

Statement of Mary Collins

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Before the Subcommittee on Economic Opportunity

Committee on Veterans' Affairs, U.S. House of Representatives

Regarding Transition Assistance for Members of the National Guard

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Executive Summary

The New Hampshire Small Business Development Center offers free, one-on-one, confidential business management counseling, low cost training, and access to information and referral to more than 3500 business owners and aspiring entrepreneurs each year. From 6 regional centers and several satellite locations the NH SBDC has provided management counseling and educational programs to more than 57, 000 businesses in the past 20 years. The New Hampshire SBDC is a member of the Association of Small Business Development Centers (ASBDC). ASBDC's members are the 63 State, Regional and Territorial Small Business Development Center programs throughout the nation, comprising America's Small Business Development Center Network. America's SBDC network serves between 50,000 and 60,000 self-declared veterans annually.

One of the most cost-effective steps that self-employed members of the National Guard and Reserves can take, to ease economic dislocations resulting from being activated, is contingency planning. America's SBDC network, with approximately 1,000 service centers nationwide, has highly capable counselors who are available to assist members of the National Guard and Reservists who are self-employed to develop plans to deal with the contingency of mobilization. Here in New Hampshire they can assist with strategic planning, access to capital, human resource issues, procurement, etc. SBDC consulting services are available at no charge. In addition, when a business owner or essential employees are activated, one of the things those left behind need most is training. SBDCs can provide a wide array of management, financial and marketing training to those in the firm who must shoulder the responsibility of keeping the firm going in the absence of the owner and essential employees. The NH SBDC currently offers the Ewing Marion Kauffman Foundation's FastTrac entrepreneurial New Venture training program for NH entrepreneurs and scholarships are available.

Guard and Reserve leaders should make a determined effort to ensure that small business owners in their units are aware of the services of the nationwide SBDC network, the NH SBDC and other SBA management and technical assistance programs. Every effort should be made to encourage small business owners who have not been activated to develop contingency business plans in the event of mobilization. In addition, we urge the Subcommittee to consider new funding for SBDCs to provide expanded management and

training assistance to members of the National Guard, Reserves and veterans. With additional resources, SBDCs could expand in a meaningful way the scope of their services to small businesses whose owners or key employees are members of the National Guard and the Reserves. After a quarter of a century serving over 11 million small business owners, our nation's SBDC network is well qualified to assist a small business that has lost its owner or essential employees.

Statement

Chairman Boozman, Ranking Member Herseth, Congressman Bradley, Congressman Michaud and members of the Subcommittee, I am Mary Collins, State Director of the New Hampshire Small Business Development Center (SBDC), an outreach program of the University of New Hampshire's Whittemore School of Business & Economics. Thank you for the opportunity to testify at this important hearing on transition assistance for members of the National Guard.

The New Hampshire Small Business Development Center offers free, one-on-one, confidential business counseling, low cost training, and access to information and referral to more than 3500 hundred business owners and aspiring entrepreneurs each year. Since 1984 experienced staff of the New Hampshire SBDC has counseled entrepreneurs on topics including business planning, financial analysis, marketing, accounting, cash flow projections and pro forma financial statements, new business/acquisition evaluation, environmental issues, international trade and manufacturing.

The New Hampshire SBDC is a member of the Association of Small Business Development Centers (ASBDC). ASBDC's members are the 63 State, Regional and Territorial Small Business Development Center programs comprising America's Small Business Development Center Network. SBDC programs are located in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and American Samoa. The SBDC network is the Federal government's largest small business management and technical assistance program with approximately 1,000 service centers nationwide, serving more clients than all other federal management and technical assistance programs combined.

America's Small Business Development Center network is extremely proud of its quarter century record of service to America's veterans. Annually, approximately eight percent of the nationwide SBDC network's counseling clients are veterans, and this only counts the self-declared veteran. We serve between 50,000 and 60,000 self-declared veterans annually. And we know the numbers are larger than that because many of our clients who are veterans choose not to self-identify their veteran status. Last year twelve percent of NH SBDC clients indicated that they were veterans - four percent greater than the national network.

The reality of the problems facing small business owners who are members of the National Guard or Reserve was highlighted in a sobering story in the June 5, 2005 edition

of *The Washington Post*. The article, written by Amy Joyce, was entitled “Baghdad and Bust, Small-Business Owners Defending America Are Losing Their Shirts.” The article focused on the experiences of three members of the Guard and Reserves who are small business owners. Their stories are not atypical.

