SDVOB). Why is this happening? I can only relate to my own experience. It took eight months to-the-day for Duluth Travel to be approved on the GSA schedule. In my opinion, the GSA moves entirely too slow in the approval process. If it were not for my persistence, I am sure the approval would have taken even longer. Small businesses can ill-afford to spend valuable time in accomplishing the simple act of registering with GSA.

Added Hurdles within the Bureaucracy

After Duluth Travel was officially registered with the Federal Government in the Central Contractors Registration (CCR) and approved for providing travel services to all government agencies through the GSA schedule, I was directed to take advantage of marketing Duluth's travel services to federal agencies. That is exactly what I did. For example, I e-mailed and mailed letters to each designated contracting officer at the various federal agencies provided by the GSA. The letter introduced my company and noted that I was a service-disabled veteran owner of a small business. Out of the 35 e-mails I sent to contracting officers at the various agencies, I was stunned to receive only four replies. This is shameful in itself, but it gets worse. The four replies referred me back to their web site and stated that my e-mail was forwarded to the appropriate contracting person. To date, I have not had one contracting officer contact Duluth Travel at all regarding a "sole-source" contract for SDVOB or a small business set-aside for travel procurement.

It is my observation that federal procurement and/or contracting offices are unwilling to use small business firms for fear that they will fail and thus, the award process would have to start all over again. Contracting offices have also been doing business with the same large companies for years. They have established relationships with these companies, they know their performance track record and they avoid making changes to the process despite the new law. An award to someone like Duluth Travel would lack the "cache" of relationships as usual. A key example is the eTravel government contract. Only one of the three prime contractors is in the travel management business. The travel

agency subcontracting of all three is primarily to large travel agencies. Any small/disadvantaged travel agencies invited in as sub-subcontractors receive no recognition for their performance on GSA's TTS schedules program.

Conclusions

This hearing today is essential and vital to correcting inequities in the federal procurement process for small businesses. Members of Congress, the SBA Office of Advocacy and VA must continue to challenge the federal contracting offices in awarding the 23 percent of prime **contracting dollars** to small businesses and of that percentage, setting aside three percent to SDVOBs. Otherwise, there is no visible enforcement or oversight in this process.

In closing, Congress must take the necessary steps toward strengthening the laws making it mandatory that federal agencies shall award, not may award, government contracts to small businesses. We must make sure that more small business set asides and "sole-sourcing" contracts are available and awarded appropriately. Small businesses are the economic engine that drives this country and they warrant a chance to prove their worth within the federal procurement process.

Please give small business a chance. We have the laws and regulations already in place. However, we need you to enforce these laws and regulations. We can work together, you and I, and America's small businesses to make this happen. Thank you for this opportunity to testify. I look forward to answering any questions you may have.

Testimony

Of

John K. Lopez, SDV, Chairman
Association for Service Disabled Veterans
110 Maryland Ave., NE, Suite 100
Washington, DC 20002

To

Joint Hearing of the
Subcommittee on Workforce, Empowerment, and Government
Programs of the Committee on Small Business
And
The Subcommittee on Economic Opportunity of
the Committee on Veterans' Affairs

Tuesday, 24 May 2005, 10:00 a.m.
Room 311, Cannon House Office Building

"IMPLEMENTATION OF THE VETERANS ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT ACT OF 1999 AND SECTION 308 OF THE VETERANS BENEFIT ACT OF 2003"

Shortly after enactment, the actual implementation of the various provisions of the "Veterans Entrepreneurship and Small Business Development Act (Development Act)" and "Section 308 of the Veterans Benefit Act of 2003 (Benefit Act)" indicated that the promise of the Acts would be a battle for the "HEARTS AND MINDS" of the federal bureaucracy and not an orderly, managed implementation, of the intent of the U.S. Congress.

In the year 2000, the Federal Acquisition Regulatory Council (Far Council) misinterpreted Section 502 of the Development Act and declared that there was no separate and distinct service disabled veteran owned Business: SDVE) Procurement Goal.

Subsequently, the first release of data pertinent to agency procurement performance "SUMMARY OF ACTIONS AND DOLLARS REPORTED ON SF 279 AND SF281 BY AGENCY ISSUED BY THE FEDERAL PROCUREMENT DATA SYSTEM" was analyzed by several stakeholders and revealed no assurance of the accuracy of dollars reported, actions reported, or appropriate categorization.

