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# The Status and Needs of Small Businesses Owned and Controlled by Disabled Veterans

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**PHASE IV  
FINAL REPORT**

**The Status and Needs of Small Businesses  
Owned and Controlled by Disabled Veterans**

**SBAHQ-99-C-0001**

**The University of Massachusetts Boston  
The William Joiner Center  
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Boston, MA 02125-3393  
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**November 10, 2000**

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# **1 Introduction**

This introduction provides a thumbnail sketch, or landscape, of the history and conditions of veterans' benefits against which to profile the issue of veterans' small business opportunities. After years of applied research on issues pertaining to the veteran community, it has become abundantly clear to this researcher that the good people who serve in our federal and state agencies, and as staff persons in various congressional and state legislative offices often lack the data and/or information they need to fully and meaningfully address the needs of veterans and their families. This situation is no doubt a result of demographic facts. With the decline in the veterans' population, ever fewer members of Congress and state legislatures have any military experience. One of the over-arching themes this researcher has come across again and again is that most non-veterans hold the mistaken notion that the Department of Veterans Affairs provides virtually every possible service to the nation's veterans. It is hoped that this introduction and the findings that follow will provide a more accurate picture of the difficult conditions veterans have been confronted with as they have sought to pursue small business endeavors.

## **1.1 A History of Benefits**

The history of veterans benefits and services goes back to the revolutionary war. Soldiers were, in part, recruited with the promise of future benefits. The Continental Congress first established benefits in the form of land grants, disability pensions, and death benefits with the ratification of the Constitution in 1788 and the first Federal Congress in 1789 (I Stat.95). Following this, benefits were provided to every generation until 1917, when P.L. 65-90 moved away from rewarding military service in an effort to promote self-reliance.

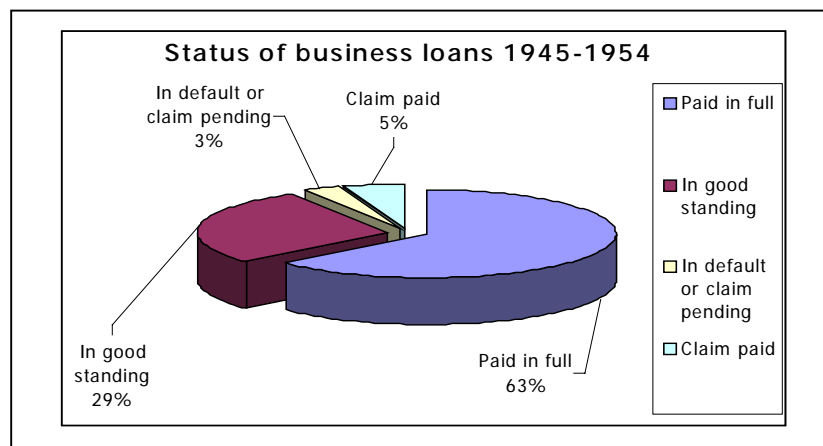
The trauma of the depression years had a significant impact on veterans and veterans' benefits. About a year after the violent repression of the veterans' bonus march, Congress passed the Economy Act of 1933 (P. L. 71-522). This repealed nearly all existing federal veterans' benefits. However, these were reestablished approximately a year later.

As most Americans realize, WWII had the greatest impact on the establishment of benefits for veterans. The best known of the various provisions enacted was the 1944 GI Bill of Rights (P. L. 78-346), which included loans for a veteran's home, farm, or business that were guaranteed by the Veterans Administration. The notion of a "preference" for veterans appears to be first accorded to veterans with the Defense Production Act of 1950 (P. L. 774) (81<sup>st</sup> Congress). Veterans were afforded down payment loan requirements that were 5 and 10% lower than those for non-veterans. The Veterans Readjustment Act of 1952 (P. L. 550, 82nd Congress) extended loan programs to veterans of the Korean War Era for 10 years, thus effectively extending federal business loan guarantees for veterans into the early 1960s.

Thus, through the Korean Conflict, veterans' benefits continued to grow or maintain levels of (real dollar) funding. By 1954, this included some 66,300 farm loans and 214,500 business loans. The design in the law facilitated an extension of credit to veterans who, as a consequence of service at military pay, had been deprived of a normal ability to accumulate savings. The loan guarantees were designed to place veterans on parity with those who had not served. Again, the purpose of these loans was for the purchase of any business, land, buildings, supplies, equipment, machinery or tools to be used in pursuing a gainful occupation.<sup>1</sup> Some of the distinctive provisions included:

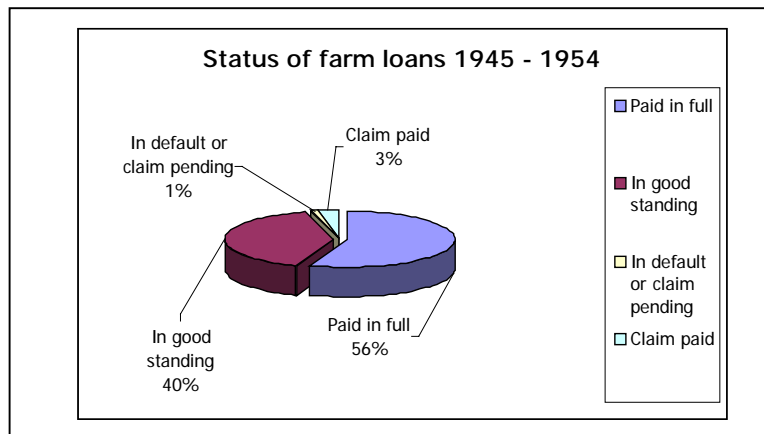
- low effective interest rates
- long amortization periods
- absence of a requirement for initial equity
- absence of a charge for the guarantee or insurance
- various provisions to assist veterans experiencing temporary difficulties including the opportunity to adjust the terms in order to prevent or cure a default or avoid a foreclosure

At that point (1954), of some 214,544 business loans to veterans closed through June 1954, 63.2% had been paid in full, 28.5% were in good standing, 2.9% were in default or had a claim pending, and 5.4% had a claim paid. Of 66,331 farm loans closed through June 1954, 55.5% had been paid in full, 40.2% were in good standing, 1.2% were in default or had a claim pending, and 3.1% had a claim paid.



<sup>1</sup> A June 22, 1954 VA pamphlet contained the following statement: "The Government should not fail to provide means whereby the veteran could obtain favorable credit which would permit him to shelter his new family or begin his business or farming venture," and noted that some 3 ½ million veterans had received [loan] assistance in connection with the acquisition of homes, farms and businesses. See GI LOANS THE FIRST TEN YEARS - (1944-54) DECENNIAL REPORT OF THE LOAN GUARANTY PROGRAM-U.S. Department of Veterans Benefits-VA PAMPHLET 4A-11 June 22, 1954

Certainly, a significant number of these veterans would have been unable to start or expand their farms and businesses without these financial assistance programs.



## 1.2 From the Vietnam Era to the Present

With the passage of time after Korea, there may have been a decrease in the number of veterans needing small business financing. A reorganization of the Veterans Administration contributed to an emaciation of veterans' business benefits programs in favor of other aspects of veterans' services. The research team found that in the initiation of automated record keeping, files on small business loans were left behind. A great deal of that data was stored and eventually lost or discarded. Simultaneously, the SBA began to provide more services to women and those with minority status.

Of much more significance was the great controversy that erupted across the country, as the nation became more involved in the conflict in Southeast Asia. Activists from the growing women's movement and the minority community provided significant leadership in the effort to convince the administration to withdraw from Vietnam. It was during the Vietnam decade that the value structure of the nation and the social policies that these values supported began to shift in a way that resulted in the vilification of military service and of the nation's veterans. As a growing number of policy makers "converted" from supporting the war and the administration, to opposing both, and as young policy makers entered government, veterans and veterans' programs came to be on the receiving end of an administrative backlash. This backlash also reached into the veterans' community in the form of intergenerational conflict. Advocates of reform called for the dismantling of the Veterans Administration and the absorption of the various services it provided by other departments and agencies, which would deliver the services to veterans. Moreover, a sector of the older generation of veterans considered the Vietnam generation as having dishonored the nation by "losing" their war.

The documentation supporting this generally negative attitude toward Vietnam era veterans is extensive. In the early 1970s, there were several calls to dismantle veterans' services. Bureaucracies were competing for control of constituencies, budgets, and policy direction. A specific example of this was the conflict between the Veterans Administration and the Veterans Cost of Instruction Payment Program, which evolved



out of the Department of Health, Education and Welfare and the Department of Education. Another struggle for control of veterans' programs involved the U.S. Conference of Mayors / National League of Cities, which supported an effort by Roland Mora, deputy assistant secretary for veterans employment and training, under the Carter administration. Mora sought to gain control of the Comprehensive Education and Training Act Title VI funds, and establish what was essentially a network of 100 outreach centers for veterans to tackle a wide variety of issues, which the traditional veterans' organizations were uninterested in pursuing.

An array of negative attitudes against the new veterans developed in broad socio-political and cultural terms across the nation and reached down through various sectors of government and society.<sup>2</sup> Many people contend that opposition to the war was not meant as a condemnation of the nation's newest veterans. Yet, the literature concerning the public reception of Vietnam veterans and their treatment upon their return documents extensively the phenomenon of social and political rejection. In sociological terms, veterans became the "dirty workers."<sup>3</sup>

Subsequently, this led to a policy of active official neglect of the spirit of the laws, which were enacted to support the readjustment of the Vietnam era veterans and those that followed that generation. For example, on August 1, 1972, the administrators for the SBA and DVA jointly announced that Vietnam era veterans were now eligible for business loans, federal contracts and management assistance under SBA programs previously restricted to socially or economically disadvantaged persons (Section 8(a)). Later, on January 2, 1974, Congress enacted P. L. 93-237 requiring SBA to provide special consideration to veterans. Yet few of the provisions of the 1972 announcements were adequately implemented. Further, the phrase "special consideration" became known as a euphemism for "special neglect" by the generations of veterans from Vietnam to the present.<sup>4</sup>

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<sup>2</sup> Several of the more significant of these are listed in the bibliography. The principal investigator has assembled a fairly comprehensive list of these in three articles. See Paul R. Camacho, "The Future of the Veterans' Lobby and its Potential Impact for Social Policy", The American War in Vietnam, Ithaca, NY: Southeast Asia Program Series, Number 13, Cornell University, Fall, 1993, pp. 109-121. See also his article "The War Film, the Cinema Industry and the Vietnam Veterans' Movement", New England Journal of History, Vol. 47. No. 1, Spring, 1990, pp. 32-42. See also his early article "From War Hero to Criminal: The Negative Privilege of the Vietnam Veteran", Strangers at Home: The Vietnam Veterans Since the War, C. Figley and S. Leventman eds., Praeger Press, 1980, pp. 267-277.

<sup>3</sup> The phenomenon of relations between "good people and dirty workers" was noted by one of America's finest sociologists from the "Chicago school", Everett C. Hughes. The article originally appeared as, "Good People and Dirty Work", Social Problems, Vol.10, 1962. It was reprinted in The Sociological Eye - Selected Papers by Everett C. Hughes, Chicago, IL: Aldine-Atherton, 1971.

<sup>4</sup> The law states " ... the Small Business Administration shall give special consideration to veterans of the armed forces of the United States and their survivors or dependents. A year earlier, the 1973 House Committee Report accompanying H.R. 8606 stated, " the Administration shall give special preference with regard to programs it administers to veterans of the U.S. military service and the surviving members of their immediate family. Your committee expects that the Small Business Administration will adopt regulations to carry out the veterans' preference section so as to provide veterans and their surviving members of their immediate family the best possible advantage in obtaining assistance from the Small Business Administration. Finally, on December 4, 1979 the Select Committee on Small Business, U.S. Senate report titled "Discussion and Comments on the Major Issues Facing Small Business" contained the following statement: "Veterans, especially disabled and Vietnam Era veterans, have been neglected in the design and implementation of government business development programs".

This atmosphere of neglect began to change in the early 1980s. In general, the entire nation was tired of the internal conflict and seeking a new direction. Against this less contentious landscape a number of profiles stand out. First and foremost was the constant grassroots activism of Vietnam era veterans around the country. Many of these independent efforts became focused with the establishment of the National Association of Concerned Veterans, later the Vietnam Veterans of America (VVA), and with the reinvigoration of the American GI Forum. Second, the traditional veterans' organizations began to accept the social and political complexity of limited war in Vietnam and its consequences for the military and the veterans' population. They began to support advocacy efforts around issues such as Agent Orange and even discharge upgrade as the consequences of policies such as Project 100,000 became evident. Third, were the very public comments made by several of the returning hostages of the Iranian crisis of 1981. One, who spoke at West Point, contrasted their yellow ribbon reception with the poor treatment accorded the Vietnam veterans. As a result of the process of these changes, efforts to advance the condition of the new veterans began to meet with some success at least at the symbolic level. The construction and dedication of the Vietnam Veterans Memorial is perhaps the most notable example of this.

However, advances at the tangible level of goods and services remained problematic. Throughout the 1980s, the Veterans Administration hobbled the Veterans Outreach Center program by restricting the type of services outreach workers were allowed to provide veterans. On several occasions the VA attempted to terminate the program entirely. It was the advocacy of individual veterans, VVA and the traditional veterans' organizations, which prevented this, as opposed to any insight in the Veterans Administration bureaucracy. Similarly, as noted above, efforts in the area of small business assistance met with even greater resistance. At the SBA regional and district levels veterans were frequently discouraged and/or misinformed.<sup>5</sup>

The sociological fact is that the new veterans were not established in the bureaucracy at any level or sector even close to policy design and implementation, nor did they have sponsors or spokespersons in various agencies. This was particularly the case with SBA. Thus, as women and minorities gained ground in the SBA, veterans fell further behind. The increase in funding for women's programs and the reduction and stagnation of veterans' programs is a marker for what one political scientist termed the allocation of values. Veterans' programs in the SBA declined rapidly in the 1990s as emphasis was placed in other areas. While veterans' activists pursued advances in other areas such as judicial review and compensation for illnesses associated with Agent Orange, their investment of work on small business issues began to falter. They failed to get their needs codified in law. Their efforts were left at the stage of initiatives for the Administrator to carry out. This, of course, never occurred.

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<sup>5</sup> In the late 1980s, staff persons from Senator John F. Kerry's office designed a "sting." They made numerous calls to various SBA regional and district offices asking about provisions and opportunities for veterans. They did not identify themselves, and the way the questions were posed allowed the SBA representative to assume that they were veterans. They were told (overwhelmingly) that there were no programs or preferences for veterans.

During the 1990s, a number of Congressional Hearings were held on the issue of small business opportunities for veterans. In part, this was due to the engagement of soldiers in the Gulf War and elsewhere. In part, it was a result of the advocacy of various veterans' organizations. Each May, from 1990 to 1996, the Subcommittee on Oversight of the Committee on Veterans Affairs held a number of hearings in connection with a variety of general topics. The issue of small business was mentioned during several of these hearings. Also, there were a number of Joint Hearings with the Committee on Small Business. As a result of one such hearing in 1992, comprehensive legislation was crafted to assist veterans in the area of small business. Unfortunately, this never left the Committee on Small Business.

In 1996, another Joint Hearing was held specifically on the issue of opportunities for veterans. In 1997, a new Title VII authorizing programs for veterans was included as part of the SBA's reauthorization act. It is from that legislation that the present study was commissioned. Finally, in 1998, despite the opposition of the administration, a new comprehensive legislative act was proposed for veterans in the area of small business. This eventually passed the House and Senate in 1999, was signed by the President and became PL. 106-50.

### **1.3 The Purpose and Format of the Present Study**

Title VII, Section 703 of the Small Business Reauthorization Act of 1997 required that a study of the small business needs and status of veterans be conducted. Among the requirements, that study was supposed to secure information pertaining to the amount and percentage of federal procurement contracts being accorded to small businesses owned and operated by disabled veterans. Unfortunately, the study was not allowed to pursue a strategy that would answer that question.

As a matter of applied research, the conduct of the study was a contentious matter from its inception. The contractor had developed and proposed a variety of survey and interview strategies. All of these survey strategies were the subject of considerable SBA comment, and eventually rejected by the Office of Management and Budget (OMB). The contractor then proposed a resubmission strategy involving only a survey of the universe of population of federal contractors, as developed and provided by the GSA. SBA decided not to resubmit to OMB and decided that the contract should be renegotiated to be a focus group study of disabled veterans who owned or intended to own a small business.<sup>6</sup> The details of these and other issues pertaining to the conduct of the study are discussed in a methodological section below. A total of 26 focus groups were conducted across the nation. The greatest care was taken to ensure geographic as well as demographic representation from all sectors of the veterans' community.

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<sup>6</sup> SBA told the contractor that this would satisfy the requirements of the law. The contract eventually included a "best effort" clause concerning the determination of the extent of federal contracts by amount and percentage awarded to eligible (disabled) veterans. The contractor informed SBA that without a survey of the federal contractor population, this requirement could not be fulfilled. The only study found was completed in the 1980s and was concerned with the DOD only.

The present study (SBAHQ-99-C-0001) is presented as follows:

- The presentation of a literature review. This is divided into three sections: those studies contracted by the SBA which pertained to veterans, those GAO studies concerning small business issues and the SBA, and a review of miscellaneous literature pertaining to state programs and the like.
- The aggregate data developed by these various studies and/or obtained from census data and economic studies are presented. This includes a presentation of the most significant points of recommendations from the previous studies.
- A summary of the focus group sessions is presented. The format here follows the reporting format the study employed for each of the individual focus groups. Here the interesting and informative data gathered from the conduct of the 26 individual focus group studies is presented.
- The analysis of the focus group sessions and other issues relevant to the conduct of the focus groups is presented. It also follows along the sequence of questions utilized in the focus group interview schedule.
- A discussion of the methodological issues is presented. The difficulties discussed here are presented so as to be of value in future studies..
- The recommendations of this study are presented. Here, an effort is made here to be as comprehensive as possible.

## **2 Literature Review**

The Study Team research focused on a number of past studies and reports. Generally speaking the literature can be divided into two sectors: (1) those reports which were studies from the “original” thirteen RFPs which were promulgated by the Small Business Administration in 1982-1984 (“SBA-Studies”), and (2) a series of General Accounting Office (GAO) reports (“GAO Studies”) from the early 1980s through 1990s. Both the SBA contracted studies, and the reports can be divided into various categories based on their areas of focus.

### **2.1 SBA Contracted Studies**

We have placed the SBA contracted studies in the following categories: (1) disabled veteran studies, (2) studies about SBA programs, (3) research on management capabilities and needs, (4) research on access to capital, (5) procurement contracting opportunity, (6) studies measuring business success, (7) research on educational attainment and needs, and (8) studies concerning the small business needs of veteran entrepreneurs.

#### **2.1.1 Disabled Veteran Studies**

The major work focusing on disabled veterans from the group of SBA-Studies was entitled “Businesses That Can Be Owned and Operated By Handicapped Veterans-A Manual Compendium of Business Ownership for Handicapped Veterans and Other Disabled People”.<sup>7</sup> The writers of this manual articulate the belief that... “All business opportunities are open to physically impaired persons based on their goals, desires, aptitudes and determination to make the effort to start a small business (pg. 8).”

The principal outcome of this study was the development of a comprehensive reference manual for handicapped individuals and disabled veterans who were interested in self-employment and business-ownership opportunities. The “manual” listed steps in obtaining employment and small business ownership. Specific assistance programs and loans available to handicapped entrepreneurs were also included. There was also a focus on SBA loan eligibility.<sup>8</sup> There was also discussion that focused on particular programs such as HAL-1 and HAL-2, funding for which was discontinued in the mid-1990s.<sup>9</sup>

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<sup>7</sup> Associated Enterprise Development, Inc.

“Businesses That Can Be Owned and Operated By Handicapped Veterans, A Manual-Compendium of Business Ownership for Handicapped Veterans and Other Disabled People”, RFP 83-20-TNA Project Title No. 10, Special Veteran Studies SBA Contract: 7217-VA-83, August 31.

<sup>8</sup> Ibid. The study contained a discussion of criteria standards; i.e. to obtain a SBA loan the individual must first apply to a bank or other lending institution for a loan. In a city of over 200,000 population, a person must be turned down by two banks before applying for a SBA loan, etc. (pg.234).

<sup>9</sup> Ibid. The study indicated that handicapped veterans would compete on an equal basis with non-veteran handicapped persons for these loans, which had a very low interest rate (pg. 48). Handicapped Assistance Loans

## 2.1.2 Studies about SBA Programs

The original “veterans study” which discussed SBA programs and the needs of veterans engaged in small business ventures was conducted under the leadership of James Pechin.<sup>10</sup>

This study reviewed a variety of SBA programs in terms of their applicability to veterans. These programs, while not exclusive to veterans, could be available for veterans.

These included:

- The HAL program, which was reviewed and critiqued for its limitations to assist veterans.<sup>11</sup>
- The Economic Opportunity Loan program and the criteria of social and/or economic disadvantage<sup>12</sup>
- The Small Business Investment Corporations (SBICs) as venture capital providers.

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would provide funds to nonprofit organizations (HAL-1) and loans for the establishment, acquisition or operation of small businesses (HAL-2). The loans made directly by the SBA have a maximum amount of \$150,000 whereas; a handicapped assistance loan made directly by the SBA is limited to \$100,000. The guaranteed loan program permitted the agency to guarantee a maximum of \$500,000. The study noted that the guaranteed loan program is not veteran or handicapped specific. Currently the SBA website still lists the Handicapped Assistance Loan Program, although there is no funding available. Presumably if funding were restored, the program would be initiated again.

<sup>10</sup> See Pechin, James E. Darryl W. Kehrer and Mary Ann Settlemire and Marilyn A. Hill, “SBA Veteran’s Project”, Center for Community Economics, Santa Rosa, CA; SBA Contract: SBA-4869-ADA/P-80, 1980. Also see Final Report: SBA Veterans Project, SBA Contract SBA-4869-ADA/P-80 By: Center for Community Economics, October 3, 1980

<sup>11</sup> Ibid. One limitation noted was that HAL-1 organizations must operate solely for the interests of handicapped individuals and not less than 75 percent of such organizations’ employees must be handicapped as defined by the SBA (Pg. 61). Further it was noted that to qualify for the HAL-2 SBA loan a veteran business owner must be handicapped and be unable to engage in “normal competitive business practices” without SBA assistance (pg. 61). Also, to qualify for either of the HAL loan programs, a veteran must have permanent physical, emotional or mental impairment, defect, disease, ailment or disability, which therefore limits the choices of employment for which the veteran would otherwise be qualified. In addition, the veteran must establish that there is economic hardship because of the disability. Finally, though this program constituted an option for disabled veterans, the HAL program was not veteran specific.

<sup>12</sup> Ibid. This was authorized under section 7 (i) of the Small Business Act. The SBA was authorized to make or guarantee loans directed toward low income or socially/ economically disadvantaged persons. SBA regulations (as of 1980) maintain that being a Vietnam veteran is a contributing factor to being classified socially or economically disadvantaged. If the veteran meets this criterion (economically disadvantaged), then he or she could request 7(j) services. This program requires the SBA to give special attention to small businesses located in areas where there is a high concentration of unemployment for low income individuals and to small businesses eligible to receive contracts under section 8 (a) (minority oriented business development). It was noted that SBA does provide assistance here in the form of loans to veterans, but only in indirect ways.

The study critiqued SBA management assistance programs, conferences, problem clinics and workshops, which have been available to both veteran and non-veteran business owners. With regard to procurement opportunities the study stated that: as of 1980

SBA outreach to provide procurement assistance to small businesses, except for some seminars has been limited. None of the seminars have been directed toward Vietnam or disabled veterans. Instead the SBA uses indirect means to achieve its outreach objectives. In addition, it is difficult to retrieve data on the number of Vietnam and disabled veterans served by SBA and what services are being provided to them. SBA forms do not provide for easily retrievable data on Vietnam and disabled veteran business owners. Therefore the goals set by SBA to serve these groups are difficult to achieve, or at least difficult to recognize if they are met. The lack of a database (as of 1980) makes program implementation measurements and possible corrective action difficult (page 67).

The Pechin study also employed an interview schedule in their methodology and interviewed a dozen SBA office representatives. Essentially that study came to the conclusion that there was no uniform coordination or cooperation between the SBA and the VA, except that about one third of SBA offices attended VA civic council meetings when invited (page 139).<sup>13</sup> Further, the majority of SBA officers interviewed indicated that there was no Veterans Procurement Officer (page 140), little in the way of outreach to the veteran population (page 141), and that special consideration was not adequately defined or utilized in connection with loan applications. Finally, it noted that veteran status was not a significant factor in determining maximum loan maturity. Although the study states that the 8(a) program may be a viable option for veterans of certain ethnic groups, it was concluded that veteran status was not an aid to establishing 8(a) eligibility.

### **2.1.3 Management Studies**

One SBA management study, “How to Prepare a Business Plan” (1984), focused exclusively on business plan development.<sup>14</sup> The end product of this study was a guide designed to be used by the veteran wishing to start his/her own small business. It

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<sup>13</sup> Ibid. Essentially the VA civic council meetings were a forum for discussion. Originally they were established in the early/mid 1970s as a means of handling the myriad of educational (GI Bill) issues at various campuses across the regions. Later they turned to issues of employment and small business. Our understanding was that although they were not officially discontinued they fell into neglect.

<sup>14</sup> Kennedy, Richard M. and Gene R. Ward  
“How to Prepare a Business Plan”, Entrepreneurship Development Corporation, SBA Contract: SBA-7216-VA-83, 1984.

provided step-by-step information for the creation of an effective business plan for new/inexperienced entrepreneurs. The manual was divided into three sections: I) data collection and analysis, II) strategy formulation, and III) forecasting results (Pg. ii).

The design of Section I was meant to familiarize the entrepreneur with data retrieval and analysis and stress to the entrepreneur the importance of obtaining a quantitative understanding of market information. The entrepreneur was to employ this knowledge in developing a future operating strategy and sales forecasting capability (Pg. ii and 8-52)

Section II, strategy formulation, provided information concerning optimal site location for any particular business. It also provided strategies and ideas for pricing, advertising, staffing, general planning and risk awareness (Pg. ii and 67-127).

Section III, forecasting results, discussed the concepts of market shares, sales projection and the steps for learning methods involved in the development of formalized statements and analysis (Pg. and 131-184).

#### **2.1.4 Capital Access Studies**

The principal study concerning capital access, “Viable Loan Categories For Veterans Final Report” (1985), focused on identifying significant variables impacting loan approvals and success.<sup>15</sup> The study utilized a scientifically drawn sample of data from SBA loan files and analyzed these to determine the variables that influence the outcome of loans (page 3). The analysis strategy was to determine which types of businesses had the best loan repayment history, after adjustment for differences in age, education and other characteristics related to the background of the entrepreneur. This allowed the SBA to decipher the variables that systematically play a significant role in determining the success or failure of loans (page 4). The study data involved loans made from 1975 to 1979. It looked specifically at the success rates of guaranteed and direct loans. Since veterans’ status was not included on loan applications before 1981, there was little means by which to factor this characteristic into the findings. According to the study, the records held by SBA’s Office of Computer Services (in the early 1980s) were in error and were corrected when material in the loan file indicated that the applicant was a veteran. In their conclusion, veteran status was not a significant factor.

The study found that major factors impacting performance were:

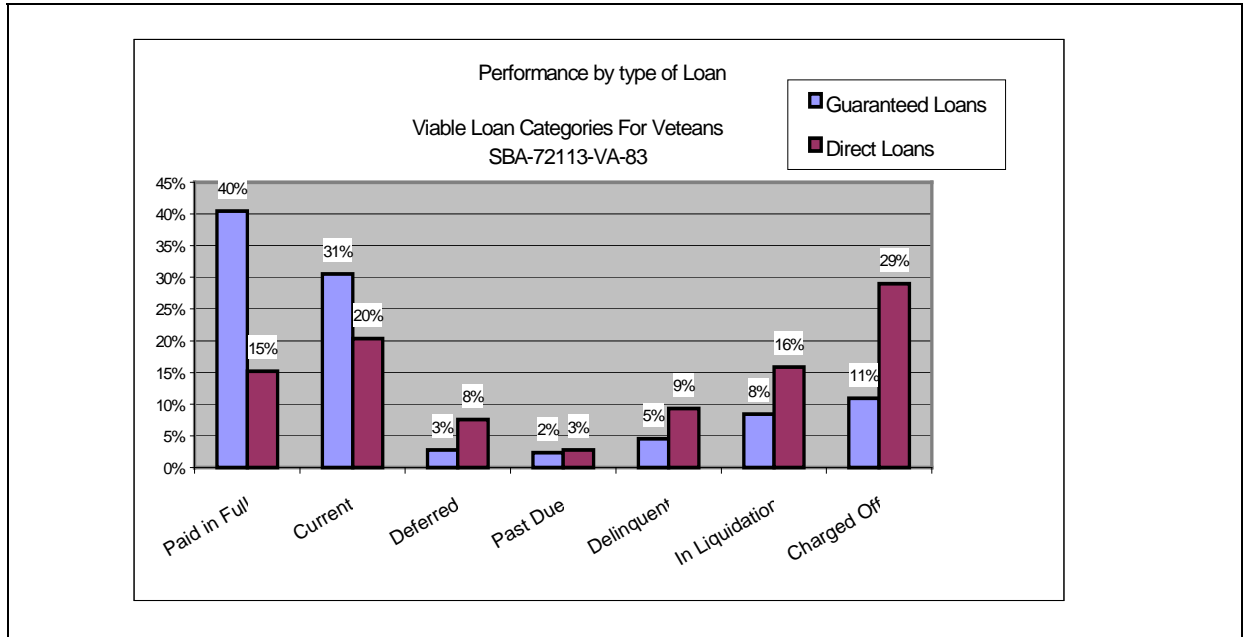
- The economic growth rate of the region.
- The economic growth-rate of the industry the business is in.
- Whether the business is a franchise. Franchises were more successful in terms of securing guaranteed loans and in terms of performance.
- Whether or not the loan was direct or guaranteed.

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<sup>15</sup> “Viable Loan Categories For Veterans Final Report”, SBA Contract No. SBA-7213-VA-83. Joel Popkin and Company, May 31, 1985.



- The performance (of those with guaranteed loans) was better than that of those receiving direct loans. 76% of SBA guaranteed loan applications were successful. Only 46% of direct loan applications were successful.
- The average number of years of business experience. Owners of businesses with successful loans had more previous experience than did those with less experience. (p. 29).



### 2.1.5 Procurement Contracting Studies

Among the SBA studies concerning veterans and their place in the small business community of the early 1980s, one focused on procurement.<sup>16</sup> The object of the study was to determine the extent of contracting by the Department of Defense to small businesses owned and operated by veterans, and to compare the performance of veteran and non-veteran contractors.

Information on ownership of the small businesses involved with DOD contracting was determined by telephone survey (1981 and 1982). A comparison of the performance of veteran to non-veteran contractors was achieved through a survey of DOD contracting officers. In addition to veteran/non-veteran comparison, the study looked for differences among the veterans who received contracts.

<sup>16</sup> KCA Research, Inc

“A Study of Department of Defense Procurement from Veterans”, Alexandria, VA; SBA Contract: 7209-VA-83, 1984. The sample size was 1600; the study team obtained information on 915 contracts regarding veteran status (57% response rate). The comparisons were done with a matching-pairs technique (sample size 200, with results on 89 of the pairs – 44.5% “response”).

The survey of business owners indicated that 42.2 percent of contracts and 35.5 percent of total dollar amounts awarded to small businesses by DOD went to veteran-owned firms. Veteran-owned firms received a somewhat smaller percentage of large contracts (over \$500,000) than of smaller contracts. Otherwise there were no differences in the degree to which veteran firms were awarded contracts by size of contract type or product or service obtained as compared to non-veteran business owners (pg. 53).

The study indicated that older veterans tended to gain a greater amount of DOD equipment and supply contracts (pg. 31), while Vietnam (i.e. younger veteran owned-businesses) were likely to obtain contracts in 'other' business fields. This revealed that younger veterans were more likely to obtain contracts in more labor-intensive areas that require less capital investment (pg. 31). The study suggested that this difference between older and younger veterans in contract procurement could be attributed to business size. The business size of businesses owned and operated by older veterans tended to be larger than those businesses owned and operated by younger veterans. The contention advanced by the study was that bigger businesses were able to undertake larger DOD contracts, while younger veteran-owned businesses were only able to secure smaller and more labor-intensive contracts (pg.18).

The study showed that 15 percent of business owners were Vietnam veterans. Most owners had served in the military before 1955, and more than half of all owners were college educated after military service (pg. 54). Of veteran small business owners, 86 percent served less than 5 years. Table 18 (pg. 28) shows the year the respondents left the service along with the year they became owners of their firms. It is clear that the majority left the military before 1955 (pg. 25). In addition, the study showed that the majority became owners between 1965 and 1980. There appeared to be a 20-year gap between the time a person completed military service and became the owner of a firm. The study suggested that military service alone was insufficient to allow a person to establish a firm that can compete successfully for DOD contracts and that other experiences were clearly necessary and they apparently required approximately 20 years to develop (pg. 25). (see below)

Number and percent of DOD Contracts to Veteran Owned Firms  
Table is an adaptation of Tables 7, 8, and 10 from study – based on FY 1981, FY 1982 data

	Veteran Owned		Non-Veteran Owned			Total Amount Awarded to Veterans
	Number	Percent	Number	Percent	Total	
<b>\$10,000-\$25,000</b>						
Equipment and Supplies	21,960	38.1%	35,623	61.9%	57,583	\$334,976,000
Other	6,348	44.4%	7,935	55.6%	14,283	\$107,941,000
<b>\$25,000 - \$100,000</b>						
Equipment and Supplies	20,131	43.8%	25,829	56.2%	45,960	\$902,807,000
Other	11,273	50.9%	10,870	49.1%	22,143	\$581,914,000
<b>\$100,000 - 500,000</b>						
Equipment and Supplies	6,167	45.2%	7,485	54.8%	13,652	\$1,251,199,000
Other	6,473	46.6%	7,415	53.4%	13,888	\$1,447,504,000
<b>More than \$500,000</b>						
Equipment and Supplies	1,593	38.8%	2,513	61.2%	4,106	\$4,166,205,000
Other	1,459	40.6%	2,138	59.4%	3,597	\$2,745,726,000
<b>TOTAL</b>	<b>\$75,404</b>		<b>\$99,808</b>		<b>\$175,212</b>	<b>\$11,538,272,000</b>

\* 95% confidence level (+/- 4.1)

The difficulty with this study is that it provides no information concerning the distribution or skew of the data in terms of the number of contracts awarded to distinct contractors or in connection with the amount of the particular contract or group of contracts. Nor are there any data indicating the percentage of disabled veteran-owned businesses among these contractors.

The GSA provided the researcher with data files pertaining to federal procurement participation by small businesses with contracts totaling \$25,000 or more for the fiscal years 1994 through 1998. Examination of any one of these data tables illuminates this point. For example the FY97 data indicates that there were 233,011 contracts for 49,509 contractors. The mean number of contracts per contractor is approximately 4.7. However the range is enormous. Two contractors held over 1000 contracts; the leading contractor held 1785 contracts for a total well over \$200 million. At the other end, 23,932 contractors held only one contract.

## 2.1.6 Business Success Studies

Three of the SBA studies conducted in the 1980s focused on measures of success comparing veterans and non-veterans in terms of success in business. A study conducted by Lustgarten, “Financial Success and Business Ownership among Vietnam and Other Veterans” (1984), focused on a comparison among veterans in connection with terms of self-employment and wage income.<sup>17</sup> Here the objective was to ascertain the degree to which self-employment provided veterans with a vehicle for achieving financial success in comparison with the non-veterans. Veterans of four different war periods (the Vietnam, the period between Korea and before Vietnam, the Korean War period and the WWII era) were compared to a sample of non-veterans that had the same proportion of cohorts as the veterans.

According to the findings, self-employment was not a particularly useful medium for Vietnam veterans or other veterans. For the Vietnam period, the percentage of people who were self-employed was 8.9% for white male veterans and 13.9% for non-veterans. After controlling for such factors as years of work experience, education, and marital status, the probability of self-employment was estimated to be about 5 percent lower for white male veterans than for white-male non-veterans (page S-3). However, veterans with at least some graduate school experience tended to fare better than their non-veteran cohorts. Being a veteran also decreased the possibility of small business ownership among nonwhite veterans, however this varied depending on the period (*Note: more statistics available in section III-34*). Women veterans were also less likely to be self-employed than their civilian counterparts. However, in general it appeared that veterans tended to do better as wage earners than their non-veteran cohort group.

Another veteran/non-veteran comparison study was conducted by David Rothenberg (1983).<sup>18</sup> The primary objective was to ascertain which financial and industry-related characteristics, if any, distinguish veteran-owned businesses from non-veteran-owned and Vietnam veteran-owned businesses (page 1). Rothenberg utilized data samples from Dun & Bradstreet’s Market Identifiers and Financial Profiles to look for differences in liquidity, management style, etc. It was felt that such questions were pertinent to the effective deployment of veteran training programs, small business loans and other aspects of public policy (pages 2 and 3).

It was determined that veteran-owned businesses on the whole were smaller than non-veteran-owned businesses. Other than this, no clear and reliable financial differences between veteran-owned and non-veteran owned businesses were encountered. Vietnam

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<sup>17</sup> Lustgarten, Steven and Ali Saad  
“Financial Success and Business Ownership among Vietnam and Other Veterans”, SBA Contract: SBA-7210-VA-83, 1984.

<sup>18</sup> Rothenberg, David  
“Differences Between Veteran and Non-Veteran Owned Businesses”, Inductive Inference Inc. SBA Contract: 7215-VA-83.

veteran-owned businesses appear to be smaller, younger and more in need of capital than other businesses, including those owned by veterans of other eras (page 45).

The study also determined that veteran owned businesses are over-represented in the wholesale and manufacturing industries, while Vietnam veteran owned businesses tend to be over-represented in agriculture, forestry and fishing as well as wholesale and manufacturing businesses. Both Vietnam veterans and veterans from other eras tend to be under represented as business owners in the following industries: finance, insurance and real-estate retailing, transportation, communications and other utilities. The above differences in areas of concentration may be, in part, related to the fact that mining, manufacturing, transportation, communications and utilities and finance, insurance and real estate are large business-dominated while agriculture, construction, wholesale trade and services are small business-related (page 47).

The study suggested that the differences in industry category among Vietnam veteran-owned businesses, veteran-owned businesses, and other businesses could be attributed to several factors. These included service training, interruptions in education, capital resources, availability or unavailability of “GI bill” to finance higher education and ethnic, demographic or pre-induction differences between the three groups (page 49).

A third study, by Evans (1984), comparing veterans and non-veterans, focused on factors of and success in self-employment.<sup>19</sup> The study reworked data on self-employed and wage salary workers from the 1980 Public Use Sample of the U.S. Bureau of the Census. The researchers employed varieties of economic models to examine what factors influenced (1) an individual’s decision to work for him/herself and (2) an individual’s earnings from self-employment (pg. 6). The study also focused on the success rates of veterans among different service eras.

Evans found Vietnam and post Vietnam era veterans less likely to be self-employed than were veterans of other wars partly because they were younger than veterans of earlier wars and younger men were generally less likely to be self-employed. This seems to indicate that age is significant when determining the success of self-employment (Pg. 7). However, the only statistically significant finding was that concerning male post Vietnam era veterans. Other outcomes could have occurred by chance (pg. 43-44). An additional drawback was that the Evans study used Bureau of Labor Statistics tabulations which did not distinguish between war theater and war era veterans – there was no way to actually separate out those who served under hostile fire and those who did not.<sup>20</sup>

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<sup>19</sup> Evans, David S.

“Entrepreneurial Choice and Success,” CERA Economic Consultants, Inc. Greenwich, CT; SBA Contract: 7212-VA-83, 1984.

<sup>20</sup> Ibid. The author suggested that people who were veterans had different experiences (entrepreneurial experiences) than non-veterans (pg. 30). A lack of veteran information (i.e. volunteered or drafted, military rank, training received, or whether or not the veteran was a GI bill recipient) made it impossible to pinpoint reasons for observed findings (Pg.30-32). It was suggested that the choice for self-employment or wage work might have been

Thus the following findings are tentative at best:

- 1) Men who entered military service during or after the Vietnam War were less likely than other men to work for themselves rather than work for someone else (pg. 8). Self-employed men were more likely to have first seen military service during WWII (Pg. 18).
- 2) Women who entered military service during or after the Vietnam War were less likely than other women to work for themselves rather than someone else (pg. 9). But, when grouping all women veterans together, Evans found that women veterans of all eras earned more at both self-employment and wage work than other women (pg. 9).

Table 3.1 of the study showed that the percent of self-employed individuals by age group for veterans, non-veterans, and Vietnam veterans was significantly less than the percent of self-employed non-veterans for every age group (Pg.29). Evans showed in 1985 that a veteran, on average, was only 75 percent as likely to go into business as a non-veteran in the same age group. Self-employment was even less likely for Vietnam era veterans.

Evans found that Vietnam and post era veterans (men and women) were less likely than veterans of prior eras or non-veterans to become self-employed.

Male veterans of the post Vietnam era were 54.9 percent less likely to become entrepreneurs and male veterans of the Vietnam era were 24.9 percent less likely to become entrepreneurs than otherwise comparable veterans of other eras or non-veterans.

Female Vietnam and post era veterans were 43.3 percent less likely to become entrepreneurs than other wise comparable non-veterans or veterans of prior eras.

Age Group	War Veterans	Other Veterans	Vietnam Era Veterans	Non-Veterans
25-64	11.4	9.8	8	11.6
25-29	4.8	3.8	4.8	7.8
30-34	7.1	9.6	7.1	10.4
35-39	9	9.8	9	12.4
40-44	10	9.8	11.1	13.5
45-49	12.1	12.5	9.4	13.9
50-54	12.3	11.8	8	15.3
55-59	14.3	14.3	10.1	17.7
60-61	16.1	*	21.1	22.1
62-64	18.7	*	15.4	26.5
65+	30.1	*	16.7	34.7

\* Insufficient data. (a) Based on 1982 Current Population Survey. Special tabulations provided by the Bureau of Labor Statistics. Note that Vietnam Veterans are veterans who served during the Vietnam era, but not necessarily in Vietnam. War veterans are veterans who served during a military conflict, but not necessarily in a war zone.

influenced by any number of variables including but not limited to education, age, and/or military status or circumstance.

Table 3.1 – Modified for Comparison with Data from The Statistical Abstract of the U.S. - 1982-83

No. 612 and 613, p.366 - Living Veterans, By Age and Period of Service 1981 (as of Sept 30) - modified for comparison  
 Self-employment of Veterans and Non-veterans <sup>a</sup> By Age Group Percent of Individuals Who Were Self-employed in 1982

Age Group (does not include 18-24)	Pct War Veterans	Numbers of WWI,II, & only in Korea – SA Data	Est. of No. in Self Employment	Pct.Vietnam/ Era Veterans	Vietnam/Era SA Data	Est. of No In-Self Employment
25-29	4.8	-	-	4.8	1,528,000	73,344
30-34	7.1	-	-	7.1	3,375,000	239,625
35-39	9	-	-	9	2,755,000	247,950
40-44	10	100,000	10,000	11.1	670,000	74,370
45-49	12.1	2,025,000	245,025	9.4	95,000	8,930
50-59	13.3	8,083,000	1,075,039	9.1	24,000	2,172
>60	21.6	7,044,000	1,523,852	17.7	2,000	355
	TOTAL NO.	17,252,000	<b>2,853,916</b>	7.7%	8,449,000	<b>646,746</b>
AVG Pct in modified table	16.5%					
= No. Disabled WWI, II, Korea in 1981		1,427,000	No Disabled in Vietnam, 1981		568,000	
Pct of that population =		8.3%	Pct of that population =		6.7%	
Number Disabled WWI, II, Korea Veterans self-employed = <b>236,062</b> - Does not include totally disabled			Number of Vietnam-era Veterans self –employed = <b>43,479</b>			

### 2.1.7 Education Studies

Two efforts in the 1980s focused on education. One, “Veterans’ Entrepreneurship Training Program: Hawaii” (1988), was an evaluation study of an entrepreneurial development training program conducted in Hawaii in the 1980s. The other, “A Study of Entrepreneurial Education for Veterans” (1984), was a study of entrepreneurial education strategy.<sup>21</sup>

The object of the 1988 Hawaii study was to assess the effectiveness of a training program for veteran entrepreneurs (VETPRO). The program assessed two training cycles. Each cycle recruited a number of veteran and prospective veteran entrepreneurs. Each cycle included a recruitment and selection process, a three-month training program and follow-up consultation period. The consultation period lasted six months following training. All who had completed the training were provided consulting assistance Some

<sup>21</sup> “Veterans’ Entrepreneurship Training Program: Hawaii,” Contract SB-2VA-00133-0 By: Chamber of Commerce of Hawaii and Entrepreneurship Development Corporation, September 30, 1988

See also Entrepreneurship Development Corporation “A Study of Entrepreneurial Education for Veterans” Honolulu, Hawaii; SBA Contract: SBA-7216-VA-83, 1984.

required more assistance than others.<sup>22</sup> The report rated VETPRO as successful in helping veterans start and/or maintain small businesses.

Of the 50 veterans enrolled:

- 11 dropped out or were removed from the program for various reasons (Pg. 9).
- 39 completed the program.
- At the end of the program, 27 of the 39 graduates were in businesses.
- There were 17 new businesses.
- Loan success rates were high, claiming that all loans had been accepted by at least one bank, although the final report never revealed how many of the entrepreneurs applied for loans.(Pg.12).

The purpose of the study concerning entrepreneurial education was to provide a baseline of information by which the military might gauge the degree of entrepreneurial content of its training programs. The study sought to answer several research questions.

- (1) Which skills or knowledge learned in the military are most likely to support small business?

The Entrepreneurship Development Corporation analyzed the Military Occupational Specialties found in AR-611-201, Enlisted Career Management Fields and Military Occupational Specialties; AR-611-112, Manual of Warrant Officer Military Occupational Specialties; and AR-611-101, Commissioned Officer Classification System.