Major Robert Palmer, Air Force Reservist and public affairs officer for Employer Support of the Guard and Reserve, a Department of Defense agency, recently articulated very well the problems faced by small business owners in the Guard and Reserves when he said, "Obviously, mobilization can be catastrophic to someone who is self-employed or a small-business owner."

The Department of Defense is clearly relying more and more on the National Guard and Reserve components. The call up over the last four years of Guard and Reserve units clearly is impacting tens of thousands of small businesses, if not more.

It is critical to understand that Guard and Reserve units can be activated on very short notice. After being called to active duty, a self-employed member of the National Guard or Reserves has little opportunity to take meaningful steps to try and protect his or her business. And small business owners whose employees are called up on short notice face major adverse impacts.

The adverse impact of activations is very real. Not only does it have an adverse impact on families and the economy, but it must surely be having impact on Guard and Reserve recruitment. If you are self-employed, and you see a self-employed friend or neighbor called to active duty with dire consequences for his or her business, you may think twice before joining the Guard or Reserves.

The impact of activation on self-employed individuals and their employees can be dramatic. Imagine that you, your wife and your twenty year old son are all involved in a family business. As the owner, you are called to active duty. Without your leadership and expertise, the business begins to lose customers and sales. Your wife and son are now faced with leaving the business in search of other employment with a more assured pay check and closing the business down or trying to hold things together until you return.

Or imagine you are the owner of a firm employing ten or twenty employees and you are called to active duty along with another of your employees. That business could well have a difficult time staying profitable. Sales are likely to decline, other employees seeing the firm struggling are likely to seek other more secure employment, further hastening the firm's downward spiral. You return, as in the first scenario, to either a firm that is in extremis or a firm that has collapsed. The economic impact of these examples is staggering for the individuals involved.

For employees who are called up, the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) the primary statute governing service members employment rights, assures that they will be re-employed by their civilian employer after serving on active duty. It also seeks to prohibit employers from

discriminating against individuals because of their service, and it mandates some continuation of benefits to those who have been called to active duty. However, USERRA provides no protections to a self-employed person who finds his or her business has gone out of business during active duty deployment.

The Service Members Civil Relief Act provides important benefits such as reduced interest rates on mortgage payments, reduced interest rates on credit card debt, protection from eviction if rent is \$1,200 or less. These are personal protections as I understand it. Perhaps there should be a review as to whether these protections should be extended to mortgages on business property and business credit cards.

SBA and VA have undertaken other actions as well to help address some of the issues of veterans who are small business owners. SBA Associate Administrator William D. Elmore and his staff have produced a publication entitled, *Getting Veterans Back To Business*. This is an excellent and useful publication. The Department of Veterans Affairs operates the Center for Veterans Enterprise ably headed by Scott Denniston. The CVE collaborates closely with ASBDC and SBDC service centers nationwide and does an outstanding job for veterans.

There are numerous efforts being made to help address the very real economic dislocations created by the activation of Guard and Reserve units. The question is, are they enough? And, if not, what are the most cost-effective actions that could be taken to further assist small businesses and small business owners impacted by active duty deployment of the business owner or essential employees of the firm?

Many of the proposals being discussed involve direct financial assistance or tax credits. These have the potential to be beneficial.

However, one of the most cost-effective steps that self-employed members of the National Guard and Reserves can take, to ease economic dislocations resulting from being activated, is contingency planning. Members of the Subcommittee, your colleague from Missouri, Congressman Ike Skelton, states the issue very well on his website, and I quote, **“I encourage all small business owners and small businesses with essential employees who are members of the National Guard or Reserve to become familiar with SBA programs and have a plan in place to work through any potential disruption that may result from military call-ups.”**

America’s Small Business Development Center Network, with approximately 1,000 service centers nationwide, has highly capable counselors who are available to assist members of the National Guard and Reservists who are self-employed to develop plans to deal with the contingency of mobilization. They can assist with strategic planning, human resource issues, procurement, marketing, etc. etc. SBDC consulting services are available at no charge.

In addition, when a business owner or essential employees are activated, one of the things those left behind need most is training. SBDCs can provide a wide array of management,

financial and marketing training to those in the firm who must shoulder the responsibility of keeping the firm going in the absence of the owner and other employees.