Additionally, requests for form 294 and 295, the reports submitted by prime contractors to indicate compliance with their subcontracting plans for SDVE inclusion as beneficiaries, were not available from any of the three (3) repositories of those reports.

Five years after enactment, agencies continue to omit mention of SDVE as a "TARGET OUTREACH GROUP" of procurement actions. While focusing on other special interest groups (SIG) as goals and objectives.

A continuing "PARSING" of Congressional Intent in the regulatory application of words such as "MAY" and "SHALL" encourage procurement actions that "OVERLOOK" SDVE when contract awards and selections for participation are made in procurement actions. Even though SDVE are accorded "SOLE SOURCE" and "RESTRICTED COMPETITION" emphasis.

Finally, there is a serious requirement that procurement officials properly "VETT" those businesses that claim SDVE status and eligibility.

Summary individual attesting and information readily available from the U.S. Department of Veteran's Affairs (USDVA), can be used to establish SDVE legitimacy and avoid the increasing number of cases where SDV are being exploited for other economic advantage.

Sadly, many of these same deficiencies are present in the private sector of our economy! Bureaucratic inertia is just as much a concern in the efficient management of private corporations as it is in government, and this was a challenge that faced the Veterans Corporation.

The success of the Veterans Corporation as an impact factor for SDVE was always dependant on strong leadership in both the Corporation executive and the appointed Board Members. Especially in the articulation of a clear mission.

I DO NOT BELIEVE THAT OCCURRED.

The original Board of Directors did not appear to be experienced enough to implement a broad national program or to develop and support a clear vision of what the veteran business community needed to assure successful participation in the nation's economy.

Consequently, the successive managements have always been in a "CATCH-UP" mode – trying to establish mission while also attempting to operate an effective program.

I do not believe that the Corporation leadership was ever able to reconcile an unfocused Board to a clear mission.

IT MAY BE POSSIBLE, if the Committees were to specify stringent guidelines and accurate reporting, that the effort can be productive.

We do not have a failure of philosophy but rather a failure of execution.

A more unique oversight by the Committee, such as an active task force or commission may be a solution.

However, in both the implementation of the Development Act and the Benefit Act and the Direction of Veterans Corporation, greater Committee oversight is needed now.

It is also respectfully requested THAT EXISTING LEGISLATION BE AMENDED AND EXPANDED TO EMPHASIZE AUTHORIZED, DIRECTED,

SPECIFIC AND MANDATORY PARTICIPATION BY SERVICE DISABLED AND PRISONER OF WAR VETERANS IN ALL FEDERAL PROCUREMENTS" whether thru inclusion in the various set aside provisions of the Small Business Act of 1953 as amended, or in newly included Sections of that Act.

Only the active application of this Committee's authority will ensure that self-employment as a business owner is an available rehabilitation alternative for those that sacrificed their well being for the security and prosperity of our nation.

Testimony of Frank M. Ramos, Director

Office of Small and Disadvantaged Business Utilization

Office of the Under Secretary of Defense (AT&L)

United States Department of Defense

before

The United States House of Representatives

Joint Hearing

before

The Subcommittee on Workforce, Empowerment, and Government Programs

of

The House Committee on Small Business

and

The Subcommittee on Economic Opportunity

of

The House Committee on Veterans' Affairs

May 24, 2005

Chairman Musgrave and Chairman Boozman and Members of both Committees.

Good morning, I am Frank M. Ramos, Director, Small and Disadvantaged Business Utilization, in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. Thank you for the opportunity to appear before you today to discuss this most important topic. It is an honor to speak before this joint committee. I appreciate your continued interest and oversight of the Department of Defense's (DoD) progress to meet the service-disabled veteran-owned small business program goals. I thank you for your leadership and commitment.

I am pleased to address the Department's progress since implementation of the provisions of the Small Business Act, that provides for the President to establish an annual government-wide goal of not less than three percent for participation by service-disabled veteran-owned small businesses in Federal contracting.

Performance Progress

The DoD views a robust small business supplier base as a critical component to sustain the Defense industrial base. Our overall small business contracting achievements are dependent on the development and nurturing of small business capabilities in the various industries that support the Warfighter. What is true for small business in general is equally true for service-disabled veteran-owned small business.