- (2) Looking at each Military Occupational Specialty (MOS) three questions were asked:
  - A) Does the MOS provide a skill-base that could support a small business?
  - B) Does the MOS fit into a growth industry in the civilian economy?
  - C) Does the MOS fall into a small business dominated industry in the civilian economy (page 2-3)?

The MOS manuals were cross-referenced to DOT codes from the Dictionary of Occupational Titles of the US Department of Labor. For the purpose of this study DOT codes were used to link MOS titles with the civilian economy and prospective business types. It appears that the Army is training a large number of personnel who could use their past training to start a small business upon discharge and that the skill-based

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<sup>22</sup> Ibid. (2) In terms of student assessment, graduates rated the program as good or excellent (see pg.8). Desired goals of the program were generally met at both ends. Evaluation of veterans performance after the training program and consultation was consistent with the program's predetermined goals



prerequisites of entrepreneurship are adequately provided by the military experience (page 12).

- It was found that over half (52%) of the Army's Military Occupational Specialty classifications were entrepreneur based (page 11).
- Of the 369 enlisted MOS, 47% were classified as skill-based.
- Warrant officers had a slightly higher percentage of business based skills training in its MOS structure. 62% of the 64 warrant officer MOSs were skill-based.
- The officers fell between the enlisted and the warrant officers in terms of their percentage of skill-based MOSs at 58 %.

The study also attempted to identify those skill-based MOSs, that would fall within an area of rapidly growing small business, as a means of weighing or ranking the value of entrepreneurial based MOS's (page 13). In order to do this, the Inc. 500 list of successful small businesses published by Inc. Magazine was used to develop areas of high growth (page 13). To categorize the companies in the Inc. 500 list, the Standard Industrial Classification Manual (SIC Manual published by the United States Department of Commerce) was used.

- Of the enlisted MOSs 22% were labeled high growth.
- 31% of Warrant Officer MOSs were labeled high growth
- 42% of Officer MOSs were labeled high growth (page 19).

From the results of the growth analysis, it appears that about one-third of the skill-based Military Occupational Specialties fall within industries that are fast growing and would greatly enhance the veteran's chance of success by entering such industries (page 20).

Another indicator of probable success of a given set of MOS skills in supporting small business is whether or not the MOS falls into a small business dominated industry.<sup>23</sup> Twenty six percent of enlisted MOSs, 14% of Warrant MOSs and 36% of Officer MOSs were small business dominated.

The authors of this study contend that the MOS index should be used as a device for determining only skill-based and industry-based criteria, nothing more. Skills are not the only part of the equation. A very skilled individual who lacks the right mix of entrepreneurial traits is unlikely to succeed in business (page 26). It is suggested that the MOS index be used as a selection device for veterans to be trained in business (page 27)

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<sup>23</sup> Ibid. (1) The study utilized the General Report on Industrial Organization, 1977, Enterprise Statistics gathered by the Bureau of the Census to measure small business domination (page 21). Under this measure an industry was considered small business dominated if 60% or more of its employees worked in firms with 500 or fewer employees.

or as an enlisted or recruitment incentive (in other words, use “guaranteed MOS assignments as a path to self-employment upon discharge from the service).<sup>24</sup>

The MOS index might also be used by SCORE and SBA loan officers. Those applicants with highly entrepreneur-based MOSs should not necessarily be given special treatment, but their MOS could be used as an indicator of preparedness, i.e. for the veterans’ business plans or loan request (page 29). Finally, the study suggested the need for follow-up research to determine if MOS training, prior to starting a business, would make a difference.

How can veterans with the most potential for entrepreneurship be identified? A number of assessment items were utilized in an attempt to answer this question.<sup>25</sup> The study initially noted that the selection process for training programs is extremely important because of differences in accent and focus between business courses and entrepreneurial training. Entrepreneurial training is for the single purpose of teaching people how to start their own business. Business training may have little to do with entrepreneurship. A second distinction offered by the study was that almost anyone can get into a business course, but only persons with business potential are selected into training programs (page 2). It was also argued that a program’s success or failure can depend on its selection manuals.<sup>26</sup>

- In the sections on how to interpret and score the Entrepreneur’s Selection Test a number of areas are said to be important in obtaining a high score. Married persons score higher because it is an indication of being settled or stabilized in one’s life. A person whose mother or father owned a business obtained points because exposure to entrepreneurial parents is considered to make the person more inclined to start his/her own business. When asked whether or not they have capital available for the business those who respond yes receive ten points and those who say no receive 0 points.<sup>27</sup>

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<sup>24</sup> Ibid. (1) The researchers suggested that the prospect of owning one’s own business upon completion of service could be a very strong incentive for young people to seek a military career (page 28). The MOS index may also be used in separation from service counseling, and active duty self awareness to add value to military training. This self-awareness would enhance the value of the training programs that have high entrepreneurial content as well as cause the trainee to plan far ahead for business ownership (page 29).

<sup>25</sup> Ibid. (1) (1) An Entrepreneur’s Selection Test - was a written test designed to measure one’s entrepreneurial potential. (2) The Entrepreneur Selection Interview - contained an interview format for gauging entrepreneurial potential, (3) The Entrepreneur Selection Manual: - was utilized for instructions on the scoring and interpretation of tests. (4) The Entrepreneur’s Self-Assessment Test – was a self-administered test to measure entrepreneurial potential.

<sup>26</sup> Ibid. (1) The authors claimed that their tools differed from other measuring instruments because variables listed in the selection instrument were empirically based upon the characteristics of entrepreneurs and non-entrepreneurs before they entered the business, not after they entered business, as is often the case for studies in the entrepreneurship literature. Also, evaluation of the program by Arthur Young and company showed that 66% of the persons selected into the program usually started businesses upon completion of the program.

<sup>27</sup> Ibid. (1) According to the authors of this manual their “experience indicates that the applicant who has little capital can still start a business, but the applicant who puts ‘0’ or no capital in this section of the application is a poor prospect for business. Often this does not reflect the financial condition of the applicant, so much as his attitude that “the government will provide all the funds for me (page 18).” This is the opinion of the author and is not backed by any data.

- In the entrepreneur's Self-Assessment Test applicants are scored on the basis of a number of items including family status & entrepreneurship in the family, past work experience, and business start-up plans.

(3) How can potential entrepreneurs best be trained to give them the greatest chance of success?

“Veterans’ Entrepreneurship Training Program: Hawaii” (1988) constructed a program manual.<sup>28</sup> The program consisted of four phases: (1) recruitment and selection, (2) entrepreneurship training (3) workshop implementation, and (4) evaluation of the program.

Their outcome objectives:

- 1) Of those who complete the program, at least 50% will be self-employed or in a business of their own by the end of the program.
- 2) 85% of those enrolled will complete the program.
- 3) Of those who complete the program, 85% will complete a full-blown business plan.
- 4) Of those who complete the program and approach financial institutions for loans, 60% will have their applications approved.
- 5) Within one year of the end of the program, there will be an average of one additional employment opportunity within each business started.
- 6) The unemployment rate of those completing the program will be 10% or less by the end of the course.

In addition, such topics as marketing, competition, industry and advertising and promotion are covered. Although this is a very detailed and interesting manual, there is nothing included that pertains specifically to veterans or disabled veterans, other than their being part of the general entrepreneurial population that may apply for and be admitted to a course of this nature.

### **2.1.8 Types of Small Business Needs**

Two studies focused on the needs and aspirations of veterans involved in a small business effort and those who wished to become involved in a small business venture.<sup>29</sup>

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<sup>28</sup> Ibid. (1) A Manual on Administration and Instruction for the Entrepreneurship Training Program is utilized to answer this question. The Entrepreneurship Training Program is designed to be a practical one, whose objective is to assist those who are seriously interested in starting a business, preferably in the immediate future (page 2).

<sup>29</sup> Boren, Jerry

The Boren study, “Vietnam era Veterans and Entrepreneurship: Veterans Small Business Project,” investigated entrepreneurial aspirations and experiences of Vietnam era veterans with a special focus on disabled veterans. Sample sets of the Vietnam era veterans’ population were drawn from Massachusetts, New York, Ohio, and Texas. The study involved an in-depth questionnaire, which was completed in the presence of an interviewer. Of the sample, 60 were selected for in-depth interviews. The study focused on five areas: (1) small business aspirations, (2) veterans’ perceptions of the legal and financial institutions, (3) factors of success, (4) the importance of demographic factors, and (5) allowances required to overcome differences between the disabled and non-disabled Vietnam veteran in the pursuit of self-employment.

#### Entrepreneurial aspirations of veterans:

- The study found that 8%-13% of Vietnam veterans had an interest in starting their own business.
- About one third would expect to use their savings, a government loan, or bank loan for start-up .
- There was a strong desire for accounting assistance if a business was going to be started.
- Social and economic disadvantage was correlated with aspiration. This seemed to imply that blue collar workers, undereducated, unemployed and minority group members were the most likely candidates to want to start their own small business.

#### Business characteristics of small businesses owned by Vietnam veterans:

- Vietnam era veterans were likely to own businesses in the service and retail sectors.
- 71% of owners left or closed their businesses within the first two years of operation.
- 92% of Vietnam veteran-owned businesses had fewer than 20 employees.

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“Vietnam-Era Veterans and Entrepreneurship”, Veteran’s Small Business Project, Newtonville, MA, SBA Contract: 7219-VA-83, 1984.

Mid-Atlantic Research, Inc  
Profiling Entrepreneurial Veterans Exploratory Research Findings; Volume I, Contract No. SBA-7220-VA-83, Intermediate Report, By: Mid-Atlantic Research, Inc., Williamsburg, VA 23185, March, 1984.

Mid-Atlantic Research, Inc  
Entrepreneurial Veterans: Examination and Comparison; Volume II, Contract No. SBA-7220-VA-83, Intermediate Report, By: Mid-Atlantic Research, Inc., Williamsburg, VA 23185, August, 1985.

Mid-Atlantic Research, Inc  
Profiling Entrepreneurial Veterans: A Summary of Research Findings; Volume III, Final Report, Contract No. SBA-7220-VA-83, Williamsburg, VA 23185, May, 1986

- Education was generally low for self-employed veterans.
- The majority of self-employed veterans relied on personal or family savings for their initial capital or financing.
- Only 4% received a government loan for this purpose.
- Once underway, 41% received loans while only 5% received a loan from the government.

Veterans' perceptions of the SBA and the private sector:

- Those from disadvantaged subgroups utilized the SBA for services more than those from more advantaged groups.
- Disability and/or minority status and lower ranking veterans (E1-E3) with a disability were the best predictors for determining whether or not a veteran would use the SBA for assistance.
- Veterans indicated that financial, legal, and accounting services in the private sector were more helpful than those the SBA provided.
- Of those who used the SBA, successful entrepreneurs, minorities, low income individuals, and low ranking military personnel were likely to be satisfied.
- Those who served in Vietnam and those who had a business-related degree were the least likely to be satisfied.
- The best overall predictor of SBA satisfaction was minority group status.
- Veterans' criticism of SBA focused on the quality of services and personnel.

Entrepreneurial success of disabled veterans:

- Disabled veterans were much more likely to have an unsuccessful business.
- Disabled veterans were likely to encounter barriers trying to enter manufacturing, finance, insurance and real estate sectors.
- Disabled veterans were more likely to close or leave a business involuntarily.
- Disabled veterans were more likely to be unemployed as compared to non-disabled vets.

Volume I of “Profiling Entrepreneurial Veterans Exploratory Research Findings by Mid-Atlantic Research” (1984)<sup>30</sup> was a review of relevant literature. The study determined that the nature of the literature on entrepreneurship is inconsistent because of (1) different definitions of the topic and (2) different methods of conducting research among different populations. The model employed for this review focused on the entrepreneurial process at the point at which an individual faces the question of whether or not to operate a business. The model allowed for two types of inputs: internal factors, i.e. psychological characteristics, experience, and demographics; and external factors of resources and constraints such as availability of financing, family obligations, availability of support, including personal emotional support as well as help from the government, educational and technical assistance programs.

This particular literature review dedicated only two pages to studies specifically about veterans. The authors claim that a recent search uncovered no research examining the specific question of entrepreneurship among veterans. The study did contain two main areas of immediate relevance to veterans: (1) the relationship between military service and subsequent attitudes and adjustment of veterans, and (2) the relationship between military service and occupational and earnings patterns.

#### Military service: attitudes and opinions:

Volume I refers to past research endeavors. It notes that Schreiber (1979) found that, except for military-related opinion, there were no significant differences between veterans and non-veterans. Thorne and Payne (1977) found that those with armed forces experience expressed more disapproval of unethical behavior than did those without such experience.

Stayer and Ellerhorn (1975) indicate that for Vietnam veterans, heavy combat involvement was associated with adjustment problems, but that those Vietnam veterans with higher goal orientations had less adjustment difficulty, a higher rate of employment and more positive control scales. Though studies suggest that military service had a negative effect on earning in the short term, over time, such service actually enhances socio-economic status, especially for minority groups (page 18).

Volume I of the “Profiling Entrepreneurial Veterans” study also cites four focus group interviews held in conjunction with the SBA-funded research project. The groups were asked to discuss factors influencing career choices, entrepreneurship, the role of military service, and business education as it relates to entrepreneurship.

In a focus group made up of four men who were retired career military officers, one participant gave a description of the “small business type” who he felt could be found in large organizations and the military as well as in small ventures, and who could be characterized as a risk-taker. The general consensus of the members was that military service could encourage entrepreneurship in young enlisted men who serve for a limited

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<sup>30</sup> Profiling Entrepreneurial Veterans: Exploratory Research Findings; Volume I, Contract No. SBA-7220-VA-83 By: Mid-Atlantic Research, Inc., Williamsburg, VA 23185, March, 1984.

number of years. Most important, they felt, were the training and hands-on experience, which provide young men with a trade, craft, or skill around which they can build a small business. Only one veteran disagreed. Group members generally felt the military service is less likely to encourage entrepreneurship in officers than enlisted men. It was also felt that business schools are biased toward directing students toward large corporations, not small businesses, but that this may be changing.

In a group of 13 veterans, all but the peacetime veteran felt that military service was of no value in civilian life. Among the benefits identified were that it helps young men mature and provide opportunities to manage others, to work under skilled leaders, and to be exposed to people whom one otherwise would never meet. An enlisted man who was a combat veteran in Vietnam reported that the exposure to military service and combat generated within him a sense of urgency and motivation to succeed as a civilian (page 42).

In a group of 6 participants (4 veterans: 2 WWII, 2 peacetime) there were significant differences between those who served during WWII and those who saw peacetime duty. WWII veterans could see the value of their service and felt a strong sense of patriotism. Peacetime veterans found the service frustrating and felt they had not accomplished anything meaningful.

The fourth group, made up of non-veterans, was predominantly black. They chose their careers based on what was available to them. They felt that advice available from SBA, SCORE and other business associations was too general to be of help for individual problems. One member felt that the SBA should place more emphasis on helping loan recipients develop needed skills and strengths. The same member believed that the loans available through SBA programs were too small, and that loan recipients should have a "grace period" of perhaps two years before they begin repaying their loans. This would allow them to become established before they are faced with the drain of repayment (page 55).

In Volume II the purpose and methodology of the study are discussed. The main purpose of this study was to determine whether military service, especially combat service, had any effect on the entrepreneur-related motivations and behaviors of business school graduates. One of the objectives was to assess the relationship between military combat experience, career experiences, entrepreneurial experiences, attitudes and task preferences (page 1). An 8-page questionnaire, developed in coordination with the SBA, was mailed to 20,000 potential respondents, and 5,229 questionnaires were returned. The major classification variables used in this study were entrepreneur status, veteran status and war cohort.

Among the respondents, 35.8% were from the WWII era, 21.9% Korean War, 37.5% Vietnam and 10.9% peacetime. In general, business school alumni entrepreneurs were more likely to be older, male, married, somewhat better educated, white and have higher annual incomes. It was found that only 8.2% of the entrepreneurs reported that they had ever used any federal government programs. Also, only 6.2% of veteran respondents

who started their businesses had just separated from the military (page 19). Also, veterans were more likely than non-veterans to be entrepreneurs (41.5 % veterans to 24.5% non-veterans). This may have been due to demographic differences between veterans and non-veterans and not the effect of military service.

According to this questionnaire-based study, veterans were more likely to believe that financial support would be available to them and that the skills acquired in business would be more useful than were non-veterans. Also, officers were more likely to become entrepreneurs than were non-officers. World War II combat veterans were much more likely to be entrepreneurs than Vietnam combat veterans (page 24). Veterans in this study tended to be older, male, married, better educated and have higher incomes than non-veterans, although non-veteran entrepreneurs were more likely to own a business currently. Veteran entrepreneurs were more likely to have chosen a corporate form for their current business.

The purpose of the following section is to further explore the finding in the “Profiling Entrepreneurial Veterans” study that 41.5% of veterans are classified as entrepreneurs compared to only 24.5% of non-veterans. Is this relationship between veteran status and entrepreneurship traceable to some aspect of military service, which in turn affects the decision to enter self-employment, or is this relationship explained by other variables? Based on the findings of this study, it may be concluded that military experience does not, by itself, increase the likelihood of a person being an entrepreneur. Age, gender, education, and marital status are all contributing factors.

Other findings of this questionnaire-based study are as follows: 49.5% of WWII veteran entrepreneurs work in companies that employ less than 25 people; 48.4% of Korean War veteran entrepreneurs work in companies that employ less than 25 people and 62.7% report companies they work in have fewer than 100 employees; 61.9% of Vietnam veterans work in companies that employ fewer than 100 employees (page 69). All three cohorts report high levels of job dissatisfaction. Degree of autonomy and income potential are the most important attributes for all three cohorts (page 70). Nearly half (49.7%) of WWII veterans have at some time owned and operated a business: 40.1% of Korean veterans have, but only 33.3% of Vietnam veterans have.

Volume III includes policy recommendations. Input into these recommendations was obtained from three key groups with expertise and interest in the areas of entrepreneurship and military service: representatives of the SBA, representatives of veterans’ organizations, and deans and faculty members of university business schools. These recommendations are included in their entirety at the end of this report.



## 2.2 The General Accounting Office Reports

The General Accounting Office (GAO) reports have been placed in one of the following categories: acquisition reform, contracts, urban development, small business, and reports about the SBA.

### 2.2.1 Acquisition Reform Studies

In a 1996 report<sup>31</sup>, the GAO reviewed the Department of Defense's (DOD) and civilian agencies' implementation of the performance-based acquisition management provisions included in Title V of the Federal Acquisition Streamlining Act (FASA) of 1994.

Title V of FASA is designed to foster the development of (1) measurable cost, schedule, and performance goals and (2) incentives for acquisition personnel to reach these goals (page 1). The GAO encountered the following results in its review of the aforementioned agencies: The DOD was successful in establishing cost, schedule and performance goals, whereas civilian agencies were still in the process of doing so. Neither the DOD nor the civilian agencies were able to implement personnel performance incentives at the time of this report. Neither the DOD nor the civilian agencies had recommended personnel legislation at the time of this report. The DOD was in the process of assessing technology insertion timeframes, and had review acquisition program cycle regulations. The civilian agencies were in the process of developing acquisition process guidelines.

FASA also mandated a government-wide Federal Acquisition Computer Network (FACNET) architecture to enable federal agencies and vendors to do business electronically in a standard way and move the government procurement process away from paper (page 1).

In a 1997 report<sup>32</sup>, the General Accounting Office responds to the FASA requirement that they report on "the class of contracts in amounts greater than the micro-purchase threshold and not greater than the simplified threshold that are not suitable for acquisition through a system with full FACNET capability"(page 1).

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<sup>31</sup> GAO Report (1996)

United States General Accounting Office Briefing Report to the Chairman, Committee on Government Affairs, U.S. Senate: Acquisition Reform; Implementation of Title V of the Federal Acquisition Streamlining Act of 1994, October 1996 GAO Report (1996) United States General Accounting Office Briefing Report to the Chairman, Committee on Government Affairs, U.S. Senate: Acquisition Reform; Implementation of Title V of the Federal Acquisition Streamlining Act of 1994, October 1996.

<sup>32</sup> GAO Report (1997)

United States General Accounting Office Report to Congressional Committees and Acting Administrator, Office of Federal Procurement Policy: Acquisition Reform; Classes of Contracts Not Suitable for the Federal Acquisition Computer Network, September 1997.

The GAO found that senior procurement officials found contracts to be unsuitable for FACNET when (1) widespread public solicitation of offers was inappropriate, (2) transmitting essential contracting information through the network was not feasible or (3) other means of purchasing were faster and more efficient (page 3). It was also found that FACNET was barely used for contract awards.

In yet a third report on acquisition reform (1998)<sup>33</sup>, the GAO evaluated the effectiveness of actions taken to implement FASA. Most importantly they looked at whether certain agencies were (1) reducing unique purchasing requirements, (2) increasing the use of simplified acquisition procedures, and (3) obtaining goods and services faster while reducing in-house purchase cost (page 1).

It was determined that data being collected on procurement was not adequate in measuring whether FASA's purposes were being achieved. Despite the data limitations it was found that the organizations reviewed were working toward meeting FASA purposes. Use of simplified acquisition procedures, including the use of purchase cards, increased at most locations (page 3). Also the number of bid protests decreased, and the time needed to award a contract had declined generally, thereby expediting the purchases of goods and services.

## **2.2.2 Contracting Studies**

In a 1998 report<sup>34</sup>, the GAO addressed (1) the history and characteristics of selected single contracts for multiple base operations support services, (2) the kinds of services procured under these contracts, (3) whether small businesses participate in these contracts, and (4) whether cost and efficiency gains have been documented (page 1).

Ten installations, which utilized single contracts for multiple support services, were reviewed for this report. At seven of these, the decision to do so occurred at the time of a commercial study, or A-76 study. At the other three installations the decision was made at the time the installation or its current mission was established (page 2). Most of the contracts were awarded for 5 years and ranged from about \$5.4 million to \$100 million annually (page 2).

At only three of the 10 installations reviewed were small businesses were taking part in single contracts for multiple base operations support services. In all three instances, the small business was the prime contractor. These contracts were awarded under small business programs. Both the DOD and the SBA are aware of the fact that utilizing single contracts for multiple base operation services makes it difficult for the small

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<sup>33</sup> GAO Report (1998)

United States General Accounting Office Report to Congressional Committees: Acquisition Reform; Implementation of Key Aspects of the Federal Acquisition Streamlining Act of 1994, March 1998.

<sup>34</sup> GAO Report (1998)

United States General Accounting Office Report to Congressional Committees: Base Operations; DOD's Use of Single Contracts for Multiple Support Services, February 1998.

business to participate as prime contractors. Although contracting officials claim efficiency gains, cost savings are not documented.

Murphy (1997)<sup>35</sup>, voiced concerns regarding Inspectors General (IG) contracts awarded during the fiscal year 1995. He discussed the results of a GAO survey concerning contracts for advisory and assistance services that were awarded by the 27 presidentially-appointed Inspectors General that fiscal year (pg. 1). Murphy looked at some 208 contracts awarded over the previous three years to determine the methods used in awarding contracts. Of the 208 contracts awarded during this time, Murphy found that 84% (176) were awarded competitively (pg. 2). The remaining 32 were not competitive, but awarded through a process of justifications that deemed specific contracts be given to specific firms.

Although justifications were set determining whom the contracts went to, Murphy concludes that such justifications were only adequate for 18 of the 32 noncompetitive contracts (pg. 2). The remaining 14 contracts' justifications were deemed inadequate by Murphy. Among the highest priced contracts were two of the fourteen Murphy believes were inadequately justified. He discussed these two contracts and the reasons IG had awarded them to the firms. Murphy believes that the non-competitive contracts were awarded to specific firms for ambiguous reasons stated by the IG. In one such case the IG had justified a contract noncompetitive because the contract required "unusual and compelling urgency." Murphy determined that justifications such as this were weak in determining the competitive status of such contracts.

### **2.2.3 Urban Development Studies**

A 1997 GAO report<sup>36</sup> stated that the Federal Empowerment Zone and Enterprise program was designed to implement urban renewal projects for the nation's deteriorating urban and rural communities (pg. 1). The program targeted federal grants to distressed urban and rural communities for community redevelopment and social services. In addition, the program was to produce regulatory and tax relief to attract and retain businesses in defined distressed communities (pg. 1).

An evaluation of this program touched on the effectiveness of efforts to assist businesses and entrepreneurs in gaining capital resources and technical assistance through the establishment of a single facility called a one-stop capital shop to promote business activity in lower income urban areas (pg. 6). The evaluation found that the Empowerment Zone Program had not indicated how the outputs (the amount of money

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<sup>35</sup> GAO Report (1997)

United States General Accounting Office Testimony Before the Permanent Subcommittee on Investigations, Committee on Governmental Affairs, U.S. Senate: Inspectors General, Concern About Advisory and Assistance Service Contracts, Statement of Robert P. Murphy, General Counsel, October 31, 1997.

<sup>36</sup> GAO Report (1997)

United States General Accounting Office Testimony Before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives: Community Development; The Federal Empowerment Zone and Enterprise Program, Statement of Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, October 28, 1997.

provided in commercial lending, the number of loans made, the number of consultations provided and the number of people trained) would help to achieve the desired outcomes of creating economic opportunity for lower income individuals in participating communities (pg. 6).

#### **2.2.4 Small Business Related Studies**

In a 1998 report<sup>37</sup>, the GAO discusses the following aspects of the Small Business Innovation Research (SBIR) program:

- Agencies' adherence to statutory funding requirements
- Agencies' audits of extramural budgets (external R&D budgets)
- The effect of the application review process and funding cycles on average recipients
- The extent and level of the companies' project activity following the receipt of SBIR funding and the development of the agencies' techniques to foster commercialization
- The number of multiple-award recipients and the extent of their project-related activity after receiving SBIR funding
- The occurrence of funding for single-proposal awards
- Participation by women-owned businesses and socially and economically disadvantaged businesses
- SBIR's promotion of the critical technologies
- The extent to which foreign firms benefit from the results of SBIR and the geographical distribution of SBIR awards (page 1).

To accomplish this the GAO interviewed agency officials from five of SBIR participating agencies, which accounted for 95 percent of the program's overall budget in 1996 (page 2). Some agency officials stated that they were not sure whether the agencies were correctly adhering to the requirements for establishing their extramural research budgets (page 4).

In a statement before the Subcommittee on Government Programs and Oversight, Committee on Small Business, Susan D. Kladiva (1998), associate director, Energy and Science Issues, Resources, Community, and Economic Development Division, reiterates the points made in the April 1998 report on the SBIR.

She noted that, of the five agencies reviewed, only two, NSF and NASA, had conducted audits of their extramural budgets. DOD, NIH, and DOE had not conducted nor did they plan to conduct audits in the near future (page 2). On the question of awards, some recipients said that any interruption in funding awards, for whatever reason, affected them negatively. It was also found that agencies rarely fund research if

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<sup>37</sup> GAO Report (1998)

United States General Accounting Office Report to Congressional Committees: Federal Research, Observations on the Small Business Innovation Research Program, April 1998.

only one proposal is received. Of the five agencies examined, all reported engaging in activities to foster the participation of women-owned or socially and economically disadvantaged businesses. Little evidence was found that foreign firms, or firms with substantial foreign ownership interests, benefited from technology of products developed as a direct result of SBIR-funded research (page 3).

### **2.2.5 Reports about the SBA**

A 1996 GAO report<sup>38</sup> requests that information be provided on the role the 7(a) program plays in small business financing. The 7(a) program is the largest of the SBA programs that provide money for small businesses (pg. 3). The 7(a) program does not lend money directly to borrowers, but backs up participating lending institutions when loans are made to small businesses. The SBA covers the lending institution if the loan should fail. It is therefore the SBA that approves and denies loans under the program. The SBA, during fiscal year 1995, approved 56,000 7(a) loans totaling approximately \$8.3 billion (pg. 3).

As of June 30, 1995, 7 (a) loans accounted for only about 6.7 percent of the estimated total dollar amount of outstanding business loans of \$1 million or less to small businesses (pg. 3). The 7(a) loans were more likely to be term loans rather than loans under lines of credit, and to have longer maturities and higher interest rates than small business loans in general (pg. 2). Most 7(a) borrowers were organized as corporations. Although 7(a) borrowers were likely to have the same number of employees as non-7(a) borrowers, they were more likely to have fewer sales and assets and more likely to be new businesses (pg. 2).

Both 7(a) and non-7(a) loans tended to be made to firms owned primarily by males, but small businesses with 7(a) loans were more likely to be owned by members of minority groups (pg. 2). The 7(a) borrowers were primarily located in the Pacific (21.2%), West North Central (13.9%), and West South Central census regions.

England-Joseph (1997)<sup>39</sup>, cited credit subsidy for the 7(a) and 504 programs as the estimated net cost (excluding administrative costs) to SBA in today's dollars of guaranteeing these loans over the entire period in which the loans are outstanding (which can range up to about 25 years) (pg. 1).

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<sup>38</sup> GAO Report (1996)

United States General Accounting Office Report to the Committee on Small Business, U.S. Senate: Small Business, A Comparison of SBA's 7(a) Loans and Borrowers With Other Loans and Borrowers, September 1996.

<sup>39</sup> GAO Report (1997)

United States General Accounting Office Testimony Before the Committee on Small Business, House of Representatives: Small Business Administration, Credit Subsidy Estimates for the Section 7(a) and 504 Business Loan Programs; Statement of Judy A. England-Joseph, Director, Housing Community, and Economic Development Division, July 16, 1997.

A review of SBA's estimates of credit subsidies for the 7(a) and 504 loan programs was made, asking three questions: 1) how does SBA calculate the estimates of credit subsidies for the 7(a) and 504 programs, 2) what factors accounted for the increase in the estimated costs of the loans to be guaranteed by these programs in fiscal year 1997, and 3) what additional changes, if any, did the SBA make during the 1998 budget process when estimating the costs of its loans (pg. 1)?

The SBA bases its estimates of the credit subsidy on the amounts of cash that they expect to take in and pay out during each year that the loans are outstanding (pg. 1).

Factors contributing to the increases in the estimated credit subsidy for fiscal year 1997 differed between 7(a) and 504 loans. Estimates for the 7(a) loans were based upon projection of fewer recoveries and less revenue from fees it had assumed in previous years (pg. 2). Estimates for 504 loans were based on the projection of more claims and fewer recoveries.

For the fiscal year 1998 budget the SBA projected a decrease of expected fee revenue for 7(a) loans, and slightly reduced expected claim payments and recoveries for the 504 program.

In a 1996 GAO report<sup>40</sup>, England-Joseph discussed the 8(a) program's development, problems and goals. The 8(a) program is one of the federal government's primary vehicles for developing small businesses that are owned by minorities and other socially and economically disadvantaged people. To qualify for the 8(a) program a firm must be a small business that is at least 51% owned and controlled by one or more socially and economically disadvantaged persons (pg. 2). To fall into both categories the socially disadvantaged person must have a personal net worth that does not exceed \$250,000. A firm can be a part of the 8(a) program for nine years or until it is decided that the firm can compete for contracts without use of the program.

The program is undergoing changes due to identified problems. There is an apparent concentration of 8(a) dollars among relatively few firms (pg. 4). In the fiscal year 1994, 50 firms less than 1% of the 6,002 total firms in the 8(a) program received about 25% of the total contracts awarded (pg. 4). This may have been a result of the agency stating goals in dollar value rather than number value for contracts awarded. The easiest way for contracting agencies to meet these dollar value goals is to award a few large contracts to a few firms, preferably firms they have had experience with (Pg. 4-5). It is the SBA's goal to increase the number of contracts awarded to 8(a) firms, particularly new firms.

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<sup>40</sup> GAO Report (1996)

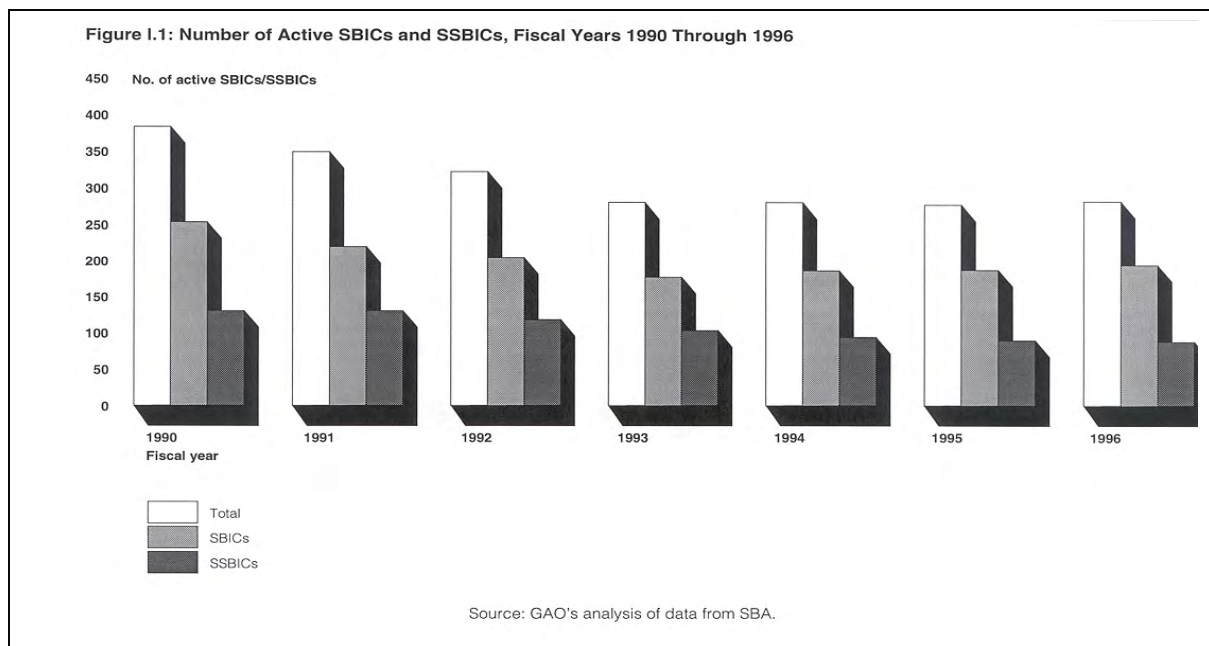
United States General Accounting Office Testimony Before the Committee on Small Business, House of Representatives: Small Business, Status of SBA's 8(a) Minority Business Development Program, Statement of Judy A. England-Joseph, Director, Housing Community, and Economic Development Division, September 18, 1996.

A 1997 GAO report<sup>41</sup> was based upon current information regarding Small Business Investment Companies (SBICs) and Specialized Small Business Investment Companies (SSBICs).

SBICs provide funding to small businesses through equity investments (purchasing stock of small businesses), and debt (i.e. making loans to small businesses) (pg. 1). SSBICs were later created to provide the same types of funding to small businesses owned by socially and economically disadvantaged people (pg. 1).

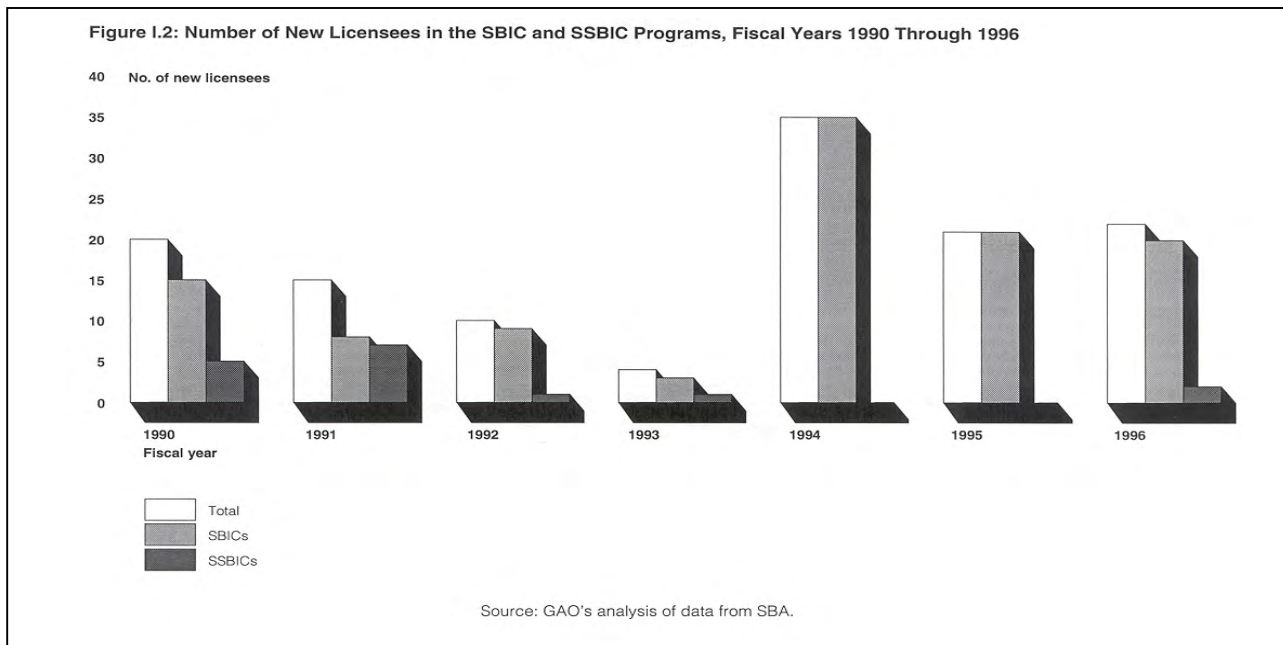
The report shows us that during the fiscal years 1990 through 1996: 1) the amount of funding provided to small businesses each year ranged from about \$490 million to about \$1.6 billion; 2) SBICs invested primarily in manufacturing firms, while SSBICs invested primarily in transportation, communications and utilities; and 3) SBICs tended to make mostly equity-type investments, such as purchasing stocks, while SSBICs primarily provided loans (pg. 2). This information is important when seeking to understand the needs of different business owners (socially and economically disadvantaged business owners compared to other business owners).

Appendix I, figure I.1 (pg. 7) of the report (included below) shows that both SBICs as well as SSBICs have declined over the past seven years. After 1994, however, the number of new SBICs began to increase, while there were no new SSBICs from 1994 and 1995, and only two in 1996 (fig. I.2) (included below).



<sup>41</sup> GAO Report (1997)

United States General Accounting Office Report to the Chairman, Committee on Small Business, U.S. Senate: Small Business, Update of Information on SBA's Small Business Investment Company Programs, February 1997.



A 1997 report<sup>42</sup> explains The Results Act requirement that agencies define missions, set goals, measure performance, and report on accomplishments (pg. 1). It was designed to shift the focus of attention of federal agencies from the amount of money spent and workload size to actual results of their programs (pg. 2). The Results Act required SBA and other agencies to complete strategic plans for implementation to be submitted to the Congress and OMB by September 30, 1997 (pg. 2). GAO observations were based on a review of the strategic plan that SBA issued to the Congress and the OMB on September 30, 1997, as well as a review of an earlier version of SBA's plan dated March 5, 1997 (pg. 1).

The GAO study alluded to improvements of the strategic plan made since the March edition. Important aspects and goals of the strategic plan were: 1) to increase opportunities for small business success, 2) to transform the SBA into a 21<sup>st</sup> century leading edge financial institution, 3) to help businesses and families recover from disasters and 4) to lead small business participation in welfare-to-work programs (pg. 3). The program required the SBA to increase the share of federal procurement dollars awarded to small firms to at least 23 percent (pg., 3).

<sup>42</sup> GAO Report (1997)

United States General Accounting Office Testimony Before the House Committee on Small Business: Results Act; Observations on SBA's September 30, 1997 Strategic Plan, Statement of Stanley J. Czerwinski, associate director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, October 29, 1997.



The study found problems in the strategic plan, and felt it could have been further improved. Many of the missions conveyed in the plan were unclear (pg. 5-6). For example the plan was never clear in stating how small businesses would participate in welfare-to-work programs. Nor did it mention where resources and capital would come from in order to carry out the many aspects of the plan. The GAO concluded that the plan was not explicit (pg. 2).

“SBA: Better Planning and Controls Needed for Information Systems” (1997)<sup>43</sup>, was a GAO report compiling results of a review of the SBA’s efforts to develop a risk management database and loan monitoring system, meeting the requirements of the Small Business Improvements Act of 1996 (pg. 1). Progress had been evaluated, and it was determined that the SBA had not yet established and implemented controls needed to ensure that the risk management database would contain timely and accurate loan monitoring data when finished (pg. 1).

The evaluation showed that the SBA had not yet established controls to find incorrect data, and had not planned a source of funding to maintain the loan monitoring system. As of June 27, 1997, the SBA had not met a number of requirements for a loan monitoring database called for in the Small Business Improvements Act. The report determined that the database design would not meet present and projected, and thus be inadequate in terms of monitoring loan borrowers.

## **2.3 Miscellaneous Literature**

The William Joiner Center research team also utilized a variety of other data and information, which has been included below.

### **2.3.1 State Studies/Programs**

In the 1980s the Commonwealth of Massachusetts conducted two statewide studies or profiles of the Vietnam and Vietnam era veterans’ population, which contained several small business questions, and another study exclusively concerned with small business issues and a small business development program for veterans.

The first study (1983)<sup>44</sup>, conducted by the Commonwealth’ Special Commission on the Concerns of Vietnam Veterans, was based on a survey sent to every Vietnam and Vietnam era veteran in the Commonwealth who could be identified through the original

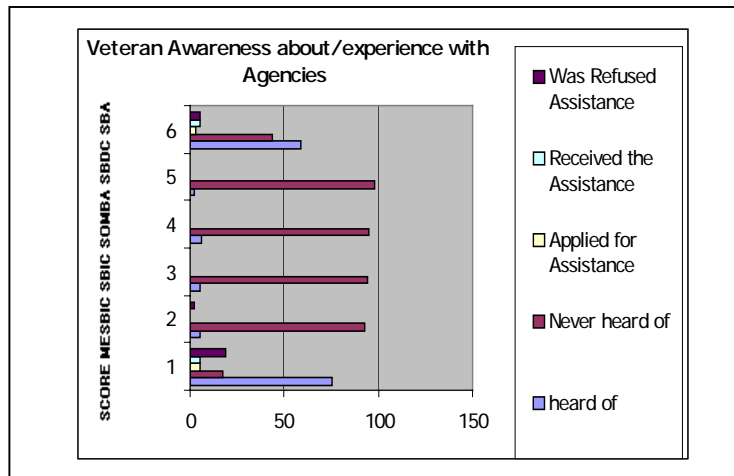
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<sup>43</sup> GAO Report (1997)  
United States General Accounting Office Report to the Chairman, Committee on Small Business, U.S. Senate: Small Business Administration, Better Planning and Control Needed For Information Systems, June 1997.

<sup>44</sup> Senate 1824 and Senate 2307: Interim and Final Report(s) of the Commonwealth of Massachusetts Special Commission on the Concerns of the Vietnam Veterans, January 24, 29 p., and December 30, 1983, 103 p.

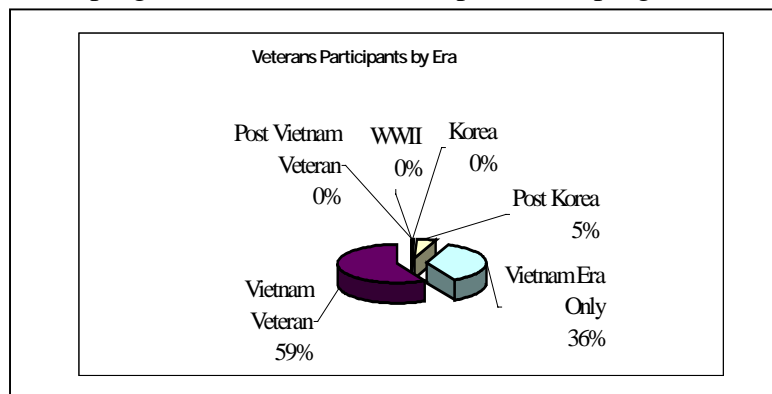
"state bonus list". Only 5.2% (823) of the respondents to that survey indicated that they had ever applied to the SBA for any type of services.

The Special Commission noted in that report that business start-up costs (at that time) were more than likely insurmountable for most Vietnam veterans attempting to launch a small (micro) business. It also noted that the focus of the various state level agencies, such as the (then) Massachusetts Industrial Finance Agency, and the Massachusetts Technical Development Corporation were focused on maturing, healthy, expanding businesses - small start-up businesses were not in their scope.



The Commonwealth of Massachusetts also conducted a small business development program for veterans during the mid-1980s. It was entitled “The Governor’s Veterans’ Small Business Development Program. This program was funded with FJTPA funding from DOL and developed and conducted under the auspices of the [then] Office of Veterans Affairs for the Commonwealth of Massachusetts, and implemented by the William Joiner Center at the University of Massachusetts Boston.<sup>45</sup>

The William Joiner Center operated this small business assistance training program for the Commonwealth. Essentially, a series of 6 classroom seminars and 3 workshop sessions were held at six sites across the state per cycle. There were three cycles. A total of 407 veterans initially enrolled in the program. Of these, 197 completed the program, 95 attended some classes, but did not complete the program, and another 95 never attended the classes. The program lost track of 20 individuals. The majority were Vietnam theater veterans (59%) or Vietnam era veterans (36%)<sup>46</sup>, with the remainder coming from other military service eras. In addition 11.3% were disabled, 9% were from minority (African-American or Hispanic/Latino status groups. while 4.6% were women.