The ASBDC is considering a proposal to reduce all training fees for families and employees of small businesses whose owners or essential employees have been called to active duty. This could pose financial challenges for many SBDC service centers, many of whom have seen no increase in federal funding since 1997, while others have experienced significant reductions in federal funding. Here in New Hampshire the SBDC program has not had an increase in federal or state funding since 1997, however our dedicated staff of counselors continues to meet the ever increasing demand for services. I personally came to the SBDC program in the recession of the early '90's through a Department of Labor grant to assist dislocated workers – right here at this Pease location - during the closing of the Pease Air force Base. My mission was to assist former base workers establish new careers in entrepreneurship. Today, 14 years later, many small businesses are experiencing hardship due to the call up of business owners or key employees and unusual actions may be required.

As members of the Subcommittee are aware, federal law currently allows veterans to use their Montgomery GI bill benefits to take non-credit entrepreneurial courses at SBDCs. This is an important benefit to our nation's veterans.

In an effort to try and prevent problems from becoming even more widespread, we would recommend that the leadership of Guard and Reserve Units that have not been activated undertake a concerted effort to identify those in their units who are self-employed. Guard and Reserve leaders should then make a determined effort to ensure that small business owners in their units are aware of the services of Small Business Development Centers and other SBA management and technical assistance programs. Every effort should be made to encourage small business owners who have not been activated to develop contingency business plans in the event of mobilization.

Some National Guard and Reserve members have also experienced pay problems when they are mobilized. Studies conducted at the request of the House Government Reform Committee have confirmed that these problems exist. It is important for members of the Guard and Reserves and their families to be certain that the activated Guards and Reserves receive the compensation due them in a timely fashion. Prompt access to capital in terms of earned pay and benefits should never be in question.

We urge the Subcommittee to consider new funding to SBDCs to provide expanded management and training assistance to members of the National Guard, Reserves and veterans. With additional resources, SBDCs could expand in a meaningful way the scope of their services to small businesses whose owners or key employees are members of the National Guard and the Reserves.

We are talking about my neighbors here in small towns in New Hampshire.

And it only makes sense for the Department of Defense to increase its interaction and initiate support for the SBDC program as it tries to assist members of the Guard and

Reserve who are small business owners. DOD should also look to assist the SBDC program in its efforts to assist members of the Armed Forces when they leave the military and seek to start a small business. A greater involvement by DOD with the SBDC program's assistance to members of the National Guard, Reserves and veterans could enhance DOD's recruiting efforts.

Mr. Chairman and members of the Subcommittee, when a small business appears to be having problems, the all too frequent reaction is that increased access to capital will solve the problem. That is not necessarily the case. Dunn and Bradstreet has repeatedly stated that management decisions are the major reasons small businesses fail. Small businesses, when they are confronted by the loss of a key employee or owner, may well need capital. And with a key employee or owner on active duty, a lender may be extremely reluctant to make a loan regardless of the past financial history of the business. SBDCs have a long and successful history of helping small businesses gain access to capital - in fact each week as state director I personally take calls from small business owners seeking information related to financial assistance.

When a small business is faced with the loss of a key employee or owner, hopefully it has in place a plan for that contingency. Unfortunately that is rarely the case. In that event, a serious analysis of the condition of the business needs to be undertaken and a strategic plan formulated for the situation as it exists. Securing increased capital may be just one of several strategic actions that need to be taken. . Contingency plans were proven essential after 9/11 – and we at the NH SBDC were first hand witnesses to that need

After a quarter of a century serving over 11 million small business owners, our nation's SBDC network is well qualified to assist a small business that has lost its owner or essential employees. SBDCs are willing and able to help address the serious business owner issues addressed by the activation of Guard and Reserve units. We pledge to this Subcommittee, to DOD, to our men and women on active duty who are small business owners, and to small business owners in the Guard and Reserve, that America's Small Business Development Center Network will do its very best, within the constraints of the resources we have, to continue to provide quality business management assistance when and where it is needed.

Thank you again Chairman Boozman, Ranking Member Herseth, Congressman Bradley, Congressman Michaud and members of the Subcommittee, for allowing me to testify today. At this time I will be pleased to respond to any questions you or other members of the Subcommittee may have.