In my organization's initial analysis of the service-disabled veteran-owned small business supplier base, we found that there were only 2,175 firms in fiscal year

(FY) 2003 who identified themselves as service-disabled veteran-owned small businesses within the Central Contractor Registration (CCR) system. We concluded that the Federal Government must heighten its campaign to identify and register service-disabled veteran-owned small businesses. There is a definite relationship between the number of qualified service-disabled veteran-owned small firms and our ability to meet the three percent goal. The lesson learned from our analysis was incorporated into our newly published Department of Defense Service-Disabled Veteran-Owned Small Business Strategic Plan (Strategic Plan).

The Department's aggressive outreach efforts resulted in a significant increase of service-disabled veteran-owned small businesses being registered in the CCR. Specifically, the pool of service-disabled veteran-owned small businesses registered in CCR increased from 2,175 firms in FY 2003 to 6,926 firms registered in May 2005 - an increase of 218 percent.

The commensurate increase each year in the Department of Defense supplier base resulted in a substantial improvement of prime contract award dollars to service-disabled veteran-owned small businesses: FY 2001, $149 million; FY 2002, $204 million; FY 2003, $342 million; and FY 2004, $514 million (estimated). This is an overall growth in contract dollar awards of 247 percent over a three year period. The Department of Defense awards more contracts to service-disabled veteran-owned small businesses than the rest of the Federal Agencies combined, as is evidenced by the $514 million awarded by DoD in Fiscal Year 2004, or

approximately 60 percent of the estimated $883 million awarded Federal-wide to service-disabled veteran-owned small business.

What has DoD been doing that accounts for the dramatic growth in contracting with service-disabled veteran-owned small businesses, and what can the Committees next expect to see happening at DoD? The Department's Service-Disabled Veteran-Owned Small Business Strategic Plan (which is available at http://www.acq.osd.mil/sadbu/programs/veterans/index.htm) provides a framework to answer both questions.

DoD's Strategic Plan

On May 10, 2005, the Under Secretary of Defense for Acquisition, Technology, and Logistics, the Honorable Michael W. Wynne, issued the DoD Service-Disabled Veteran-Owned Small Business Strategic Plan for implementing Executive Order 13360, "Providing Opportunities for Service-Disabled Veteran Businesses To Increase Their Federal Contracting and Subcontracting," signed by President Bush on October 20, 2004. The entire DoD small business and acquisition communities developed the plan and they began taking immediate, concrete actions to further the plan as it was being developed.

Identify Additional Service-Disabled Veteran-Owned Small Businesses

I have discussed our actions to meet our first objective of our plan, which is to increase the number of service-disabled veteran-owned small businesses registered in the CCR. The veteran service organizations (VSOs) are also key to future success. You can expect to see even more collaboration with our current

VSO partners, as well as an effort on our part to identify additional VSOs to assist us.

Explain and Publicize the New Tools

We thank Congress and the President for their working together to enact the legislative change that provides for the use of sole-source and restricted competition in Section 308 of the Veterans Benefits Act of 2003, Procurement Program for Small Business Concerns Owned and Controlled by Service-Disabled Veterans (Pub. L. 108–183). This legislation is intended to enhance opportunities for Federal contracting with qualified service-disabled veteran-owned small businesses. The existence of these new contracting tools permits our second objective, which is to train the acquisition community on how to effectively use them.

Our first efforts focused on implementing the law through a regulatory change to the Federal Acquisition Regulations (FAR). Last October, my office held two workshops at the Department of Defense Small Business Training Conference and solicited advice and suggestions from the attending contracting officers, program managers, and small business specialists on how to implement the sole-source and restricted competition legislation. As an anticipatory strategy, my office also initiated a FAR case in collaboration with the Director, Defense Procurement and Acquisition Policy. An interim rule was published on May 5, 2004 soliciting comments from the public. After receiving and reviewing the public comments, the FAR Council moved quickly to have the final rule implemented. The final regulations governing the use of service-disabled veteran-owned small business

sole-source and restricted competition were published in the *Federal Register* on March 23, 2005. This final rule provides a firm basis for contracting officers to more effectively utilize service-disabled veteran-owned small businesses in making sole-source and set-aside decisions in developing their acquisition strategies.