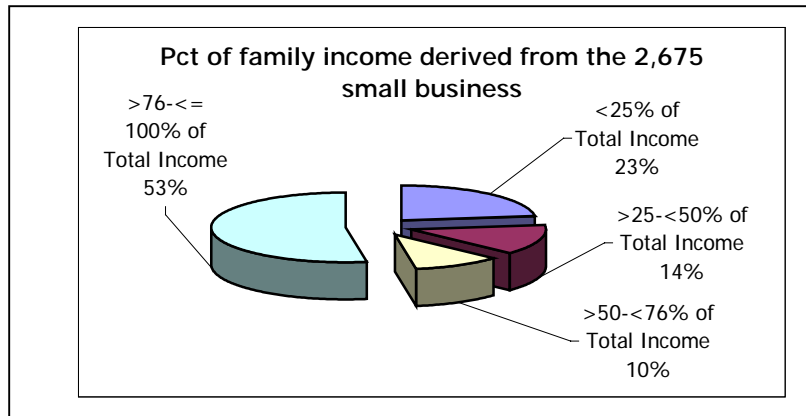


<sup>45</sup> These were “left-over” FJTPA funds. These were funds from those states that turned the monies down because of the matching funds requirement. DOL/VETS released an RFP, which the William Joiner Center at the University of Massachusetts responded to.

<sup>46</sup> We revisited this data for purposes of the study.

Prior to initiation of this program, 939 individuals identified as veterans were sent a questionnaire announcing the program and asking them to respond to a survey. Approximately 22% of those contacted indicated that they were interested in the issue of small business and the possibility of attending classes.<sup>47</sup> There were twenty-nine questions divided into four sections: (1) general information, (2) questions geared to those who aspired to get into small business, (3) questions focused on those already engaged in small business, and (4) questions concerning opinions and preferences.

In 1988–1990 the William Joiner at the University of Massachusetts Boston conducted a five-year follow-up profile survey of the Commonwealth’s Vietnam and Vietnam-era veterans population. In the intervening five years the interest in business had increased substantially.



That survey showed that 2,675 (14.9%) of the veterans who responded indicated that they were involved in operating either a full or part-time small business.

The percentage of total family income generated from these ventures varied from 23.1% earning 25% of their family income through their small business endeavor, to 52.6% who earned 76% of more of their family’s total income from their small business venture. In addition, it should be noted that approximately 2,600 of these businesses contributed some \$74,340,511 in taxable income to the Commonwealth in 1988.

Following the publication of the report, the decision was made to add data from late responses. For the purposes of the present study, that data was revisited. The additional number of veterans who responded brought the total of those engaged in small business to 2,679 (15%). Some 2,886 respondents indicated they were disabled. Of these, 384 (14% of those in small business and 13.3% of those disabled) also had a small business. They represented 2% of all respondents.

<sup>47</sup> As indicated above, more people enrolled than were contacted and responded. It was never determined how these individuals became aware of the program. It was assumed that they heard by one or more of the following: a local news story, from the veterans service organizations, by word of mouth, etc.

### 2.3.2 Information Reports

Bachet (1990)<sup>48</sup>, puts together a central source of information concerning the participation of veterans in SBA programs during fiscal year 1990, and compares progress to previous years (pg.1-1).

The report pays specific attention to 8 areas:

- 1) SBA Central Office of Veterans Affairs 1990 Budget (pg. 4.0)
- 2) Veteran Participation in SBA Loan Programs (pg. 5.0)
- 3) The Surety Bond Guarantee Program (pg. 6.0)
- 4) The 8 (a) Program (pg. 7.0)
- 5) Procurement Automated Source Systems (pg. 8.0)
- 6) Training and Counseling Assistance for Veterans (pg. 9.0)
- 7) Veteran Outreach Activities (pg. 10.0)
- 8) 1991 Fiscal Year Goals (pg. 11.0)

The budget of The SBA's Office of Veterans Affairs Central Office activities (4.0) is stated in a table on pg. 4-1. The table indicates that the OVA spent \$555,562 for all activities occurring during the 1990 fiscal year, of which \$273,055 was allocated toward Veteran Grants. Veteran's Participation in Loan Programs (5-0) deals with all SBA loan programs. Comparable SBA loan statistics are available for all SBA loans (Direct, PL 97-72, and Guarantee) in dollar amounts and numbers. Table 5-I (shown here) indicates that appropriation as well as allotment levels decreased for all SBA loan types. Table 5-V (below) indicates that the number of veterans

Object class	Account	Obligation
2100	Travel	\$ 88,569
2400	Printing	15,000
2500	Contracts	174,387
2600	Supplies and materials	1,000
3100	Capital/assets	3,556
4100	Veterans grants	273,055

	1985	1986	1987	1988	1989	1990
Appropriation						
Direct	185,000	38,280	39,000	85,000	90,000	82,000
PL 97-72	25,000	19,000	19,000	17,000	17,000	17,000
Guarantee	3,180,000	2,950,360	2,291,000	3,154,000	2,421,000	3,929,000
Total all SBA loans						
Direct	129,070	47,028	47,057	45,838	72,495	34,137
PL 97-72	9,668	20,085	19,881	18,057	16,779	13,024
Guarantee	2,656,923	2,515,788	2,648,694	2,784,987	3,287,696	3,804,985
Loans to Vietnam-era veterans						
Direct	11,874	1,391	1,517	2,784	4,955	3,180
PL 97-72	8,736	18,986	18,586	16,844	16,477	12,811
Guarantee	275,675	306,180	305,497	319,680	310,458	337,364
Loans to other veterans						
Direct	10,467	2,156	1,822	1,156	1,889	1,824
PL 97-72	932	1,099	1,295	1,213	302	213
Guarantee	333,178	306,540	250,568	218,108	181,564	193,815

<sup>48</sup> Bechet, Leon J. "Annual Report for Fiscal Year 1990", U.S. Small Business Administration; Office of Veterans Affairs, 1990

that acquired guaranteed loans for 1990 was 2,720, 14% of total guaranteed loans. This number dropped from 15% in 1989.

Fiscal year	Total loans	Total to veterans	% to veterans
1989	17674	2686	15
1990	19510	2720	14

The total number of direct loans made to veterans (Table 5-VI,) increased by 5.9% from 32.2% in 1989 to 38.1% in 1990. Figure 5-19 (see below) shows the relationship between the total number of HAL-2 loans and the total number of HAL-2 loans to veterans remained constant from fiscal year 1989 to fiscal year 1990.

	1985	1986	1987	1988	1989	1990
Total SBA direct loans	\$129.1	\$47.0	\$47.1	\$45.8	\$72.5	\$47.2
PL 97-72 loans to Vietnam-era and disabled veterans	\$9.7	\$20.1	\$19.9	\$18.1	\$16.5	\$13.0
Direct loans to Vietnam-era veterans	\$11.9	\$1.4	\$1.5	\$2.8	\$5.0	\$3.2
Direct loans to other veterans	\$10.5	\$2.2	\$1.8	\$1.2	\$1.9	\$1.8
Total SBA direct loans made to veterans	\$32.1	\$23.7	\$23.2	\$22.1	\$23.4	\$18.0
% of total direct loans made to veterans	24.9%	50.4%	49.3%	48.2%	32.2%	38.1%

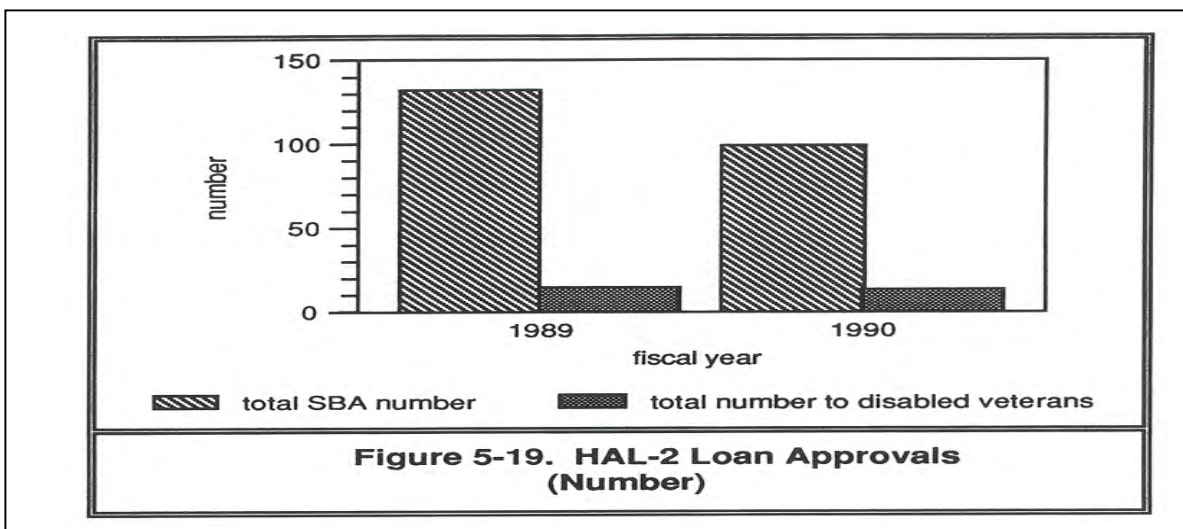




Table 5-III provides extensive information regarding regional distribution of SBA loans by type.

TABLE 5-III. LOANS TO VETERANS – BY REGION																
AS OF SEPTEMBER 30, 1990																
(DOLLAR AMOUNTS IN 000s)																
Region	Categories	Guaranteed					Direct					Total loans				
		#	%	D%	\$	%	#	%	D%	\$	%	#	%	D%	\$	%
I	Total regional loans	1184	100		198621	100	23	100		2018	100	1207	100		200639	100
	Total regional vets	139	12	15	24999	13	17	74	15	1264	63	156	13	15	26263	13
	Vietnam vets	100	9	4	16470	9	16	70	4	1251	62	116	10	4	17721	9
	Other vets	39	3	11	8529	4	1	4	11	13	1	40	3	11	8542	4
II	Total regional loans	1615	100		281566	100	118	100		7621	100	1733	100		289817	100
	Total regional vets	200	12	14	30449	11	28	24	14	1670	22	228	13	14	32119	11
	Vietnam vets	135	8	3	20827	7	23	19	3	1375	18	158	9	3	22202	8
	Other vets	65	4	11	9622	4	5	5	11	295	4	70	4	11	9917	3
III	Total regional loans	846	100		160024	100	22	100		1845	100	668	100		161869	100
	Total regional vets	104	12	16	22302	14	15	68	16	1009	55	119	14	16	23311	15
	Vietnam vets	93	11	5	17978	11	15	68	5	1009	55	108	13	5	18987	12
	Other vets	11	1	11	4324	3	0	0	11	0	0	11	1	11	4324	3
IV	Total regional loans	2614	100		575282	100	171	100		14369	100	2785	100		589651	100
	Total regional vets	440	17	14	104304	18	70	41	14	6050	42	510	19	14	110354	19
	Vietnam vets	291	11	4	65675	11	60	35	4	5064	35	351	13	4	70739	12
	Other vets	149	6	10	38629	7	10	6	10	986	7	159	6	10	39615	7
V	Total regional loans	2574	100		512244	100	37	100		4207	100	2611	100		516451	100
	Total regional vets	302	12	15	59901	12	16	43	15	1306	31	318	12	15	61207	12
	Vietnam vets	188	7	4	33212	7	14	38	4	1176	28	202	8	4	34388	7
	Other vets	114	5	11	26689	5	2	5	11	130	3	116	4	11	26819	5
VI	Total regional loans	2078	100		401051	100	47	100		3319	100	2125	100		404370	100
	Total regional vets	365	18	15	72842	18	17	36	15	1272	39	382	18	15	74114	18
	Vietnam vets	223	11	5	40174	10	14	30	5	1052	32	237	11	5	41226	10
	Other vets	142	7	10	32668	8	3	6	10	220	7	145	7	10	32888	8
VII	Total regional loans	2057	100		273506	100	34	100		2498	100	2091	100		276004	100
	Total regional vets	360	18	16	47818	17	17	50	16	964	39	377	18	16	48782	17
	Vietnam vets	225	11	5	27935	10	15	44	5	881	36	240	11	5	28816	10
	Other vets	135	7	11	19883	7	2	6	11	83	3	137	7	11	19966	7

**TABLE 5-III. LOANS TO VETERANS - BY REGION (CONTINUED)**  
**AS OF SEPTEMBER 30, 1990**  
**(DOLLAR AMOUNTS IN 000s)**

Region	Categories	Guaranteed					Direct					Total loans				
		#	%	D%	\$	%	#	%	D%	\$	%	#	%	D%	\$	%
VIII	Total regional loans	1634	100		258978	100	34	100		3575	100	1668	100		262553	100
	Total regional vets	204	12	15	30245	12	21	62	15	2093	59	225	13	15	32338	12
	Vietnam vets	136	8	5	18927	7	20	59	5	2077	58	156	9	5	21004	8
	Other vets	66	4	10	11318	5	1	3	10	16	15	69	4	10	11334	4
IX	Total regional loans	3744	100		940840	100	46	100		4330	100	3790	100		945170	100
	Total regional vets	466	12	14	115319	12	21	46	14	1614	37	487	13	14	116933	12
	Vietnam vets	317	8	5	78822	8	19	42	5	1470	34	336	9	5	80292	8
	Other vets	149	4	9	36497	4	2	4	9	144	3	151	4	9	36641	4
X	Total regional loans	1164	100		202873	100	36	100		3379	100	1200	100		206252	100
	Total regional vets	140	12	17	23000	12	11	31	17	786	23	151	13	17	23786	12
	Vietnam vets	105	9	6	17344	9	10	28	6	636	19	115	10	6	17980	9
	Other vets	35	3	11	5656	3	1	3	11	150	4	36	3	11	5806	3
Total	SBA loans	19510	100		3804985	100	568	100		47161	100	20078	100		3852146	100
	SBA vets	2720	14	15	531179	14	233	41	15	18028	38	2953	15	15	549207	14
	Vietnam vets	1813	9	5	337364	9	206	36	5	15991	34	2019	10	5	353355	9
	Other vets	907	5	10	193815	5	27	5	10	2037	4	934	5	10	195852	5
Average	Total vets	272	14	15	53118	14	23	41	15	1803	38	295	15	15	54921	14
	Vietnam vets	181	9	5	33736	9	20	36	5	1599	34	202	10	5	35336	9
	Other vets	91	5	10	19382	5	3	5	10	204	4	93	5	10	19585	5
D+/-	Total vets	-154	-1		-29296	-1	149	26		11081	23	-4	0		-18215	0
	Vietnam vets	929	5		165056	4	180	32		13855	29	1110	6		178911	5
	Other vets	-1083	-6		-194351	-5	-31	-5		-2744	-6	-1114	-6		-197125	-5

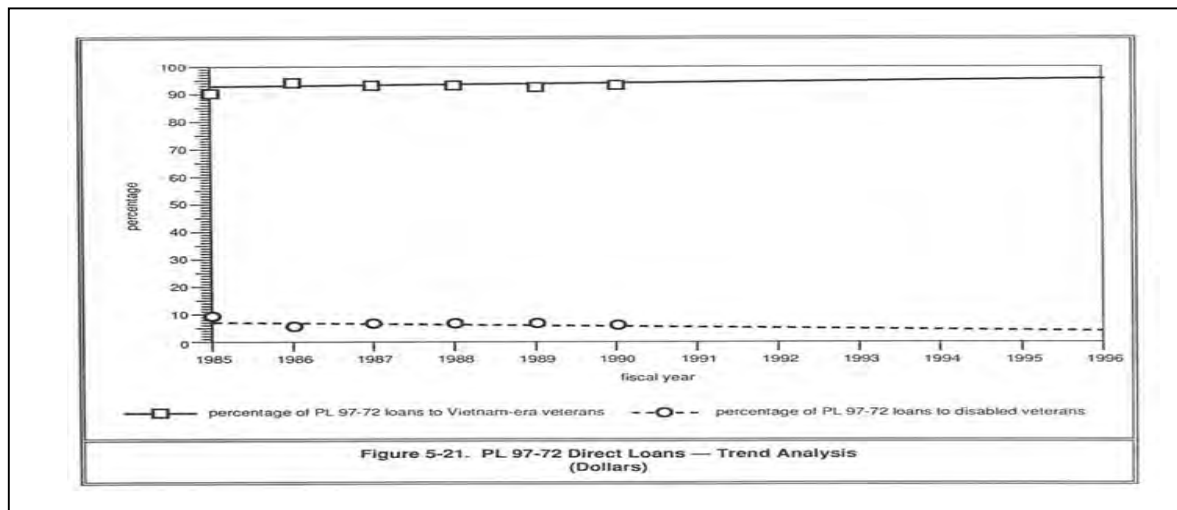
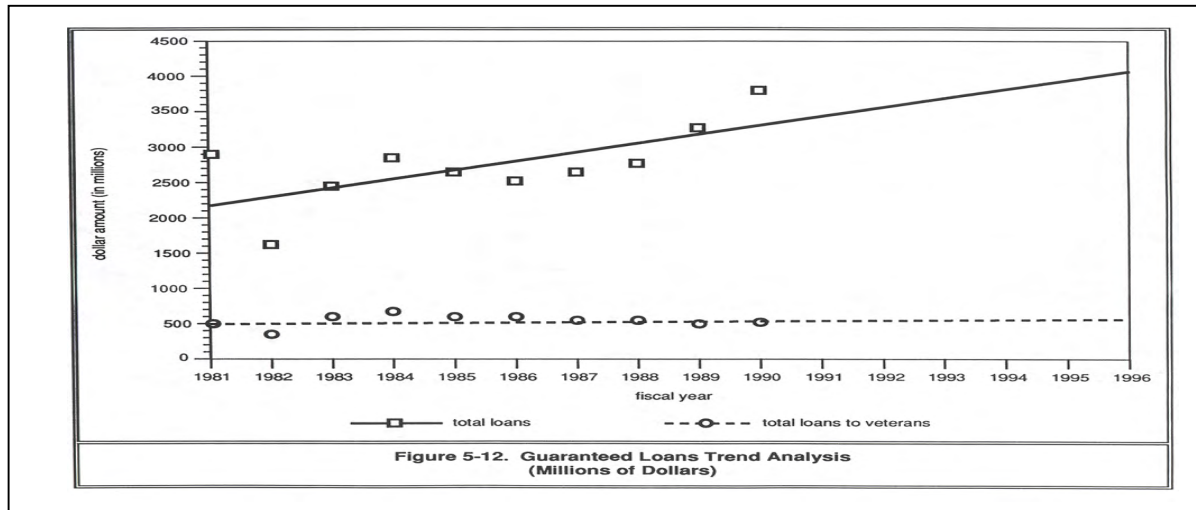
# - number

% - percentage

D% - demographic percentage

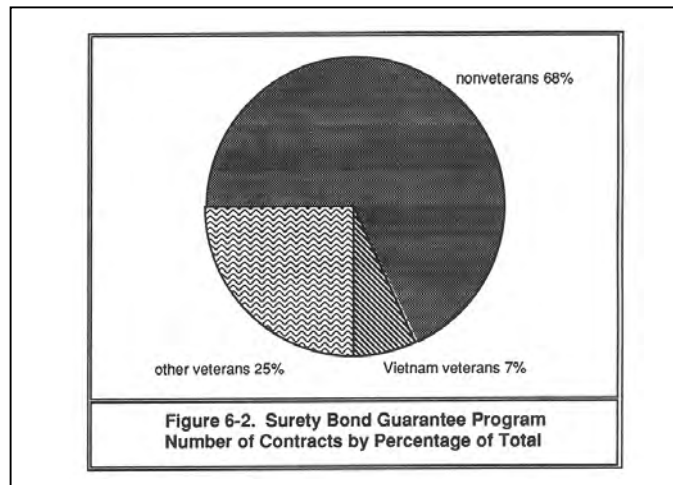
\$ - dollars

All tables make distinctions for Vietnam era veterans showing differences by loan region and type. Figures also give analysis of trends from the years 1985-1990. Tables were too numerous to cite. An example is included below (See figs. 5-12, and 5-21 below).





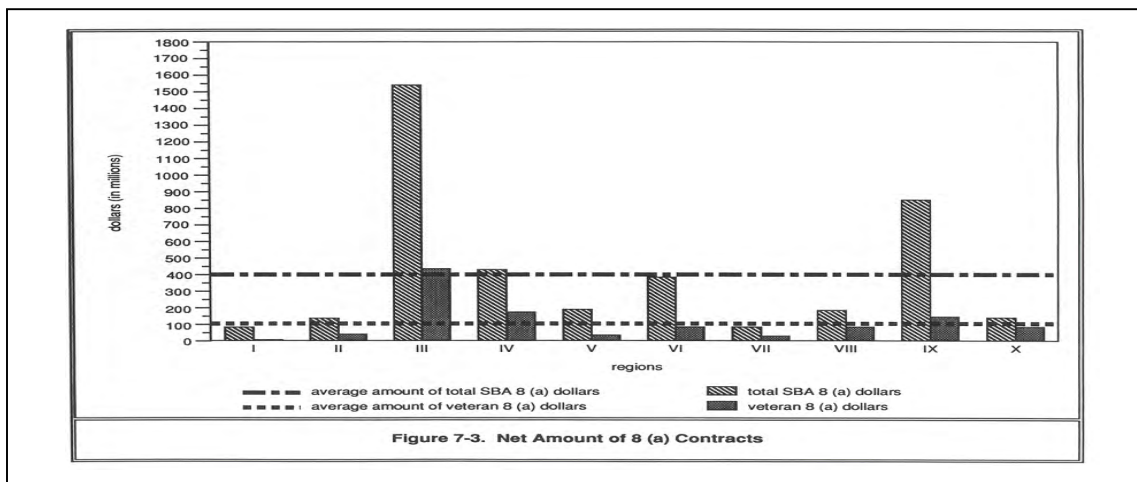
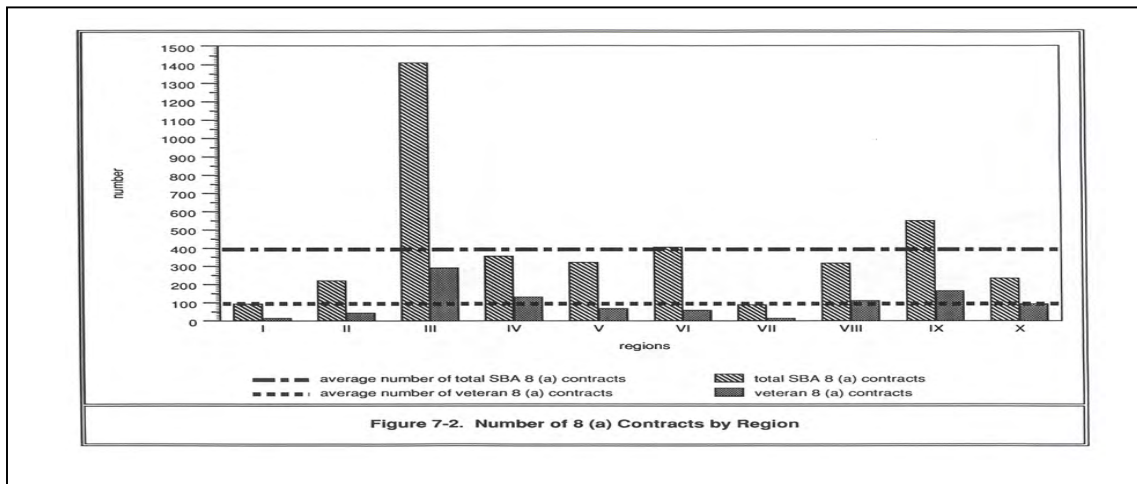
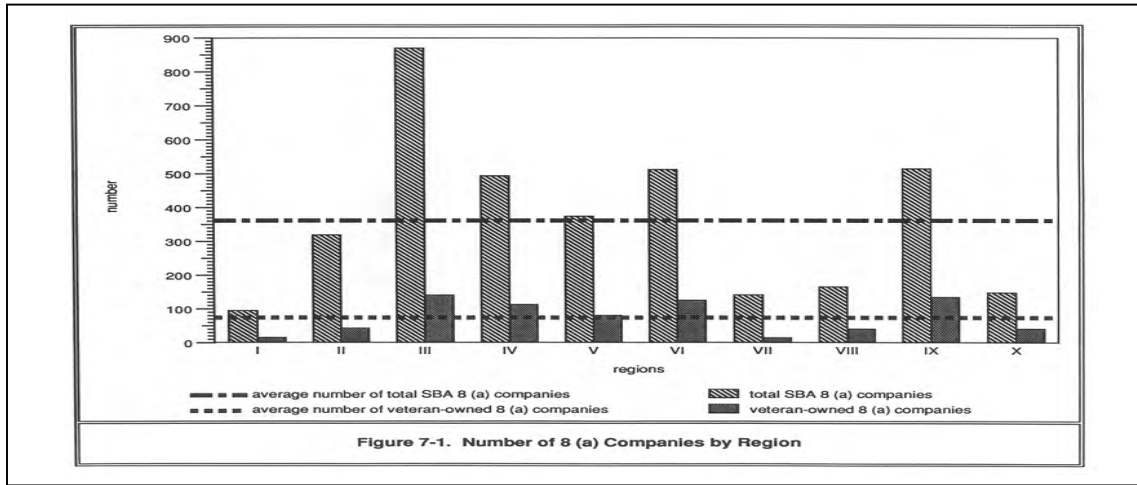
The Surety Bond Guarantee Program is discussed in section 6.0. Of the number of contracts by percentage, we see that the Surety Bond Guarantee Program allocated Vietnam veterans 7% and other Veterans 25% of its program activity (fig. 6-2).

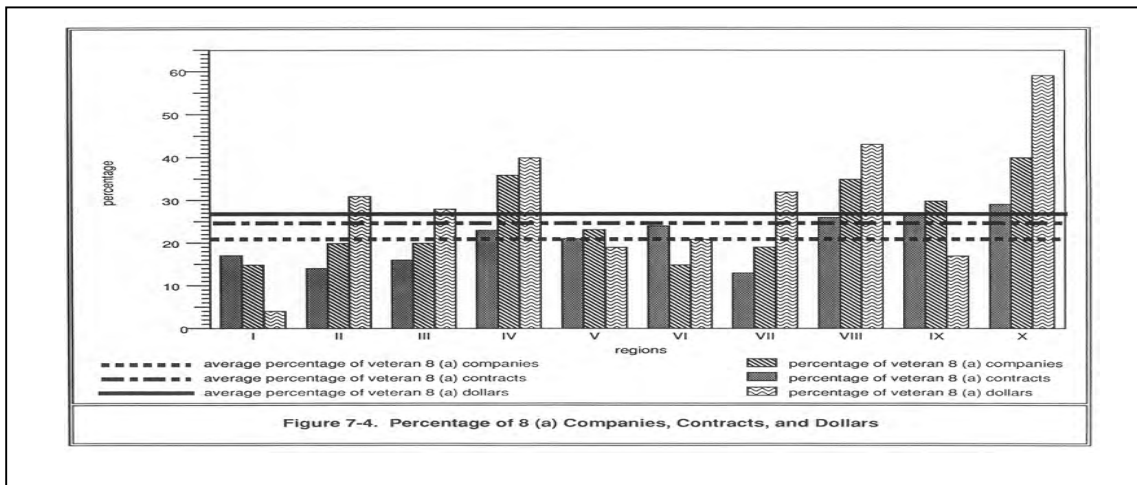


The SBA monitors veteran involvement in the 8(a) Program (7.0). Table 7-I (below)

Region	Categories	Total	Veterans	%
I	Number of companies	96	16	17
	Number of contracts	94	14	15
	Net amount of contracts	\$84,454	\$3,326	4
II	Number of companies	320	46	14
	Number of contracts	219	43	20
	Net amount of contracts	\$144,619	\$44,431	31
III	Number of companies	869	143	16
	Number of contracts	1,409	285	20
	Net amount of contracts	\$1,537,302	\$435,422	28
IV	Number of companies	495	113	23
	Number of contracts	354	129	36
	Net amount of contracts	\$424,773	\$168,358	40
V	Number of companies	375	78	21
	Number of contracts	319	72	23
	Net amount of contracts	\$189,523	\$36,785	19
VI	Number of companies	515	123	24
	Number of contracts	403	62	15
	Net amount of contracts	\$387,793	\$80,049	21
VII	Number of companies	142	18	13
	Number of contracts	89	17	19
	Net amount of contracts	\$79,121	\$25,341	32
VIII	Number of companies	165	43	26
	Number of contracts	313	109	35
	Net amount of contracts	\$189,402	\$81,783	43
IX	Number of companies	518	139	27
	Number of contracts	548	163	30
	Net amount of contracts	\$849,123	\$146,102	17
X	Number of companies	150	43	29
	Number of contracts	236	94	40
	Net amount of contracts	\$141,636	\$83,686	59
Total	Number of companies	3,645	762	21
	Number of contracts	3,984	988	25
	Net amount of contracts	\$4,027,747	\$1,105,282	27
Ave.	Number of companies	365	76	21
	Number of contracts	398	99	25
	Net amount of contracts	\$402,775	\$110,528	27

and figs. 7-1 through 7-4 (shown below) identify veteran involvement in the 8(a) program by region. As of 1990, veteran businesses involved in the 8(a) program made up 17% to 29% of businesses in the program, by region.





Some 31% of veteran-owned firms were involved in the Procurement Automated Source System (PASS) as of 1990. 11% were Vietnam veteran owned, 3% were female veteran owned and 4% were minority veteran-owned (8.0). Veterans attending SBA training (9.0) during the fiscal year 1990 and previous years back to 1986 can be viewed in Table 9-II. 9.2% of veteran-owned businesses attended SBA training, an increase from 7.4% in 1986.

	1986	1987	1988	1989	1990
Veteran attendees	40,951	45,958	54,811	42,909	39,645
Total attendees	553,546	522,883	574,164	463,497	430,069
Percentage of veterans	7.4	8.9	9.5	9.3	9.2

Veterans Outreach Activities are discussed in section 10.0. Table 10-I shows activities by region and breaks down activities by category (numbers of: veterans' conferences, contacts/speaking, telephone inquiries, veterans counseled, veterans trained).

Region	Veterans' conferences	Contacts/speaking	Telephone inquiries	Veterans counseled	Veterans trained
I	29	373	1,486	2,235	2,420
II	17	1,082	2,495	2,819	2,216
III	25	164	4,598	4,656	2,674
IV	165	1,230	12,450	12,244	12,125
V	72	2,647	6,009	8,170	3,631
VI	80	1,178	3,554	6,122	6,145
VII	71	379	1,034	3,684	2,016
VIII	221	1,095	4,738	1,806	2,431
IX	83	-----	-----	4,576	2,796
X	37	270	1,689	3,202	3,231
Total	800 <sup>a</sup>	8,418 <sup>a</sup>	38,053 <sup>a</sup>	48,775 <sup>b</sup>	39,645 <sup>c</sup>

SBA veteran oriented goals for the fiscal year 1991 (11.0) include increased outreach to military bases, increased veteran participation in agency programs, increased number of VBRCs [Veterans Business Resource Centers], and the development of a base closure strategy.

The State of Small Business: A Report of The President (1987)<sup>49</sup> reiterates many of the points made in the original 13 small business administration studies. It states that according to the Population Survey conducted by the Census Bureau in 1987, there were 3.5 million veteran business owners in 1983, representing 25 percent of all business owners. The SBA estimates that there are 2.5 million veteran-owned businesses that utilize the credit market and have paid employees. When modified to include larger corporations with employees identified in SBA's Small Business Data Base Ownership Characteristics Survey, the number reaches approximately 3.8 million. According to this report, based on the findings in the SBA studies, veterans, as either potential or operating business owners should not be considered socially or economically disadvantaged relative to non-veterans.

The SBA report concluded that:

After adjustment for loss of job experience and income because of military service, their earning power and ability to save and invest for business ownership is equal to that of non-veterans. Veterans do not appear to suffer from social and economic disadvantages, compared to the general population. They are less likely than non-veterans of the same age to become self-employed and more likely to work as wage-and-salary workers (page 94).

However, when veterans and non-veterans are classified by periods of service, veteran self-employment rates are lower than non-veteran rates. This report also claims that SBA programs assist veterans in financing a business. The report indicated that approximately \$1 million was earmarked for outreach and \$20 million for direct loans to Vietnam era and disabled veterans, and that additional funds from other finance and business programs also are used for veteran assistance. For example, in Fiscal Year 1985, 22.9 percent of the \$2.7 billion in SBA guaranteed loans went to veterans (page 81). Veterans also have above-average representation in several states with high total disposable personal income (page 82).

### **2.3.3 Training**

The Marketing and Advertising Manual published by the Human Enterprise Development Group is an excellent resource for any individual seeking self-employment. It discusses, at length, analyzing market opportunities, selecting target markets, developing a marketing mix in terms of pricing, advertising, promotions, public relations, and sales.

It gives the entrepreneur a reference point on understanding the basic principles of marketing management and how to apply them to a business. It describes the marketing research process in a step-by-step fashion, including examples of survey questionnaires.

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<sup>49</sup> United States Government Printing Office "The State of Small Business: A Report of The President", 1984.

The section on selecting target markets explains how to determine the best location for a business by using demographic information, how to identify the competition and how to expand the market by expanding the product.

The manual also discusses pricing strategies in order to attain specific objectives such as maximized profits. Many elements of pricing and advertising are covered. While this publication may be useful to persons interested in entering the world of small business it is not veteran specific.

### **3 Aggregate Data to Date**

The presentation of aggregate data for this study has been a matter of search and development. The search component consisted of Internet searches of government agencies, contacts with agencies, phone correspondence, onsite visits, searching bibliographies, etc. The development of data has been a matter of spreadsheet constructions of census and other data with an explanation of the heuristics employed contained in the sheet documentation. For the purposes of this Phase IV Final report, the following tables and charts are presented below.

#### **3.1.1 The Number of Service Disabled Veterans in Small Business.**

Certainly one of the most fundamental questions, which PL105-30 sought answers for, concerned the number of disabled veterans actually involved in a small business endeavor.<sup>50</sup> The numbers reported by several entities vary considerably. For example, the Congressional Commission on Servicemembers and Veterans Transition Commission refers to census data that places the number of veteran-owned businesses at 4 million or 18% of the 22 million small businesses in America, and places the number of disabled veterans in business at 800,000 (Principi, 1999:144).<sup>51</sup> The 1992 Economic Census, Characteristics of Business Owners (CBO92-1) does not supply actual numbers but percentages in Table 7a (page 62). Simple calculations would provide numbers. However, a number of calls were made to the Census Bureau and the research team discovered that a special set or run on veterans was produced for SBA. This was secured from the Census<sup>52</sup>; these tables are presented below.<sup>53</sup>

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<sup>50</sup> It is unfortunate that the Office of Management and Budget made such a decision concerning the original plan to secure statistical data from a variety of veterans and veterans engaged in business subpopulations. While none of these would have been a conclusive determination, they would have provided excellent data about these very viable and important subsets of the veterans' population and veterans' small business population. It is also unfortunate that there was insufficient time (in terms of FY timelines) for the agency and the contractor to secure a large sample population from the Department of Veterans Affairs and resubmit a survey request to the OMB agency.

<sup>51</sup> The specific source is not documented.

<sup>52</sup> These were received from Ms. Ruth Runyan, CSD, 2-1182, Bureau of Census, Washington, D.C. 20233, 1-303-457-3389; special tables on veterans assembled for SBA.

<sup>53</sup> Though the information is in the possession of SBA, it is unclear that knowledge of this information is generally realized across all sectors of the agency.

### 3.1.2 SBA Table 11 - 1992 Characteristics of Business Owners

The following is a summary table. Detailed data about specific industries is contained in the appendix.

#### Success Rates for Veteran Owned Businesses

<b>Part I - Businesses still in operation in 1996?</b>				
	Number of Firms A'	Still in Operation		
		Yes B	No C	Don't Know D
ALL BUSINESSES	15,385,261	74.7	23.7	1.6
VETERANS OWNED	4,167,505	76.5	23.3	1.2
DISABLED VETERAN	312,813	69.5	27.8	2.7
NON-DISABLED VETERAN	3,854,692	75.9	23.0	1.1
HISPANIC	669,094	73.6	24.8	1.6
BLACK-OWNED	460,724	68.2	30.3	1.5
OTHER MINORITY	548,395	77.7	19.5	2.8
WOMEN-OWNED	5,079,846	72.6	25.5	1.9
NONMINORITY MALE	9,191,121	75.8	22.8	1.4

The data support the findings of earlier studies of the 1980s, which indicated that it was more difficult for disabled veterans (and disabled non-veterans) to enter into business and remain in business than is the case for the non-disabled. However, the focus group findings of the present study did not necessarily indicate this. Focus group participants were somewhat divided in their opinion about the negative aspects of their disability.

The following table was constructed from data extracted from the 1997 Statistical Abstract. It is an estimate of taxable revenues, which would be accrued by the various states if the provisions of P. L. 106-50 were in effect.<sup>54</sup>

### 3.1.3 Constructed Table from Statistical Abstract

<b>Statistical Abstract of the United States, 1998</b>	
the tables are for year 1997	
taken from page 369	
<b>National Defense and Veterans Affairs</b>	<b>Total amount of all Federal Procurement Dollars = (per \$200,000,000,000.00 year - approximate)</b>
table # 592. Veterans - States: 1997	
table # 594	<b>Total dollar value of 3% goal = \$6,000,000,000.00</b>
<b>Total number of disabled Veterans for 1997 =</b>	<b>2,263</b>
<b>Total number of Veterans for 1997 =</b>	<b>25,422</b>

REGION	DIVISION	STATE	TOTAL VET	Est. of Pct Disabled	Est. Number of Disabled	Est. of Taxable Revenue for State
North Central	West North Central	IA	283	0.011	25,192	\$66,792,541.89
North Central	East North Central	IL	1,038	0.041	92,400	\$244,984,658.96
North Central	East North Central	IN	580	0.023	51,630	\$136,889,308.47
North Central	West North Central	KS	255	0.010	22,699	\$60,184,092.52
North Central	East North Central	MI	927	0.036	82,519	\$218,786,877.51
North Central	West North Central	MN	451	0.018	40,147	\$106,443,238.14
North Central	West North Central	MO	572	0.023	50,918	\$135,001,180.08
North Central	West North Central	ND	57	0.002	5,074	\$13,452,914.80
North Central	West North Central	NE	163	0.006	14,510	\$38,470,616.00
North Central	East North Central	OH	1,160	0.046	103,260	\$273,778,616.95
North Central	West North Central	SD	72	0.003	6,409	\$16,993,155.53
North Central	East North Central	WI	496	0.020	44,153	\$117,063,960.35
<b>North Central Total</b>			<b>6,054</b>	<b>0.238</b>	<b>538,911</b>	<b>\$1,428,841,161.20</b>
Northeast	Middle Atlantic	NJ	714	0.028	63,558	\$168,515,459.05
Northeast	Middle Atlantic	NY	1,485	0.058	132,191	\$350,483,832.90
Northeast	Middle Atlantic	PA	1,329	0.052	118,304	\$313,665,329.24
Northeast	New England	CT	327	0.013	29,109	\$77,177,248.05
Northeast	New England	MA	573	0.023	51,007	\$135,237,196.13
Northeast	New England	ME	151	0.006	13,442	\$35,638,423.41
Northeast	New England	NH	133	0.005	11,839	\$31,390,134.53
Northeast	New England	RI	106	0.004	9,436	\$25,017,701.20
Northeast	New England	VT	61	0.002	5,430	\$14,396,978.99
<b>Northeast Total</b>			<b>4,879</b>	<b>0.192</b>	<b>434,316</b>	<b>\$1,151,522,303.52</b>

<sup>54</sup> This table uses \$200 billion and \$6 billion figures. 1997 data is used as the base year. The following assumptions are built into the calculation:

- The number of disabled veterans is distributed approximately in proportion to the veterans' population.
- Those disabled veterans involved in a small business effort are also distributed in approximate proportion.
- The veterans in each state secured their share of the 3% goal.

Of course, veterans would need: (1) to be aware of this opportunity, (2) to identify and understand all bidding processes and other factors associated with securing such federal contract opportunities, and (3) to be situated in an appropriate business position to participate. Please note that data on the numbers of veterans residing in Puerto Rico and the other islands are conspicuously absent from these tables (FY94-FY98). Thus adjustments would be needed for data.

Constructed Abstract Table Cont.

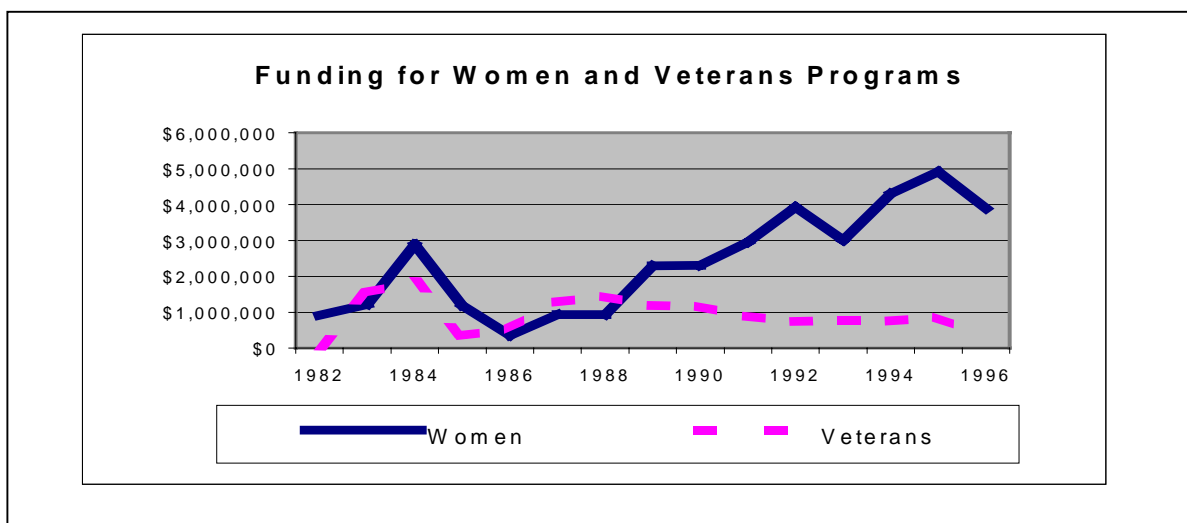
REGION	DIVISION	STATE	TOTAL VET	Est. of Pct Disabled	Est. Number of Disabled	Est. of Taxable Revenue for State
South	East South Central	AL	418	0.016	37,209	\$98,654,708.52
South	South Atlantic	DC	48	0.002	4,273	\$11,328,770.36
South	South Atlantic	DE	77	0.003	6,854	\$18,173,235.78
South	South Atlantic	FL	1,686	0.066	150,083	\$397,923,058.77
South	South Atlantic	GA	673	0.026	59,909	\$158,838,801.04
South	East South Central	KY	360	0.014	32,046	\$84,965,777.67
South	South Atlantic	MD	519	0.020	46,200	\$122,492,329.48
South	East South Central	MS	227	0.009	20,207	\$53,575,643.14
South	South Atlantic	NC	698	0.027	62,134	\$164,739,202.27
South	South Atlantic	SC	373	0.015	33,203	\$88,033,986.31
South	East South Central	TN	507	0.020	45,132	\$119,660,136.89
South	South Atlantic	VA	691	0.027	61,511	\$163,087,089.92
South	South Atlantic	WV	194	0.008	17,269	\$45,787,113.52
South	West South Central	AR	252	0.010	22,432	\$59,476,044.37
South	West South Central	LA	362	0.014	32,224	\$85,437,809.77
South	West South Central	OK	336	0.013	29,910	\$79,301,392.49
South	West South Central	TX	1,599	0.063	142,339	\$377,389,662.50
<b>South Total</b>			9,020	0.355	802,937	\$2,128,864,762.80
West	Pacific	AK	64	0.003	5,697	\$15,105,027.14
West	Mountain	AZ	452	0.018	40,236	\$106,679,254.19
West	Pacific	CA	2,747	0.108	244,531	\$648,336,086.85
West	Mountain	CO	374	0.015	33,293	\$88,270,002.36
West	Pacific	HI	114	0.004	10,148	\$26,905,829.60
West	Mountain	ID	109	0.004	9,703	\$25,725,749.35
West	Mountain	MT	92	0.004	8,190	\$21,713,476.52
West	Mountain	NM	168	0.007	14,955	\$39,650,696.25
West	Mountain	NV	186	0.007	16,557	\$43,898,985.13
West	Pacific	OR	364	0.014	32,402	\$85,909,841.87
West	Mountain	UT	134	0.005	11,928	\$31,626,150.58
West	Pacific	WA	620	0.024	55,191	\$146,329,950.44
West	Mountain	WY	45	0.002	4,006	\$10,620,722.21
<b>West Total</b>			5,469	0.215	486,836	\$1,290,771,772.48
<b>Grand Total</b>			25,422	1.000	2,263,000	\$6,000,000,000.00



Data obtained from the 1979 through 1997 Congressional Budget Submissions and Federal Financial System Allotment Tables by the American Legion were presented to the Committee on Small Business in testimony during a May, 1998 Congressional Hearing held jointly with the Committee on Veterans Affairs. The point the American Legion articulated was not opposition to women-owned business programs, but the official neglect of the SBA in connection with veterans' programs.<sup>55</sup>

### 3.1.4 Congressional Budget Submissions/ Federal Financial Allotment Tables

Office of Veterans Affairs				Office of Women's Business Affairs			
FY	FTE	Requested Funding	Approved Funding	FY	FTE	Required Funding	Approved Fund
1997	4.0	\$340,000	\$340,000	1997	7	\$4,959,000	\$4,637,000
1996	4.0	\$724,000	\$347,000	1996	7	\$4,948,000	\$3,890,000
1995	8.0	\$1,002,000	\$860,000	1995	9.3	\$977,000	\$4,918,000
1994	12.3	\$1,211,000	\$756,000	1994	8.7	\$878,000	\$4,306,000
1993	14.1	\$1,380,000	\$759,000	1993	8	\$3,005,000	\$3,005,000
1992	14.4	\$1,322,000	\$744,000	1992	8.2	\$3,925,000	\$3,925,000
1991	14.5	\$896,000	\$896,000	1991	9.1	\$2,951,000	\$2,951,000
1990	12.7	\$1,175,000	\$1,169,000	1990	9.2	\$2,226,000	\$2,307,000
1989	14.7	\$1,480,000	\$1,188,000	1989	9.9	\$2,825,000	\$2,291,000
1988	13.8	\$1,433,000	\$1,437,000	1988	11.6	\$1,008,000	\$929,000
1987	1.3	\$189,000	\$1,277,000	1987	10.6	\$469,000	\$937,000
1986	1.4	\$534,000	\$526,000	1986	8.4	\$490,000	\$356,000
1985	5	\$347,000	\$347,000	1985	10	\$1,187,000	\$1,187,000
1984	5.0	\$269,000	\$1,836,000	1984	10	\$1,188,000	\$2,887,000
1983	5.0	\$3,296,000	\$1,547,000	1983	14.2	\$1,243,000	\$1,219,000
1982	1.0	\$63,620	\$63,620	1982	11.5	\$1,468,000	\$913,000
				1981	22	\$13,600,000	\$13,600,000
				1980	22	\$2,500,000	\$2,500,000
				1979	12	\$487,000	\$487,000



<sup>55</sup> Testimony of Emil W. Naschinski, "Government Programs and Oversight of the Small Business Committee and the Subcommittee on Benefits of the Committee of Veterans' Affairs." Joint Hearing before the Subcommittee on Government Programs and Oversight of the Committee on Small Business and the Subcommittee on Benefits of the Committee on Veterans Affairs House of Representatives. Washington, DC, May 20, 1998.,p. 138

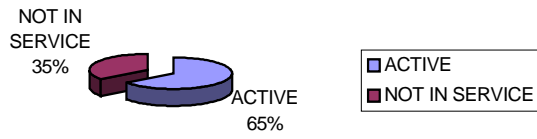
### 3.1.5 SBA Guaranteed Loans FY 94-FY 98 by State

State	Number	State	Number	State	Number	State	Number	State	Number
AK	173	GU	12	ME	211	NM	389	SD	177
AL	299	HI	92	MI	434	NV	244	TN	420
AR	476	IA	514	MN	857	NY	1,605	TX	3,586
AZ	846	ID	430	MO	908	OH	838	UT	237
CA	4,079	IL	765	MS	386	OK	702	VA	609
CO	789	IN	342	MT	530	OR	388	VI	6
CT	521	KS	568	NC	388	PA	1,098	VT	170
DC	45	KY	263	ND	163	PR	330	WA	1,091
DE	65	LA	387	NE	225	PW	1	WI	553
FL	1,223	MA	683	NH	447	RI	331	WV	162
GA	698	MD	515	NJ	544	SC	340	WY	162

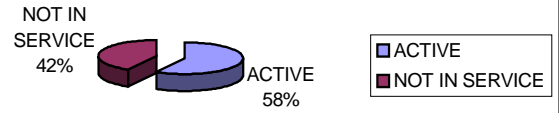
### 3.1.6 Active-Inactive Phones from Guaranteed Loan List

One avenue of explanation concerns the status of veteran-owned businesses that received an SBA guaranteed loan. A subset of these veteran-owned businesses, those located in California, Illinois, Massachusetts, Missouri, Texas, and Virginia, were checked for current phone numbers. A random sample of phone numbers was extracted from each data set. The research team checked for changes (new area code, new phone number for business, etc.). No definitive conclusion can yet be drawn from this exploratory task. One of the strategies of future research being considered is to examine records from the appropriate state offices to determine which of these firms no longer exist. This would provide another check on the success and failure rate of veteran owned businesses. In the tables immediately below the results of this effort are displayed.