We are also making significant progress on the training portion of the Strategic Plan. My office and the Defense Acquisition University (DAU) developed two training courses that are designed to educate the entire acquisition workforce, which includes small business specialists, contracting personnel and program managers. My office, in collaboration with the Military Services, Defense Agencies and DAU, completed a pilot course in October 2004 before offering the course to the workforce. This course explains the basic requirements of the service-disabled veteran-owned small business program. We also developed a two-part training course on the Small Business Program (CON 260), which contains a section on service-disabled veteran-owned small businesses. The first part of this small business course is available on-line and is accessible to any interested parties, internal and external to the Department.

To fully achieve objective two, we will focus on providing more information on these and potential program changes and information on DAU's training courses during discussions at conferences attended by members of the acquisition and business communities.

In addition to training our acquisition personnel, we will also be training the service-disabled veteran-owned small business community. We believe educating

this community about our policies and new regulations will assist them with marketing their products and services more effectively to the Department. Our outreach training conferences which are conducted throughout the country provide an opportunity for this education. A partial list of locations where these conferences have been held includes: California, Florida, Georgia, Illinois, Michigan, Texas and Virginia. These conferences are organized or conducted by the Office of the Secretary of Defense, the Army, the Air Force, the Navy, the Defense Logistics Agency and other Defense Agencies. My office has and will continue to present service-disabled veteran-owned small business training at the following three annual conferences - the DoD Mentor-Protégé Conference; the Small Business Training Conference, and the National Veterans Small Business Conference. These three national conferences should reach approximately 1,500 attendees annually.

Promote the Inclusion of Service-Disabled Veteran-Owned Small Businesses in the DoD Mentor-Protégé Program

In December 2004, my office drafted an interim rule to implement the legislative change to the DoD Mentor-Protégé Program permitting service-disabled veteran-owned small businesses to participate in the Program as protégés. The interim rule was sent through channels for publication and is anticipated to be published in the *Federal Register* in the near future. The Department of Defense moved expeditiously between the passage of the legislation and the publication of the rule in anticipation of service-disabled veteran-owned small businesses participating in the DoD Mentor-Protégé Program this fiscal year.

In addition to expediting the publication of the rule, managers of both the Mentor-Protégé and the service-disabled veteran-owned small business programs worked collaboratively to invite a select group of service-disabled veteran-owned small businesses to participate in the annual Mentor-Protégé Conference in March 2005. In this way, potential protégés would be exposed to the entire process, meet with current mentors and protégés, and be better poised to participate in the program. DoD solicited assistance from the Center for Veterans Enterprise, the Vietnam Veterans of America, the Association for Service-Disabled Veterans and the Veterans Corporation in identifying potential service-disabled veteran-owned small business protégé candidates. We anticipate the outcome of this participation to be the approval of several service-disabled veteran-owned small business mentor-protégé agreements during this fiscal year.

Increase Subcontracting Opportunities

with Service-Disabled Veteran-Owned Small Businesses

Developing a methodology to encourage the DoD prime contractors to increase subcontracting with service-disabled veteran-owned small businesses began with two Departmental workshops held last fall. Acquisition personnel discussed increasing subcontracting opportunities during the 2004 DoD Small Business Training Conference. These discussions serve as the basis for the development of objective four of the strategic plan.

The Defense Contract Management Agency (DCMA), on behalf of DoD, assumed lead responsibility for this objective. DCMA is providing special focus on

service-disabled veteran-owned small business subcontracting opportunities by identifying a pool of qualified service-disabled veteran-owned small businesses and matching them with potential prime contractors. In brief, DCMA is analyzing current subcontracts to determine where other opportunities for service-disabled veteran-owned small businesses might exist. They are further analyzing the capabilities of service-disabled veteran-owned small businesses with active DoD contracts. Our objective is for DCMA to provide the analysis and information to six major prime contractors who agreed to assist us with this initiative. Should the initiative prove successful, we will export the process to the entire DoD prime contractor community.

Increase Service-Disabled Veteran-Owned Small Business Bonding in Construction and Environmental Clean-up Industries

Our analysis of current and historical data reveals that a significant barrier to service-disabled veteran-owned small businesses participation in Federal contracting is their inability to obtain bonds. Finding a solution to this problem is our fifth objective. We are developing in-house expertise by gathering training information and establishing liaisons with bonding experts inside and outside the Department. The U.S. Army Corps of Engineers is assuming the lead responsibility for this objective. They are working with large construction firms to develop effective solutions.