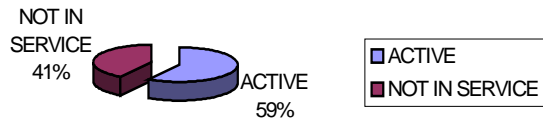
California Sample (n=100)



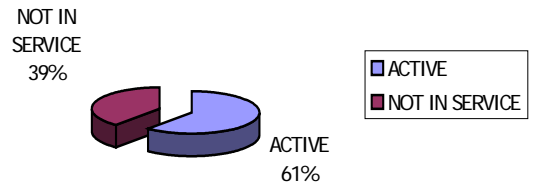
Illinois Sample (n=100)



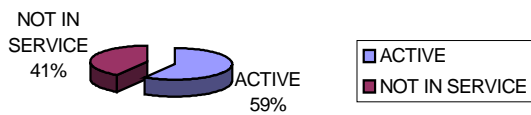
Massachusetts Sample (n=100)



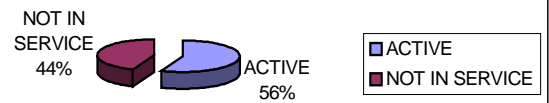
Missouri Sample (n = 100)



Texas Sample (n=100)



Virginia Sample (n=100)



## 4 Recommendations from Previous Studies

A sizable number of recommendations concerning the provision of services to disabled and other veterans have been advanced to SBA and other agencies since August, 1972, when the administrators for both the SBA and the DVA announced that Vietnam era veterans were eligible for business loans, federal contracts and management assistance under SBA programs previously restricted to socially or economically disadvantaged persons (Section 8(a)).

The following is a summation of recommendations gleaned from a review of the literature. The William Joiner Center research team believes that a number of these are either technically outdated (they refer to aspects of technology or programs that are no longer viable) or have been superseded by the provisions of P. L. 106-50. For example, several of the studies from the 1980s and later indicated that a set-aside in federal contract procurement should be provided for disabled veterans. P. L. 106-50 has authorized a 3% goal in federal procurement for disabled veterans under Title V.<sup>56</sup>

In other cases the recommendations from previous studies anticipated elements of PL 106-50 and provide good suggestions for the implementation of those elements. Their inclusion here serves as documentation of the history, and the length of time that the needs of veterans have been known, but have gone unmet. Some of the recommendations below come from uncited sources, while sources are specified for others.

The SBA should:

- Develop and implement a long-range plan for monitoring and reporting its services to veterans, particularly information about business loans, management assistance and other services. In particular there should be a follow-up on the success and failure rates of veteran owned businesses
- Administratively designate Vietnam veterans and disabled veterans “socially disadvantaged” in order for such veterans to qualify, as a group, in the 8(a) program, or SBA designate Vietnam and disabled veterans for group eligibility in the 8(d) mini-certification program.

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<sup>56</sup> Many of the suggestions, which may have been valid in the past, have been superseded by new technology. For example, one set of recommendations contained the suggestion that the SBA should develop and implement an outreach plan to systematically inform prospective veteran business owners of the Program Logic Automated Training Orientation (PLATO). PLATO was a program of self-instruction on building your own business. It was an early attempt at disk-based video training. Another suggestion from the literature of the past recommended that the DVA and SBA arrange for the systematic participation of SBA Veterans Affairs Officers on local DVA Civic Councils and Federal Executive Boards. DVA Civic Councils were a creation of the early 1970s and basically became inactive in the later 1980s. They are no longer viable. A number of recommendations concerned the need to refine and operationalize the definition of what was referred to in legislation of the 1970s as “special consideration”. The vagueness of this phrase was never resolved. It would seem that the provisions of P. L. 106-50 have also superseded this.

- Systematically review the loan principal-to-collateral ratio to ensure that veteran loan applications are not being denied because of excessive collateral requirements.
- Develop goals, timetables and methodologies to improve its hiring performance
- Develop goals, timetables and methodology to improve its performance in the Noncompetitive Appointments for Compensably Disabled Veterans Program.
- Improve the working relationship with the Veterans Administration by taking the following steps :
  - The SBA and DVA should design and implement a media campaign to inform veterans, especially disabled Vietnam veterans, of benefits and services provided by both agencies with respect to small business development
  - The SBA and DVA should systematically provide comprehensive information seminars on SBA programs and services for DVA Veterans Benefits Counselors in the DVA Regional Offices.
  - The SBA should request, and the DVA provide, through “Operation Outreach Vet Center” personnel, sensitivity training about veterans, particularly Vietnam and disabled veterans, to SBA employees in District and Field Offices.
  - The SBA field offices should develop goals, timetables and methodologies for establishing viable working relationships and substantive linkages with the DVA’s Operation Outreach Vet Centers.
- The SBA should develop a videotape presentation, which could be used as a component in future training sessions for SBA Veterans Affairs Offices. The purpose of the videotape would be to provide an operational definition of “special consideration.” The script for the proposed videotape can be found in Task IX of the Final Report of the SBA Veterans Project.
- The SBA should implement the operational definition of “special consideration” as contained in Task IX of the Final Report of the SBA Veterans Project. (1980, SBA-4869-ADA/P-80) This comprehensive definition should be included in the Veterans Affair Handbook, which the SBA has produced as a training aid.
- The SBA should enhance veterans’ participation in government programs through the following initiatives. (See Task III of the Final Report of the SBA Veterans Project.):
  - Establish a set-aside for Vietnam and disabled veteran procurement contracts.
  - Modify SBA Form 912 (Personal History) to include a veteran identifier section. This will allow the SBA to document and report statistics provided to veterans.

- Establish nationwide procurement seminars for veteran business owners and potential veteran business-owners.
- The SBA should provide information pertaining to procurement contracting to veteran-owned businesses. In particular the SBA should:
  - Disseminate government bidding information to veteran-owned businesses through email, standard mailings, and information seminars. Information should be provided about Commerce Business Daily, Standard Form 129 (Bidders Mailing List Application), Bidders Mailing List Application Supplement (DD-Form 558-1), U.S. Government Purchasing and Sales Directory, Small Business Subcontractors Directory, “Selling to the Military” (DOD), and “Doing Business with the Government” (GSA).
  - Revise Bidders Mailing List Application (Form 129) to reflect veteran status.
  - Develop and implement an innovative program to systematically inform veteran-owned businesses of procurement information available through Regional Procurement Centers and SBA Procurement Representatives in procurement centers.

Many of the recommendations to SBA found in the literature were concerned with outreach to the veterans’ and Vietnam veterans’ community. By and large, this situation has not changed, despite the best efforts of the agency. Virtually all of the bulleted suggestions below could be updated and made again some twenty years later:

- The SBA should develop and implement an outreach plan to inform veterans who are eligible for the 7(I) program of business counseling, management training, legal and related services available to them.
- SBA should develop a methodology to systematically inform minority veterans of the opportunities available to them under the 8(a) contracting program and the 7(j) program.
- SBA should develop and implement a plan to systematically inform potential veteran business owners of loans available under the 7 (a) program.
- SBA should inform veterans, especially Vietnam veterans, of the advantages (i.e. lower equity requirements) of applying for a guaranteed loan under the Economic Opportunity Loan (7(I)) program.
- SBA should develop goals and timetables for systematic training of Veterans Affairs Officers at the District and Regional levels.
- SBA’s Office of Advocacy should develop and implement a plan to assist veteran business-owners. The plan shall include the budgeting of positions for full-time veterans’ affairs staff in the Office of Advocacy.

- SBA should develop and implement a nationwide plan to promote the positive image of veteran business-owners and prospective veteran business-owners with commercial lending institutions.

There were a number of recommendations from the Veterans Task Force of the White House Conference on Small Business included the following:

- The SBA should develop and implement an Executive Order Pertaining to Veterans in Business as per the recommendation of the Veterans Task Force of the White House Conference on Small Business. The key components of the Executive Order should include but not be limited to the following:
  - Targeting, in each fiscal year, a minimum of 25 percent of all direct loan funds and 25 percent of all guaranteed loan funds for veteran-owned businesses. Such percentages should be reflected in Regional operating plans and budgets.
  - Establishment of a Task Force on Veterans' Business Enterprise within the White House Veterans Coordinating Committee.
  - Designation by SBA of an Associate Administrator for Veterans Business Enterprise.
  - Appointment by SBA of a full-time Regional Coordinator for Veterans Activities in each of the federal regions whose sole responsibility will be to supervise, monitor and coordinate SBA services to veterans. Positions should be budgeted in the Regional operating plan.
  - Provision for each SBA Field Office to conduct four special Pre-Business workshops and Problem Clinics for Veterans in each fiscal year and provision or systematic follow-up assistance.
  - Development of an SBA and Veterans Employment Service (U.S. Department of Labor) interagency agreement to coordinate SBA job creation activities with job placement activities of VES.
  - Creation and implementation of an innovative plan for a joint federal and private sector effort to bring about increased numbers of new Vietnam veteran-owned businesses and more successful Vietnam veteran-owned businesses.
  - The SBA should systematically review the grade levels of all Veterans Affairs Officers in District Offices and ensure that uniform grade of GS-12 or above is maintained.

Other recommendations of the Veterans Task Force of the White House Conference on Small Business included suggestions to involve disabled veterans and veterans in the Procurement Automated Source System (PASS). Further recommendations specifically

mentioned correcting various government standard forms to include a category for veterans so that veteran owned businesses could be identified.

- The SBA should take systematic and innovative steps to improve veteran participation in the 7(j) and 7(j)(10) programs. SBA should:
  - Inform veterans of 7(j) and 7(j)(10) through the use of seminars, publications and direct mailings to those on the PASS list, and through contact with veterans whose names are on file in portfolio management.
  - Promulgate a regulation specifically to target Vietnam veterans for 7(j) assistance, which would in turn direct SBA field staff to seek out Vietnam veteran-owned businesses.

The Boren (1984)<sup>57</sup> study listed close to thirty recommendations. These articulated the need for a concise definition of special consideration, and outreach efforts. They are included below:

- Applications submitted by veterans should receive priority both in processing and funding ahead of applications received from non-veterans.
- In its guaranteed loan program, the SBA will emphasize its policy of “special consideration” for veterans, including efforts to publicize the needs of veterans and to encourage bank loans to veterans.
- The SBA should explore the possibility of providing packaging assistance to veterans.
- SBA should modify Part 116 of its Rules and Regulations consistent with the recommendations of this Task Force.
- All current and newly appointed field Veterans Affairs Officers (VAOs) should receive extensive training to inform and orient them on the Agency’s organization, mission and commitment to “special consideration” for veterans.
- Continue the MA national effort, with special Training Seminars for all Veterans, with emphasis on Vietnam-era and disabled veterans.
- Management Assistance Division will implement a demonstration project in no less than four different geographic locations of “Special Business Management Training for Veterans.”
- No less than five state SBDC’s (Wisconsin, Washington, South Carolina, Pennsylvania, and Florida) will develop, promote, and execute business assistance pilot programs targeted for veterans.

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<sup>57</sup> Boren, Jerry. “Vietnam-Era Veterans and Entrepreneurship”, Veteran’s Small Business Project, Newtonville, MA, SBA Contract: 7219-VA-83, 1984.



- The Office of Public Communications will research, develop, and publish a booklet/brochure for veteran services and programs.
- SBA should develop a comprehensive veterans brochure specifically containing information pertaining to procurement and technical assistance.
- SBA should develop a procedure for systematic notification of local veterans organizations to advise them of upcoming procurement conferences, seminars, and trade fairs.
- 
- SBA should make available appropriate copies of information describing procurement programs that could readily be included in the publications of veterans organizations.
- The Administrator of SBA should declare disabled veterans (as defined by the Veterans Administration) as a socially disadvantaged group for purposes of participation in the 8(a) program.
- The SBA Task Force should study and develop set-aside and 8(a) programs or programs of a similar nature, for participation by veterans only.
- Designated Veterans Affairs Officers (VAOs) should receive training on SBA Procurement and Technology Assistance programs and, on an on-going basis, should receive pertinent updated information regarding Procurement and Technology Assistance.
- Develop system using PASS for periodic mailing of the Technology Assistance Reader Service cards to selected veteran-owned firms.
- The Management Assistance Workshops should include a segment on “How to do Business with Government.”
- Establish a permanent Office of Veterans-in-Business within the Office of the Chief Counsel for Advocacy.
- Establish a 12-month Task Force on Veterans-in-Business to be composed of senior program officials of SBA and veterans service organizations.
- Direct the Agency to initiate systematic measures to implement recommendations contained in the “Pechin Report” consistent with the programs and policies of the Administration.
- Establish a fair proportion of SBA and Advocacy research funds, (grants and contracts) for the purpose of specifically examining and reporting on veteran-owned enterprise or opportunities.
- Assure that in SBA regulations, SOPs and policy directives, veterans are placed ahead of all other applicants when establishing priorities for assistance of any type.

- Include in all SBA Agency operating plans, Regional Operating Plans, goals and objectives appropriate recognition and goals for veterans-in-business; and include veterans-in-business in the annual Congressional reports of SBA and Chief Counsel for Advocacy.
- Establish the full-time position of Assistant Advocate for Veterans Business Affairs within each regional office responsible for assuring that veterans receive “special consideration” in all regional and district level programs.
- Appoint a Veteran Field Service representative in the SBA Central Office and monitor field performance in providing business services to veterans. This applies to each Associate Administrator.
- Direct the Office of Advocacy to review the need for an Executive Order related to a national veterans’ enterprise policy, particularly for those programs and activities affecting veteran interests, which involve interagency jurisdictions, functions, and cooperation.
- Initiate action with the Veterans Administration to secure their appointment of a Veterans-in-Business coordinator in each regional city to work with SBA Advocate and other agencies.
- Develop, jointly with the Veterans Administration and the veteran’s services organizations, an image building and information program to reach bankers and the business public regarding veterans as “business partners.”
- The Administrator of SBA and the Administrator of VA should issue separate “Policy Statements” to their employees regarding assistance to veteran businesses.
- SBA should establish an automated accounting system, which would more accurately measure veteran participation in all SBA programs. This would respond to a congressional request.

#### **4.1.1 Recent Developments/Recommendations**

From the mid-1980s to approximately 1996 virtually no administrative action was taken in connection with improving business assistance services to veterans. In the early 1990s, several initiatives were developed as a result of congressional hearings before the House Committee on Veterans Affairs. In 1996, veterans’ advocates were successful in securing the interest of Representative Peter Torkildsen, chairman of the Subcommittee on Government Programs of the House Committee on Small Business. He initiated a Joint Hearing with Representative Steve Buyer, chairman of the Subcommittee on Education, Training, Employment and Housing of the Committee on Veterans’ Affairs. That hearing was held in July of 1996. Many of the recommendations made by activists at that hearing set the foundation for a new interest in veterans’ issues on the part of the

Small Business Committee. This was followed up by the interest of Representative Jim Talent, in the next Congress. Another joint hearing before the two Committees was held in May of 1998 under the leadership of Representative Roscoe Bartlett, Chairman of the Subcommittee on Government Programs and Oversight, and Representative Terry Everett, chairman of the Subcommittee on Oversight and Investigations.

This activity led to a re-awakening of veterans' issues in SBA. Consequently, SBA Administrator Aida Alvarez established the SBA Veterans Affairs Task Force for Entrepreneurship on July 14, 1998. The Task Force was to provide advice and recommend ways the SBA can better serve the veteran-owned small business community, including self-employed veterans. The Task Force consisted of 39 representatives from major veterans' service organizations, veterans' advocacy groups, veteran-owned small businesses, the Department of Veterans Affairs, the Department of Labor, the Coast Guard, SBA resource partners and SBA management members and district directors.

The Task Force formed four working subcommittees: (1) Entrepreneurial Development, (2) Capital Access, (3) Government Contracting & Minority Enterprise Development, and (4) Advocacy. Over a period of months, the Taskforce worked to develop a series of findings and recommendations.

In all four of these areas, Task Force members were unanimous in proposing two program recommendations:

- Veterans strongly recommend that the Administrator of the SBA issue the SBA Policy Statement agreed to at the June 26<sup>th</sup>, 1998 meeting, to implement Public Law 93-237's requirement that SBA give "special consideration to veterans of the Armed Forces in all agency programs." Task Force members see this as a commitment from the top, spelled out in an SBA Policy Statement, which will keep individual changes from withering without a vine, either never taking place or disappearing once enacted.
- Veterans recommend that SBA reorganize its own national office and field services for veteran-owned businesses, particularly those of its Office of Veterans Affairs, so as to make significant, cost-effective improvements. Veterans want a commitment of sufficient staffing and financial resources to SBA's Office of Veterans Affairs from Congress and SBA itself. Veteran-entrepreneurs need a staff of highly-trained and professional experts -- both in the national office and in the field -- to perform the outreach and coaching functions that will make SBA programs accessible to veterans who know nothing of them. The Office of Veterans Affairs must be readied for the Age of the Internet, for businesses whose products and services are delivered in ways unknown ten years ago. This would require the addition of 4 FTE in FY 1999 and another 4 in FY 2000, plus 10 full-time, regionally-based Veteran Contract/Program Development Officers in FY 1999.

In addition, the Task Force assigned a high priority to the following recommendations:

- SBA seek legislation to allow guaranteed loans to veterans with certified service-connected disabilities, or who were POWs, to be guaranteed at the 80 percent and 85 percent level (5 percent above the current level.) In addition, we recommend that SBA seek legislation that reduces the guaranty fee on loans to veterans with service-connected disabilities (rated at 10 percent or more) or who were POWs (incarcerated 30 days or more) to a level not to exceed one percent of the guaranteed amount.
- SBA enter into a Memorandum of Understanding (MOU) with the Department of Veterans Affairs (VA) and the Department of Labor (DOL) to develop and implement a program of comprehensive outreach to assist disabled veterans which shall include business training and management assistance, employment and relocation counseling, and dissemination of information on veterans benefits and veterans entitlements as required by Title VII.
- SBA investigate the possibility of establishing a new Specialized Small Business Investment Company for veterans, their spouses, dependants and widows as a new source of equity capital. SBA would report its findings to the Task Force.
- SBA promote goals for all federal agencies and contracts at 10 percent of agency procurement to be awarded to veteran-owned businesses and disabled veteran-owned businesses.
- SBA issue new SBA acquisition regulations including service-disabled veteran-owned businesses as a "socially and economically small disadvantaged business group" to be solicited for all federal contracts and subcontracts in a documented outreach program.
- SBA promote legislation establishing an additional category of "veteran-owned business" for preference under the subcontracting program of section (d) of the Small Business Act, with a goal of 10 percent. We recommend that SBA also promote legislation making veteran-owned businesses a targeted group in all HUBZONE regulations, and requiring that service-disabled veteran-owned businesses be included as participants in all small disadvantaged business initiatives.

Each of the four working subcommittees developed its own set of recommendations.<sup>58</sup> All recommendations were submitted to SBA and were all to be reviewed by the agency. A press conference was to be scheduled for the Administrator. Unfortunately, there were a number of internal complications and the press conference was postponed.

Another source of recommendations from recent work is contained in the Congressional Commission on Servicemembers and Veterans Transition Assistance (1999). That Commission made a number of recommendations concerning efforts to assist veterans in the area of small business. In its executive summary, the Commission recommended that veterans should have full opportunities to participate in the American economy through the creation of increased opportunities for veterans who are engaging, or wish to engage in a small business venture. As virtually all other studies and

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<sup>58</sup> Not all of the recommendations are included here.

commissions have noted, veterans need access to information and inclusion in programs. In particular, the Commission mentioned the need for an informational clearinghouse and a veterans business database, and access to the SBA 7(a) program, and the 8(a) program for those with 50% or higher compensable disability, as well establishment of a direct loan program. In addition, the Commission recommended that:

- Veteran owned small businesses be part of the subcontracting plan of all prime contractors
- Reforms and programs be established to assist servicemembers and veterans in the area of small business.

The Commission highlighted several points of concern in connection with servicemembers and veterans to secure a position in the economic growth of the nation. These included comments concerning:

- The need for access to capital, markets, entrepreneurial education, and to SBA's Pro-Net. The commission emphasized the need for a veteran entrepreneurial outreach effort that extend across all the federal agencies.

#### **4.1.2 Recommendations from Congressional Hearings**

During the 1980s, several congressional hearings were held concerning the status and/or development of small business opportunities for veterans. As elsewhere, the most repeated recommendations were those that stressed four principal themes: (1) the need for inclusion, (2) the need for outreach, (3) the need for training, and (4) the need for financial assistance. Examples of these types of recommendations include, but are not limited to the following:

- That provisions be made to allow the GI Bill home loan to be utilized as an alternative for capital investment. In short, the veteran should be allowed to utilize the home loan as an additional funding source for the development or maintenance of a small business.
- That service disabled veteran-owned small businesses, as a group, be included as equal beneficiaries in the definition: "socially and economically disadvantaged population" in the determination of eligibility for benefits at the federal, state, and local level.
- That the Department of Veterans Affairs establish and implement a small business development and assistance program for disabled veterans and prisoner-of-war veterans and that they receive adequate financial and technical assistance.
- That all the federal agencies and their non-small business vendors implement programs that target and increase service disabled veterans' participation in their actual contract awards.

## 5 Focus Group Report Summary

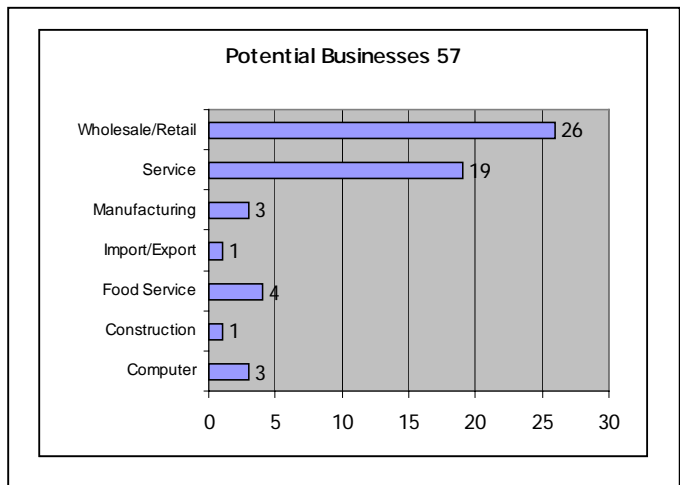
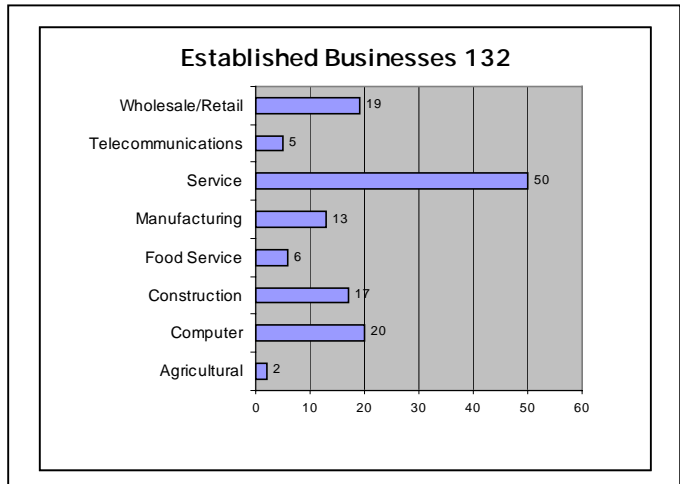
### 5.1 Information about the Focus Group

Dates of Focus Group Sessions	June 14, 2000 – October 13, 2000
Locations of Focus Group Sessions	
Albuquerque, NM Boston, MA Brooklyn, NY Buffalo, NY Chicago, IL Denver, CO Houston, TX Indian Island, ME Irvine, CA Jacksonville, FLA. Kansas City, MO Kennesaw, GA Little Rock, AK	Memphis, TN Milwaukee, WI Minneapolis, MN New Orleans, LA Portland, ME Raleigh, NC San Antonio, TX San Francisco, CA Seattle, WA Springfield, MA St. Louis, MO Tempe, AZ Washington, DC
Number and Description of Participants	189 service connected disabled veterans: 132 were current business owners 57 were potential business owners
Moderator Name/Phone Number	Moderators were Paul R. Camacho (2 cities - observer, 6 cities), Jim Hudson (9 cities), Patrick Heavey (6 cities), William Matelski (6 cities), and William Card (3 cities).
Assisting the Moderator/Phone Number	See focus groups summary reports for each city.
Other Individuals, Agencies, and Organizations Assisting in Planning, and Conducting these Focus Group Sessions	A variety of agencies, organizations and individuals assisted by providing meeting facilities and referral of disabled veteran business owners (and those planning a start-up).

## Responses to Questions

Q1. Describe your business, including principal goods and services you offer, and its size (e.g., annual gross sales, number of employees).

Brief Summary/Key Points	Notable Quotes
<p>Approximately 40% of all current and potential business owners were in, or intended to be in, a service business. Most existing businesses grossed less than \$100,000/yr. and had 10 or fewer employees.</p> <p>Business products, services, scope/size of disabled veterans in all focus groups:</p> <p>The current business owners fell into the following categories:</p> <ul style="list-style-type: none"> <li>2 Agricultural businesses</li> <li>20 Computer-related businesses</li> <li>17 Construction-related businesses</li> <li>6 Food service businesses</li> <li>13 Manufacturing businesses</li> <li>50 Service businesses</li> <li>5 Telecommunication businesses</li> <li>19 Wholesale/Retail businesses</li> </ul> <p>The potential business owners, fell into the following categories:</p> <ul style="list-style-type: none"> <li>3 Computer-related</li> <li>1 Construction-related</li> <li>4 Food service</li> <li>1 Import/Export Business</li> <li>3 Manufacturing</li> <li>15 Service</li> <li>26 Wholesale/Retail</li> </ul>	



Q2. How would you summarize your specific business management and marketing knowledge and skills?

Brief Summary/Key Points	Notable Quotes
<p>Most participants had no formal training in management or marketing. Some indicated they now don't have time for such training. However, a significant number of participants wanted training in one or both areas.</p> <p>Most disabled veterans viewed their military experience as having a positive affect on their business endeavors. Specifically, they believed they developed such attributes as leadership, self-discipline, a commitment to completion of the mission, and self-motivation through their military experience.</p> <p>As a group, participants indicated they had a greater need for marketing training and assistance than management help.</p> <p>Some participants had extensive corporate background and commensurate skills.</p> <p>The vast majority of participants don't have a written business plan. Many of those with a written plan reported it was not current, or was not a viable plan.</p> <p>Almost without exception, marketing was the area of greatest concern, with many veterans expressing a need for hands-on assistance, but lacking the financial resources to pay for such help.</p>	<p>"I went to the University of Hard Knocks and I got my degree in dirty fingernails."</p> <p>"I was a good engineer but a piss-poor businessman and it took me years to learn the basics."</p> <p>"One of the weaknesses in looking back was that I didn't have a marketing plan, nor did I know how to do a good marketing plan. I had the business plan and the product, but I didn't have the marketing plan."</p> <p>"We don't always know about what we are doing, but we do it out of instinct."</p> <p>"If you don't know how to do it (marketing), you'd better get someone who can."</p>



Q3. What factors or circumstances have had the most adverse and the most positive effect on your efforts to start and/or succeed in your business?

Brief Summary/Key Points	Notable Quotes
<p>Insufficient start-up capital was the most commonly mentioned factor adversely affecting business start-up. The amounts of capital needed were often modest (typically less than \$10,000).</p> <p>For those already in business, the inability to find, attract and retain skilled and motivated employees often had an adverse effect.</p> <p>Many veterans reported a poor credit history, which limited their ability to obtain loans at par as well as SBA guaranteed loans. Even those who believed they had good credit backgrounds often said they were unable to meet stringent requirements of lenders.</p> <p>Many participants, even those who were in business, lacked basic knowledge about how to start and grow a business and where to go for business assistance.</p> <p>While the majority of veterans believed their disabilities had no significant adverse effect on their business, a small number had disabilities or medical conditions that they felt severely impaired their capacity to succeed in business (see question 5 below).</p>	<p>“It takes money to get started and it’s difficult to get those loans...”</p> <p>“Money is my biggest problem.”</p> <p>“I go through 25 drivers to find one that will work.”</p> <p>“The major problem that most of us have is struggling to get finances to survive and to start. It’s nice to have those SBA programs, but most of the veterans have problems making an everyday living and have bad credit...”</p> <p>“How much I really use of what I know is about 40%”</p>

Q4. Describe your experiences with federal and state programs designed to assist small business owners.

Brief Summary/Key Points	Notable Quotes
<p>Many respondents indicated that federal and state programs designed to assist small businesses failed to deliver the type, duration, scope or intensity of assistance they needed.</p> <p>Participants often said that when a contact was made with a business assistance agency, its personnel did not understand the individual's need or circumstances, or did not appear to have a genuine interest in helping.</p> <p>There was a general opinion that the information and advice received from business assistance agencies was often incorrect, incomplete and/or misleading.</p> <p>For those who had contacted a business assistance agency, many said the agency was too bureaucratic, e.g., too much paperwork, and assistance was not individualized, centralized and/or coordinated.</p> <p>Many indicated they felt the type, duration, scope and/or intensity of service they needed was only available if they were a minority or a women. Yet, many of the participants who were of minority or women status also said they could not get the type and level of services they needed.</p> <p>Of those agencies contacted, the local SBDC office was more often mentioned as helpful than other federal, state or government-supported service providers. However, a majority of the participants were unaware of the SBDC program.</p> <p>Many participants criticized federal procurement offices for failing to return phone calls, failing to provide notice of competitive solicitations after the veteran requested such notice, and designing bid requirements for and giving award preference to existing vendors.</p>	<p>“Most vets are mistrustful of government agencies because you can’t get through the door.”</p> <p>“I qualify for three different programs and I still can’t get a straight answer from anybody. SCORE doesn’t understand the construction business.”</p> <p>“I was trying to explain broadband concepts to a guy who’s just lately come through the industrial revolution.”</p> <p>“I was encouraged to participate in the grant process, but the stinking bureaucrats, ...they are just checking off boxes...”</p> <p>“I feel like if you’re not an MBE or WBE, no one is going to pay attention to me.”</p> <p>“The SBA is like going to the lion for a mouse...They are the ones who give you loans if you are worthy. Nine times out of ten you are not going to be worthy...Then where do you go?”</p> <p>“It’s a good ol’ boys’ network</p>

Q5. In what ways (positive or negative), if any, has your service-connected disability affected your success in business?

Brief Summary/Key Points	Notable Quotes
<p>As noted in item 3 above, most disabled veterans did not believe their disabilities adversely affected their business endeavors, though a small, but important minority with more severe disabilities, did say they experienced adverse effects.</p> <p>Family support was often cited as playing a key role in veterans' business success. Many veterans said their spouses were their business partners.</p> <p>As noted in item 2 above, many veterans cited their military experience as giving them important knowledge, skills, and attributes beneficial to their business success.</p> <p>A substantial number of participants said the GI Bill for education, VA Medical Center assessment, counseling and other treatment, and/or the VA Vocational Rehabilitation Program were important to their success as individuals and as business owners.</p>	<p>“My service-connected disability caused me to waste a lot of years of my life. I became discouraged. I lost all interest in society. I went into a hopeless state. I was depressed and felt like giving up.”</p> <p>“I had to change my skills, I couldn't do police work anymore. Now I work on computers.”</p> <p>“I prefer not to work with people (due to PTSD). But, I have to earn a living, so I do...but only for short intervals.”</p> <p>“The military gave me mental discipline and survival skills.”</p>

Q6. What were the key sources of start-up and subsequent stage capital for your business?

Brief Summary/Key Points	Notable Quotes
<p>The vast majority of participants obtained their initial start-up funding from personal income/assets, credit cards, VA disability compensation, military separation pay, second home mortgages, and loans from family and friends.</p> <p>Subsequent operating capital was sometimes obtained through commercial banks and business income.</p> <p>A very small number of respondents received loans from commercial banks, and an even a smaller number received SBA guaranteed loans.</p> <p>Several said that they were able to obtain loans against contracts or receivables.</p>	<p>“I sold my antique for \$9,500 to get started.”</p> <p>“I couldn’t be in business without my credit cards.”</p> <p>“In 1993, using my credit card, I bought 300 customers from a garbage collection service and I ran it with a pick-up truck.”</p> <p>“Who is really going to wanna loan us money.”</p>

Q7. Is your business able to carry receivables, e.g., can your customers pay later for the goods or services they obtain today?

Brief Summary/Key Points	Notable Quotes
<p>The vast majority of businesses could carry receivables for up to 30 days. A small percentage could not.</p> <p>Many respondents were paid upon receipt of services or product delivery</p>	<p>“I don’t see how we could just do the job and then wait for our money.”</p> <p>“I need it [pay for product] now!”</p>

Q8. Does your business presently have sufficient capital to operate? To expand?

Brief Summary/Key Points	Notable Quotes
<p>Disabled veteran participants who currently own a business and wish to expand generally reported insufficient capital (or access to capital). A lack of marketing and other business development skills seemed to account for some owners' lack of expansion plans, and consequently, their lower capital needs.</p> <p>Few prospective business owners had significant capital available for start-up operations.</p> <p>Several business owners were downsizing their current business to meet retirement, and other personal goals, or in response to health problems.</p>	<p>“It’s hard to get money...”</p> <p>“I’ve had to give up more profit than I’d like to because I didn’t have sufficient capital.”</p> <p>“We need access to capital. “</p> <p>“The money aspect [lack of capital] is very prohibitive.”</p>

Q9. If applicable, describe the extent to which your business is capable of responding to federal and state government procurement opportunities (including contracts with federal agencies, and subcontracts with prime contractors).

Brief Summary/Key Points	Notable Quotes
<p>Most participants expressed interest in participating in federal and/or state procurement opportunities, but said they were unable to “break through” barriers to that system. Many veterans did not believe (sometimes mistakenly) that their products or services would be applicable to government purchasing needs.</p> <p>Many veterans said they lacked the organizational or equipment requirements to engage in contracting with government entities.</p> <p>Several participants related negative experiences with federal and state procurement systems. Many of these individuals declared they will never again attempt to sell products or services to government entities.</p> <p>Many veterans expressed concern that their companies were not sufficiently mature to compete with companies with larger capacity and greater experience. A common complaint among veterans who had attempted to obtain procurement contracts with government agencies was that the process was slanted to a “good old boys” network, e.g., vendor-friends, former government employees.</p> <p>Of those receiving government contracts, the majority were state-level contracts.</p>	<p>“I don’t think we can compete.”</p> <p>“There’s too much paperwork and it’s too hard to get to the table with a proposal. The process is badly flawed.”</p> <p>“We have the capacity, but I don’t think the government needs what we have...”</p> <p>“By the time I even read the form, I’m behind with my regular stuff...just don’t have the time.”</p> <p>“So you call to see about getting your invoice paid and they tell you that the person responsible is on leave or on vacation. I couldn’t do that in my business.”</p> <p>“So I’ll bid according to the spec, but some bigger outfit will end up with it, even though they don’t bid the specification.’</p> <p>“It’s a good ol’ boys’ network...if you can get in, then you’re in...but it’s hard to get in.”</p> <p>“Georgia state has been good to us, but we do shitty with federal procurement.”</p>

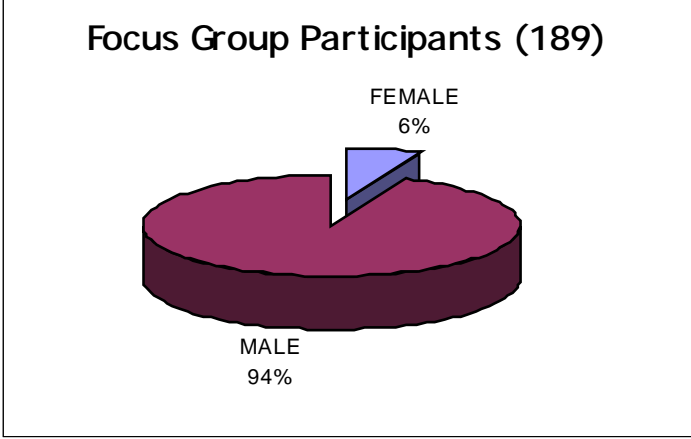
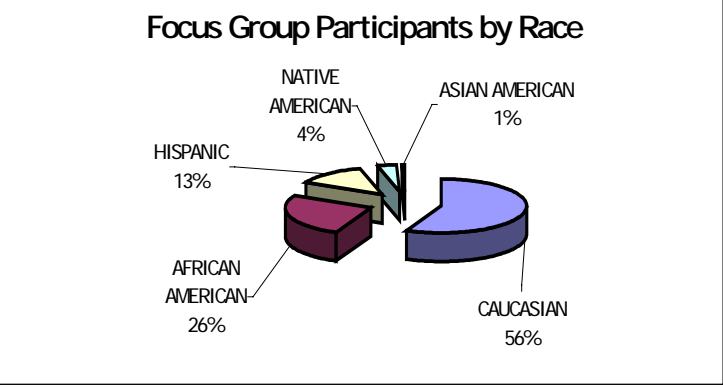
10. What should federal and state policy makers do to improve entrepreneurial opportunities for veterans with service-connected disabilities?

Brief Summary/Key Points	Notable Quotes
<p>Recommendations respondents most often contributed included:</p> <ul style="list-style-type: none"> <li>Easier access to capital</li> <li>Provide a “real” advocacy program</li> <li>Establish a mentoring program</li> <li>Level the playing field</li> </ul> <p>Establish a 3% mandate rather than a goal-based procurement program and push it down to all levels of the procurement system.</p> <p>Other recommendations included:</p> <ul style="list-style-type: none"> <li>Clarify and simplify VA and Social Security Administration compensation regulations on earned income (e.g., will the veteran lose VA disability compensation if he or she begins to succeed in business).</li> <li>Make the scope of bid opportunities smaller.</li> <li>Make information more accessible.</li> <li>Establish an information clearing house.</li> <li>Maintain an up-to-date, accurate, qualified contractor database.</li> <li>Issue security clearance waivers to work on government facilities.</li> <li>Track credit card purchases.</li> <li>Establish a direct loan program with low interest rates for disabled veteran business owners.</li> <li>Establish a set-aside program specifically for disabled veteran business owners.</li> <li>Waive fees and increase guarantees on SBA-backed loans for disabled veteran businesses</li> <li>Train/sensitize business assistance program personnel (including government procurement personnel) as to the needs, characteristics and strengths of disabled veteran business owners.</li> <li>Establish a national insurance program for veteran family members and business employees.</li> </ul>	<p>“The SBA should quit playing the paper game. Quit polishing the stone wall and let the laws apply equally to all.”</p> <p>“We would like to know what makes them successful.”</p> <p>“If guidelines worked, Moses would have come down the mountain with the Ten Guidelines.”</p> <p>“It’s like the word never gets out to the people who are supposed to know. They look at you like you’ve made it up just for their benefit.”</p> <p>“They waltz you around for awhile and then it turns out they can’t help you anyway.”</p> <p>“I just simply don’t know where to go for help, or who to talk to...”</p> <p>“The bureaucrats don’t understand you, they’re trying to figure out how you fit into their box.”</p> <p>“We just get endlessly referred.”</p> <p>“We’re not asking for a handout...all of us gave part of our lives to the US of A.”</p> <p>“They should walk in our shoes for 30 days”</p>

Q11. Have we missed anything?

Brief Summary/Key Points	
<p>Create innovative business ownership forms and business assistance systems for veterans who need greater support due to their disabilities (e.g., veterans’ business incubators, veterans’ business cooperatives, veterans’ business consortia, veterans networking groups).</p> <p>Determine whether and how much this will impact our disability rating. [ A number of veterans indicated that they were worried that any efforts to engage or develop their small business would result in a loss of their disability].</p>	

Demographic Characteristics (estimated; based on moderator/co-moderator observation, optional questionnaire)

<p>Participants gender, race, age</p> <p>94% of session participants were male</p> <p>6% were female</p> <p>56% were Caucasian</p> <p>26% were African American</p> <p>13% were Hispanic</p> <p>4% were Native American</p> <p>1% were Asian American</p> <p>The typical participant was in his or her fifties and served during the Vietnam era. [Note: racial/ethnic data based upon information voluntarily provided by most session participants as well as moderator observation.]</p>	<div data-bbox="609 739 1393 1255"> <p style="text-align: center;"><b>Focus Group Participants (189)</b></p>  <table border="1"> <caption>Focus Group Participants (189) - Gender</caption> <thead> <tr> <th>Gender</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>MALE</td> <td>94%</td> </tr> <tr> <td>FEMALE</td> <td>6%</td> </tr> </tbody> </table> </div> <div data-bbox="609 1348 1393 1789"> <p style="text-align: center;"><b>Focus Group Participants by Race</b></p>  <table border="1"> <caption>Focus Group Participants by Race</caption> <thead> <tr> <th>Race</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>CAUCASIAN</td> <td>56%</td> </tr> <tr> <td>AFRICAN AMERICAN</td> <td>26%</td> </tr> <tr> <td>HISPANIC</td> <td>13%</td> </tr> <tr> <td>NATIVE AMERICAN</td> <td>4%</td> </tr> <tr> <td>ASIAN AMERICAN</td> <td>1%</td> </tr> </tbody> </table> </div>	Gender	Percentage	MALE	94%	FEMALE	6%	Race	Percentage	CAUCASIAN	56%	AFRICAN AMERICAN	26%	HISPANIC	13%	NATIVE AMERICAN	4%	ASIAN AMERICAN	1%
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## **6 Focus Group Report Analysis**

The paragraphs below are the nucleus of findings the research team gathered from the 26 focus groups. In many cases the statements of the veterans amounted to a recommendation. The reader will easily notice this. These have been included here as findings and included again as recommendations when appropriate.

### **6.1 Veterans' Businesses – Type and Size**

Most of the 189 disabled veteran business owners participating in the focus groups operate service, computer-related, wholesale-retail, or construction-related businesses. Though some focus group participants reported annual gross sales of more than \$500,000 dollars, most owned very small businesses with only one to a few employees, and had annual gross sales of less than \$100,000.

Many of the participants commented about the need for varying levels of service. That is, government business assistance programs and services (including federal procurement systems) should be designed with the modest scope of most disabled veterans business operations in mind, but should also be capable of addressing the needs of disabled veteran-owned businesses with annual gross revenues over \$1,000,000, and 20 or more employees.

Disabled veterans often reported they have business goals that incorporate an interest in helping other disabled veterans, veterans, youth and other populations in need. For example, many focus group participants indicated that they created, or planned to start a business, in part, to create jobs for other veterans. One disabled veteran's business goal is to create affordable housing for veterans. And one couple, both disabled veterans, want to build and operate a roller skating rink for young people: "There's nothing for the kids to do but get in trouble."

Participants indicated that business assistance programs should take note of the desire of many disabled veterans to make contributions to fellow veterans with similar backgrounds and experiences as well as others through their businesses. At the same time, assistance programs should help veteran business owners identify market niches for their products that constitute viable small business opportunities.