Foster Teaming Agreements and Joint Ventures

We are bolstering our in-house expertise to better understand teaming agreements and joint-ventures and the potential benefits these vehicles afford to the service-disabled veteran-owned small business community. We are working on a detailed plan to provide outreach and effective counseling to service-disabled veteran-owned small businesses on how to maximize their participation in DoD contracting by teaming and joint-venturing. We anticipate that the use of teaming agreements and joint ventures will enable service-disabled veteran-owned small businesses to increase their capacities and capabilities to receive more DoD contracts and for larger dollar values.

Conclusion

The Department developed an ambitious Strategic Plan and our efforts to date are showing great progress toward the goals we laid out. We partnered with other agencies and with non-governmental organizations toward a consistent goal. That goal is to significantly increase contracting opportunities for service-disabled veteran-owned small businesses.

I am convinced that the key to future success is continuing our synergistic relationship with the Congress, our Federal Agency partners, non-governmental organizations and the entire business community. We are headed in the right direction!

Thank you, I would be pleased to answer your questions.

STATEMENT OF SCOTT F. DENNISTON
DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION AND THE CENTER FOR VETERANS ENTERPRISE, U.S. DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE JOINT HEARING OF THE
VETERANS AFFAIRS SUBCOMMITTEE ON ECONOMIC OPPORTUNITY AND THE
SMALL BUSINESS SUBCOMMITTEE ON WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS

U.S. HOUSE OF REPRESENTATIVES
MAY 24, 2005

Chairman Boozman, Chairman Musgrave, Committee Members, I greatly appreciate the opportunity to testify at this joint subcommittee hearing. Your oversight is exactly what the Federal Veterans Entrepreneurship Program needs at this critical juncture in its growth.

In 1999, you directed Federal agencies and the Veterans Corporation to organize public and private resources to promote formation and expansion of veteran-owned businesses. This mission has been fulfilled. DoD, SBA and VA have fully supported the Veterans Corporation. Turnover within the Corporation has impeded our efforts. As a result, Federal agencies, contractors and service providers have voluntarily organized into areas of expertise. We continue to offer the Corporation our full support. The President's Executive Order 13360, Providing Opportunities for Service Disabled Veterans, recognizes the self-governance structure which now exists.

The Executive Order required agencies to create and publish comprehensive strategic plans. The majority have done this. These plans are easily located on our VetBiz.gov web portal as well as on SBA's web site. Now,

it is time to measure performance against those plans. I believe that formal scorecards would be very useful.

Since November, VA has hosted meetings of volunteers committed to increasing access for disabled veterans in Federal markets. The Honorable David Safavian, Administrator of the Office of Federal Procurement Policy, has been generous in his support of this group. He has actively encouraged the free exchange of vision and ideas. We have shared best practices. We are coordinating outreach conferences. We've identified impediments, both real and perceived. VA's plan adopts the best practices and tackles some of the impediments. Our plan targets 5 improvement areas. They are Employee Training, Information Sharing, Prime Contractor Partnerships, Sourcing Support and Acquisition Protocols.

Step One is Employee Awareness and Training. This involves all employees. We will kick-off our internal campaign on June 14 at our annual Champions of Veterans Enterprise awards ceremony. This 120-day effort will blitz our facilities with information about the Department's strategic plan. It will include posters, videos and program materials for distribution to our employees. The objectives are to overcome reluctance to use the set-aside and to show employees how to easily locate high performing businesses. The 4-month program will be followed by a longer sustained awareness campaign to be introduced next Fiscal Year.

Under the Executive Order, the Defense Acquisition University is responsible for training Federal employees. They acted quickly. A version of the course is already posted on the Internet. The voluntary working group is reviewing the content to offer improvement ideas. One suggestion is use of VetBiz Vendor Information Pages for market research.

Our objective is to significantly improve accomplishments with veterans and service disabled veterans. In Fiscal Year 2004, VA achieved 1.25% ($110.7 mil.) of total procurement dollars with disabled veterans. While this performance was higher than many Federal agencies, it is unacceptable to our leadership.