### **6.2 Disabled Veterans Management and Marketing Knowledge and Skills**

Disabled veteran participants often reported that they acquired valuable management skills through service in the armed forces. Though a significant number indicated they had negative experiences in the service, many said they learned how to manage personnel and materiel through training and education at military academies, advanced training schools, and on-the-job training (including combat experience).

Veterans often indicated they took great pride in the teamwork, leadership, self-discipline and other skills and attributes (many of them related to managerial capacity) they acquired in the service, and believed procurement and business assistance representatives, lenders and others should be more aware of and give greater weight to these strengths.

A small percentage of veterans said they have held upper and mid-level management positions in Fortune 500 and other corporations, and bring those experiences to their business. At the same time, disabled veterans often acknowledge they would benefit from additional management education or training.

Many disabled veterans said they need marketing know-how and assistance. They often said they have a quality product or service, but haven't been able to reach their customers with that message. Some veterans said they have purchased marketing services, or indicated they would do so if they had sufficient capital. But even those who have paid for marketing help said they have often been disappointed in the results – perhaps because such marketing efforts were not well-integrated into a sound business plan.

Most disabled veteran business owners said they believe business planning and a written business plan are important to their business success, especially to obtaining capital. But few have invested time and effort to formalize the planning process. Some veterans reported they offer products and services for which there appears to be a limited market, but either don't realize that business planning (including efforts to determine the feasibility of building a business around the products or services they offer) can help them improve their opportunities for business success, or are unwilling to take the time to undertake research and planning activities.

### **6.3 Negative and Positive Factors Affecting Veterans' Businesses**

Though disabled veterans typically start businesses with less than \$10,000, many said their inability to readily access start-up capital adversely affected their start-up plans. Often, they seemed uninformed or misinformed about a variety of available loan assistance programs. Few knew the names of common SBA loan guarantee programs, e.g., 7(a), 504, and Low-Doc. Several complained about the time and effort involved in preparing loan applications and supporting documents, and said their efforts often failed to result in acquisition of a loan.

Finding and keeping the right employees was a challenge for many veteran business owners. Several said their firm had a policy of hiring veterans. Even more expressed a desire to hire disabled and other veterans, but often seemed unaware of state and local job and job training programs targeted to veterans or complained that they were rarely referred applicants when they listed openings with such programs. It is important for business assistance programs serving disabled veteran business owners to recognize the desire by many members of this population to affiliate with and support fellow veteran

small business owners and employees. Such programs should also address disabled veterans' need for information and skills on how to find and retain quality employees.

A number of participants reported a poor credit history, and difficulty in paying business and personal expenses. Business assistance services for this population should include budgeting skills training and credit counseling.

Fundamental knowledge and skills related to successful business start-up, e.g., how to do a feasibility study, or how to write a business plan, were often limited or absent. Some veterans had excellent business skills and need assistance in circumscribed areas, e.g., how to obtain venture capital, or how to reply to a request for proposals. Accordingly, business assistance programs should carefully assess the individualized needs of each disabled veteran, and provide or coordinate the assistance needed and requested.

#### **6.4 Effects of Service Connected Disabilities on Business Success**

While most veterans said their disabilities had little or no adverse effect on their business activities, a significant number believed their disabilities had a substantial adverse effect. Some veterans reported physical limitations, others said their PTSD or other psychological conditions made it difficult to work and get along with others. A few had multiple physical and psychiatric conditions.

Some participants said that customers, co-workers and others mistakenly perceived them as being unable to perform certain work because of their disabilities. One veteran who had lost a limb in Vietnam said he believed he was in far better physical shape than most people he worked with, but that they often incorrectly assumed he couldn't or shouldn't perform certain work. One veteran with diabetes said he started his own business in part because employers didn't understand and accommodate his need to take extra breaks for insulin injections and snacks. Still other veterans felt that agencies, customers, clients and friends were suspicious about their disabled veteran status because they had no visible disability.

#### **6.5 Capital**

The focus group participants were concerned with a number of issues related to the acquisition of capital.

##### **6.5.1 Start-up Funding**

The financing scenarios described by participants generally began with a common starting point: the investment of personal capital in the form of savings, personal credit instruments and credit cards, and earned income diverted to the business and loans from family and friends. In many cases, VA and Social Security disability benefits were used to provide early stage funding, as were second mortgages on homes. This is typical of

most early stage businesses, but the veterans' reliance on high cost sources of capital, such as credit cards and second mortgages was particularly pronounced.

Accordingly, federal and state programs designed to address the start-up portion of funding should provide low-cost, incremental financing to augment the starting capital available to the veteran, avoiding the necessity of using funds (such as disability payments) which are needed to maintain a basic lifestyle for the veteran and his/her family and increasing the probability that the business will survive the early phases of development.

### **6.5.2 Operating Funding**

Although veterans generally reported they had, or were able to access, sufficient operating capital, a closer examination reveals that most operating funding came from the earnings of the business or the personal income of the veteran or his spouse. Only a small percentage of respondents were able to obtain commercial lines of credit or receivables financing and even fewer had successfully negotiated SBA guaranteed loans. In many cases, this "hand-to-mouth" financing had a powerful effect in limiting the growth and development of otherwise viable businesses.

### **6.5.3 Availability of Expansion Capital**

With the exception of a few of the larger disabled veteran-owned businesses, expansion capital was not seen as much more than a faint possibility, perhaps coming from angel investors or venture capital operations. Those disabled veteran business owners who wanted to expand generally reported they had insufficient capital to do so. A small number of veterans were downsizing their operations for a variety of reasons including retirement.

## **6.6 Ability to Carry Receivables**

Though the majority of respondents reported they could carry receivables for 30 days or so, it was clear that having operating capital tied up in receivables was a strong limiting factor for expansion, and adversely affected timely consideration of payables and owner's compensation. Many of the respondents provided no credit option at all for their customers, requiring COD or, at best, 7-10 day repayment terms.

## **6.7 Ability to Participate in Government Procurement Opportunities**

Although a substantial number of participants indicated they had little or no interest in pursuing government procurement opportunities because of the nature of their business or negative experiences with federal, state or local government procurement systems and procedures, a majority of respondents expressed a desire to participate in such opportunities. Disabled veterans reported the following barriers to their participation in such opportunities:

Many veterans did not believe their products or services would be applicable to government purchasing needs. For instance, an audio systems service provider in Raleigh, NC, felt his service would not be needed by governmental entities. However, when conversing with a government procurement specialist after a focus group meeting, he learned that there were agencies that need his service, and he was informed of where to inquire about those opportunities.

Many of the respondents indicated they did not know where to look for government procurement opportunities. Some were aware of commercial organizations that provided procurement assistance on a fee-for-service basis, and periodicals that specialized in this area. Few of the respondents had heard of the Procurement Technical Assistance Center program or similar publicly-funded procurement assistance programs.

A number of the participants who did try to bid on federal contracts complained about the excessive paperwork required and their lack of understanding of much of the required information. Many of these individuals could not find anyone to assist them in putting a bid package together. After submittal, they found it hard to follow up on their bid because of the constant changeover in government personnel handling the bid opportunity. For those who were successful in obtaining a federal bid, late payment for services was often cited as a negative factor.

Several of those who looked at bid opportunities felt that the scope of work was beyond their company's capacity to produce. Many times the bid opportunity required additional resources because of the bundling of activities into one bid opportunity. This dissuaded them from bidding, as their companies were not diverse or large enough to meet the bid demands. Veterans in such states such as California, Georgia, Louisiana, and North Carolina said their success in obtaining state contracts was better than their federal procurement efforts.

## **6.8 Experiences with Federal and State Small Business Assistance Programs**

While only a minority of the participants indicated they had any experience with the SBA, the vast majority of respondents who had come into contact with the SBA or SCORE had negative comments about those two agencies. Most of these participants felt that these agencies did not understand or want to take the time to understand their business needs and circumstances. They often perceived a lack of effective customer service, insensitivity to their military service contribution to the nation, and lack of follow-up, that left many with feelings of anger and distrust toward the government.

Many felt that SBA loan opportunities were actually designed to meet the needs of a different clientele - especially minorities and women. It is important to note, however, that minority veterans often reported dissatisfaction with SBA programs and services targeted to minority business owners.

Credit history and collateral were cited as being the biggest stumbling blocks to obtaining SBA guaranteed loans. Some said that they were given the impression that if they didn't need a large sum of money, the SBA wasn't interested in helping them.

Public knowledge of existing resources, and agency outreach were often said to be lacking. For instance in Milwaukee, at the veteran assistance center which sponsored the focus group meeting, no one could remember the center ever being visited by an SBA or SBDC outreach representative. Of the veterans who had experience with an SBDC, a majority reported that this program providing valuable assistance, though most still didn't feel the individualized assistance they needed was delivered. And the majority of focus group participants were not aware of the SBDC delivery system prior to their involvement in the focus group sessions.

Those who were familiar with SCORE felt that the program lacked continuity of service and many times did not understand the business sector the veteran was participating in. For example, several participants who owned technology firms said SCORE volunteers had little or no understanding of their products, services and unique marketing needs.

The participants often stated that their request for services was undermined by the focus of these agencies on serving other populations, including individuals who may not have contributed to the nation in the way in which those who have served in the military have. This again instilled feelings of anger and frustration in many disabled veterans.

Virtually all the participating veterans noted that no single office had the information or resources they needed. Constant referral to other offices was seen as cumbersome and inefficient. Often information was conflicting between agencies about the same issue and no agency seemed to be the authority on the issue. This also left the veteran confused and frustrated. This was corroborated by a study uncovered by the research team.<sup>59</sup>

## **6.9 Policy to Improve Disabled Veterans' Entrepreneurial Opportunities**

Disabled veteran focus group participants felt strongly that whatever new initiatives are undertaken for disabled veteran-owned businesses, they should be fully and effectively implemented. Many said that previous programs had not been funded, or were not effectively implemented or enforced. Participants recommended easier access to capital, "real" business advocacy programs, mentoring programs (emphasizing

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<sup>59</sup> See the study by James E. Pechin. and D. W. Kehrer and M. A. Settlemire and M. A. Hill, "SBA Veteran's Project", Center for Community Economics, Santa Rosa, CA; SBA Contract: SBA-4869-ADA/P-80, 1980. The study found that, "...it is difficult to retrieve data on the number of Vietnam and disabled veterans served by SBA and what services are being provided to them." While SBA is able to provide estimates of the number of veterans provided 7 (a) and 504 loan guarantees, information on services to disabled veterans is often not collected or reported. Moreover, focus group moderators learned that SBA Veterans Affairs Officers were sometimes unable to remember the name of a single disabled veteran served by them within the past two years. Clearly, some SBA Veterans Affairs Officers merely carry that title and provide no measurable service to disabled veterans. Additionally, SBA record-keeping practices don't reflect a true agency-wide priority of serving individuals with service-connected disabilities. .

veterans helping veterans), a “level playing field”, and establishment of a 3% mandate rather than a goal-based procurement program.

Some of the veterans’ recommendations were based on experiences that occurred many years ago. For example, those who had submitted bids for federal contracts often cited the need to unbundle bids. Federal legislation enacted in 1997 has reduced bundling. Disabled veterans need to be informed of such changes in policy and practice if they are to be persuaded to give the system another chance.

Many of the veterans’ recommendations concerned the need for more accessible, accurate and centralized information about government programs, benefits, services, and systems. Several suggested a direct loan program with low interest rates for disabled veteran business owners, and the waiver of fees and increased guarantees on SBA-backed loans for disabled veteran businesses. One popular idea among the participants was the creation of a set-aside program specifically for disabled veteran business owners. Also, there were suggestions about training business assistance program personnel (including government procurement personnel) as to the needs, characteristics and strengths of disabled veteran business owners. Finally, the participants recommended that SBA provide business assistance similar to that provided to other populations recognized by the government as having social or economic disadvantages.

#### **6.10 Women and Minority Disabled Veteran Business Owners**

There was strong participation in the focus group sessions by women (6 %) and minorities. As mentioned above, the minority participation was 26% for African-Americans, 13 % for Hispanics, 4% for Native Americans, and 1% for Asian-Americans. For the most part, the business-related needs and concerns of women and minorities appeared to be similar to those of White male participants. Perhaps because of their participation in business assistance programs targeted to socially and disadvantaged business owners, they were well-represented in PRO-Net, the data base from which many focus participants were recruited. However, PRO-Net contained less than 2,200 disabled veteran-owned businesses at the time of this study. Special outreach efforts will be needed to ensure that women and minorities benefit from new opportunities for disabled veterans.

## 7 Methodological Comments

The purpose of this section is to discuss the methodological avenues the study team considered, employed, or tried to employ during the study. From the beginning, this project was a matter of applied research, which in contrast to basic research is often situated in a very “messy” socio-political environment. From the beginning, a political environment affected this project. The researchers were faced with many fuzzy issues while attempting to develop a research work that would shed light on a specific problem, i.e. the problems and difficulties confronting disabled veterans who were involved in, or wished to enter into, a small business endeavor. The scope of the issues involved is much broader and the questions more numerous and complex than is the case with basic research. Here, the research team shaped an agenda in accord with the project budget, though OMB disallowed implementation of significant portions of this plan. In the end, after approximately two to two-and-a-half years of delay, the study was allowed to proceed with only a focus group strategy. This strategy allowed the researchers to gather interesting and informative data, but fell far short of providing a statistically accurate picture of several universes of population in the veteran and disabled veteran community. It is unfortunate, because that picture would have been very valuable in its own right and as a guide for future research, particularly when one considers the cost/benefit aspects of the project.<sup>60</sup>

For the purpose at hand, the various approaches to obtaining the aggregate data are discussed first; then the development and conduct of the focus group sessions is presented. Following this, a serious and painful discussion of the failures of the study process is presented. Our principal purpose here is present the difficulties with the hope that this process can be changed so as to produce a much more stable environment for future studies that may be undertaken by the SBA and other agencies.

### 7.1 The Aggregate Data Search

The aggregate data search included a search of agency websites, agency databases, information gathered from tables and data in the literature and Census data, and any other verifiable source the study team happened upon. The Census data included the 1992 Economic Census – Characteristics of Business Owners, data from various statistical abstracts, etc.<sup>61</sup> These tables were utilized as uniformly as possible in producing various projections concerning veterans and disabled veterans. It should be

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<sup>60</sup> See Hedrick (1993: 45-51). The study team had solid sub-populations for which the descriptive design was very adequate. The composition of the original team contained over a dozen individuals with extensive experience with the veteran community. Virtually all had professional degrees; five had earned their Ph.D.

<sup>61</sup> 1992 Economic Census – Characteristics of Business Owners, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, (CBO92-1, Issued September 1997. The study also referred to various tables on veterans as found in the Statistical Abstract of the United States (volumes for 1994 – 1998).



noted that the data on the numbers of veterans and disabled veterans engaged in a small business varies significantly.

Most importantly, it should be noted that veterans, and particularly disabled veterans, are never counted in full detail. For example, the tables contained in the statistical abstracts that concern veterans do not break out disabled veterans by state. The numbers of disabled veterans are given in a summation table. Recently the Department of Veterans Affairs placed a data table of disabled veterans by state and county on their website.<sup>62</sup> This table is also deficient in that, as is the case with the statistical abstract tables, it does not include the Commonwealth of Puerto Rico or Guam, etc. Certainly in the case of Puerto Rico a disservice is done to the sizable veterans' community there by not including them with the fifty states.

Further, detailed examination of the veteran and disabled veteran populations was also absent in the 1992 Economic Census. The veterans category was aggregated for summary purposes, but detailed cross-tabulations are not possible and/or worthwhile because the subpopulations would necessarily generate too many empty (or nearly empty) cells, causing the estimate of error to be very high.<sup>63</sup> We have presented most of that data above in the literature review section.

Another facet of aggregate data research that the William Joiner Center study pursued was one which would provide some insight on the success rate for the veteran-owned businesses that received a guaranteed loan. The 1997 economic Census data indicated that some 69.5% of disabled veteran-owned businesses were still in operation. The study team searched for a phone number listing for each of the veteran-owned businesses that received an SBA guaranteed loan in 1998 (see 2.1.15 above). The status of active, inactive, or new phone numbers for Massachusetts and five other states from regions around the nation were checked as well. These checks were performed with a simple random sample generated from the same guaranteed loan list. The sample size consisted of 100 businesses. A sample of this size provides reasonably stable point estimate with a confidence level of approximately 5%. Phone numbers were looked up through standard telecommunications information services, by way of Internet search engines, and commercially available CD-ROM business phone disks.

Another facet was to assemble some spreadsheet estimations of data, which would be of interest. For example, an estimation of the amount of taxable revenue which would accrue to each state government if the 3% goal provided for disabled veteran-owned businesses in P. L. 106-50, S 502 was proportionately distributed. The data was developed by state for the year 1997 with projections based on the statistical abstract of 1998 using tables presented on veterans' population by state (table 592) and the aggregate number of disabled veterans (tables 594). Two basic assumptions were made.

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<sup>62</sup> See the website for the table assembled by the Veterans Affairs Department, Office of Program & Data Analysis, which is dated April 2000.

<sup>63</sup> The principal investigator met with Census personnel involved with the development and conduct of the 1992 Census to discuss issues concerning the construction of numbers for veterans. This was followed up by several phone conversations.

First, the distribution of disabled veterans across the country is not significantly different than is the distribution of veterans across the country. Second, the distribution of disabled veterans in small business is not significantly different from the distribution of disabled veterans across the country. Given the paucity of information and data about veterans and disabled veterans, these were reasonable assumptions.<sup>64</sup>

## **7.2 The Development and Conduct of the Focus Groups**

A focus group is a carefully planned discussion designed to obtain participant perceptions on a defined area of interest in an open-ended environment. The number of participants can vary, but the ideal number of participants ranges from 6 to 12 individuals per group. Much of focus group research has been conducted in the area of market research. Thus, its applicability in the area of small business research is fairly solid. One of the principal features of importance in focus group research is results-per-cost ratio.

Focus groups enable administrators to gain valuable insight into the needs and characteristics of a population before undertaking outreach efforts targeting that population. Focus groups enable researchers to gather qualitative information from a small number of individuals. This is advantageous because, in general terms, individuals do not usually form all their opinions in isolation from others. Rather it is in the exchange of ideas that opinions are formed. Focus groups promote a degree of self-disclosure among participants. This is coupled with the open discussion atmosphere created by the moderator tasked with encouraging alternative opinions on the various questions. The individual participants in a focus group should share some common ground. In this study, the similarity among focus group participants was, of course, their status as disabled veterans.

Thus focus groups:

- Provide data from a group of people more quickly than would be collected by individual interviews;
- Allow the researcher to interact directly with respondents, providing the opportunity for clarification of responses;
- Enable a researcher to pick up non-verbal cues otherwise unavailable;
- Provide for an open response format for large and rich amounts of data from respondents on their own terms;

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<sup>64</sup> See the Statistical Abstract of the United States, 1998. The tables are for years 1997, taken from page 369 National Defense and Veterans Affairs table # 592. Veterans - States: 1997, and Statistical Abstract of the United States: 1999 Table No. 594 Disabled Veterans Receiving Compensation: 1980-1998. In turn, these tables were based on 1970, 1988, and 1989 data collected from the 1995 Statistical Abstract of the United States, Table No. 578. Disabled Veterans Receiving Compensation: 1970 to 1994. Pg. 369. Compiled from same source: U.S. Dept. Of Veterans Affairs, Annual Report of the Secretary of Veterans Affairs; and unpublished data.

- Are extremely flexible, allowing for interaction and discussion, and creating an opportunity for topics and comments to develop;
- Provide an atmosphere of immediacy that can lead to findings which other research techniques are unable to uncover;
- Are amenable to providing results that are readily understandable.

The principal disadvantage of focus groups is the difficulty in generalizing findings to the universe of population. Further, focus group moderators must maintain control of the focus group so as to ensure that the group's discussion does not drift from the purpose at hand. Also, the fact that the participants are interacting with each other exposes each member of the group to the verbal and non-verbal cues of the other members. Thus, moderators must work to allow room for different opinions to be expressed and to prevent one or two participants from dominating the discussion.

Thus, focus groups are problematic in that:

- Generalization to the larger population is extremely difficult;
- Members of focus groups interact with each other. Without strong control by the focus group leaders, particular members can dominate the discussion and skew results;
- The focus group leaders must ensure that verbal and non-verbal cues are not given which will bias the group discussion and responses.

In summation, focus groups, while obviously falling short in terms of generalization, provide exploratory data upon which other studies may be launched. It is an excellent technique for determining important questions for future research. However, any statistical conclusions gathered by focus group techniques must be qualified.

In this study a variety of methods were employed to achieve the widest range of participation in the focus group sessions. These included phone calls and mailings to disabled veterans known to be engaged in a small business effort or to have aspirations of entering into a small business. The veterans participating in the pretest focus group were contacted through the use of one instrument. This illustrated the need to rely on a variety of lists and referral sources to ensure the desired cross-section of disabled veteran participants.<sup>65</sup> Subsequently, the study team employed as inclusive a methodology as possible. This included:

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<sup>65</sup> A mailing was employed. Some 238 disabled veterans in small business were contacted by letter that briefly explained the purpose of the focus group study and asked if they would participate in the focus group. These individuals were known to be disabled veterans who were/had been operating a small business because they had previously responded to a survey conducted by the Contractor some years before. These individuals had originally been identified by the fact that they were recipients of the Massachusetts Vietnam-era veterans bonus, which was provided to all those who served in the military during that era. The Massachusetts bonus list did not identify individuals by race or ethnicity, only by branch of service and whether they served in Vietnam or not. The vast majority of the veterans who responded to the original survey were White males. Less than 2 percent were African

- Phone , direct mail, and e-mail invitations
- Contact and referral from traditional veterans organizations and community-based veterans organizations
- References from SBDC, SBA regional and district offices
- Data tables from PRONet, the SBA, and other data tables in the possession or the contractor acquired from previous research.

Every plausible strategy was employed to gather participants for the focus group study. This methodology ensured that a reflection of the diversity among the veteran population was achieved. The study team sought the assistance of veterans’ community-based agencies targeting service to African American veterans, Hispanic American veterans, and other minority populations. This study was very successful in that regard. Women and minorities were more than adequately represented with respect to their composition in the veterans’ population.

As the focus group literature would point out, the total number of focus groups to be conducted is a matter of judgement. The heuristic is that one conducts focus groups until no new/significant information is gathered. Given the socio-political concerns generated by this applied research problem, it was felt that we should conduct focus groups in a manner that addressed other issues. That is, the study team wanted to ensure that there was regional representation, as well as good minority participation. The sponsor agreed with this approach. Therefore a total of 24 focus groups were scheduled to be conducted. Two extra cities were added to ensure full minority participation.

Focus groups were conducted in a total a 26 cities.	
Albuquerque, NM	Memphis, TN
Kennesaw, GA	Milwaukee, WI
Little Rock, AR	Minneapolis, MN
Boston, MA	New Orleans, LA
Brooklyn, NY	Portland, ME
Buffalo, NY	Raleigh, NC
Chicago, IL	Saint Louis, MO
Houston, TX	San Antonio, TX
Denver, CO	San Francisco, CA
Indian Island, ME	Seattle, WA
Irvine, CA	Springfield, MA
Jacksonville, FL	Tempe, AZ
Kansas City, MO	Washington, D.C.

The eleven principal focus group questions used in the focus group sessions were a reflection of the main themes among questions that were to be included in the survey instrument that OMB refused to approve (see above).

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American and less than 1.5% were Hispanic. Despite the deficiencies of this list, given the time constraints to produce the Phase I report, it was the only reasonably sure means to secure sufficient participation. A number of veterans residing outside the Boston area indicated they were interested but could not attend. A total of seventeen individuals indicated that they would attend and a total of twelve did so.

### 7.3 The Failures of the Process

The most serious difficulty facing the contractor for this study concerned the overall process and relationship of the contractor to the SBA as the funding agency, and the OMB as a required approving agency for particular aspects of this (and any other) study. The focus group strategy was an alternative one suggested by SBA after the contractor was denied approval for a series of surveys which were to be directed to various sectors of the veterans' and disabled veterans' population.

Several issues were involved here. They included:

- The extraordinary length of time for virtually anything connected with the study to move forward.
- The process and relations among the contractor, the SBA, and OMB in connection with the development of a survey instrument, and the process of submission to OMB.
- The position of OMB and the consequences for research endeavors.

#### 7.3.1 The Problem of Project Timelines

Title VII, Section 703, of the Small Business Reauthorization Act of 1997 (P. L. 105-30), required that a study be conducted to determine the status and needs of those businesses owned and operated by eligible (disabled) veterans. The project was to be completed nine months from the date of enactment. The contractor contacted the Office of Veterans Affairs at SBA (SBA/OVA) and submitted a draft of an unsolicited proposal for comment. During the ensuing months, SBA/OVA did not issue an RFP concerning this study. In April 1998, the contractor formally submitted an unsolicited proposal to SBA/OVA, which was designed to address the needs of the study required by P. L. 105-30. On July 15, 1998, the SBA Office of Procurement and Grants Management sent a letter authorizing the contractor to proceed<sup>66</sup>. However, there were funding difficulties. These were eventually resolved over the ensuing months and a formal contract was signed in December 1998.<sup>67</sup>

During the following months, the contractor was engaged in rounds of submissions and comments with SBA in connection with the development of a survey instrument to be utilized with several different veteran universes of population. While the comments

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<sup>66</sup> Both the original and subsequent proposals allocated 51% and 53% of the principal investigator's time. In actuality the project consumed well over 75% of the principal investigators time for a period of three years. Further, 85% - 90% of that time was consumed by issues of contention rather than the study. It is a testament to the convoluted nature of the process.

<sup>67</sup> Things began to move forward after veterans raised concerns at a joint hearing held on May 20, 1998, before the Committee on Small Business and the Committee on Veterans Affairs, and after the calls to the relevant appropriations subcommittee by veterans' advocates. This illustrates the social-political atmosphere that often surrounds an applied research project.

concerning the questionnaire design were very helpful and valid, the timeline was exhausting.

The contractor was told repeatedly that approval was imminent. In fact, the administration and OMB referred to the imminent conduct of the study in its argument to table consideration of HR 1568, the Veterans Entrepreneurship and Small Business Development Act of 1999. OMB asserted that Congress should wait for the findings of the study before considering that legislation. Subsequently, on the morning of July 15, 1999, the Senate Committee on Small Business reported the proposed legislation favorably. Within three days the contractor received written notice that OMB had denied the application for approval.<sup>68</sup> Over the next several months various strategies were implemented to identify several sub-universes of population for the disabled veterans community. As discussed below, these included acquiring a data sample from the DVA and employing a separate, simple response instrument to a data table of small businesses with federal contracts as provided by the GSA.

The original contract called for this project to be completed in September 1999. There was a verbal extension to December 1999. At that point SBA chose to renegotiate the contract with the contractor to conduct a number of focus groups around the nation.<sup>69</sup> The renegotiations process took approximately four to five months. Eventually a contract was signed and work was begun in May. A phase I report was submitted on May 25, 2000 and approval of the focus group instruments and authorization to conduct the focus group study was received on June 12, 2000. The Phase II report was provided at the end of July 2000; a Phase III report at the end of September 2000, and this Final Report at the end of October 2000.

### **7.3.2 The Problem of Survey Instrument Development and OMB Disapproval**

It is for the purpose of suggesting reforms to the process of relations and to structures and functions that a review of the development of the principal survey instrument that was never approved is undertaken.

The contractor had developed an initial draft of the survey instrument and forwarded this to the SBA. It was reviewed, critiqued and returned. This process went through several iterations. This was to be expected and was of good value, but for the time lag. Again, many weeks would go by while the questionnaire instrument traveled horizontally and vertically through the agency. The exact route was unknown to this

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<sup>68</sup> It was a surprising coincidence that the contractor had six phone messages from SBA officials and others indicating that the survey was denied. These began at 11:00 a.m. on July 15, 1999 and continued virtually on the hour until 4:00 p.m.

<sup>69</sup> The contractor indicated that this would not satisfy the particular requirement of Title VII, Section 703 referring to determining the federal contracting dollars in amount and percentage being accrued by businesses owned and operated by disabled veterans. SBA decided to move forward and ask for the best effort from the contractor in connection with this requirement. This requirement was not met. The contractor actually searched for any type of aggregate data that would address this issue. None was found, other than one study conducted in the 1980s on veterans' participation in DOD contracting.

contractor. Further, the contractor could never get anything other than the most vague answers to questions about this route.<sup>70</sup> This entire revision process took over a year.<sup>71</sup>

The contractor had, and was continually in the process of securing, various data tables as universes of population of the veteran and disabled veteran community to utilize in connection with the survey instrument. These included veterans from the SBA guaranteed loan list dating from 1994 to 1998, the PRO-Net list of some 3000 disabled veterans, and a list of small businesses that had secured federal contracts between 1994 and 1998. Smaller data tables and lists from veterans organizations and studies previously conducted by the contractor, which were based on the Massachusetts Vietnam era veterans bonus list were also collected. While none of these lists could be said to absolutely represent the total universe of the disabled veteran, or veteran population, they were very valuable for a study considering the budget and ostensible timeline requirements.

As was mentioned above, OMB refused to allow the survey strategy to be implemented.<sup>72</sup> These objections revolved around issues of:

- (1) “Representativeness” of the survey universe of population (from various data tables and lists) to the true universe of population of disabled veterans
- (2) Response rates
- (3) The problem of non-respondents
- (4) Confidence levels

In its “terms of clearance” communication with SBA, OMB recommended that SBA utilize the population identified by SBA under Title VII, Section 704 of the Small Business Reauthorization Act of 1997. Yet, the communication indicated that it doubted that even this population would be representative of the proper universe of the population. The contractor noted this to SBA on several occasions in the previous contract phase of this study in connection with the original survey methodology. It is the principal reason the contractor indicated that different universes of population should be sampled. The contractor responded to OMB concerns in a letter to SBA, but to no

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<sup>70</sup> This entire process should have been completed within 60 - 90 days. The contractor would have been more than willing to travel to Washington for questionnaire design meetings with the agency. Unfortunately, this was not the case.

<sup>71</sup> In addition, the study team had intended to visit approximately 250 of these veteran-owned businesses (a selection of those who responded) and were willing to be interviewed at their place of business. Also, approximately 100 individuals (non-veterans) were to be identified from the public (federal, state, local) and private sector for in-depth interviews. All this was abandoned because of the delays and in the renegotiations.

<sup>72</sup> The contractor was unaware of the need for OMB approval (as a consequence of the Paperwork Reduction Act) for the survey instrument, until well after the proposal and original contract was negotiated with SBA. The general process for the implementation of the survey questionnaire was well known to the agency prior to the successful negotiation of the contract, yet the contractor was not informed of that process until after the fact.

avail.<sup>73</sup> In the judgement of the contractor, OMB confused the issues of response rates and confidence levels. More importantly, that agency maintained that a sample of the true universe of population could not be developed, even though it is common knowledge that the DVA, by definition and mission, must possess the definitive list of disabled veterans. The contractor requested that SBA approach OMB with the question of the acceptability of the DVA database and whether it would insist on a simple random sample or on a sample composed of various subgroups. The issue of subgroups was/is important, in that if subgroups are desired then the sample size has to increase substantially.<sup>74</sup>

Next, the contractor recommended that SBA resubmit, for OMB approval, a survey involving a stratified random sample of those small businesses from the GSA database of federal contractors. A letter and simple return postcard was to be utilized which asked about veteran and disabled veteran status. This would have satisfied the requirements of the legislation pertaining to the amount and percentage of contracting dollars going to disabled veteran owned businesses. However, SBA decided not to pursue this strategy either. After a number of months in limbo, the contract was renegotiated as a focus group study. The contractor was informed that the SBA General Counsel determined that such a strategy would satisfy the law. Such a strategy also enabled the agency to circumvent OMB, but at the cost of securing statistically valid descriptive data on a variety of subsets of population within the veterans' universe of population.

### **7.3.3 The Problem of the OMB Position and its Consequences**

It is contended here that the OMB position is flawed from a social science perspective. For the cost-benefit, random samples from the less than perfect universes of the population of veterans and disabled veterans were fine. They would have provided the SBA and Congress with solid estimates about the true population of small businesses owned and controlled by disabled veterans. Further, they would have provided very valuable information for any definitive study to be conducted by the U.S. Bureau of Census.<sup>75</sup> This would be the case for virtually any study on any issue where population problems are an issue. The literature on this matter is quite clear.

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<sup>73</sup> Those interested should request to see the July 19, 1999 fax from Jacqueline K. White to Clifton Toulson re OMB Notice of Action. The contractor responded in detail in a letter to the Assistant Administrator for Veterans Affairs (see appendix letter to Mr. Clifton Toulson dated July 29,1999). It was relayed back to the contractor that OMB considered the response as "argumentative".

<sup>74</sup> According to the various phone calls, etc., SBA made it clear to the contractor that OMB insisted on an unambiguously representative sample. This meant that short of securing a list of disabled veterans from the Department of Veterans Affairs, no list would be acceptable. The contractor also sought out input from the Bureau of the Census. Individuals there emphasized the need for larger sample sizes if subgroups were to be required. Hence, the contractor requested SBA to seek an OMB decision on this matter of simple random sample or on a sample composed of various subgroups before a resubmission was made. SBA declined to do this. Again, see the appendix for the relevant correspondence.

<sup>75</sup> \$362,000 was originally allocated for this project. A "census quality" study conducted by any private effort or by the Census Bureau itself would cost at the minimum \$2 to \$4 million dollars and take from three to five years to complete. The original study provided a very viable alternative.



The principal problem revolves around the position of OMB with regard to all survey studies and the consequences this position has for research in general, regardless of the topic and/or population characteristics in question. Foremost among the difficulties was the issue of the response rate, which as related to the Principal Investigator by the SBA COTR and director of the Office of Veterans Affairs, had to be 85% according to OMB.<sup>76</sup> A second issue was the representativeness of the sample, which according to the information relayed to the contractor had to be the “perfect” universe. If true, the consequence would be that no studies could be approved by OMB if they fell short of the ideal universe of population and subgroup composition. This would lead one to presume that the only entity that can conduct studies is the Bureau of Census. In fact, the researcher contacted the Bureau of Census on a number of occasions. Subsequently, two firms within the Washington area and two researchers in the Boston area were contacted and asked about these issues.<sup>77</sup>

The conclusion any reasonable researcher arrives at is that either OMB does not have the expertise to truly comprehend the issues at hand (this cannot be the case), or is so overwhelmed with its responsibilities that research issues fall to the bottom of the queue. This makes for an unfortunate and costly public problem. For this study, the consequence was that solid profiles of the service disabled veterans’ population engaged in small business, drawn from a variety of universes of population, were not allowed to be obtained.

All this leads to two basic questions pertaining to the process of any study conducted by any contractor through any agency where survey techniques are involved. Why is OMB not involved in a review process of any contract negotiation process since it is an ultimate arbiter of the survey approval decision? Why do agencies involved in the development of survey studies not meet with contractors two or three times over a two or three-month period to discuss survey instruments. Also, why are OMB liaisons not part of such a process?

One inevitably comes to the conclusion that the process would suffer less if either of these reforms were instituted:

- (1) Each agency should be responsible for compliance with the Paperwork Reduction Act (1995) for those studies and projects under its authorized purview, *or*

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<sup>76</sup> OMB had interpreted a letter prepared for SBA to assist them in their preparation for OMB approval as indicating that the research project was anticipating only a response rate of 40%, when in actuality the Principal Investigator was anticipating a response rate of 65% to 75%. The principal investigator checked with a number of statisticians. All of the individuals contacted expressed chagrin and open disbelief that OMB studies remotely meet that goal. Rather, all expressed the opinion that only very specific studies (breast cancer research was one example) and those research projects conducted by the Census Bureau as studies would achieve that goal.

<sup>77</sup> Each individual contacted had an OMB “horror story”. The fact is that on one hand OMB is viewed fearfully as a most dangerous obstacle. The principal investigator’s questions were met with peals of laughter. One commented ... “aren’t you glad you took that contract” ...another [sarcastically]... “Just tell them you expect 85%”. The upshot was that each of the researchers considered the process [between the contractor, sponsor, and OMB] as ... “it’s just a mess over there”.

- (2) OMB should be required to have a liaison that will work with the agency and the contractor to overcome any difficulties and concerns.

## **8 Recommendations of the Present Study**

During the development of this study a few factors were identified as overarching, lynchpin subjects. For the purposes of this Phase IV Final Report they are identified below.

The Small Business Reauthorization Act of 1997 (P.L. 105-30) required that a study be conducted to determine the status and needs of disabled veteran-owned small businesses. In accordance with the provisions of that law, and Contract SBAHQ-99-C-0001, the University of Massachusetts – Boston submits the following recommendations concerning the needs of small businesses owned and controlled by disabled veterans to the U.S. Small Business Administration (SBA). Recommendations pursuant to the findings of this study fall into seven categories: Improve Capital Access, Expand Business Development Services, Expand Public Information & Outreach, Implement Goals and Adhere to Mandates, Enhance Procurement Opportunities, Ensure Services to Minority and Women Disabled Veterans, and Conduct Further Research.

### **8.1 Improve Access to Capital and Credit**

- Congress should enact legislation authorizing the U.S. Department of Veterans Affairs (DVA) to guarantee small business loans to disabled and other veterans for the acquisition of fixed assets used in a business. Such legislation should provide that the VA and SBA (with its expertise in business loan guarantee programs, its access to lenders, and its partnerships with business assistance agencies) collaborate in administering the small business loan guarantee program.
- Congress should enact legislation authorizing the SBA to provide direct business loans to disabled veterans with a 50% or greater disability rating. Such loans should feature the availability of intensive business development and loan acquisition assistance, low interest rates (e.g., comparable to the Handicapped Assistance Loan rate when that program was funded), no loan fees, and acceptance of the higher risk that is sometimes associated with businesses owned by veterans with severe service connected disabilities. Eligibility for direct loans should be automatic for such veterans barring a history of willful failure to repay business loans.
- Congress and appropriate federal agencies should act to waive fees and increase guarantees for disabled veterans borrowers under the SBA 7(a), 504 and other federal business loan programs.
- SBA should work to ensure that disabled veteran-owned businesses in need of mezzanine funding are provided assistance in finding and acquiring such second and third stage financing.

- The SBA should propose regulatory changes to include disabled veteran business owners among subpopulations covered in rules governing the Community Reinvestment Act.
- The SBA should help identify potential investors to support the creation of Veterans Small Business Investment Companies, which should focus investment capital on disabled veteran-owned small businesses.
- The SBA should increase approval of loans for disabled veteran-owned small businesses under the 7(a) business loan guarantee, Section 504 economic development loan, microloan, and other applicable loan programs by no less than 30% each year over the next three years.
- Congress should authorize the DVA to fund business start-up grants (for the purchase or lease of real property, equipment and tools, for the purchase of inventory, and for other business expenses) of up to \$100,000 to severely disabled veteran business owners enrolled in a vocational rehabilitation program under Chapter 31, Title 38 U.S.C.
- Congress and the Department of Defense (DOD) should explore the feasibility of and mechanisms for increasing small business loan and business assistance opportunities for active duty military personnel and their family members, e.g., through credit unions, micro-lenders, and business assistance agencies.
- SBA and the National Veterans Business Development Corporation should seek solutions to the unique loan acquisition barriers facing veterans who reside, or whose business is located on a reservation.

## **8.2 Expand Business Development Services**

- Federal and federally supported business assistance programs for disabled veterans should be designed to ensure that the disability-related needs of veterans are met, e.g., facilities should be fully accessible to and useable by such individuals. Phone and Internet-based services should be made available to veterans unable to travel to a business assistance agency due to their disability or medical condition.
- Congress should appropriate \$3 million annually to SBA to fund not less than ten pilot disabled veterans' business development service programs, to determine effective methods by which to deliver business development services to veteran-owned businesses, with preference to service-connected disabled veterans. Such methods could include veterans' business outreach and assistance centers, incubators, accelerators, co-ops, community- or industry-centered mentorship teams comprised of successful veteran business owners, networking groups, and highly individualized and sustained business technical assistance services for veterans with severe disabilities. Training and technical assistance in the areas of marketing and human resource strategies (including ways in which disabled veteran-owned businesses can obtain the referral of qualified employees from federal, state and local veterans' employment programs) should be an integral component of such business assistance programs. Nonprofit (including community-based veterans' agencies), for-profit, state, county,

local and other government entities should compete for opportunities to deliver such services.

- The Veterans Business Outreach Centers (VBOC) program, which currently serves veterans in only four small geographic areas, should immediately be expanded to ensure that all disabled and other veteran-owned businesses are targeted to receive basic outreach and business assistance services. Special efforts should be undertaken to ensure that VBOC services are made available to women and minority disabled veterans, as well as those in metropolitan areas, and rural communities (including reservations). Nonprofit, for-profit, state, county, local and other government entities should compete for opportunities to deliver such services. Congress and SBA should adequately fund this expansion, including contract funds and incentive grant funds.
- The DVA should fully enforce the provision of Chapter 31, Title 38 U.S.C., which, under certain circumstances, authorizes a veteran to pursue a business start-up as a vocational goal (and authorizes assistance in leasing equipment, and purchasing start-up inventory). Since self-employment is often the only opportunity for many veterans with severe barriers to employment, Chapter 31 should be amended to authorize any eligible disabled veteran to pursue a business start-up as a vocational goal, regardless of whether or not the veteran is able to pursue regular employment, if the self-employment goal is consistent with the veteran's interests and abilities, and is otherwise feasible. The DVA and the veteran should coordinate with a qualified business assistance agency or organization to obtain information on the economic feasibility of the veteran's self-employment goal, and to ensure that the veteran receives needed business assistance services. The DVA should also relax restrictions on disabled veterans pursuing business-related education and training programs via Internet-based degree granting colleges and universities.
- The National Veterans Business Development Corporation, the SBA, DVA, SBDCs (and affiliated colleges and universities) should explore the feasibility of developing an individualized business training curriculum, specially designed to address unique characteristics and needs of disabled and other veterans, and taught by certified SBDC and affiliated instructors. Tuition, fees, books and materials would be paid for with assistance from the GI Bill for Education (including Chapter 31), with assistance from one or more sponsoring prime contractors, or by the veteran's business. This training program should be available via mail and the Internet for veterans who are unable to travel to training facilities.
- Congress should continue to remove disincentives to self-employment contained in existing statutes governing the DVA disability compensation program, as well as Social Security Administration disability income programs.
- The National Veterans Business Development Corporation, whose principal purpose is to ensure the provision of quality technical assistance to disabled and other veteran-owned businesses, should collaborate with the Association of Small Business Development Centers and other professional associations to develop professional veterans' business assistance training programs for staff members of nonprofit, private sector, and government organizations that deliver business development, procurement, loan and other assistance to disabled and other veterans.

- State and local governments should include disabled and other veterans in business assistance and economic development initiatives, identifying disabled veteran-owned businesses through links with veterans' service organizations, state and county veterans affairs offices, veterans' business networks, SBA and other business assistance agencies, PRO-Net, and the DVA vocational rehabilitation program.
- SBA should ensure that its business development programs for disabled veterans include assistance in establishing a home-based business for veterans who have limited mobility, or who have PTSD or other disabilities that may limit their capacity to interact, in person, with others.
- SBA, the National Veterans Business Development Corporation, and SBA resource partners should become well-versed in adaptive technologies, equipment and devices that enable persons with severe disabilities to achieve self-employment goals, sources of such products, and resources available to assist a veteran in obtaining them (e.g., VA vocational rehabilitation program, state-federal vocational rehabilitation program, Technical Assistance Centers). Web sites of both SBA and the Corporation should link disabled veterans to web sites rich in information about such technologies and resources such as the Job Accommodation Network, and the National Rehabilitation Information Center.
- The DOL and OASVET should take substantive steps to implement the requirement of PL 106-50 that it take an active role in veterans self-employment.

### **8.3 Expand Public Information & Outreach**

- Information about P.L. 106-50 and its implementation, especially details concerning the provision for a three percent goal in federal procurement for disabled veterans and efforts to increase procurement opportunities for other veterans, should be disseminated by SBA and federal agencies to 1) disabled veterans whose names and addresses are contained in the files of SBA, SBA-supported organizations, and other federal agencies, 2) the approximately 2,200 disabled veteran-owned businesses listed in PRO-Net, and 3) disabled veterans who participated in the focus group sessions of this study. Additionally, the DVA should coordinate with the Internal Revenue Service to identify service disabled veteran business owners. The DVA should send such veterans a notice (perhaps as an attachment to the annual notice of disability compensation increase due to the cost-of-living adjustment) summarizing key provisions of P.L. 106-50. SBA, DVA and the National Veterans Business Development Corporation should inform disabled veterans, as well as other veterans, about this law's provisions through veterans' publications, e.g., DAV, PVA, VVA, VFW, and The American Legion national and state publications, and through broadcast media public service announcements.
- To ensure a highly visible and effective national launch of the implementation of the three percent procurement goal and other important provisions of P.L. 106-50 designed to assist disabled and other veteran business owners, the National Veterans Business Development Corporation, SBA, the Taskforce on Veterans Entrepreneurship, DVA, DOD, DOL, other federal departments, prime contractors with the highest gross annual sales to the federal government, SBDCs, state procurement agencies, and state veterans service agencies, should join with national veterans' organizations and veterans'

business networks to co-sponsor regional Veterans Small Business Training and Opportunity Fairs throughout the nation before August 31, 2001. A National Veterans Small Business Summit and Opportunity Fair should be conducted no later than September 30, 2001, and should feature an examination of barriers to veterans' business success as well as solutions discovered at the regional Fairs. Policy recommendations concerning the effective implementation of P.L. 106-50 (including the goals and growth of the National Veterans Business Development Corporation) should be sought from participants of both the regional and national events.

- The VA, in collaboration with representatives of veterans' service organizations and disabled veterans' business networks, should prepare a fact sheet that explains in plain language the effects of self-employment and other earnings and income on eligibility for DVA disability compensation (including ratings based on a veteran's unemployability). This fact sheet should be made available to disabled veteran business owners through the VA disability compensation program, the DVA vocational rehabilitation program, the SBA, SBDCs, VBOCs, and other SBA-supported business assistance programs.
- Federal agencies should ensure training of appropriate business assistance and procurement personnel on the provisions of P.L. 106-50 and other laws authorizing assistance to service disabled veterans in business, and on the unique characteristics, needs, and abilities of disabled veterans.
- SBA and SBA-supported programs for business owners who are individuals with disabilities, women, and minorities should ensure that public information and outreach initiatives and materials (including websites targeting such communities) include information on P.L. 106-50 and other small business legislation affording business assistance to persons with disabilities who are veterans, and women and minorities who are disabled veterans. Conversely, veterans' business-related web sites should include links to business resources and sites for individuals with disabilities, women and minorities, since many veterans may be eligible for programs targeting these populations.
- To ensure that disabled and other veterans served by the SBA and SBA-supported agencies (including Business Information Centers, Women's Business Centers, Tribal Business Centers, and SBDCs) can be reached with follow-up services; with information about business opportunities afforded by legislative, administrative, nonprofit or private sector initiatives; and with customer satisfaction and other evaluation questionnaires/surveys; each national, regional, district, state, and local office of such entities should collect and retain for no less than five years, each client veteran's name and business name, home and business addresses, home and business phone numbers, e-mail address, and, if applicable, VA disability rating (e.g., 10 percent, 50 percent).
- SBA and SBA-supported agencies should determine the success and failure rates of disabled veteran-owned businesses they have assisted, and make this information available to Congress and the public.
- Business assistance information and materials, including information on programs and services available through the SBA, VBOCs, SBDCs, the DVA vocation rehabilitation

program, federal procurement offices, and veterans' organizations, should be made available to separating service personnel at Transition Assistance Programs.

- Culturally appropriate public information and outreach initiatives should be undertaken to ensure that women and minority disabled veterans become aware of opportunities afforded under P.L. 106-50 and related laws. Such initiatives should strive to address language barriers, e.g., Native American and Puerto Rican veterans are sometimes not fluent in the English language.
- SBA, VA, DOL, and the U.S. Bureau of the Census should initiate a program to improve the collection of data on disabled and other veterans to enable policy makers to better determine the needs of veteran business owners. Special attention should be paid to the collection of data on population, employment, and loan approvals/denials for disabled and other veterans residing in Puerto Rico, Guam and other U.S. territories and possessions. Congress should provide funds to enable these agencies to undertake such data collection activities.
- SBA and the National Veterans Business Development Corporation should collaborate with the private sector (especially prime contractors) to support the establishment and growth of disabled veteran business networks.
- The National Veterans Business Development Corporation should establish a data warehouse containing information about disabled and other veterans and small business.
- The Census "short form" (everyone receives the short form, in contrast to the "long form," which is sent to sample populations) should include a question about military service, veteran status, and disabled veteran status.
- The veterans' page of SBA's website should provide links to DOL employer assistance; job training, placement and development; employment law and other business-related resources to enable disabled and other veteran business owners to find and hire fellow disabled and other veterans, and to find solutions to other business problems and needs.

#### **8.4 Implement Goals and Adhere to Mandates**

- The SBA should develop and implement performance goals and indicators in support of PL 106-50 and all other legislation related to service disabled veteran business owners. Such goals should include, but not be limited to:
  - 1) Percent of SBA procurement from disabled veteran-owned businesses
  - 2) Percent of SBA prime contracts for disabled veteran-owned businesses
  - 3) Percent of SBA subcontracts for disabled veteran-owned businesses
  - 4) Percent of all federal departments procurement from disabled veteran-owned businesses

- 5) Percent of Small Business Innovation Research program awards to disabled veteran-owned businesses
- 6) Number of 504 loans provided to disabled veteran-owned businesses
- 7) Number of microloans provided to disabled veteran-owned businesses
- 8) Number of 7 (a) loans provided to disabled veteran-owned businesses
- 9) Number of disabled veteran-owned businesses in the 8 (a) set-aside program
- 10) Number of disabled veterans-owned businesses assisted by Small Business Investment Corporations
- 11) Percent of small business financings in disabled veteran-owned businesses
- 12) Success rate of disabled veteran-owned businesses
- 13) Disabled veterans counseled by SBDCs
- 14) Disabled veterans trained by SBDCs
- 15) Disabled veterans served in BICs
- 16) Disabled veterans served in TBICs
- 17) Disabled veterans contacted by WBCs
- 18) Percent of SBA Office of Advocacy resources expended in advocacy efforts for disabled and other veteran-owned businesses

An analysis addressing the above performance indicators and the extent to which the goals assigned to each indicator was met should be included in the Administration's Annual Report to Congress on services to veterans as required by PL 106-50.

- Each federal department should establish and implement performance goals and indicators in support of PL 106-50 as well as other relevant legislation governing the departments' support of disabled veteran business owners. Performance goals should include:

- 1) Percent of department/agency procurement from disabled veteran-owned businesses.
- 2) Percent of department/agency prime contracts for disabled veteran-owned businesses.
- 3) Percent of department/agency subcontracts (prime contractor and other subcontracts, e.g., SBA 8(a) subcontracts) for disabled veteran-owned businesses.

- Federal departments and other agencies should require prime contractors that have not met their 3% disabled veterans procurement goal, to establish written corrective action plans describing specific steps to be taken to meet the goal. Such steps should include efforts to identify and connect with disabled veteran-owned businesses through direct mail, e-mail and phone calls (using PRO-Net contact information), VA and other federal departments' database information (matched with IRS and/or Dun and



Bradstreet databases), mentorships with service disabled veteran owned businesses needing and desiring such support, advertising (e.g., display ads placed in national and state veterans' organization publications), and contacts with state and local economic development agencies and state departments of veterans affairs.

## **8.5 Enhance Procurement Opportunities**

- The President should issue an Executive Order directing each federal agency to take urgent action to fully and effectively implement the provisions of P.L. 106-50 designed to create procurement opportunities for disabled veteran and other veteran-owned businesses.
- Procurement systems should be reengineered to further simplify pre-solicitation and solicitation procedures, ensure targeted and timely pre-solicitation and solicitation notices, guarantee prompt payment practices at all levels (including prime contractors' payments to subcontractors), eliminate unnecessary and overly restrictive qualification requirements, minimize bonding requirements, and intensify efforts to reduce bid bundling.
- Disabled veterans with disabilities rated 30 percent or more by the VA should be considered to have met the "socially and economically disadvantaged" requirement of the SBA 8(a) program., and other federal business assistance programs
- The SBA and National Veterans Business Development Corporation should work together to establish a disabled veterans procurement assistance program to provide individualized help to business owners in identifying sources of procurement solicitation notices and other opportunity information relevant to the veteran's business, methods for obtaining and screening such information, factors to consider in deciding which solicitations to bid on, partnership strategies (including methods for disabled veterans to link with fellow veteran business owners, e.g., a PRO-Net-linked forum and chat room for discussion of potential partnering agreements) , and sources of assistance in developing the capacity to fulfill contract specifications (prime contract veterans assistance programs, mentorship programs, training and education programs). Such procurement assistance programs should be provided as a component of Veterans Business Outreach and Assistance Programs, SBA Veterans Affairs Offices, Regional Procurement Centers, and each federal department's Office of Small and Disadvantaged Business Utilization. They should be designed to empower disabled veteran businesses by helping them acquire the knowledge, skills, and other tools needed to take full advantage of federal, prime contractor and related procurement opportunities.
- SBA and other federal agencies involved in promoting, coordinating, or otherwise supporting trade missions, virtual trade missions, and other programs designed to create and expand trade opportunities for U.S. businesses should ensure that disabled and other veteran business owners are included in the planning, implementation and benefits of such efforts. Disabled veterans should be afforded the highest priority in all such efforts.
- SBA and other appropriate federal agencies should work together to expand and maintain an up-to-date, accurate, qualified contractor database (PRO-Net could serve

as a starting point) containing information on disabled veteran-owned businesses, and indicating their certification status. Such agencies should communicate regularly with listed businesses regarding the success or failure of federal departments and prime contractors in meeting the 3% procurement goal and other mandates contained in P.L. 106-50, business assistance resources, and methods for acquiring government business.

- Should certification of a disabled veteran-owned business as meeting the requirements of P.L. 106-50 become necessary, such certification should be without fee to the veteran business owner and his or her business, and be completed within 30 days of application.
- All standard federal procurement forms which serve to identify small business owner populations (e.g., women and minorities) should be redesigned to ensure that disabled veteran and veteran status and other pertinent information is included.

## **8.6 Ensure Services to Minorities and Women Disabled Veterans**

Special care should be taken to ensure that women and minorities are included in the implementation of any and all recommendations made in this study. The points below are reiterated as being particularly salient.

- SBA and the VA should work to develop a micro-loan program that is viable for the start-up micro-businesses that many disabled veterans with minority status are interested in. Those interested in establishing such a micro-business, particularly those who were of minority status, indicated that there was no outreach to them. Also, an effort to assist minorities (and others) with credit difficulties must be included in the program design. Credit difficulty was frequently mentioned as an almost insurmountable problem for disabled veterans with lower socio-economic and/or minority status.
- Outreach to all veterans will require a comprehensive team effort. This is particularly the case for minority and woman veterans. Women who have served in the military and are disabled veterans rarely self identify as disabled veterans. Thus, all outreach program designs must be very explicit in inclusion of women disabled veterans.
- The type and level of technical services may require adjustment for socio-economic factors. In the judgement of the researchers, approximately 60% of the minority population participating in the focus groups would require much more comprehensive and “entry” level services. For example, the veterans’ focus group participants who were involved with the fledgling veterans association of “push-cart” businesses in New York City were fined and regulated out of business. They lacked the business, political, and social networks as well as the financial capital to be among the survivors of the NYC regulatory changes implemented a few years ago. A “one size fits all” approach to the delivery of services to disabled veterans and minority disabled veterans will not be as successful as an individualized or tiered approach.
- All outreach and technical assistance efforts should include a bilingual capability to ensure service to the Hispanic-veterans’ and Native American communities.

- SBA, VA, DOL, and the U.S. Bureau of the Census should initiate a program to improve the collection of data on disabled (and non-disabled) veterans residing in Puerto Rico, Guam and other U.S. territories and possessions. As mentioned above, special attention should be paid to the collection of data on population, employment, and loan approvals/denials. Congress should provide funds to enable these agencies to undertake such data collection activities.
- The SBA, DVA, DOL, Commerce Department and others should conduct an array of exploratory and descriptive studies specifically designed for the disabled women veterans' and minority veterans' communities. At least one of these studies should specifically focus on Puerto Rico.
- Agency memorandums of agreement with community-based veterans' agencies and in particular, those from the minority community, should include financial remuneration/assistance to the organization for their efforts.

## **8.7 Conduct Further Research**

- The National Veterans Business Development Corporation, in cooperation with the SBA, other agencies and the private sector should collaborate to complete an assessment of funding sources available to businesses owned and controlled by disabled veterans to determine if a sufficient continuum of business loan products and services is available to them, and if they are fully informed of, and possess the knowledge and skills to take advantage of such products and services.
- An array of studies (both quantitative and qualitative) should be conducted under the auspices of the SBA, VA, and DOL, focusing on issues related to the status and development of veterans' entrepreneurship. Study requests for proposal should address such topics as (1) access to capital, (2) the size, scope, and nature of disabled veteran- and other veteran-owned businesses, (3) the ability of veteran-owned businesses to participate in the "new economy". Memorandums of understanding should be developed in advance with other agencies (particularly OMB) to ensure cooperation in the conduct of such studies. Qualitative and quantitative studies of limited scope can provide valuable information about various sectors of the population universe in question. Such limited studies provide valuable data and information, which can guide the development of more comprehensive studies.
- The SBA should seek funding for a major economic census study such as CBO92-1, Characteristics of Business Owners. Such studies can require at least \$2 -\$4 million and take three to five years from inception to completion. Veterans must be included as a specific unit of analysis category along with Hispanic, Black, Other minority, and Women-owned businesses. The 1992 CBO is limited in its usefulness to supply important data concerning veteran-owned businesses.
- In addition to these technical studies, a narrative and annotated history should be commissioned which provides a historical overview of the SBA and the profile and status of disabled and other veterans as a constituency within SBA. [Few individuals

connected with SBA realize that the agency was an outgrowth of legislation to benefit veterans of WWII.]

- Congress should enact legislation authorizing each federal agency to be responsible for compliance with the Paperwork Reduction Act (1995) for those studies and projects under its purview. Alternatively, OMB should be required to have a liaison who will work with the agency and the study contractor to overcome any difficulties and concerns.

## 9 References

For the purposes of this report, the references are classified as (1) those generated by the SBA or by SBA research contracts, (2) those studies performed by the GAO, (3) Congressional Hearings, and (4) those works from the social science literature which were pertinent to this project.

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## **10 Appendix**

The pages below contain details on a variety of data and issues related to the conduct of the study. Immediately below are the details of several tables that were generated as part of a special report to SBA by the Bureau of Census in connection with the 1992 Economic Census, CBO92-1, Characteristics of Business Owners. As mentioned in the report, generating tables on veterans was problematic because cross tabulations need a sufficient number of elements in their cells if the estimation of error is to be kept at an acceptable level. Also, veterans were not a unit of analysis in this study.

**SBA Table 12(I) - 1992 Characteristics of Business Owners**  
**10.1.1 Success Rates for Veteran-Owned Businesses**

Part I - Businesses still in operation in 1996?				
By Year of Operation and Industry Division				
	Number of Firms	Still in Operation		
		YES	NO	DON'T KNOW
	A	B	C	D
<b>II Vet Businesses</b>	4,167,505	75.5	23.3	1.2
Agri Services	133,201	77.1	20.5	2.4
Construction	539,910	67.2	31.5	1.3
manufacturing	128,408	82.1	15.4	2.4
Trans,Comm,Util	177,829	66.1	31.0	2.9
Wholesale Trade	154,712	80.3	17.2	2.6
Retail Trade	443,849	77.8	20.8	1.4
Fin,Ins,R Est	694,245	81.5	18.4	0.1
Services	1,744,356	75.6	23.3	1.2
Ind Not Class	150,996	68.1	31.5	0.3
<b>Est Before 1970</b>	766,250	81.5	18.3	0.2
Agri Services	36,875	88.0	11.9	0.1
Construction	78,545	63.5	36.4	0.1
manufacturing	25,951	95.5	4.5	0.0
Trans,Comm,Util	11,324	96.8	3.2	0.0
Wholesale Trade	24,028	94.8	5.2	0.0
Retail Trade	144,515	86.1	13.5	0.3
Fin,Ins,R Est	126,735	82.3	17.3	0.4
Services	300,033	80.3	19.7	0.1
Ind Not Class	18,245	78.4	21.6	0.0
<b>Est 1970-1979</b>	824,576	82.8	16.2	1.0
Agri Services	15,662	89.7	9.7	0.6
Construction	106,058	73.1	26.9	0.0
manufacturing	18,946	84.2	11.6	4.2
Trans,Comm,Util	23,435	76.6	22.2	1.3
Wholesale Trade	28,868	81.3	8.7	10.0
Retail Trade	89,186	75.4	24.6	0.0
Fin,Ins,R Est	159,628	90.6	9.4	0.0
Services	351,018	84.3	14.6	1.2
Ind Not Class	31,776	82.8	17.2	0.0
<b>Est 1980-1985</b>	689,246	85.0	14.7	0.2
Agri Services	13,180	92.5	2.2	5.4
Construction	67,288	83.9	16.0	0.1
manufacturing	24,784	98.2	1.8	0.0
Trans,Comm,Util	29,641	76.4	22.4	1.2
Wholesale Trade	27,630	93.2	6.4	0.5
Retail Trade	54,446	93.1	6.9	0.0
Fin,Ins,R Est	149,398	80.3	19.7	0.0
Services	295,919	84.4	15.6	0.1
Ind Not Class	26,960	91.2	8.2	0.6
<b>Est 1986-1988</b>	607,770	71.1	25.6	3.3
Agri Services	23,461	84.5	15.5	0.0
Construction	85,365	64.6	27.6	7.8
manufacturing	181,132	65.5	34.5	0.0
Trans,Comm,Util	23,109	68.6	31.4	0.0
Wholesale Trade	20,789	72.5	27.5	0.0
Retail Trade	31,529	84.2	15.7	0.1
Fin,Ins,R Est	94,786	71.6	28.4	0.0
Services	296,535	70.4	25.1	4.5
Ind Not Class	14,064	81.7	18.3	0.0
<b>Established 1989</b>	266,132	73.1	25.6	1.3
Agri Services	5,697	89.9	1.0	9.1
Construction	47,327	76.8	23.2	0.0
manufacturing	6,909	59.0	8.0	33.0
Trans,Comm,Util	13,235	70.2	29.8	0.0
Wholesale Trade	9,023	66.6	33.4	0.0
Retail Trade	23,858	76.5	20.6	2.9
Fin,Ins,R Est	52,152	88.9	11.1	0.0
Services	92,832	64.6	35.4	0.0
Ind Not Class	15,099	59.8	40.2	0.0
<b>Established 1990</b>	293,704	66.6	31.3	2.1
Agri Services	15,630	63.8	27.3	8.9
Construction	47,976	59.7	40.3	0.0
manufacturing	7,768	68.0	31.8	0.3
Trans,Comm,Util	18,371	66.7	9.0	24.3

## 10.1.2 SBA Table 12(I) - 1992 Characteristics of Business Owners

		Part II - If No Longer Operating, Year Business Ceased Operations					
		By Year of Operation and Industry Division					
		Ceased Operations in...					
		Number of Firms	1992	1993	1994	1995	NA
		A	F	G	H	I	K
All Vet Businesses		4,167,505	7.1	6.3	5.4	4.6	76.7
	Agri Services	133,201	9.9	2.7	3.1	4.8	79.5
	Construction	539,910	10.2	4.2	8.6	8.5	68.5
	manufacturing	128,408	2.1	5.7	4.3	3.4	84.6
	Trans,Comm,Util	177,829	11.5	5.7	7.0	6.8	69.0
	Wholesale Trade	154,712	2.0	5.7	5.6	3.7	82.8
	Retail Trade	443,849	6.0	6.0	2.6	6.3	79.2
	Fin,Ins,R Est	694,245	3.9	4.6	7.8	2.2	81.6
	Services	1,744,356	7.4	7.7	4.2	4.0	76.7
	Ind Not Class	150,996	11.3	11.1	5.1	4.0	68.5
Est Before 1970		766,250	3.7	8.2	2.4	4.0	81.7
	Agri Services	36,875	9.4	0.0	0.4	2.1	88.1
	Construction	78,545	1.3	19.0	12.8	3.2	63.6
	manufacturing	25,951	2.9	0.4	0.0	1.2	95.5
	Trans,Comm,Util	11,324	0.0	0.5	2.1	0.6	96.8
	Wholesale Trade	24,028	0.6	2.7	0.3	1.7	94.8
	Retail Trade	144,515	11.2	0.2	0.2	1.9	86.5
	Fin,Ins,R Est	126,735	0.0	8.2	0.8	8.3	82.7
	Services	300,033	1.8	11.5	2.1	4.3	80.3
	Ind Not Class	18,245	9.3	9.5	2.8	0.0	78.4
Est 1970-1979		824,576	2.4	1.4	5.1	7.2	83.8
	Agri Services	15,662	1.8	6.4	0.9	0.7	90.3
	Construction	106,058	3.3	0.4	12.0	11.2	73.1
	manufacturing	18,946	0.1	0.6	3.0	2.9	88.4
	Trans,Comm,Util	23,435	2.2	0.8	1.8	17.2	78.0
	Wholesale Trade	28,868	3.5	0.8	1.7	2.7	91.3
	Retail Trade	89,186	3.4	4.8	1.7	14.8	75.4
	Fin,Ins,R Est	159,628	2.5	0.2	6.0	0.3	90.6
	Services	351,018	2.0	0.2	4.5	7.9	85.4
	Ind Not Class	31,776	0.3	13.2	0.0	3.6	82.8
Est 1980-1985		689,246	2.3	3.9	6.2	2.4	85.3
	Agri Services	13,180	0.1	0.7	1.0	0.4	97.8
	Construction	67,288	0.8	0.0	10.7	4.4	84.0
	manufacturing	24,784	0.2	0.3	0.8	0.5	998.2
	Trans,Comm,Util	29,641	5.4	9.3	4.3	3.4	77.6
	Wholesale Trade	27,630	0.9	0.6	0.9	3.9	93.6
	Retail Trade	54,446	0.5	2.6	1.4	2.5	93.1
	Fin,Ins,R Est	149,398	0.1	7.6	9.9	2.1	80.3
	Services	295,919	4.3	3.5	5.5	2.2	84.4
	Ind Not Class	26,960	0.6	0.8	6.3	0.5	91.8
Est 1986-1988		607,770	13.6	5.1	3.5	3.4	74.4
	Agri Services	23,461	12.0	0.1	2.2	1.1	84.5
	Construction	85,365	16.6	6.0	0.1	4.9	72.4
	manufacturing	181,132	7.2	22.5	2.0	2.8	65.5
	Trans,Comm,Util	23,109	15.0	1.2	9.2	6.0	68.6
	Wholesale Trade	20,789	0.6	16.8	3.1	6.9	72.5
	Retail Trade	31,529	6.9	2.2	3.8	2.8	84.3
	Fin,Ins,R Est	94,786	13.2	0.2	14.4	0.6	71.6
	Services	296,535	15.5	5.7	0.9	3.0	74.9
	Ind Not Class	14,064	0.2	0.0	0.0	18.1	81.7

**10.1.3 SBA Table 12(I) - 1992 Characteristics of Business Owners (cont.)**

Established 1989	266,132	4.4	6.4	11.8	3.0	74.4
Agri Services	5,697	0.2	0.0	0.4	0.4	99.0
Construction	47,327	9.8	0.3	10.6	2.5	76.8
manufacturing	6,909	0.8	0.9	0.5	5.9	92.0
Trans,Comm,Util	13,235	0.0	8.8	12.3	8.6	70.2
Wholesale Trade	9,023	0.1	25.9	1.8	5.5	66.6
Retail Trade	23,858	8.0	4.7	7.8	0.2	79.4
Fin,Ins,R Est	52,152	0.1	7.0	3.9	0.1	88.9
Services	92,832	0.8	9.2	22.1	3.3	64.6
Ind Not Class	15,099	28.8	0.0	0.1	11.3	59.8
Established 1990	293,704	2.0	13.1	7.9	8.3	68.7
Agri Services	15,630	0.2	0.3	20.0	6.8	72.7
Construction	47,976	5.1	1.1	0.2	33.8	59.7
manufacturing	7,768	0.0	6.0	2.7	23.0	68.2
Trans,Comm,Util	18,371	1.1	0.0	7.8	0.0	91.0
Wholesale Trade	8,871	0.7	13.5	8.4	0.4	76.9
Retail Trade	36,186	0.0	41.5	12.7	11.9	33.9
Fin,Ins,R Est	28,997	0.4	0.5	37.5	0.0	61.6
Services	125,173	2.4	16.7	1.7	0.7	78.5
Ind Not Class	4,730	0.8	2.7	1.8	1.9	92.7
Established 1991	300,364	11.8	9.0	2.4	5.5	71.3
Agri Services	7,465	1.2	0.3	0.3	1.7	96.5
Construction	39,953	34.6	1.5	5.6	13.9	44.5
manufacturing	11,396	0.9	7.5	2.3	0.6	88.8
Trans,Comm,Util	12,568	9.6	14.3	4.7	0.2	71.2
Wholesale Trade	16,994	7.8	1.4	4.3	3.3	83.3
Retail Trade	25,856	2.4	6.9	1.1	19.6	70.0
Fin,Ins,R Est	50,825	0.0	6.5	0.5	0.1	92.8
Services	125,187	14.6	14.5	1.8	3.9	65.1
Ind Not Class	10,119	1.2	2.7	4.8	0.0	91.3
Established 1992	349,761	26.1	13.1	5.8	3.2	51.8
Agri Services	14,663	43.5	16.6	0.3	27.4	12.2
Construction	52,592	28.0	2.0	17.2	2.2	50.6
manufacturing	7,577	0.6	1.6	1.1	7.8	88.8
Trans,Comm,Util	37,898	35.5	10.3	2.2	0.4	51.7
Wholesale Trade	12,806	1.0	3.7	21.1	7.8	66.3
Retail Trade	26,143	3.8	5.7	3.3	0.5	86.7
Fin,Ins,R Est	29,871	31.2	8.4	3.5	0.2	56.7
Services	139,202	25.7	17.0	0.5	2.9	53.9
Ind Not Class	29,008	36.0	35.0	16.6	0.4	12.0



**10.1.4 SBA Table 14(I) - 1992 Characteristics of Business owners**  
**Net Profits/Loss for Veteran-Owned Businesses**

		Part I - Net profits in 1992				
		Number of Firms	Net Profit			
			100K and up	25 to 99K	10 to 25K	0 to 10K
		A	B	C	D	E
All Vet Businesses		3,440,268	4.2	12.8	10.0	46.3
	Agri Services	110,036	3.1	11.2	12.6	45.8
	Construction	431,662	2.0	10.5	12.2	50.1
	manufacturing	111,220	8.0	12.6	13.2	34.8
	Trans,Comm,Util	149,709	2.0	10.9	19.4	46.6
	Wholesale Trade	137,984	8.4	17.4	12.3	34.9
	Retail Trade	418,273	3.0	13.0	11.9	43.0
	Fin,Ins,R Est	523,954	6.7	13.3	12.3	36.2
	Services	144,328	4.3	13.5	6.3	51.1
	Ind Not Class	113,102	0.9	7.1	9.0	56.0
Est Before 1970		598,271	8.8	19.9	14.7	38.7
	Agri Services	24,257	4.2	19.4	8.8	48.0
	Construction	69,850	4.8	11.8	20.4	39.9
	manufacturing	21,872	16.0	27.3	5.2	32.7
	Trans,Comm,Util	8,445	17.2	26.0	14.0	17.4
	Wholesale Trade	22,707	22.7	24.4	12.8	22.6
	Retail Trade	132,685	4.1	14.7	13.1	47.3
	Fin,Ins,R Est	79,146	18.1	21.1	25.3	28.6
	Services	224,494	8.0	24.5	12.2	37.2
	Ind Not Class	14,816	2.7	7.6	9.5	63.5
Est 1970-1979		692,018	5.6	16.9	15.8	39.3
	Agri Services	12,288	3.0	22.2	25.8	29.8
	Construction	112,847	1.7	11.2	20.7	39.9
	manufacturing	17,003	14.9	23.9	29.2	10.1
	Trans,Comm,Util	17,836	3.7	21.3	31.2	26.7
	Wholesale Trade	21,966	12.6	27.5	16.9	32.0
	Retail Trade	82,927	4.5	19.5	19.3	43.3
	Fin,Ins,R Est	101,225	10.2	21.3	21.7	12.4
	Services	298,217	5.6	16.2	8.9	48.6
	Ind Not Class	27,708	0.2	6.8	15.3	58.5
Est 1980-1985		560,533	4.2	15.7	9.6	42.6
	Agri Services	12,213	6.0	6.8	5.7	46.1
	Construction	32,805	4.2	26.4	22.2	38.6
	manufacturing	18,588	7.4	7.3	19.2	29.7
	Trans,Comm,Util	28,275	0.9	17.7	15.4	32.4
	Wholesale Trade	26,527	8.4	19.0	9.4	16.9
	Retail Trade	52,936	2.4	13.9	19.5	40.7
	Fin,Ins,R Est	129,817	5.2	13.1	4.7	36.1
	Services	239,188	4.0	17.0	7.7	53.7
	Ind Not Class	20,183	0.5	10.4	2.3	20.6
Est 1986-1988		496,788	2.7	10.4	5.2	59.6
	Agri Services	21,721	2.0	6.8	16.2	47.4
	Construction	50,708	1.0	20.2	6.8	47.8
	manufacturing	15,050	4.4	11.7	10.0	37.7
	Trans,Comm,Util	19,889	1.8	12.4	16.9	39.5
	Wholesale Trade	17,549	2.5	19.7	12.6	51.5
	Retail Trade	33,741	2.7	15.4	6.1	49.3
	Fin,Ins,R Est	68,535	1.8	9.1	10.8	45.9
	Services	259,490	3.3	7.6	0.8	70.6
	Ind Not Class	10,105	0.5	12.0	3.2	75.4

**10.1.5 SBA Table 14(I) - 1992 Characteristics of Business owners (cont.)**  
**Net Profits/Loss for Veteran-Owned Businesses**

Established 1989	233,581	4.0	6.8	6.5	44.9
Agri Services	5,529	10.2	15.5	1.1	17.7
Construction	38,770	0.7	2.5	0.8	65.3
manufacturing	6,687	3.0	6.2	23.8	46.9
Trans,Comm,Util	13,181	0.0	3.9	28.2	48.4
Wholesale Trade	8,951	2.0	15.0	7.0	45.2
Retail Trade	20,092	2.8	18.6	8.3	29.3
Fin,Ins,R Est	50,024	1.0	6.3	1.2	47.0
Services	75,342	9.4	6.1	8.5	31.1
Ind Not Class	15,004	0.3	1.5	0.9	81.3
Established 1990	256,127	1.2	7.3	5.4	50.0
Agri Services	12,291	1.1	10.4	3.8	63.3
Construction	42,007	1.8	2.2	4.1	54.9
manufacturing	6,902	4.4	3.0	25.2	45.6
Trans,Comm,Util	17,596	1.1	1.8	29.8	62.6
Wholesale Trade	8,956	3.3	4.1	11.2	18.5
Retail Trade	39,040	0.7	2.2	1.4	44.7
Fin,Ins,R Est	27,219	2.1	2.6	0.1	82.8
Services	97,722	0.6	13.0	0.8	39.9
Ind Not Class	4,395	0.1	32.0	1.4	54.1
Established 1991	270,668	0.8	6.0	6.5	51.6
Agri Services	7,373	1.0	4.9	49.1	13.0
Construction	39,521	0.5	8.7	1.3	68.0
manufacturing	9,289	2.9	1.5	1.3	41.3
Trans,Comm,Util	10,131	0.2	1.8	15.3	72.9
Wholesale Trade	15,750	0.8	2.7	23.2	51.1
Retail Trade	26,890	0.6	4.3	5.4	37.5
Fin,Ins,R Est	29,448	3.2	5.6	2.5	69.1
Services	122,435	0.2	7.3	4.9	46.5
Ind Not Class	9,831	0.2	0.0	0.4	52.4
Established 1992	278,671	1.1	4.2	7.7	56.5
Agri Services	14,132	0.0	0.9	1.1	66.6
Construction	30,987	1.6	0.4	6.2	72.2
manufacturing	10,271	0.2	0.7	0.8	63.6
Trans,Comm,Util	29,715	0.0	6.0	13.6	58.7
Wholesale Trade	11,080	3.0	14.0	2.9	40.9
Retail Trade	25,714	0.7	1.5	1.2	35.2
Fin,Ins,R Est	28,893	1.2	8.0	26.8	32.2
Services	117,020	1.1	4.5	2.8	62.1
Ind Not Class	10,859	3.0	0.2	32.3	56.7

**10.1.6 SBA Table 14(II) - 1992 Characteristics of Business owners**  
**Net Profits/Loss for Veteran-Owned Businesses**

		<b>Part II - Net Loss in 1992</b>				
		Number of Firms	Net Loss			
			0 to 10K	10 to 25K	25 to 99K	100K and up
		A	F	G	H	I
All Vet Businesses		3,440,268	18.7	4.3	2.5	1.2
	Agri Services	110,036	22.7	0.9	3.1	0.7
	Construction	431,662	15.2	8.7	0.5	0.7
	manufacturing	111,220	18.2	4.8	5.8	2.6
	Trans,Comm,Util	149,709	11.3	6.5	2.6	0.7
	Wholesale Trade	137,984	17.8	5.6	2.7	0.9
	Retail Trade	418,273	20.7	5.0	2.8	0.5
	Fin,Ins,R Est	523,954	14.1	6.4	7.4	3.6
	Services	144,328	21.8	1.7	0.5	0.9
	Ind Not Class	113,102	14.9	5.6	6.5	0.1
Est Before 1970		598,271	10.1	5.3	1.4	1.2
	Agri Services	24,257	15.1	0.6	3.8	0.2
	Construction	69,850	0.9	20.1	1.4	0.7
	manufacturing	21,872	6.5	5.2	3.8	3.1
	Trans,Comm,Util	8,445	7.5	12.3	5.2	0.6
	Wholesale Trade	22,707	5.0	3.6	6.7	2.1
	Retail Trade	132,685	14.5	5.1	0.6	0.6
	Fin,Ins,R Est	79,146	3.1	1.0	1.6	1.2
	Services	224,494	13.3	2.6	0.6	1.6
	Ind Not Class	14,816	9.0	7.2	0.4	0.0
Est 1970-1979		692,018	15.7	3.0	2.8	0.8
	Agri Services	12,288	15.4	0.3	1.3	2.2
	Construction	112,847	18.7	7.1	0.4	0.4
	manufacturing	17,003	9.6	7.2	1.0	4.0
	Trans,Comm,Util	17,836	10.8	1.3	3.3	1.8
	Wholesale Trade	21,966	2.0	6.2	1.3	1.5
	Retail Trade	82,927	5.8	4.2	3.0	0.4
	Fin,Ins,R Est	101,225	16.6	2.5	14.0	1.3
	Services	298,217	18.5	1.3	0.3	0.6
	Ind Not Class	27,708	18.4	0.4	0.4	0.1
Est 1980-1985		560,533	15.8	6.2	4.8	1.2
	Agri Services	12,213	32.5	0.8	1.0	1.1
	Construction	32,805	3.9	2.8	0.4	1.6
	manufacturing	18,588	25.1	3.9	5.4	2.1
	Trans,Comm,Util	28,275	18.3	14.1	0.3	0.8
	Wholesale Trade	26,527	29.4	14.5	1.9	0.6
	Retail Trade	52,936	14.7	3.4	5.2	0.1
	Fin,Ins,R Est	129,817	11.6	12.4	14.4	2.5
	Services	239,188	15.2	1.0	0.6	0.8
	Ind Not Class	20,183	30.8	23.7	11.4	0.2
Est 1986-1988		496,788	14.9	3.7	2.1	1.4
	Agri Services	21,721	18.3	1.8	7.2	0.2
	Construction	50,708	9.2	13.0	0.2	1.8
	manufacturing	15,050	26.7	5.3	2.4	1.9
	Trans,Comm,Util	19,889	2.0	17.9	9.5	0.0
	Wholesale Trade	17,549	4.1	5.2	3.9	0.4
	Retail Trade	33,741	11.8	10.6	3.7	0.3
	Fin,Ins,R Est	68,535	21.6	1.1	6.0	3.7
	Services	259,490	15.9	0.6	0.1	1.2
	Ind Not Class	10,105	4.1	1.5	3.2	0.0

**10.1.7 SBA Table 14(II) - 1992 Characteristics of Business owners (cont.)**  
**Net Profits/Loss for Veteran-Owned Businesses**

Established 1989	233,581	29.4	6.8	1.1	0.5
Agri Services	5,529	53.8	0.0	0.4	1.2
Construction	38,770	24.5	3.9	0.9	1.3
manufacturing	6,687	7.9	11.2	0.0	1.0
Trans,Comm,Util	13,181	16.3	1.1	1.5	0.6
Wholesale Trade	8,951	26.4	2.8	1.4	0.2
Retail Trade	20,092	27.0	11.9	2.0	0.2
Fin,Ins,R Est	50,024	28.6	15.6	0.2	0.1
Services	75,342	38.8	3.8	1.8	0.5
Ind Not Class	15,004	14.1	1.6	0.2	0.0
Established 1990	256,127	33.8	1.2	0.4	1.5
Agri Services	12,291	19.4	1.4	0.0	0.6
Construction	42,007	36.8	0.1	0.1	0.0
manufacturing	6,902	9.8	4.5	2.1	5.3
Trans,Comm,Util	17,596	0.9	2.8	0.0	1.0
Wholesale Trade	8,956	59.9	1.7	1.4	0.0
Retail Trade	39,040	48.0	2.0	0.2	0.9
Fin,Ins,R Est	27,219	4.1	2.1	1.7	4.5
Services	97,722	43.3	0.5	0.1	1.8
Ind Not Class	4,395	9.5	0.0	2.9	0.0
Established 1991	270,668	25.7	5.1	3.5	0.8
Agri Services	7,373	22.7	0.2	7.7	1.3
Construction	39,521	5.5	116.0	0.0	0.0
manufacturing	9,289	9.5	3.2	36.8	3.4
Trans,Comm,Util	10,131	6.3	0.5	2.5	0.4
Wholesale Trade	15,750	19.3	1.3	0.2	1.3
Retail Trade	26,890	45.9	3.5	1.2	1.6
Fin,Ins,R Est	29,448	13.5	3.6	0.2	2.4
Services	122,435	36.3	4.0	0.5	0.2
Ind Not Class	9,831	3.7	0.0	43.4	0.0
Established 1992	278,671	26.9	2.1	1.4	0.2
Agri Services	14,132	31.2	0.0	0.2	0.0
Construction	30,987	17.9	0.8	0.8	0.0
manufacturing	10,271	28.3	0.5	4.9	0.9
Trans,Comm,Util	29,715	19.5	0.7	1.3	0.2
Wholesale Trade	11,080	33.9	1.2	4.1	0.1
Retail Trade	25,714	50.4	4.7	5.5	0.9
Fin,Ins,R Est	28,893	18.5	13.3	0.0	0.1
Services	117,020	28.7	0.1	0.6	0.1
Ind Not Class	10,859	6.6	0.0	1.2	0.0

**10.1.8 SBA Table 15(I) - 1992 Characteristics of Business Owners**  
**Success Rates for Disabled Veteran-Owned Businesses**

<b>Part I - Businesses still in operation in 1996?</b>				
<b>By Year of Operation and Industry Division</b>				
	Number of Firms	<b>Still in Operation</b>		
		<b>YES</b>	<b>NO</b>	<b>DON'T KNOW</b>
		<b>A</b>	<b>B</b>	<b>C</b>
All Vet Businesses	312,813	69.5	27.8	2.7
Agri Services	7,062	79.1	1.1	19.8
Construction	21,333	66.9	33.1	0.0
manufacturing	8,586	88.2	11.6	0.2
Trans,Comm,Util	12,852	71.7	28.3	0.0
Wholesale Trade	7,686	58.1	4.4	37.5
Retail Trade	43,437	62.9	37.0	0.1
Fin,Ins,R Est	53,557	94.3	5.6	0.1
Services	142,485	59.1	38.1	2.7
Ind Not Class	15,815	90.6	9.4	0.0
Est Before 1970	68,125	70.2	29.6	0.2
Agri Services	2,470	99.5	0.5	0.0
Construction	1,849	92.8	7.2	0.0
manufacturing	351	96.0	4.0	0.0
Trans,Comm,Util	368	89.4	10.6	0.0
Wholesale Trade	1,039	94.9	5.1	0.0
Retail Trade	18,063	44.0	55.8	0.3
Fin,Ins,R Est	10,420	99.3	0.0	0.7
Services	32,330	69.9	30.1	0.0
Ind Not Class	1,234	92.6	7.2	0.2
Est 1970-1979	76,486	63.6	27.8	8.6
Agri Services	201	100.0	0.0	0.0
Construction	2,544	93.1	6.9	0.0
manufacturing	482	99.0	1.0	0.0
Trans,Comm,Util	2,081	99.8	0.2	0.0
Wholesale Trade	4,618	35.2	2.3	62.4
Retail Trade	3,971	88.9	11.1	0.0
Fin,Ins,R Est	20,266	99.7	0.3	0.0
Services	41,906	42.8	48.3	8.9
Ind Not Class	418	56.8	43.2	0.0
Est 1980-1985	57,216	82.0	18.0	0.0
Agri Services	134	100.0	0.0	0.0
Construction	5,554	58.0	42.0	0.0
manufacturing	2,660	98.4	1.6	0.0
Trans,Comm,Util	1,370	83.8	16.2	0.0
Wholesale Trade	410	98.4	1.6	0.0
Retail Trade	8,623	96.7	3.3	0.0
Fin,Ins,R Est	7,513	99.5	0.5	0.0
Services	18,901	60.8	39.2	0.0
Ind Not Class	12,051	100.0	0.0	0.0
Est 1986-1988	31,958	74.5	25.5	0.0
Agri Services	91	100.0	0.0	0.0
Construction	2,169	6.9	93.1	0.0
manufacturing	2,300	91.7	8.3	0.0
Trans,Comm,Util	4,971	74.0	26.0	0.0
Wholesale Trade	1,211	95.3	4.7	0.0
Retail Trade	1,000	79.7	20.3	0.0
Fin,Ins,R Est	1,542	100.0	0.0	0.0
Services	18,495	77.3	22.7	0.0
Ind Not Class	178	0.0	100.0	0.0

**10.1.9 SBA Table 15 (I) - 1992 Characteristics of Business Owners (cont.)**  
**Success Rates for Disabled Veteran-Owned Businesses**

Established 1989	15,950	41.9	58.1	0.0
Agri Services	43	100.0	0.0	0.0
Construction	72	100.0	0.0	0.0
manufacturing	34	0.0	100.0	0.0
Trans,Comm,Util	419	12.2	87.8	0.0
Wholesale Trade	174	100.0	0.0	0.0
Retail Trade	379	37.0	63.0	0.0
Fin,Ins,R Est	4,075	97.8	2.2	0.0
Services	10,532	20.8	79.2	0.0
Ind Not Class	221	8.6	91.4	0.0
Established 1990	10,550	50.2	36.4	13.5
Agri Services	1,824	23.3	0.0	76.7
Construction	4	30.7	69.3	0.0
manufacturing	2,383	69.4	29.7	0.9
Trans,Comm,Util	265	100.0	0.0	0.0
Wholesale Trade	119	16.0	84.0	0.0
Retail Trade	3,244	19.2	80.8	0.0
Fin,Ins,R Est	112	36.6	63.4	0.0
Services	1,439	92.9	7.1	0.0
Ind Not Class	859	97.6	2.4	0.0
Established 1991	15,899	69.2	30.8	0.0
Agri Services	1,723	97.5	2.5	0.0
Construction	96	100.0	0.0	0.0
manufacturing	147	98.4	1.6	0.0
Trans,Comm,Util	3,236	51.6	48.4	0.0
Wholesale Trade	25	100.0	0.0	0.0
Retail Trade	351	45.6	54.4	0.0
Fin,Ins,R Est	3,385	94.4	5.6	0.0
Services	3,500	72.6	27.4	0.0
Ind Not Class	257	16.2	83.8	0.0
Established 1992	27,150	72.1	27.4	0.5
Agri Services	576	96.3	3.7	0.0
Construction	3,283	33.9	66.1	0.0
manufacturing	207	100.0	0.0	0.0
Trans,Comm,Util	119	0.0	100.0	0.0
Wholesale Trade	85	82.7	17.3	0.0
Retail Trade	4,503	95.9	4.1	0.0
Fin,Ins,R Est	5,359	65.8	34.2	0.0
Services	12,685	77.1	21.9	1.0
Ind Not Class	332	0.0	100.0	0.0

## **11 Collection of Key Correspondence**

The following is a collection of letters, memos, emails, and faxes, which constitute the chronology of events and document the contentious atmosphere and process surrounding the conduct of this study (SBAHQ-98-0040/SBAHQ-99-C-0001). They were originally arranged as packets to respond to those requesting information about the progress of the study. Here the most significant of them are arranged by date. These pages are left unnumbered, in their original “file form”.

October 30, 2000

### Chronology of Events – Congressional Study Concerning Small Business

The following is a listing of the major “events” which have transpired in connection with this study (SBAHQ-98-0040). These events include coming to an agreement concerning the contract, the development of the questionnaire and interview instruments for the study, and the acquisition and development of data and aggregate data to utilize in this study.

December 1997, Public Law 105-135 (December 2, 1997) was passed requiring a study to be conducted. See Title VII Section 703.

In late December 1997, a preliminary proposal was sent to SBA/OVA.

In April 1998 a formal (unsolicited) proposal was submitted to SBA.

On July 15, 1998, the principal investigator received a letter of authorization from SBA to proceed.

During August 1998, the principal investigator began the process of assembling the study team.

On September 29, 1998 an initial draft (content only) of the survey questionnaire was sent to COTR Reginald Teamer.

From July 1998 until approximately mid October 1998 there were funding problems at SBA concerning this study.

During October 1998 the study team initiated the process to secure approval from the University of Massachusetts Institutional Review Board for Human Subjects for the study.



On October 20, 1998 the principal investigator received a letter from the COTR, Mr. Reginald Teamer. He expressed several concerns with the questionnaire.

On October 23, 1998, the principal investigator received a fax from the COTR concerning the data requirement list for the study. It asked for a large number of reports to be submitted to SBA during the course of the study.

On October 30, 1998, the study team began to respond to the first set of SBA comments on our initial version of the questionnaire and sent our response to SBA.

On November 2, 1998 the principal investigator responded to the data requirement list (faxed to the principal investigator on October 23<sup>rd</sup>) which was sent to Contracting Specialist Kyle Groome.

On December 1, 1998 the principal investigator met with SBA officials to come to an agreement on reporting requirements. It was agreed that four phase reports would be required.

On December 3, 1999 the study team responded to methodological concerns raised at the December 1st meeting.

On December 17, 1998, Reginald Teamer was sent another version of the questionnaire in response to his additional concerns.

On December 22, 1998 a contract was signed.

On December 29, Reginald Teamer replied to our December 17<sup>th</sup> response with suggestions for more changes.

During January 22 – January 23, 1999, members of the study team met in Washington to review the survey instrument and the in-depth interview instruments.

On January 29, 1999, the study team was sent the materials with all of the changes that were recommended by Clifton Toulson and Clendon Terry (Mr. Terry was appointed the new COTR).

On February 9, 1999, Mr. Clendon Terry called the principal investigator, and indicated that the survey would be sent to SBA legal counsel for review.