I have mentioned before and want to say again today that Dean Koppel and his colleagues at SBA did an outstanding job of writing the FAR and SBA rules for service disabled veterans. The flexibility for teaming and joint-venturing is tremendous. However, we must educate buyers about the time it takes for small businesses to form teams and respond to complex requirements. We must ensure that buyers understand how to evaluate offers submitted by teams and by joint ventures. They must understand how to administer contracts involving multiple partners. Contract performance by teams must clearly show that the disabled veteran-owned business is controlling the requirement and not simply a front for the other partners. Contracting officers will benefit from both written guidance and training on this difficult subject. We look forward to working with Charles Cervantes in the Office of the Secretary of Defense and with Teresa Lewis in SBA's Office of Government Contracting in the development of training for vendors and government personnel.

Step Two is Information Sharing. Vendors registered in VetBiz Vendor Information Pages now automatically receive FedBizOpps notices that match the company's industry or Product Service Codes. However, small businesses also need access to decisionmakers well in advance of requirements that appear in electronic postings. Our plan requires local facilities to conduct annual vendor conferences. These sessions will include procurement and technical personnel who will explain buying rules and announce opportunities. VA now requires formal local procedures that ensure equitable access for small business owners to decision makers. We are structuring a monthly videoconferencing program to begin in October. This program will showcase buying rules in industries common to several agencies. We will invite senior VA leadership to conduct periodic town

halls with owners. Deputy Secretary Gordon Mansfield did this as one of his first actions after accepting the position last year. VA's videoconferencing centers will be available for owners to view these information sessions.

Step Three is Sourcing Support. Buyers need to easily locate vendors who will perform reliably. The VetBiz Vendor Information Pages now offers video streaming. In this option, an owner may post a 3-minute film clip to the database. Because of different computers throughout government, we have learned that many employees do not visit web sites because pages often load slowly. By posting the video clips to the VIP database, our visitors do not need to go elsewhere to get detailed information about veterans in business.

There is more work to do. We have hired a contractor to develop an automated call program to reach every veteran business owner in CCR that is not yet in our database. As part of our awareness campaign, we have videos and CD-ROMs that show buyers how easy it is to use this database. We are considering further modifications that will enable owners to voluntarily document their veteran status. This is a suggestion from some corporate and Federal officials as an extra measure of buyer assurance.

Step Four is Partnering with Prime Contractors to create subcontracting opportunities for veterans and disabled veterans. We have dispatched letters to large Federal contractors inviting them to identify a veterans' business advocate to work with VA's Center for Veterans Enterprise. Some prime contractors have responded with enthusiasm. General Dynamics, SAIC, and Boeing, are several of the large contractors who are creating formal improvement plans. We are working with the Defense Contract Management Agency to develop a model for contractors to improve outreach, mentorship, contract opportunities and direct employment of veterans. On June 14, we will formally recognize Federal prime contractors who are leading the way in utilizing service-disabled veterans in business.

Step Five is Modifying Acquisition Protocols to make it easier to do business with service-disabled veterans. We have created technical evaluation factors to credit offerors who partner with service-disabled veterans in major requirements. VA intends to establish a formal Mentor-Protégé Program for service-disabled veterans in business.

The VA Strategic Plan approved by the Secretary in Feb. commits to examining a change to the VA Acquisition Regulation (VAAR) to potentially permit SDVOSB set-asides for purchases made under FSS contracts. Likewise, we are examining the prospects of a special provision for appropriate deviation from FSS or national contract sources in cases where SDVOSB can provide equal or lower prices.

The key to program success is linking performance and accountability. VA's plan directs our leadership to formally evaluate executives, managers and any employee who influences contract decisions on their accomplishments with service-disabled veterans.

I am excited about the potential for progress with the new framework established by the Executive Order. Never before have I witnessed such a confluence of legislation, creative rulemaking, openness of agency information, and passionate commitment by advocates.

In closing, it is my privilege to have worked with former Secretary Anthony Principi and former Deputy Secretary Leo Mackay and to now work with Secretary Nicholson and Deputy Secretary Gordon Mansfield. Mr. Mansfield called me shortly after receiving the President's order and volunteered his personal support. His leadership reflects our collective belief that Veterans in Business are Still Serving America.

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

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