On February 9, 1999, letter from Mr. David R. Kohler to Timothy C. Treanor regarding the Review of Proposed Veteran's Survey under the Paperwork Reduction Act of 1995.

On February 23, 1999 a letter with comments addressing the OMB form 5 CFR 1320.5(a)(I)(iv) document - the general guidelines instruction sheet for OMB submissions faxed to the principal investigator by Clendon Terry.

On February 26, 1999 the study team received a fax of a memo from Timothy C. Treanor, Chief Counsel to the Disaster Assistance Program to David R. Kohler, Associate General Counsel for General Law which was dated February 9, 1999. In that memo Mr. Treanor indicated that the proposed survey was not in compliance with the Paperwork Reduction Act and must be redesigned.

During March 1 - 5, 1999 the study team answered all the objections about the questions, and commented on our concerns about the more serious issues. This included the SBA's demand that non-disabled veterans be excluded (they were needed as a comparison group) and demanded that the participants prove their disability status.

On March 11, 1999 the principal investigator sent the phase one report to the Contract Specialist, Mr. Kyle Groome.

On March 12, 1999 the principal investigator sent a letter to the Government-wide Systems Division, GSA asking for information concerning data on federal procurement contracting.

On March 17, 1999 the principal investigator received a call from Mr. Cliff Toulson, Director of OVA at SBA, that SBA was now satisfied and that the survey and interview instrument package would be forwarded to OMB for their review.

On March 23, 1999 the principal investigator received a call from Mr. Cliff Toulson indicating that there were only a few more changes to be made (OMB numbers, etc.).

On April 9, 1999 the principal investigator received electronic data files of all Small business contracts by all agencies for contracts equal to or above \$25,000, for FY 94 – FY 98 from the GSA, Governmentwide Information Systems Division, Federal Procurement Data Center. This addresses some of the aggregate data requirements of the study. The principal investigator had some problems with this data (some critical fields were missing etc.) the principal investigator received the first disk on March 30<sup>th</sup>. However, it had only FY98 data. The principal investigator made several calls back and forth and received all five years of data on April 9<sup>th</sup>. However, there are still problems with FY 98 data. The principal investigator anticipated that these technical difficulties would be resolved soon.

On April 12, 1999 the principal investigator initiated the mechanics of preparing a letter and the appropriate return postcard to be mailed to a random sample of businesses that have federal contracts for each of the fiscal years FY 94 – FY 95.

On May 13, 1999 the principal investigator began speaking with COTR and CS about the study date extensions necessitated by SBA/OMB delays. The principal investigator was told that the documents were sent to OMB around April 15, 1999.

On May 24, 1999 the principal investigator sent letter to Kyle Groome about extensions necessitated by SBA/OMB delays.

On June 10, 1999 the principal investigator received an email from Clendon Terry concerning OMB and requests for the SBA to respond to question 18B on their form for approval. This was not necessary to answer, but they now required it in any case.

On June 15, 1999 the principal investigator sent a response concerning OMB's questions to SBA about the 18B submissions.

On June 21, 1999 the principal investigator received calls on the answering service and in conversation that SBA expects OMB approval imminently.

From June 22, 1999 to July 15, 1999 SBA does not call and the principal investigator's half dozen calls over that period are not answered.

On July 8, 1999 letter from congressional members' goes to Secretaries of all major agencies.

On July 19, 1999 the answering service contains several SBA messages concerning OMB. The principal investigator learned that OMB has "disapproved" the survey and that the application has been placed in a "pending" file. The principal investigator sent OMB's comments to Jackie White. They indicate that **no sample will be representative.**

On July 29, 1999 the principal investigator responded to OMB's decision in a letter to Clifton Toulson.

On July 29, 1999 At the requested of concerned congressional staff members the principal investigator wrote a letter regarding the current status of the study

On August 4, 1999 the principal investigator wrote Togo West requesting assistance (sample frame).

On August 5, 1999 the principal investigator wrote Diedre Lee, Administration for Federal Procurement Policy, about the coming changes the SF-279 and in reporting procedures to GSA (electronic screens).

On August 25, 1999 Clifton Toulson informs the principal investigator that OMB considers the response as argumentative and that the submission is now denied. Any further progress will require a completely new submission.

On September 13, 1999 Clifton Toulson informs the principal investigator that OMB now requires that OMB will require data on business failures as well.

On September 13, 1999 the principal investigator writes Togo West requesting assistance (sample frame).

On September 16, 1999 the principal investigator meets with SBA to try and resolve issues (letter September 15, 1999). The principal investigator suggests a separate resubmission for sectors of the study, i.e. separate GSA inquiry as to veteran's status from mailing to veterans about their businesses.

On September 20, 1999 the principal investigator sent a letter to the American Legion asking for assistance with membership lists.

On September 23, 1999 notes from a phone conversation between the principal investigator and Ted Wartell (Policy Director of SBA)

On September 30, 1999 the contract period expires.

On October 7, 1999 the principal investigator emailed Ted Wartell outlining the GSA sampling frames and possible ideas for drawing different sample types for each of the years.

On October 14, 1999 the principal investigator spoke with Puerto Rican veterans about the study and the opportunities for disabled veterans as contained in PL 106-50.

On October 26, 1999 Ted Wartell called in reference to extending the contract and arranging for a meeting to review all the OMB objections.

On October 28, 1999 there is a phone conference with VA and SBA officials in connection with securing a disabled veterans sampling frame.

On November 5, 1999 meeting arranged for November 10, 1999 is postponed, rescheduled for November 16, 1999. Over the next several days the meeting is rescheduled for December 2, 1999. This in turn is postponed to December 3, 1999. OMB will not meet with congressional staff and contractor in question at the same meeting.

On November 19, 1999 the principal investigator wrote a letter to Ted Wartell to discuss the status of the study.

On November 19, 1999 the principal investigator wrote a letter to Clifton Toulson as a response to notes that were given to the principal investigator at our meeting on September 16, 1999

On November 29, 1999 the principal investigator received fax by Sandra Mathieson for R. Runyan at Company Statistics Division outlining concerns about study. The principal investigator replied on same day to Senate (Minority) Small Business Committee office.

On December 3, 1999 the principal investigator went to Washington for a meeting with Darryl Dennis and someone from OMB. The meeting was canceled, but the principal investigator did not get the message in time.

On December 8, 1999 the principal investigator spoke with Mr. Darryl Dennis. He indicated that “things can move.”

On December 15, 1999 the principal investigator wrote Mr. Darryl Dennis concerning the problem of whether or not OMB will consider the list of disabled veterans from the Department of Veterans Affairs as being representative of disabled veterans in the nation. The principal investigator also suggested that the study team resubmits to OMB but separate the submission of the potential survey of the GSA FY94 through FY98 data tables of federal contractors.

On January 17, 2000 the principal investigator received copies of the letters sent by Ms. Linda Noland of Research and Sponsored Programs to Darryl Dennis and Kyle Groome re the expired contract.

On January 21, 2000 the principal investigator received a call from the Minority Staff of the Senate Committee Small Business. They indicate that OMB will not budge and then ask if the principal investigator is willing to do a focus group study. Later Darryl Dennis and Clifton Toulson call and indicate that the OGC (Office of General Counsel) determined that focus groups were an acceptable solution to the problem with OMB and would fill the requirements of the study.

On February 4, 2000 the principal investigator received a copy of the contract work order with 11 points contract specifications which Clifton Toulson sent to Paul O’Keefe of UMB Sponsored Research as a fax from Kyle Groome on January 31, 2000.

On February 17, 2000 Mr. Paul O’Keefe Director, Office of Research and Sponsored Programs sent Sharon Gurley a response to the “Statement of Work” as faxed by Kyle Groome on January 31, 2000.

On Mar 1, 2000 the principal investigator spoke with Kyle Groome. He indicated that they thought the response to the original statement of works on January 31 was the proposal.

On March 2, 2000 the principal investigator received a fax of a memorandum from Clifton Toulson through Darryl Dennis to Sharon Gurley. This is Clifton Toulson’ rebuttal to our response. Mr. Paul O’Keefe found it unacceptable. We began to prepare another response in turn.

On March 9, 2000 the principal investigator sent a letter to Sharon Gurley at the request of Mr. Paul O'Keefe in response to a request by Sharon Gurley to him in connection with the work performed by the consultants and the purposes of the travel. This is in connection with the outstanding balance owed the university by SBA. The principal investigator was informed by Mr. O'Keefe that no contract will be signed until her receives a written confirmation that the financial problem was resolved.

On March 10, 2000 Ms. Gurley calls and says that she has no problem with the financial situation and asks that the principal investigator send the proposal to her. The principal investigator called back and left a message that Mr. O'Keefe requires something in writing.

On March 20, 2000 the study team faxed and mailed our second response to the statement of work (the 11 points) in connection with the re-negotiation of the contract. The principal investigator indicates that a draft of the proposal will be sent.

On April 14, 2000 the study team sent a proposal for focus groups to SBA.

On April 19, 2000 Kyle Groome calls and faxed comments; he indicates that SBA wants to get this resolved.

On April 20, 2000 Paul O'Keefe and the principal investigator respond to their comments.

On May 12, 2000 Linda Noland calls SBA; they indicate that they never received the fax. We fax the agreement again.

On May 15, 2000 the principal investigator is told that he has a contract and begins to work on the Phase I report which is due on May 31, 2000.

On May 16, 2000 the principal investigator sent a letter about the subcontractor. This is approved by Eric Dawson.

On May 25, 2000 the principal investigator overnight mails the Phase I report to Kyle Groome and Clifton Toulson.

On June 2, 2000 the principal investigator called the SBA. Ms. Joan McNair informed the principal investigator that Eric Dawson, the COTR, had left and that Mr. Toulson was on vacation and that no one was authorized to make a decision on the Phase I report. The principal investigator faxed and mailed a letter to Kyle Groome. Without approval the study team cannot start on the focus groups. A late approval will endanger the time-line. We were informed on June 9, 2000 and begin June 12, 2000.

The study team proceeds with focus groups and sends SBA the Phase II report on July 31, 2000.

The study team proceeds with focus groups and sends SBA the Phase III report on October 4, 2000.

The study team proceeds with the analysis and sends the Phase IV (final) report to SBA on October 30, 2000.

Our question to you is this: would SBA, or does SBA, demand proof from other respondents in other SBA research projects? <sup>1</sup> He must be asking for that, otherwise his first footnote is less than helpful. Given his busy schedule, perhaps he did not have the time to look this up. Had he been able to do so, then would have known that percentage of a disability is a valid indicator. Anyone 10% or more disabled receives disability compensation. Numerous Department of Veterans Affairs pamphlets, compensation tables, etc. document this, including the DVA's web-site. The title for the document is Federal Benefits for Veterans and Dependents.

(3) Section 703 states that other agencies are to cooperate with the study. The thought was that we could provide the VA with a list of names (those who indicated that they were disabled veterans) and they would be able to verify this. However, this probably would violate privacy issues. Further, I consulted with a well-respected VA official at the Boston regional office. In his opinion, even if privacy issues could be surmounted, it would be impractical in terms of resources.

(4) For those with experience in issues pertaining to veterans' affairs it is evident that individuals rated by the Department of Veterans Affairs (DVA) as having a 0% service connected disability, have a claim for disability pending, have service connected disabilities but never filed, or who for whatever reason have a non-service connected disability are not covered by Section 703. However, collecting information from these individuals will provide valuable comparison information relating to bias (either real or imagined) experienced by "disabled veterans" and/or those labeled as disabled veterans when seeking federal contracts as well as other control data.

Additionally, we believe this comparison data is necessary if we are to present information upon which the SBA can base their recommendations to Congress concerning the needs of small business concerns owned and controlled by eligible veterans. However, if the SBA makes a specific written request we will discard all comparison, control, and relevant collateral data.

Finally there are questions concerning discrimination in the awarding of disability.<sup>2</sup>

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<sup>1</sup> Are/would women or minority respondents (be) asked to provide proof of their gender/minority status in a comparable SBA survey? Would they be required to submit a birth certificate or some other document?

<sup>2</sup> As you are aware, there is also the sensitive question concerning discrimination in awarding disabilities to minorities. This was raised by members of the Congressional Black Caucus Veterans' Braintrust as well as by others. Those on the study team charged with overseeing



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

July 15, 1998

Dr. Paul R. Camacho  
Director of Special Projects  
University of Massachusetts Boston  
100 Morrissey Boulevard  
Boston, MA 02125

Dear Dr. Camacho,


The Small Business Administration's Office of Procurement and Grants Management have reviewed and approved your unsolicited proposal entitled "A Comprehensive Study of the Status and Needs of Small Business Concerns Owned and Controlled by Eligible Veterans - Recommendations to Congress and the Federal Agencies" dated March 6, 1998. Your unsolicited proposal is funded in the amount of \$361,032.93. Therefore, you are hereby authorized to incur costs in an amount not to exceed \$361,032.93.

All services rendered should be in accordance with your unsolicited proposal. Any variation should be discussed with the Contract Specialist, Kyle Groome immediately prior to making any changes. Your Contracting Officer Technical Representative for this effort is Reginald Teamer. He can be contacted at (202) 205-6773.

This notification is authorization to proceed. However, please note that acceptance of your proposal is subject to final negotiations, which should take place within the next 30 days. Please refer to the requisition number 8.7650.0017 in all correspondence relative to this action.

If you have any questions, please call Kyle Groome or me at (202) 205-6622.

Sincerely,

  
Sharon A. Gurley, Director  
Office of Procurement and Grants Management



**Date:** February 9, 1999

**To:** David R. Kohler  
Associate General Counsel for General Law

**From:** Timothy C. Treanor  
Chief Counsel to the Disaster Assistance  
Program

**Regarding:** Review of Proposed Veteran's Survey  
Under the Paperwork Reduction Act

I have reviewed the proposed survey of veterans prepared by the William Joiner Center for the Study of War and Social Consequence for compliance with the Paperwork Reduction Act (44 U.S.C. § 3501 *et seq.*) It is my conclusion that the proposed survey is *not* in compliance with the Paperwork Reduction Act and must be redesigned.

The Agency is undertaking this survey pursuant to a statutory mandate contained in the Small Business Reauthorization Act of 1997 (P.L. 105-135). Section 703(a)(1) of that Act (15 U.S.C. § 631 note) authorizes and directs SBA to conduct a "comprehensive study and submit to the [House and Senate] Committee[s] on Small Business] a final report" setting forth:

(A) the needs of small business concerns owned and controlled by eligible veterans;

(B) the availability and utilization of Administration programs by small business concerns owned and controlled by eligible veterans;

(C) the percentage, and dollar value, of Federal contracts awarded to small business concerns owned and controlled by eligible veterans in the preceding 5 fiscal years; and

(D) methods to improve Administration and other agency programs to serve the needs of small business concerns owned and controlled by eligible veterans.

Section 702(1) of the Reauthorization Act defines "eligible veteran" as "a disabled veteran (as defined in section 4211(3) of title 38, United States Code."

However, it is apparent that this survey is directed not simply at disabled veterans but at all veteran entrepreneurs. Indeed, the survey does not even ask whether the person being surveyed is a veteran until page 17 of the 20-page survey. Worse yet, the survey does not ask the person being surveyed if he or she qualifies as a disabled veteran under 38 U.S.C. § 4211(3), which provides that

The term "disabled veteran" means (A) a veteran who is entitled to compensation (or who but for the receipt of military retired pay would be entitled to compensation) under laws administered by the Secretary, or (B) a person who was discharged or released from active duty because of a service-connected disability.

The absence of questions designed to determine whether the person being surveyed is a disabled veteran means that SBA will be unable to comply with the requirements of § 703.<sup>1</sup>

The purpose of the Paperwork Reduction Act is to

minimize the paperwork burden for individuals, small businesses, educational and nonprofit institutions, Federal contractors, State, local and tribal governments, and other persons resulting from the collection of information by or for the Federal Government;

44 U.S.C. § 3501(1). Section 3506(a)(3) requires the Chief Information Officer of each Agency to "ensure agency compliance with...policies... established under this chapter" and § 3506(a)(4) requires that each agency program official be responsible for collection of information by programs within his area of responsibility. Were we to conduct the survey in its

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<sup>1</sup> The survey does ask "Were you awarded a service-connected disability?" and "If you have a service connected disability, what percentage has the VA assigned you?" at p. 18. This, of course, does not by itself determine whether the disability is compensable or not, or whether the person being discharged was discharged because of the service-connected disability.

present form, asking information from all veterans when Congress seeks information only about disabled veterans, we would violate the Paperwork Reduction Act's requirement that we minimize the paperwork burden for individuals.

44 U.S.C. § 3506(c)(1)(B)(iii)(II) requires that the agency inform the individual from whom information is being collected of "the way such information is to be used". The survey throws its primary defect in high relief by stating that "[t]his study is required to make recommendations concerning increasing assistance to eligible veterans involved in small business ventures to the Congress and the federal agencies. Therefore, direct and indirect benefits may be accrued by all veterans in time." This is false and misleading, since the Congressionally-mandated study is to be of disabled veterans only. By suggesting that all veterans may obtain benefits from this study, the survey instrument encourages non-disabled veterans - who properly should discard the survey - to respond.<sup>2</sup>

Beyond the overall design problem, there are additional Paperwork Reduction Act defects to the survey as prepared. 44 U.S.C. § 3506(c)(1)(A) requires the Agency, prior to submitting a collection of information to OMB for review, to set forth *inter alia* a functional description of the information, a plan for the information's collection, and a plan for the efficient and effective management of the information to be collected. The file contains none of this information.

Moreover, § 3506(c)(1)(A)(iv) requires that the estimate of paperwork burden on the individuals supplying information be "objectively supported". There is no objective support for the estimates in this survey.

Section 3506(c)(1)(B)(iii)(V) requires that the agency inform the individual from whom information is being collected of "the fact that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number". The survey does not carry such a disclaimer.

The survey contains a number of questions which will be impossible to answer and thus not in compliance with the Paperwork Act's requirement, set forth in 44 U.S.C. § 3501(2), that information collection "ensure the greatest possible public benefit from and maximize

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<sup>2</sup> The survey's cover letter's suggestion that recommendations for increased assistance will be a by-product of the survey's results is also misleading. Congress announced an intention to "foster enhanced entrepreneurship among eligible veterans" and to promote their legitimate interests and fair access to government purchasing, but it said nothing about increasing assistance. See § 701 of the Reauthorization Act.

the utility of information created, collected, maintained, used, shared and disseminated by or for the Federal Government". Some of these may be typographical errors:

1. Question 3 on page 4 begins "Would you like Do you want your name...."

2. Question BEQ4 asks "What is the name, address, and phone number of your business (home office only)?" Many respondents will believe that the question seeks information only from those entrepreneurs who work out of their home. The question should say "(headquarters only)".

3. Question BEQ11, answer 3 should read "I own 100%".

4. The chart at BEQ14 will not be filled out consistently. The term "other investors" precludes the identification of a source of loan (or "debt") funds other than family, friends, or commercial or government sources. Commercial banks and governments cannot hold equity shares, and I am not clear why "legal advisor" and "accounting firms" are being included as sources of equity or loan funds separate from a generalized "other". The absence of venture capital firms is conspicuous. Finally, the sentence in the introduction over the chart which reads "The term includes both Debt and Equity" will cause vast confusion. Which term are we talking about. The term defined in the previous sentence - "debt"? Are we saying that the term "debt" includes both debt and equity?

5. PQ35a, PQ37a, and PQ39a seek to find out whether the respondent has stopped placing bids on federal, state, and local contracts, respectively. (Presumptively, this means federal, state, and local *government* contracts). But instead of giving the respondent the option of answering yes or no, it gives the respondent the option of answering no or telling the *number* of contracts the respondent has stopped placing bids on. To answer this, an entrepreneur who has stopped bidding on government contracts would have to go back and find out how many have been let since he stopped bidding. This is too much to ask of anyone.

6. AQ47 describes a number of SBA resources and asks whether the respondent ever utilized their assistance. A chart is presented, allowing the respondent to describe whether he or she has applied and been denied, applied and received assistance, has an application pending, and so on. But the question insists that the respondent give only one answer with respect to each resource. This will prevent the survey from capturing information from entrepreneurs who have applied for assistance from a resource more than once and who have gotten different results.

7. MHQ54 seeks to find out in what branch of the service the respondent served. Response 1 is given as "Airforce". "Air Force" is the preferred term.

8. MHQ55 asks whether the respondent was a volunteer or a draftee. Option 3 is "both". If that question is designed to capture individuals who entered the service, left, and then reenlisted, please note that MHQ56-58, which examine discharge, have no way to capture data about reenlistees.

9. MHQ65 asks whether the respondent was disabled. If he answers no, the survey directs him to another MHQ but doesn't identify which MHQ it is.

10. PQ82 reads "State of legal (?) Residence". This is, to say the least, confusing. It may also be considered vaguely insulting by respondents.

11. Finally, each page is headed by the disclaimer "Please note that it is our understanding from SBA that OMB is not concerned with format. Questionnaire is provided to OMB for approval with regard to content only." OMB, of course, is concerned with compliance with the Paperwork Reduction Act, both in content and format. I recommend that this disclaimer be eliminated.



University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

*computer generated date  
actual date  
July 29, 1999 23 Feb 99*

Mr. Clendon Terry  
Contracting Officer Technical Representative  
Veterans Affairs Specialist  
Office of Veterans Affairs  
Small Business Administration  
409 Third Street S. W.  
Washington, D.C. 20416

Dear Mr. Terry:

I hope the following is of value to you for the development of a supporting statement in response to the paperwork reductions act submission required in connection with this study.

I have answered the eighteen questions as best as I can understand them. I am unfamiliar with virtually all of the references to the 5 CFR 1320.5(a)(1)(iv) document mentioned in the general instruction sheet you faxed me.

As you go through this you will see that I did not answer 12.3 as concerns the lending community. I assume you have more immediate access to that type of data than do I.

Please keep me informed of the progress in fulfilling the OMB submission and if you can, provide me with an estimate of when we would get approval to proceed.

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
paul.camacho@umb.edu

## Supporting Statement for Paperwork Reduction Act Submission

### A Justification

#### 1 Circumstances

This data collection is required as part of a congressionally mandated study. See the 1997 Small Business Reauthorization Act, Title VII, and Section 703.

#### 2 Purpose

This information is to be used by members of Congress and the various federal agencies to advance programmatic opportunities for eligible veterans involved in small business endeavors.

#### 3 Automation

We have considered automation, and plan to construct a web site for voluntary respondents. However, one can not be sure of the authenticity of veterans' status and/or of small business status. Thus we are using data tables from the SBA, ProNet, and various veterans organizations. These individuals may or may not have electronic access. In addition, difficulties with the universe of population and sampling frames require that we resort to such lists and employ a mailed survey instrument.

#### 4. Duplication

Information pertaining to veterans involved in small business either does not exist or is at least 14 years old. The Congress has mandated that this information be gathered.

#### 5. Impact

There are no adverse impacts on veterans participating in this study other than the voluntary time (35-40 minutes) required to complete the survey and the additional 2½ hours (estimate) required for those among the survey respondents who also volunteer to participate in the in-depth interview. The in-depth interviews to non-veterans (principally members of the lenders' community) which are approximately 1½ hours are also strictly voluntary.

#### 6. Consequences of non-collection

The mandate of section 703 requires that the study be issued as a report to the Congress in connection with the design and implementation of programs and

recommendations to the federal agencies, which will benefit eligible veterans engaged in small business endeavors.

#### 7. Special Circumstances

- This is a one-time survey. At this point no follow-up is planned for.
- This is a self-respondent mailed questionnaire; nothing is stated which tells them they must respond or how soon. The in-depth interviews for non-veterans (lenders, etc.) are strictly voluntary.
- The mailed survey will contain a self-addressed pre-paid envelope for the respondents to use. All in-depth interviews are face to face interviews; some may be conducted by telephone if there is no alternative. Other than the cost in terms of the voluntary time the respondent provides there is no cost to any of the respondents.
- There is no requirement for the respondent to retain records
- Since there is no valid knowledge of parameters of the universe of population in question, various non-probabilistic sampling methods will be employed. A clustered, stratified, pseudo-random (every  $k^{\text{th}}$ ) technique will be employed with the various data tables of veterans which the study team has been amassing. While various statistical measures will be utilized in examining the data, caution will be required when making any statements about the true universe of population.
- Standard statistical measures as are contained in academic statistical packages such as SPSS will be employed.
- A statement of confidentiality and letter explaining the study and its purposes is included as part of the questionnaire. These are standard statements as required and supported by authorities involved (Congress, SBA, and the research center (the William Joiner Center) of the University of Massachusetts.
- No respondent is asked or required to submit and trade secrets or other material – **absolutely all participation and segments of participation is voluntary.**

#### 8. Federal Register, 5 CFR 1320.8 (d)

To the best of my knowledge this is not applicable.

#### 9. No provisions have been made to provide any remuneration to respondents

#### 10. Assurances about confidentiality

Assurances about confidentiality are included as part of the questionnaire (see questionnaire included) – as required by the government and the university. I cannot quote the statute(s).



#### 11. Questions of a sensitive nature

The questionnaire includes standard demographic questions common to virtually all surveys. The only possible private information falling into this paragraph would be questions concerning income and finances connected to the business and essential to the conduct of the survey.

#### 12. Hour burden of collection of information

- Estimates of hour burden  
Estimates of hour burden were estimated by using volunteers and experience from research in similar situations conducted by the study team.
- The survey questionnaire will be sent to approximately 3000 veterans. This self-respondent questionnaire will be sent with a self-returned envelope. The survey was completed by a number of graduate students and several other volunteers. It took approximately 35 to 40 minutes to complete a formatted version of the survey.
- The in-depth interview instrument for veterans is open-ended. The research team hopes to acquire a solid understanding of veterans small business needs. A sub-sample of those who respond to the survey questionnaire and indicate that they are willing to participate in an in-depth interview will be selected. They will be selected by geographic region, SIC division, and SES variables. This interview is scheduled to last approximately 2 ½ hours.
- A in-depth open ended interview instrument for members of the lending community (bankers, venture capitalists, etc.) who volunteer to participate is expected take approximately 1 ½ hours.
- Burden for more than one form  
See above for details. The formatted questionnaire will take approximately 35-40 minutes to complete. The in-depth interview for veterans is scheduled for 2 ½ hours. The in-depth interview schedule for lenders is scheduled for approximately 1-½ hours.
- Estimates of annualized costs of hour burdens to respondents.  
There is very little information pertaining to the status of veterans in small business. The only way would be to select a sample research the SIC divisions and major codes and sub-codes and then look up in tables for each and then total and compute an average. This would constitute a study on its own.

The principal investigator performed a study several years ago. That survey included a question about income and about the percentage of income accrued from the business endeavor. This data revealed that

the average (statistical mean) annual income from those involved in a small business endeavor that could be attributed to that business endeavor was \$33,890. A 40-hour workweek and a 50-week work year equals 2000 work year hours.  $\$33,890/2000 = \$16.9$ , or approximately \$17 per hour. Using these figures, the total burden for those simply answering the questionnaire would be roughly \$8 to \$9. For those who also participate in the in-depth interview the cost would be approximately \$48.

The sample selection for the lending community is not able to be determined at this time. The study assumes it will gain access to senior and upper middle management from various sectors of this community as they are identified.

13. Total annual cost burden to respondents (not 12 and 14)  
From my reading, this is not applicable.

14. Total annual cost to the federal government.  
This is a one-time study contracted for \$362,000. There is no additional cost on an annual basis.

15. Any program changes  
This is not applicable.

16. Publishing of results.  
Quantitative and qualitative analysis will be performed in connection with the survey questionnaire and the in-depth interview instruments as well as with collections aggregate data acquired during the study. All the standard measures of centrality and dispersion and other statistical techniques commonly utilized with in survey research will be employed where appropriate. The contract began on December 22, 1998 and is scheduled to terminate September 30, 1999.

17. Seeking not to display expiration date.  
This is not applicable. We are not checking yes

18. Exceptions to item 19.  
I assume this is not applicable.

- B. Collections of Information Employing Statistical Methods  
This section is not applicable.



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March 5, 1999

Mr. Clifton Toulson Jr.  
Assistant Administrator for Veterans Affairs  
U.S. Small Business Administration  
409 Third Street S. W.  
Washington, D. C. 20416

Dear Mr. Toulson:

Please accept this letter as my reply to the verbal request you made during our brief phone conversation of Friday, February 26, 1999 and the more extended conversation of Tuesday, March 2, 1999. You requested that I respond to the concerns about the study and the OMB process. These concerns were raised by Mr. Timothy C. Treanor, Chief Counsel to the Disaster Assistance Program in a memo to Mr. David R. Kohler, Associate General Counsel for General Law, dated February 9, 1999. I received your fax of the memo on Friday, February 26, 1999. Again, that memo indicated that he (attorney Treanor) reviewed the proposed veterans' survey and found it lacking.

I think several of Attorney Treanor's comments are valuable. However, there are a number of concerns I have and (speaking for them) the team has. I want to share these with you, and illustrate in some of the cases that these concerns should also be concerns of SBA.

Some of attorney Treanor's concerns are like a puzzle - there is one definite solution; some are problems - there exists a choice among several avenues; some are potentially difficulties - a situation where there is no acceptable answer. This last case is a concern, because there is no clear/clean alternative - one can only surmount a difficulty. (1) The concerns he has with particular questions (contained

in the last two pages of his letter to the associate general counsel) are puzzles/problems – these can be “solved” or addressed. (2) The concerns that he outlines in the first three pages are more complex. The least of these involves the issue of who is responsible for satisfying OMB requirements. His opinion that non-disabled veterans should be discouraged from participating is more serious. Finally, the issue of establishing disability status is the most serious. I do believe we can solve, address, or surmount all of these concerns. Hopefully, you will agree that what follows below does just that.

First allow me to point out that the study team met in Washington during the third week in January to review, correct and re-design the survey and interview questions. The teams’ membership as constructed to date includes some twenty individuals, each with approximately 25 years experience in working with the veterans’ community. Four members hold doctorates; several more possess other advanced degrees. In addition, we have had assistance and input from members of the SBA task force on veterans such as Dr. John Peters (Gen., USA-Ret.) and Mr. Rick Weidman of VVA.

Perhaps is best from here to proceed point by point:

**Who is the target? Who is disabled? Who can “prove” it?**

- (1) Attorney Treanor outlines the content of the Small Business Reauthorization Act of 1997, § 703, 111 Stat. 263 (1997), (“Section 703”) on the first page of the letter. My question is: if something is not specifically mentioned, then is it specifically excluded, even if its inclusion advances the understanding of what is specifically asked? As we argue below non-disabled veterans serve as a comparison group and advance the issue of understanding the concerns of disabled veterans.

We are very willing to point out that service connected veterans are the specific concern of Section 703 (see introduction section of survey), if SBA demands. However, we think this is a mistake, and runs contrary to the real intents of the paperwork reduction act (discussed below).

- (2) The question about validation of disability (Treanor, page 2 and page 3 – first complete paragraph) was extensively addressed at our team meeting. At one point we thought of asking them to include a copy of their letter of determination by the VA concerning their disability award. Some thought such a demand of proof would be an insult. There is no incentive for a respondent to misrepresent him/herself, although it is certainly possible by anyone in any self-respondent survey.

Our question to you is this: would SBA, or does SBA, demand proof from other respondents in other SBA research projects? <sup>1</sup> He must be asking for that, otherwise his first footnote is less than helpful. Given his busy schedule, perhaps he did not have the time to look this up. Had he been able to do so, then would have known that percentage of a disability is a valid indicator. Anyone 10% or more disabled receives disability compensation. Numerous Department of Veterans Affairs pamphlets, compensation tables, etc. document this, including the DVA's web-site. The title for the document is Federal Benefits for Veterans and Dependents.

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- (4) For those with experience in issues pertaining to veterans' affairs it is evident that individuals rated by the Department of Veterans Affairs (DVA) as having a 0% service connected disability, have a claim for disability pending, have service connected disabilities but never filed, or who for whatever reason have a non-service connected disability are not covered by Section 703. However, collecting information from these individuals will provide valuable comparison information relating to bias (either real or imagined) experienced by "disabled veterans" and/or those labeled as disabled veterans when seeking federal contracts as well as other control data.

Additionally, we believe this comparison data is necessary if we are to present information upon which the SBA can base their recommendations to Congress concerning the needs of small business concerns owned and controlled by eligible veterans. However, if the SBA makes a specific written request we will discard all comparison, control, and relevant collateral data.

Finally there are questions concerning discrimination in the awarding of disability.<sup>2</sup>

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<sup>2</sup> As you are aware, there is also the sensitive question concerning discrimination in awarding disabilities to minorities. This was raised by members of the Congressional Black Caucus Veterans' Braintrust as well as by others. Those on the study team charged with overseeing

It seems that the only alternative is to include a statement asking for a copy of a letter of determination/award from the VA in the instruction section of the survey (see the enclosed survey). We will comply with this request for proof and include specific SBA language if SBA demands that this must be the case.

#### Non veteran participation and "benefits" of the study

I would not agree that non-disabled veterans should discard the study. Their participation is important as a comparison/control group. Our study team talked about this extensively. Actually, there are points here which are relevant to attorney Treanor's comments concerning the paperwork reduction act.

I assume that since he wrote this memo to the Associate General Counsel David R. Kohler and that he is referring to 44 U.S.C. §§ 3506(a)(3), 3506(a)(4) (1997), that he is probably making a comment about the internal infrastructure of SBA. He is asking (or perhaps even complaining) about the internal organization of SBA information policy. Isn't he asking the question - what are the information policies of the agency? The plan referred to in this section of the law is not my study (or any other study), but rather the information plan of the agency in question - the SBA. To think otherwise would require me to ask either whether or not it is the information policy of SBA to not collect relevant data on eligible veterans in business, or whether I am being asked to write such a policy!<sup>3</sup> Certainly this can't be the case!

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minority participation also raised this problem. In their view, disability awards are skewed. They would point out that many veterans' leaders in the minority community would claim that minorities have been subject to discrimination in connection with disability award. These team members insisted that we ask if the respondent is disabled and also ask if he received a disability from the VA. Later in his letter, attorney Treanor expressed concerns about these questions. We feel we answered them (see below and in survey).

<sup>3</sup> 44 U.S.C. § 3506(a)(3) (1997) says... "The Chief Information Officer designated under paragraph (2) shall head an office responsible for ensuring agency compliance with and prompt, efficient, and effective implementation of the information policies and information resource management responsibilities established under this chapter..." Further, counsel indicates at the bottom of page two that 44 U.S.C. § 3506(a)(4) ... "each agency program official be responsible for collection of information by programs within his area of responsibility". However, U.S.C. § 3506(a)(4) (1997) states: [e]ach agency program official shall be responsible and accountable for information resources assigned to and supporting the program under such official. In consulting with the Chief Information Officer designated under paragraph (2) and the agency Chief Financial Officer (or comparable official), each agency program official shall define program information needs and develop strategies, systems, and capabilities to meet those needs." Again, all of this refers to the agency in question, so I assume he is talking about an internal SBA matter with regard to information policy.

The fact that the Small Business Reauthorization Act of Act of 1997 is seeking information on Disabled Veterans does not constitute a prohibition against collecting collateral data, particularly when it is directly relevant to the purpose at hand.

Counsel also suggests that our statement about benefits is misleading. The operative word in the statement is "may" – meaning "optional" or "discretionary."<sup>4</sup> In common every-day English it has the connotation of possible. Who is to say that there never will be assistance to non-disabled veterans in the future? Why is it logically impossible for the results and recommendations of the study to impact Congress in a way that eventually results in new legislation benefiting all veterans in small business?

My answer is that I am very willing to reword the statement about possible benefits to include what attorney Treanor noted in his second footnote (page 3). Frankly, he deserves a note of thanks. What he wrote sounds a lot more beneficial in terms of increasing assistance than what I wrote. Eligible veterans (and all veterans) have been denied fair access to government purchasing for over thirty years. If that issue is addressed it will be a definite increase in assistance. Is it the word "assistance" which is problematic? This may have some specific legal meaning, but for most citizens it means help, support, etc.. However, if SBA would rather have us avoid the use of specific words, we are willing to comply, but can that list of forbidden words be provided to us?

#### **Paperwork Reduction Act Concerns**

Counselor Treanor indicates the purpose of the Paperwork Reduction Act on page two of his memo. The spirit of the entire section indicates that projects that are undertaken maximize their utility. We impair utility if we discourage non-eligible veterans (those without compensation) from responding, because we lose important information about them, and the ability to compare eligible veterans with their cohorts.<sup>5</sup>

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<sup>4</sup> The word "may" usually is employed to imply permissive, optional or discretionary, and not mandatory action or conduct. See *Shea v. Shea, Okl.*, 537 P.2d 417, 418." Blacks Law Dictionary, 979 (6<sup>th</sup> Ed. 1990).

<sup>5</sup> I guess I am complaining here. I would like to point out that federal contractors are included there. Is not the University of Massachusetts, the Joiner Center, and I a federal contractor in this matter? Am I not spending an inordinate amount of time responding to SBA in connection with this study? Do other SBA efforts drag along like this?

The second full paragraph on page three of his memo refers to 44 U.S.C. § 3506(c)(1)(A) "... to set forth inter alia a functional description of the information, and a plan..."

This section is relevant to this particular study (or any other study at hand). I assume he is referring to the study plan for this particular (or any other) contract. Is the "file" referred to in this paragraph, a SBA file on the progress of this study? If so, then why wasn't the proposal contract in there? Is not the proposal, which was signed off on by SBA, a document that satisfies the requirements referred to in this paragraph?

Further, I was told on several occasions (and again at the meeting on January 24) that it was SBA who was to shepherd the project through the OMB requirements. I apologize if I sound sarcastic, but if in fact, I am required to do all of this, would not it be better for me to be provided the OMB contact and deal directly with that person?

On the 18<sup>th</sup> of February 1999 Mr. Clendon Terry faxed me two pages of material referring to "5 CFR 1320.5(a)(i)(iv)". The title across the top of the fax was a bit blurred, but I believe it reads "Supporting Document for Paperwork Reduction Act Submissions." There were 18 specific instructions included in that. Later in a phone conversation you indicated that Mr. Terry could use my assistance, but that this was not required of me. Of course, I was more than willing to help and submitted a document to him (and you) that I assumed was of help. This was sent by certified mail on February 23, 1999. Obviously this material was not in the "file" as well. Thus again, Mr. Treanor must be referring, at least in part, to the internal state of SBA infrastructure.

If in fact Mr. Treanor is not referring to the study contract proposal, I am willing to help here as well. However, I must say that I am a bit chagrined that if I was supposed to provide some information here, that I was not informed of this months ago. As you know, this project was authorized in December 1997. I submitted a "feeler" proposal in January 1998 and an actual proposal in April 1998. I received a letter of authorization to proceed in July 1998. Then SBA discovered it had funding issues. A contract was not signed until, December 22, 1998. It is now March 1, 1999 and this is the first I am learning about this requirement. Yet all along I was told that it was SBA who would deal with the OMB issues - that it was not my task.

The "estimate of paperwork burden", which appears in attorney Treanor's next paragraph, was asked (and answered) in the document which Mr. Terry faxed me. Again, the formatted survey takes approximately 35 to 40 minutes to complete. I would like to point out that this is not a twenty-page survey when formatted. He makes a comment about this in one paragraph (on page two). Later, he asks us to remove the statement about it from the header (on page five). Is it



not clear that this is the content only version of the questionnaire? Was that not settled as the way to proceed in the meeting of January 24, 1999?

The point was made by representatives of SBA at the meeting of January 24<sup>th</sup> that OMB was only interested in the content of the survey – not its appearance. I indicated that the formatted questionnaire (a booklet format, proper alignments, appropriate fonts, thorough editing, etc.) would be forwarded to SBA after we obtained OMB approval. Here, attorney Treanor seems to indicate that a formatted questionnaire is required! Formatting and re-formatting (even roughly as we did) can get very time consuming, particularly when objections are received in sequence over periods of weeks and months – as has been the case with this project. Mr. Teamer had two sets of objections; we reformatted (roughly) on each occasion; then we reformatted again ... and now (?) only once more? If in fact a formatted questionnaire (the polished booklet, etc.) is required to proceed, then this is the first time I have been informed.

If in fact a formatted question is required, then is it possible to proceed via answering/clearing all the SBA objections to content first? We can then format the questionnaire and send it to SBA for the OMB approval process.

#### **Valid document disclaimer**

The next paragraph refers to a disclaimer about a person being not required to respond in the absence of a document containing a valid control number. No one at SBA ever mentioned such a requirement to me. Where do I get such a valid control number? Does SBA issue this control number?

We are willing to place the appropriate language in a separate paragraph in the introduction or instructions section and will be very happy to include valid control number with it once it is revealed to us. If there is a specific location on a questionnaire that this is required, please inform us in your response and we will place it there. What is the exact wording you require?

#### **Specific concerns about specific questions**

From this point, attorney Treanor's letter considers specific questions. I would not agree that they are impossible to answer. He has provided a valuable service with his objections. Most of these are typographical errors, which have been changed. In some cases more is involved and I am not totally in agreement with him. However, I am very willing to entertain each of his objections and change each question so as to satisfy his concerns.

- 1) This is a typographical error we changed it to read ... Would you like your name ..."
- 2) We have change this to read ... "(headquarters only)"
- 3) We have change this - we removed the letter "a"
- 4) We have clarified terms in a box above question BEQ14. In our opinion, the term "other investors" does not preclude identification of sources of loans other than family, friends, commercial, or government sources. We have blacked-out the equity boxes for commercial banks and government fields. According to the (Harvard) MBA working on this study, the question regarding legal advisor and accounting firms were listed separately since this is a very common practice in small businesses, especially in start-up phases.
- 5) We have changed this to include the word "government" in questions PQ34a through PQ39b. We also changed PQ35a, PQ37a, PQ39a. These were typographical errors. However, we have decided to reconstruct these questions as a table. This provides the respondent the option of answering with an estimate of the number of contracts. In doing this we believe we have addressed counsel's concerns.
- 6) We have rewritten both the prompt and the question. It now gives respondents the opportunity to indicate the number of times assistance has been requested.
- 7) This was a typographical error. MHQ54 now read ... "Air Force".
- 8) We left MHQ55 as is. This enables us to note periods of multiple service. We entered the word "first" in MHQ56 for clarity. We entered the word "finally" in MHQ57 for clarity. We entered the word "final" in MHQ 58 for clarity.
- 9) This error has been corrected.
- 10) This confusion was also corrected. We would like to note that the SBA requested (Reginald Teamer's letter of December 29, 1998) that this question - state of residence - be placed on the questionnaire. There was also a typographical error "(?)" here as well. This was corrected.
- 11) I have removed this from the header. My concerns with the matter of formatting are noted above.

Enclosed is the questionnaire (an unformatted version) with changes that hopefully satisfy Mr. Treanor's concerns. (1) Please note the language in the introduction section pertaining to the disclaimer and document control number. Please specifically inform me that this is what SBA wants. If not, please inform me of what SBA wants and we will insert it into the appropriate location. (2) Also, please inform me if SBA does require the respondent to provide proof that he/she is an eligible veteran and if SBA would like different language. Otherwise we will not include this. (3) Finally, please inform me if SBA demands that those other than eligible veterans be actively discouraged and whether SBA demands that their responses be discarded. Again, I feel very strongly about all the issues of proof of eligibility and the demand that a veteran cohort group be excluded. In my opinion, SBA is making a serious mistake if it demands that these two suggestions, as outlined in attorney Treanor's memo, be employed.

In summary, I thank you for forwarding this memo to me for my comments. While obviously the subject is this particular study, in my estimation several of his remarks are about internal SBA information policy matters. This must be the case; otherwise some of his comments are less than helpful. I look forward to a written SBA response to this letter.

Again, I am more than willing to help with the OMB requirements and am more than willing to make the changes SBA requires, but there has to be some closure here. All concerned realize that there have been too many delays as it is.

Sincerely,



Dr. Paul R. Camacho  
Principal Investigator  
paul.camacho@umb.edu



University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

June 10, 1999

Mr. Clendon Terry  
Contracting Officer Technical Representative  
Veterans Affairs Specialist  
Office of Veterans Affairs  
Small Business Administration  
409 Third Street S. W.  
Washington, D.C. 20416

Dear Mr. Terry:

I received your email of June 9, 1999 concerning the changes that OMB is demanding be made. It is easier to address these point in reverse order. Please accept this informal communication as an electronic file enclosed with the email as a response to your email of June 9.

(3) I changed the word other to Native American and Native Alaskan.

(2) I inserted a new paragraph into the survey instrument on page 2 under the heading "what your participation ..." It can serve as a substitute for the paragraph below or be merged with that paragraph in some way. Please make any suggestions you care to.

For (3) and (2) See the other enclosed file.

(1) I felt that the Section 18B on the OMB application format your agency is responsible to fill out was not necessary. The form which you faxed me concerning supporting documentation for the paperwork reduction act clearly states "... when Item 17 on form OMB 83-1 is checked yes, the following documentation should be included in the Supporting Statement to the extent that it applies... ". My understanding is that this submission to OMB is SBA responsibility, I agreed to provide assistance at your verbal request and the verbal request of Clifton Toulson.

My letter to you on this matter indicated that number 17 should be checked "No". This form and submission is SBA's responsibility, not my responsibility. **Thus my question is, if "No" was checked on the form, then why is OMB coming back to SBA asking for section 18B to be completed, when 18B (as noted above) is only required to be filled out when number 17 is checked as "Yes"?** I do not care about whether or not we display or not display the expiration date (this is what number 17 refers to.) **Thus, 18B should NOT have to be answered!**

I provide below what I think are the relevant answers for question 18B. I hope they are useful for SBA to move this process forward. Please note that in a number of other documents including the proposal itself I have already addressed these questions.

#### **18B.1 "Describe...."**

There is to my knowledge no accurate estimate or description of the universe of population. This is precisely the request that the veterans advocacy groups have been making – that such data be collected. **This study (in part) is an effort to provide such an estimate.** Among those who work in the area of veterans' issues, there is a general heuristic that roughly 10% of the veteran's population are disabled (eligible) veterans. This researcher's best estimate of the numbers of veterans (not simply disabled veterans) involved in a small business enterprise comes from a 1989-1990 study he conducted here in Massachusetts. That study data indicates that 14.9% of the respondents were operating a full or part-time business. For the purpose at hand I went back to that archived data and ran a count for the following:

QST101 – Are you currently operating your own small business? Yes/No. Of the 17964 respondents, 2679 answered yes. Rounded this is 15% of the Vietnam and Vietnam-era population.

QST125 – Have you been awarded disability compensation from the VA Yes/No? Of the 17964 respondents, 2886 answered yes. Rounded this is 16% of the Vietnam and Vietnam-era population.

Of the 17964 respondents, 384 answered yes to both questions. **This represents 13 % of the respondent population of veterans who were (then) engaged in a small business.** Based on this data one would estimate that 13% of the eligible Vietnam/Vietnam-era veteran population are engaged in a small business enterprise. There are approximately 350,000 disabled veterans from that era. Thus we could interpolate and estimate that 35,000 are engaged in a small business venture. This leaves out the populations of earlier and later generations. If we assume that those generations have a comparative level of entrepreneurial spirit, then we would quest that 13% of the service disabled populations of those eras are also engaged in a small business venture. In conclusion, census data (Statistical Abstract of the United States, 1998, 118<sup>th</sup> edition, page 370, table 594 indicates that there are 2,263,000 disabled veterans from all periods. If we take the figure from the Massachusetts study (13% of disabled/eligible veterans are engaged in a small business venture) then we arrive at an estimate that 294,190 disabled/eligible veterans are engaged in a small business venture.

Yet this may be high, because you have extremes at the ends of the population (rather young – rather old) to be proportionately involved in such efforts as those in say the 45-55 years of age category). Again, I should like to point out that the creation of tables (18b.1) asks for these), would be a product or outcome of this study. No such tables that I know of currently exist. I would say that the construction of such tables would be an outcome of this study. In addition, there is very little separation between veterans and disabled veterans in much of the data. Thus we have to sample mixed data sets (those containing both veterans in business and disabled veterans in business. The SBA guaranteed loan list is such a table.

We have several subsets of the veterans involved in small business ventures. These tables came from various sources as listed in the Phase I report. Below is a table as best as can be constructed. Hopefully, this will assist you in responding to OMB. You will notice that the sizes of these data tables vary, but the sample size will not; also that the number of responses necessary to achieve the 95% confidence level does not as well. There just is not that much variation.

TABLE	Proposed sample size	Response rate	Kind of inquiry
SBA table of guaranteed loans 32,300 records	1000 randomly selected	400 responses are required for estimation for 95 % confidence level	Veterans Survey instrument
ProNet List of approximately 3000 (self described) disabled veterans	1000 randomly selected	400 responses are required for estimation for 95 % confidence level	Veterans Survey instrument
The California SDVB veterans membership list of just under 3000 disabled veterans in business	1000 randomly selected	400 responses are required for estimation for 95 % confidence level	Veterans Survey instrument
List of veterans who call asking to participate in study	all	We hope for a 70% return	Veterans Survey instrument
List of approximately 380 eligible veterans from the Massachusetts list	all	We hope for a 70% return	Veterans Survey instrument
GSA 94-98 data tables of contractors receiving contracts valued at over \$25,000 for all federal agencies  <u>Unique Dun and Bradstreet numbers</u> for each data set differ with an average of approximately the following sizes FY94 – 38979 FY95 – 49307 FY96 – 50093 FY97 – 49502 FY98 – 46807	1000 randomly selected for each FY	400 responses are required for estimation for 95 % confidence level	Letter to owners inquiring if they served in the military. If yes if they are disabled. And whether they would want to participate in a study

To our knowledge none of this data has been previously collected. The reports of previous studies are in SBA possession, the condition of those data tables if they exist is unknown. If they do exist, they are now approximately 16 years old.

### 18B.2 Describe the procedures.

Sample select from the sample populations that we have been able to assemble shall be the primary selection process. The only stratification methodology that could be practiced would be on the GSA files by Agency/Contractor and on the other samples by geographic data (since we have virtually no

knowledge of the demographics of these sample populations. In any case, we would get a representative sample of any stratification, which exist throughout the means of the random selection process.

### **18B.3 Describe methods to Maximize**

Letters of encouragement will accompany the questionnaire. PSAs are being constructed and run by the veterans service organizations, etc. The standard sociological method for dealing with non-responses when the number of responses required to achieve the 95% confidence level is mail again to the non-respondents. This is done twice if necessary. If the number of respondents is still below the number required to achieve the 95% confidence level, then a selection of the non-respondents is sampled to secure a "profile" of them. This is used to estimate the non-respondent population.

### **18B.4 Tests**

Originally we had planned for pilots of the various sample populations. If we keep these under 10, then we do not have to make a separate submission here. If we consider, each of the population samples as distinct (which is what 18B.1 seems to require us to consider in it demand for tables of the sample populations), then we can keep each under this threshold and still have a reasonably good test of the main (veterans survey instrument). SBA must make a decision here. If we intend to test more than nine individuals, then according to 18b.4 we must submit a proposal for this to OMB. If SBA can convince or argue that each sample set is independent from the others in terms of being selected as a respondent, then perhaps nine individuals from each of the sampling units can be respondents to the pretest. Other than that, we must re-negotiate the contract to reduce the number of pretests so as to fall under the OMB threshold.

### **18B.5 Provide the name and phone of individuals consulted on statistical aspects of the design, etc.**

#### **Statistical design of the study**

The Principal Investigator is Dr. Paul R. Camacho, The William Joiner Center, University of Massachusetts/Boston, 100 Morrissey Boulevard, Boston MA 02125-3393. The telephone number is 617-287-5853.

A volunteer consultant for this project in terms of the statistical parameters of the survey population units is Anthony M. Roman, MA, Senior Statistician, Center for Survey Research, University of Massachusetts/Boston, 100 Morrissey Boulevard, Boston MA 02125-3393. The telephone number is 617-287-7200.

#### **Data collection of survey**

The survey is a self-respondent instrument. No veteran is contacted with anything but a follow-up letter requesting that they participate. No individual from the sample is contacted more than two additional times by mail.

#### **Data collection of interviews on veterans**

If a respondent to the veterans' survey indicates that they are interested and willing to participate in an in-depth interview, then their names are entered into a data table. Selection of a sample of those individuals will be based on business type, regional and demographic factors. Those individuals selected will be interviewed by one of the consultants hired for that purpose. I have enclosed a list of the names, addresses, and phone numbers of those individuals.

#### **Data collection of interviews with "officials and private sector individuals"**

Names of prospective individuals to interview as "officials or private sector individuals" include government officials from local, state, or federal sectors. Veterans' advocates and activists provided these names. Private sector individuals will include lending officials from various institutions, venture capitalists, and the like. They were identified as individuals in some way

connected to the issue of veterans and small business opportunities. They will be sent a letter asking them to participate in an interview of approximately 1-½ hours. Only those who indicate they were willing to participate will be interviewed. Individuals from the list mentioned above will interview them.

**Data collection from the lists of GSA contractors.**

(1) The individual businesses listed by the GSA as private sector contractors for all the various federal agencies for the last five fiscal years will be sent a simple one page letter and postage paid return postcard. The letter will explain the study. They will be asked if they served in the military. If so, they will be asked a few other questions. The entire process cannot take more than five minutes and involves no cost to these contractors' businesses. This is a self-respondent mailing. No one will be contacted unless they volunteer.

(2) Contractors doing business with various federal agencies at an amount under \$25,000 are not listed in the GSA data tables mentioned above. The study team is currently attempting to identify those contractors with these various agencies. If the appropriate data tables of these contractors can be secured, then those contractors will be sent the same letter and postage paid postcard as will be sent to the businesses receiving over \$25,000 in federal contracts

(3) List of contractors with state contracts has not been assembled. We would like to develop such a list to the extent that it is possible. Essentially the same instrument (letter of explanation and postage paid postcard) would be sent to these individuals businesses.

Please let me know what you think. Please note that I sent an email to you (Cliff and Kyle) indicating that the dates for the study reports are all dependent on this OMB approval. We cannot possibly conduct this study on that new timetable without OMB approval coming very soon.

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)



Congress of the United States

Washington, DC 20515

July 8, 1999

The Honorable Togo D. West, Jr.  
The Department of Veterans' Affairs  
810 Vermont Ave., NW  
Washington, DC 20420

Dear Secretary West,

We are writing to express our support for a study of small businesses owned by veterans and ask your help in expediting the collection of data.

The study is authorized by Title VII, Section 703 of the Small Business Reauthorization Act of 1997 and is being conducted to determine the status of small businesses which are owned and operated by eligible veterans. The Small Business Administration has awarded the contract for this important study to the William Joiner Center at the University of Massachusetts-Boston, with Dr. Paul R. Camacho as the principal investigator.

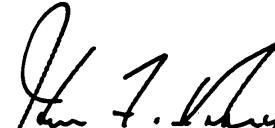
The overall mandate for this study is formidable because the search for the aggregate data needed to develop accurate and useful profiles on businesses owned by eligible veterans is particularly difficult to develop. To facilitate the process, the legislation requires federal agencies to cooperate with this research project by providing their assistance to the fullest extent possible in an effective and efficient matter.

We would greatly appreciate your assistance in providing Dr. Camacho and his team with aggregate data necessary to conduct the study. Should you have any questions, please feel free to contact Mr. Paul Cooksey (202-224-5175) or Ms. Kevin Wheeler (202-224-8496) on the Senate Small Business Committee staff.

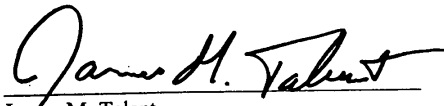
Sincerely,



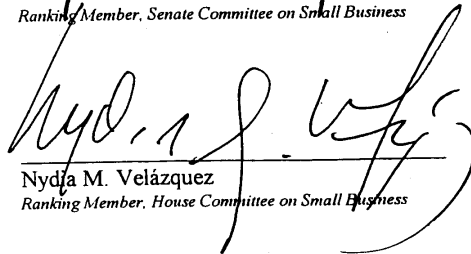
Christopher S. Bond  
*Chairman, Senate Committee on Small Business*



John F. Kerry  
*Ranking Member, Senate Committee on Small Business*

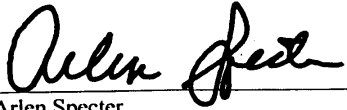


James M. Talent  
*Chairman, House Committee on Small Business*

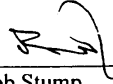


Nydia M. Velázquez  
*Ranking Member, House Committee on Small Business*

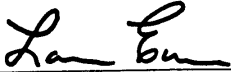
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Arlen Specter  
*Chairman, Senate Committee on Veterans' Affairs*



Bob Stump  
*Chairman, House Committee on Veterans' Affairs*



Lane Evans  
*Ranking Member, House Committee on Veterans' Affairs*

September 17, 1999

VIA FACSIMILE

Mr. Philip R. Mayo  
Director of Congressional  
Liaison Services  
Department of Veterans Affairs  
U.S. Senate  
Washington DC 20510  
Fax: 202-453-5218

Re: Scheduling a Meeting for Dr. Camacho

Dear Phil:

Thank you for talking with me. As I explained, the Small Business Administration (SBA) has hired Dr. Camacho as an independent to do a study profiling the universe of small business owners who are disabled veterans. He believes the Department of Veterans Affairs can help him satisfy some of the concerns the Office of Management and Budget has raised about his methodology for the study. He has written two letters to the VA asking for cooperation. He now would like a meeting with Deputy Secretary Hershel Gober.

I am faxing you copies of the letters I referenced and ask that you facilitate Dr. Camacho's request to work with VA so that Congress gets the best study possible.

Many thanks.



Kevin Wheeler  
Ext. 4-3722

10/26/99 TUE 14:10 FAX 202 224 3722

0002



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University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

September 13, 1999

The Honorable Togo D. West, Jr.  
The Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, D.C. 20420

Dear Secretary West:

As I mentioned in my letter of August 4, 1999 (enclosed), one of the most difficult problems confronting this study is to satisfy various parties' concerns about the issue of bias. There is no doubt, that your assistance in this matter will help resolve this situation.

The study team has assembled several sampling frames. From SBA, veterans' organizations, the old Massachusetts bonus list, GSA files, and even the list of contractors doing business with your agency. However, OMB has expressed considerable concern over the sampling techniques. In their opinion, these techniques are inadequate to ensure a true sample, which will capture an accurate picture of that sector of the disabled veteran's population, which is currently engaged in owning and/or operating a small business venture.

I recently read the "Women Vietnam Veterans Reproductive Outcomes Health Study conducted under the leadership of Dr. Han K. Kang. Of particular interest to me was the section concerned with methodology of data collection methods and the "algorithm to locate veterans". The Department of Veterans Affairs was an integral factor in gathering names of women veterans for that study. I would like to work with your agency to develop a method by which we

can secure a sample of veterans large enough to query their participation in small business ventures. Certainly the participation and cooperation of your agency in this study endeavor will satisfy even the most ardent opponents and critics of this project.

I look forward to your response.

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
Paul.camacho@umb.edu



University of Massachusetts Boston

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Tel 617 287-5850

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August 4, 1999

The Honorable Togo D. West, Jr.  
The Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, D.C. 20420

Dear Secretary West:

As you are aware, in December 1997, the Small Business Reauthorization Act included a Title VII, Section 703, which called for a study of small businesses owned and operated by veterans. Our Center is contracted to conduct this study.

Such a task is confronted with several difficulties. First there is little aggregate data concerning this issue anywhere. Second, sampling the veterans' population to secure data necessary to inform the Congress is confronted with several difficulties. One of these is the problem of securing a random sample large enough to satisfy even the most ardent critics concerned with the statistical issue of bias. This is particularly difficult in connection with sub-group populations.

One way to overcome all possible objections is for our study to secure (1) either the entire data table (names and addresses and indications of a few other characteristics) of all veterans and disabled veterans or (2) to secure a large enough random sample of such a universe of population or sub-group populations from the Department of Veterans Affairs.

It is my understanding that there is a precedent for this. During the Carter Administration, the Veterans Administration provided the Department of Labor/DVOPs with the entire database of disabled veterans.

I would like to request an interview with you within the next two months to discuss this matter.

I look forward to your response,

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
[Paul.Camacho@umb.edu](mailto:Paul.Camacho@umb.edu)



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

July 15, 1998

Dr. Paul R. Camacho  
Director of Special Projects  
University of Massachusetts Boston  
100 Morrissey Boulevard  
Boston, MA 02125

Dear Dr. Camacho,

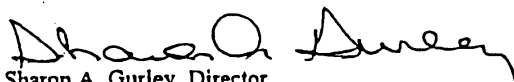
The Small Business Administration's Office of Procurement and Grants Management have reviewed and approved your unsolicited proposal entitled "A Comprehensive Study of the Status and Needs of Small Business Concerns Owned and Controlled by Eligible Veterans - Recommendations to Congress and the Federal Agencies" dated March 6, 1998. Your unsolicited proposal is funded in the amount of \$361,032.93. Therefore, you are hereby authorized to incur costs in an amount not to exceed \$361,032.93.

All services rendered should be in accordance with your unsolicited proposal. Any variation should be discussed with the Contract Specialist, Kyle Groome immediately prior to making any changes. Your Contracting Officer Technical Representative for this effort is Reginald Teamer. He can be contacted at (202) 205-6773.

This notification is authorization to proceed. However, please note that acceptance of your proposal is subject to final negotiations, which should take place within the next 30 days. Please refer to the requisition number 8.7650.0017 in all correspondence relative to this action.

If you have any questions, please call Kyle Groome or me at (202) 205-6622.

Sincerely,

  
Sharon A. Gurley, Director  
Office of Procurement and Grants Management

JUL 19 '99 11:01AM JOAN

①

**Toulson, Clifton**

**From:** White, Jacqueline K.  
**Sent:** Monday, July 19, 1999 10:47 AM  
**To:** Toulson, Clifton  
**Cc:** Etheridge, Kenneth T.; Dumaresq, Thomas A.; Gurley, Sharon Anderson; Rich, Curtis B.; Terry, Clendon; Teamer, Reginald B.  
**Subject:** FW: XXXX-XXXX OMB NOTICE OF ACTION  
**Importance:** High

As a result of your office being unable to resolve issues raised by OMB concerning the Veteran's Survey, it has been disapproved. Please reference OMB Action Notice below and the reasons cited for this disapproval in the "Terms of Clearance" section. A revised package can be submitted to this office and forwarded directly to Dave Rostker at OMB for final review.

At this point, it is still important to get feedback from your contractor once you are able to reach him. Has this been done yet? Please let me know if you still need to schedule a conference call with the contractor, your office, our office and OMB.

Thanks

Jacqueline White  
 Chief, AIB

-----Original Message-----

**From:** OIRA\_DOCKET@omb.eop.gov [mailto:OIRA\_DOCKET@omb.eop.gov]  
**Sent:** Friday, July 16, 1999 12:29 PM  
**To:** jacqueline.white@sba.gov  
**Cc:** DRostker@ingate2.eop.gov  
**Subject:** XXXX-XXXX OMB NOTICE OF ACTION

**NOTICE OF OFFICE OF MANAGEMENT AND BUDGET ACTION**

Jackie White 07/15/1999  
 Management Analyst  
 Small Business Administration  
 409 3rd Street SW.  
 Room 5000  
 Washington, DC 20416

In accordance with the Paperwork Reduction Act, OMB has taken the following action on your request for approval of a new information collection received on 03/31/1999.

**TITLE:** A Comprehensive Study of the Status and Needs of Small Business Concerns Owned and Controlled by Eligible Veterans.

**AGENCY FORM NUMBER(S):** SBA-FORM-2107

**ACTION :** DISAPPROVED  
**OMB NO.:** XXXX-XXXX  
**EXPIRATION DATE:** .....

**BURDEN      RESPONSES      BURDEN HOURS      BURDEN COSTS**



JUL 19 '99 11:01AM JOAN

Previous	0	0	0
New	0	0	0
Difference	3,000	0	0
Program Change		0	0
Adjustment		0	0

**TERMS OF CLEARANCE:**

SEE PAGE 2 FOR TERMS OF CLEARANCE

**NOTICE OF OFFICE OF MANAGEMENT AND BUDGET ACTION**

PAGE 2 OF 2

OMB NO.: XXXX-XXXX

07/15/1999

**TERMS OF CLEARANCE:**

The design of this survey, specifically the sampling methodology, raises serious concerns about the validity of any results that the contractor will report to SBA and its practical utility in meeting the study and report requirements of Title VII, Sec. 703. -- The subpopulations chosen to be sampled cannot be deemed to be representative of the veterans population as a whole or any significant subset, including veterans who own small businesses. Any statistically valid results that might come from these subpopulations would be valid only for these subpopulations and could not be used to make assertions about the 'needs of small business concerns owned and controlled by eligible veterans' or 'the availability and utilization of Administration programs by small business concerns owned and controlled by eligible veterans.' (The agency should consider using information collected under Title VII, Sec. 704, which requires an effort to 'identify small business concerns owned and controlled by eligible veterans in the United States' although this sample would also not be representative of the entire veterans population. It would exclude veterans whose business concerns had failed and who would be more likely to provide useful insights into the needs of small business concerns owned and controlled by eligible veterans. -- The agency's statements on confidence intervals are incorrect. If 400 people are randomly sampled and all respond, a confidence interval of 95% could be identified. However, if 1000 people are sampled and only 400 respond (a response rate of 40%), the concept of the confidence interval cannot be used because of nonresponse bias. Resampling (to obtain a 'profile,' as the agency proposes) cannot correct for this; this technique only works when there is no bias due to nonresponse. The low

expected response rate (40%) means that any confidence interval calculation is statistically invalid and that the nonresponse bias of this survey will be unknown. Thus, this survey will not provide information that will be representative of the sampled subpopulations. OMB guidelines requires a response rate near 80% to minimize nonresponse bias. Thus, additional efforts would be required to obtain 800 responses for every 1000 sampled. -- The interviewees would be a self-selected subpopulation which is further nonrandomly sampled by the agency. This sampling methodology has no validity as a means of learning about the target population; any information obtained would serve only as a source of potentially misleading anecdotes. -- The population of people from the 'list of veterans who call asking to participate in the study' is likewise not a representative sample of the population and should not be used.

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OMB Authorizing Official Title

Donald R. Arbuckle Deputy Administrator, Office of Information and Regulatory Affairs

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Dr. Canacho's notes:

Confidence level how to do with  $\pm$

- confidence interval vs non-response bias

how accurate

'est mate / could be expected

pt estimate is diff from non-response

bias

no one can claim 80.7.

short of billion of cases

no one gets the

possibly 1/2 from non-response



University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

July 29, 1999

Mr. Clifton Toulson Jr.  
Assistant Administrator for Veterans Affairs  
U.S. Small Business Administration  
409 Third Street S. W.  
Washington, D. C. 20416

Dear Mr. Toulson:

I want to thank you for your call on Monday, July 19, 1999 concerning the OMB decision to disapprove the survey for the study, "A Comprehensive Study of the Status and the Needs of Small Business Concerns Owned and Controlled by Eligible Veterans". I am pleased to take this opportunity to respond to the OMB Terms of Clearance as are contained in the notice that was sent to Ms. Jacqueline K. White on July 15, 1999. I am unaware of what the desk officer from OMB actually received in this case. I know I responded on a number of occasions to SBA concerning all the issues involved with this study. Also, I have no idea what the desk officer passed to Mr. Arbuckle.

Thus, it is perhaps best to begin by specifically responding to the notice sent to Ms. White. I would like to do this in three ways. First, I will bullet the statistical issues as viewed by a colleague, Anthony Roman, from the Center for Survey Research here at the University of Massachusetts. I assure you he plays no role in this research effort. Second, I will comment, in more contextual terms, on both Mr. Arbuckle's comments and several other issues involved in this study. Third, I will outline several other factors germane to the study methodology but which lie

beyond the immediate parameters of the survey itself. Before I begin, let me make it clear that I challenge the response of disapproval sent to SBA from OMB in connection with the sampling procedures to be used in the collection of data.

- The comments concerning confidence intervals are not entirely statistically correct. It states that if 400 people respond out of a sample of 1000, then "the concept of the confidence interval cannot be used because of non-response bias". This is incorrect as it confuses two different areas of statistical measurement, namely bias and sampling variability. A confidence interval depends only upon the size of the sample and the underlying variance of the population being studied. As the sample size increases, the confidence interval will decrease in size. For a given sample size from any population, the confidence interval will be approximately the same regardless of the response rate, as long as measurement of the variance of the underlying population is fairly accurate. This measurement is generally quite stable for relatively large sample sizes such as employed here. Therefore, the concept of a confidence interval is generally fine regardless of the response rate, as long as sample sizes are large enough. It simply states the degree of accuracy around some point estimate due to sampling variability.
- Bias, on the other hand, is a completely different story. If 400 observations are obtained from a sample of 400 people, then no bias can exist due to survey non-response as there is none. If 400 observations are obtained from a sample of 1000 people, then the possibility exists that non-respondents are, on average, not like respondents. This would produce non-response bias. It would imply that the point estimate around which your confidence interval is positioned is wrong to begin with. A statistical measure called the mean square error actually takes both the sampling variability and bias into account in one measure of accuracy.
- Non-response bias may exist in any survey that does not obtain a 100% response rate. Obviously, the potential effect of the bias becomes reduced as the response rate gets higher. No one will argue that a 40% response rate leaves the door open for potential effects of non-response. A standard way of evaluating the potential effects is to measure the size of differences between respondents and non-respondents. To do this, information is needed on the non-respondents. One widely used approach is to go after a sub-sample of non-respondents and get some basic key information from them. This then allows for a comparison of respondents and non-respondents. If they appear to be about the same, on average, then one can assume that the potential effects of non-response bias are minimal. If there are differences, then one can estimate what the point estimates could be if a higher response were obtained. This is not the same as getting a higher response rate, but does allow for statistical adjustment of survey measures.
- It seems that the critical point in all of this is the nature of a pilot study. If the nature is considered to be that of getting some information where none currently exists, determining how well information like this can be obtained, and examining the potential accuracy of information obtained, then a study such as this has great potential worth. If the nature is considered to be making final defining statements, then a more extensive effort might be needed which includes potential use of telephone interviewing to raise response rates, if indeed, the mail mode alone is not sufficient. If the guideline of 80% response rate was imposed, then not one of the top survey organizations in the country would, or could, apply. Many of the best survey organizations get below 80% frequently on government surveys as declining response rates is a concern for all institutions who attempt to do the best work possible. If the 80% rule was uniformly and strictly enforced, then only the Census Bureau could do most surveys.

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The latest OMB objections revolve around sampling issues. They touch on three issues: (1) bias, (2) confidence levels, and (3) the degree to which the samples represent the population. In addition, there are a number of lesser positions and/or claims, which I also challenge. Overall, the correspondence contains a number of inaccuracies. They have meshed these issues in ways that are not valid, and move back and forth from one to the other. I was also disturbed by the tone of the comments; it has an absolutist quality about it.

Please notice that OMB would defer the entire collection of data to that which is gathered under the provisions of section 704 of Title VII. As you are aware, that section asks that DVA, DOL, and SBA engage in efforts each fiscal year to identify small business concerns owned and controlled by eligible veterans. OMB would have the agencies start with a clean slate. **Yet, in the same memo, they deny, in advance, any validity of whatever those agencies gather** – they claim that such an effort would also be non-representative and exclude failures. Somehow this is better than employing the following sampling frames gathered thus far by the study team:

- The SBA guaranteed loan list (approximately 32,000) from FY1994 – 1998. I am convinced it contains a number of failures.
- A list of 3,000 individuals claiming to be disabled veterans from ProNet. This source also contains another 30,000 non-disabled veterans involved in small business.
- A list of approximately 3,000 veterans from various veterans' organizations who are involved in small business.
- A list of approximately 500 disabled veterans involved in small business obtained from a profile study conducted in 1990. This is a subset of a subset. The Joiner Center has the original bonus list of all Vietnam and Vietnam-era veterans who enlisted from the Commonwealth during that era. Some 2,600 out of the 19,000 veterans who responded were involved in a small business effort.
- A list of those interested in this issue who have called, claimed eligible veteran status and asked to participate in the study.
- The list of federal contractors for FY 1994 – FY 1998 (approximately 225,000 – 250,000 per year) which was provided by GSA.

How is this argument rational? They would compare and prefer no data to any data collected from any existent sources. How many years of VA/DOL/SBA data collection would be acceptable to them? In my judgement, these several

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sampling frames are the best available. We could widen the sampling frames by including non-disabled veterans from ProNet and/or the Massachusetts bonus list. We are still seeking other sampling frames. However, it was SBA (see comments concerning Mr. Treanor below) who demanded the sampling frames be narrowed!

The potential bias issue in this study is not the relevant factor that OMB mistakenly takes it to be. Random bias cancels out. It is systematic bias that is of concern to any research effort. Thus, OMB must be claiming that there is/will be significant systematic differences in the population of non-respondents. What factors, along what variables or cluster of variables does OMB claim that non-respondents are going to be radically different from respondents – that there will be systematic bias: along demographic lines, raw numbers of sub-populations, industry categories, capitalization factors? In each of these cases there are cohort checks in general census, economic census data, DVA data, SBA data, past SBA studies. Obviously our endeavor is to get as high a response rate as possible. In addition, we intend to work to obtain responses from some of the non-respondents in these sample sets to see if there are any significant differences. If there are, then we can adjust our descriptive findings to reflect those differences.

I would claim that one need only hold to the assumption of systemic bias when there are solid suspicions that it exists or that there are critical (“lynch pin”) variables. That is definitely not the case here. There are no critical hypotheses being tested here. This is a “profile study” - a descriptive study. We would like to venture some inferences where applicable, but we realize we must be careful. That is why we are utilizing a number of varied sampling frames and sampling techniques. That is why we are going to be utilizing simple random, as well as stratified random, and perhaps, cluster sampling techniques. Further, as a mixed model study, we will be seeking to gather qualitative data by conducting interviews with approximately 250 eligible veterans. We also are going to be interviewing approximately 100 non-veteran individuals who are at some level of leadership in the public sector or who come from a relevant private sector area like banking, etc.

This brings us to the questions of confidence levels. Please allow me to make this as simple as possible – because the need for exact mathematics is not necessary. About 400 observations produces a 95% confidence level of about + or - 5 percentage points in the estimation of any sample percentage. About 700 observations would only decrease that confidence measure by one percentage point. So the new confidence level is improved very little for the effort. The basic shape of the sample population along any particular variable one is measuring at the time will not change. It is the law of large numbers. The issue of bias is not directly connected to this. Again, we will work to get the highest response rate possible and check for bias among the non-respondents, but that is a separate issue from the confidence level. At +/- 5% one requires 400 respondents.

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The question of bias revolves around the notion that a certain category of respondent will not respond for some reason. An increase in response does provide assurances that this is accounted for, but that is not connected to confidence levels. Given the OMB memo it would appear that OMB's position is that a systematic bias definitely exists and that those who choose not to respond are distinctly different from the respondents along each and every variable being looked at, as if every variable was a critical variable defining the population.<sup>1</sup> If a bias along some variable existed its impact would be to shift the point to the right or left on the sample population curve – this has nothing to do with the confidence level.

For example, suppose our sample found the median age was 45 years of age and there existed a systematic bias – older veterans in business simply did not respond. If that were the case, then for that variable (age) the median point on the bell curve would be too far to the left. We would be saying that the median age of the population is lower than it should be. If we knew about this bias, then we would want to shift the center point to the right, i.e. the true median age being older. This would be the case, if and only if there was a systematic bias.

Allow me to peruse that for a moment. How would one know, or guess, or be suspicious that there was a bias? You would not. Why? Because you set your confidence level to the .05 (this is a basic standard) and 400 of 1000 responses gives you that level of confidence that you are correct within a 5% margin of error. As a researcher you deemed that level of confidence - that your data is accurate within that margin of error and you as the researcher deemed that level of potential error as acceptable.

Bias may exist for any level of confidence and shall be examined separately as in a sample of non-respondents. One alternative is to go back and seek out a sample of non-respondents to check if there is some common factor among them. Researchers try to get the non-respondents with a second letter or attempt to talk with them by phone, etc. They are not necessarily asking them to respond to the entire survey, but rather to specific questions around critical variables to the study in question. In the example above we would ask about age. If we found that there was a systematic bias, then we would have an idea of its magnitude from the non-respondents. This would allow us to gage and adjust our estimate point on the age curve of the sample.

#### **How representative are the samples**

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<sup>1</sup> Again, I maintain that they are incorrect here. Further there are degrees of insurance in that there are simply too many cohort checks. As note above, there are a number of studies (albeit old) to compare the collected data with for the study to miss an area where bias could exist.

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The overarching background question concerns how representative the sample populations are. OMB assumes they are simply not representative. Our sampling units are simply not wide enough. I can argue that what we have is acceptable, but we wanted wider sampling frames to begin with. **SBA did not!**

It was SBA, through Mr. Treanor, Chief Counsel to the Disaster Assistance Program, who, in his memo to Mr. David R. Kohler, Associate General Counsel for General Law, insisted that the sampling frames be constricted. He did not want even non-disabled veterans to be included in the study, regardless of whether or not they were involved in a small business venture.

We argued with SBA that they should be included so as to have a comparison group. Actually, we could argue that some non-veterans be included for further comparison. It was Mr. Kohler's memo – SBA's position, which required that we ask veterans who do respond for proof of disability. We have tried to word this in a manner that will not be insulting to the veterans we sent the survey to. If anything, that would limit response. However, we still think we will get a good response in any case.

I would like to argue for a moment about the legitimacy of the current sampling frames. How is the SBA guaranteed loan list of veterans in business not representative of veterans in business – and of veterans in business who are in need of programs to assist them? How is the population of this sample so radically different from other populations of veterans in business who did not get SBA loans? It seems to me that either they were so weak as a potential client for a loan that SBA could not extend the guarantee, or conversely they were situated well enough to not need those loans.

One of the principal issues of the study is about policy to assist veterans who need the assistance. How then can the SBA guaranteed loan list be useless and unrepresentative of the population in need? Further, why would the individuals who choose to register with the ProNet system be especially biased? In what direction? Further, if there were a bias, would it not be in the direction of those who were interested in seeking to advance their business. Are they not our target population? Why else would they register?

How is a database of tables (according to GSA, this is all the data they have, i.e. the total population) each of approximately 225,000 – 250,000 contractors who contracted with the federal government not representative of those who contract with the federal government? Is not a sample of that universe (a simple letter and postcard asking about veteran status and whether they would be willing to participate in the study) going to provide some kind of picture of the amount and percentage of contracts going to veterans? All the other lists serve as valid sampling units as well. We know they are limited; we intend to discuss these



limitations in our report and findings and recommendations. I must say that I fail to see the OMB logic here.

Finally, the OMB objection that it requires a response rate of 80% to minimize non-response bias is unsound and simply has to be in error. Other than the Census bureau, no research institution, corporation, polling organization, etc. can ever guarantee an 80% response rate. It just is not done. If there actually is such a policy, it cannot be honored. I would like to request a count of the number of studies OMB has approved, and a count on how many of those reached an 80% response rate.<sup>2</sup> First, they are demanding a sample frame of impossible purity - the total population of veterans in small business. Second, they are demanding a response rate of 80% be achieved. Virtually no one can do this; it is precisely the reason sampling units are utilized. In short, the Census Bureau would have to conduct every study the federal government ever contracted. Are these stringent demands really made in other sub-population studies?

We are willing to go along with a wider sampling frame

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Please allow me to shift now to an overview of our methodological efforts.

- A letter which was signed by a number of Committee Chairmen and Ranking Members went out to members of the President's Cabinet. It asks for the support of their agency in gathering information and providing assistance for the study.
- The study has gone to great lengths to ensure minority veteran participation within the budget allocated. You were present at the meeting we had during the time of the Congressional Black Caucus.
- We still plan to have the survey translated into Spanish and are working with a number of organizations representing the Puerto Rican Veterans Community.
- As you are aware, the traditional veterans' organizations were contacted. They have issued notices of the study in their organizational mailing.

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<sup>2</sup> This goal could be reached in circumstances with very specialized studies and populations - lung cancer victims being asked to participate in a survey focusing on lung cancer. I must point out, that even here, they would not have the total population of lung cancer victims from which to draw their sample - what about those who have lung cancer but have not been diagnosed?

- We are planning interview schedules to gather qualitative data. We will be visiting veterans' businesses on site to gather both primary and supplementary information.
- We will be interviewing both public and private sector individuals in an effort to assess the current status of programs in place and to gather a sense of what can be done to improve the present efforts to assist veterans across the federal agencies.
- We intend to gather data at the state level in connection with programs and efforts as well.
- We will be placing the questionnaire on the university web site after it is approved.

There are a number of other ideas, which various members of our study team have suggested we employ. However, the constant delay and "accordion" nature of the flow of this study have hampered all of these. I thought the paperwork reduction act was to help contractors such as the Joiner Center as well as to protect the public interest.

#### **Possible (but more expensive) solutions to OMB Demands**

One possible, though not perfect, strategy is to employ more sample frames. I will be conveying the OMB concern to the traditional veterans' organizations. I hope to convince them to provide us with a simple random sample of their membership. This will perhaps improve representation, but will not ensure it. It all depends on how OMB seeks to frame the issue.

If OMB demands a better sampling frame, then perhaps we can request the Department of Veterans Affairs to provide a simple random sample of disabled and non-disabled veterans. This would enable us to get a basic handle on the number involved in small business. Whether or not it would satisfy OMB depends on how OMB seeks to frame the issue.

For example, if statistical accuracy to the 05 level for all subgroups were required, then we would in fact require a much larger sample set. Unless DVA could identify those involved in small business it would have to employ sample sets of perhaps 8000 of each sub-group OMB deemed essential. The smaller that sub-group population the greater the sample size would have to be in order to assure that we had a reasonable chance at getting 400 entrepreneurs from each of these sub-populations. This would be considerably more expensive, time consuming, and complex.

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I said this at the very beginning of our discussions in December 1997 and in the spring of 1998 prior to submitting my formal proposal. I was advised by SBA to tailor the proposal and the cost down to the less complex model currently in place. As currently formulated, this study will suggest other avenues of research among the recommendations it provides. Essentially, we can narrow the study, keep it the same, or broaden it.

In closing, I would like to conclude on a more positive note. Despite all the problems I want to assure you that it has been a pleasure to work with you, Clendon Terry, and others at the Office of Veterans Affairs, and with Sharon Gurley and Kyle Groome at the Office of Procurement and Grants Management, and with Katherine White. Frankly, in my judgement the difficulty with this particular project lies in the organizational structure above the level of OVA. SBA is apparently experiencing an inner conflict over the status, location, and extent of its commitment to veterans. Some sectors of SBA are apparently reluctant to provide services to veterans while others are more than willing to include us. Further, this study is only a small part of the on-going activity surrounding the development of opportunities for eligible veterans in small business. As you are aware important veterans' bill developed by Mr. Talent was introduced and passed, moved to the Senate, where it was also passed on the 15<sup>th</sup> of this month. The VBOP grants which SBA will be implementing is another. I think over the next several years there is going to be considerable activity on this issue across the nation.

I look forward to the meeting with all concerned, which you are arranging in order that we may resolve this matter.

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)

Ps. A number of staff personnel have inquired about this situation.  
I am forwarding this letter and other materials to them.

Cc: Majority and Minority  
House and Senate Committee on Small Business  
House and Senate Committee on Veterans' Affairs  
Various veterans' organizations



University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

To: Concerned Congressional Staff Members

From: Paul R. Camacho

Date: July 29, 1999

Re: OMB refusal

Thank you for inquiring about the status of the study. Enclosed is my letter of response to the latest OMB objection. In addition, I have included a number of relevant documents to support my response. If OMB insists that all possible efforts be made to insure an unequivocally representative sample, then the study takes on a different nature and must be redefined. I am convinced that OMB has not thought this through and their objections are a form of political retribution for the passage of the veterans' legislation in the Senate. Their decision to Jackie White is dated July 15<sup>th</sup>. I find that awfully coincidental. Nevertheless, their objections need to be addressed or surmounted. In order to broaden the scope, as they currently demand, the study will definitely require access to DVA data. The study becomes much more complex and expensive.

The enclosures include:

The original proposal summary

A chronology of events

Letter to Clendon Terry re OMB requirements and application for approval

The SBA memo demanding the study be narrowed in focus

My response to this memo

My response to the initial OMB objections

The OMB memo rejecting the survey and demanding the study be broadened in focus

My response to the latest OMB objections

In my judgement a working meeting has to be enjoined. This latest set of objections is not a matter of adding a simple accent to the study. They imply that an entire redefinition of the study is required. The memo of disapproval contains errors, which leads me to believe they are uncertain about what they want and are reacting to influence exerted from other sectors of the administration.

Without getting involved in too much detail here are plausible alternatives:

- The study can attempt to secure the cooperation to the DVA and assemble one large simple random sampling unit for a mailing. Returns from this should provide data about the percentage of veterans in small business. A follow-up (mailing the survey to those who are in business) should provide data to compare against the other sampling units. However, it probably would not be definitive of sub-populations.
- Another alternative is to broaden the sampling units to include non-disabled veterans. The study can utilize non-disabled veterans on the ProNet list. That list contains some 30,000 individuals who claim to be veterans and have a business. (No one knows the quality of this list.) If the Economic Census of 1992 data is accepted, then this list potentially represents 10% of the entire veterans' population. I believe the population is actually larger because of the age factor.
- The sampling unit from the Massachusetts bonus list can be employed. While not perfect, this list is comprehensive of the Massachusetts Vietnam and Vietnam-era population. In fact, it is broader than that defined at the federal level. The list includes all who were in the Vietnam theater, as well as all those who served between February 1955 and June 1976. The original list was 207,000. Data cleaning reduced this to 157,000, and later to approximately 101,000. It is possible to take the original list (not a second or third generation) and run it against the Massachusetts registry data. This will provide a list of virtually every individual who enlisted in Massachusetts during those years. If they still reside in Massachusetts, their new address can be determined from this match. This should be an excellent sampling frame. While there may in fact be differences from what the population in any other state would look like – how significant can these differences be when adjusted to standard available demographic and other aggregate data? This would entail a cost, and provide a fairly accurate picture of the population. However, it will probably not meet a stringent statistically significant requirement if sub-population representation is demanded.

If a definitive description of sub-populations is required, then a very large number of sampling units must be assembled. The follow-up requirements would no doubt include phone work, etc. This will be expensive, complex, and time-consuming. Should this be done at some point?<sup>1</sup> Yes! Is it necessary for the purposes of 703? I do not think that it is. Why? Because: (1) those populations are included in the sampling units we have; (2) By definition they are undeserved populations – thus any findings we have in terms of needs for services will be applicable to them; (3) The study team has representation of well-respected research persons from those communities, who have the specific task of (a) ensuring minority participation and (b) examining the data specifically in terms of the needs of these sub-populations.

I am willing to do this. However, I would say the possible differences which will show up in this sample and those we have already assembled will not be profoundly significant in terms of the other sampling units utilized or the intent of section 703. The intent here is to focus on identifying the needs of those eligible veterans who need programs of assistance and/or would find such programs of assistance useful.

Upon reflection, it is sad the 1992 Economic Census, which was published in 1997 did not include veterans as a unit of analysis. If they had, one could argue that the data would be sufficient for the needs of describing the population as required by section 703. Other areas would still need to be studied (the contract amount and percentage, etc.), but there would be solid data on the veterans population.

Why were veterans not included as a sub-population in that study? In my judgement, and as I said in my testimony before the subcommittee hearing in May 1998 and at other occasions, veterans, as a sub-population, have been the subject of official neglect at SBA and other agencies. This neglect has been benign in most cases, but it others it has been active. This neglect has been ongoing for over two decades.

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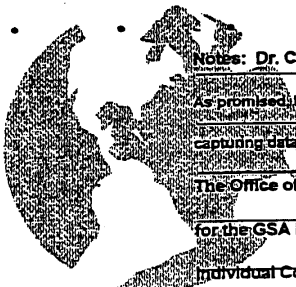
<sup>1</sup> Whether for fiscal or other reasons SBA did not complete a required procedure. There will be no follow-up to the economic Census recently published. According to Census personnel I spoke with on July 14<sup>th</sup>, the deadline for the procedural work has been passed. It is that study, which should have included veterans as a unit of analysis along with the five sub-populations it did contain. Should this situation be corrected, then steps should be taken to ensure that veterans are also a unit of analysis, not simply an element or variable.

SA-6, Rm. 633  
Washington, D.C. 20522  
Phone: 703/875-6824  
Fax: 703/875-6825

Facsimile Transmittal

To: Dr. Paul Camacho, UMass From: WhiteDN, State Department  
Fax: 617/287-5855 Date: August 5, 1999  
Phone: 617/287-5853 Pages: 2  
Re: Our telcon yesterday CC:

Urgent  For Review  Please Comment  Please Reply  Please Recycle



Notes: Dr. Camacho:

As promised, I'm faxing to you the letter that I drafted in response to the Congressional Inquiry about capturing data on Veteran-owned small businesses. It has not been signed yet by B. Larkin.

The Office of Federal Procurement Policy, which has oversight of the form used to gather data for the GSA Federal Procurement Data System, is going to be amending that form (SF279, Individual Contract Action Report or "ICAR") soon to incorporate other data fields that are

needed as a result of some recent changes to federal procurement. Specifically, information about HUB Zones and about whether Small/Disadvantaged Business (SDB) price or evaluation preferences were used during the contract award process. If this issue about collecting Veteran-owned data could be "fast tracked", it could be added to the ICAR at the same time. Federal departments are going to have to modify their systems for this other data anyway. If handled concurrently with other modifications, one more data field should not be a huge extra cost. Diedre Lee's number at OFPP is 202/395-5802. (She's the Administrator, OFPP). Ask if there has been a replacement for Linda Williams, her deputy who was handling small business issues until she moved to SBA recently. Also, I will be in Danvers, MA, next

Wednesday at a NASA conference (Danvers Sheraton Fernwood). If you are interested in

attending, call Glenn Wright at NASA/NH to register. 800/861-5037.

Durie White. . . . .

UNCLASSIFIED



University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

Fax 617 287-5855

August 5, 1999

The Honorable Diedre Lee  
Administration for Federal Procurement Policy  
Office of Management and Budget  
Room 352  
Old Executive Office Building

Dear Administrator Lee:

I am the principal investigator for a congressionally mandated study concerned with the status of veterans who own and operate small business ventures. One of the questions the Congress is interested in, is the amount and percentage of federal contracts that are awarded to veteran owned and operated businesses. I know that there is no provision for this in the data collection process.

It has come to my attention that the Office of Federal Procurement Policy has oversight of the form used to gather data for the GSA Federal Procurement Data System and will be modifying this form, SF-279, the Individual Contract Action Report to incorporate other data fields.

I would like to know the time line on this project. Frankly, one of my recommendations will be to require that the SF-279 be amended to inquire whether a business is Veteran or disabled veteran owned and operated. Thus, if modifications are going to be made, it would



---

make more sense to include this as a data field now while other changes are being made. Are there other forms relative to small business that are also going to be changed?

I would enjoy the opportunity to speak with you about this matter and look forward to your response.

Sincerely,

Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)

Cc: Committee on Small Business (Senate and House)  
Cc: Committee on Veterans Affairs

FEDERAL PROCUREMENT DATA SYSTEM (FPDS) INDIVIDUAL CONTRACT ACTION REPORT INTERAGENCY REPORT CONTROL NUMBER 0206-GSA-GU

1. REPORTING AGENCY CODE (FPDS ASU) (4 Pos.) **RPTAG** 2. CONTRACT NUMBER (Left justified with no special characters) (18 Pos.) **CONTRACT** 3. MODIFICATION NUMBER (Left justified; cannot exceed 4 characters) (4 Pos.) **MOD\_NUM** 4. CONTRACTING OFFICE ORDER NUMBER (Left justified; cannot exceed 15 characters) (15 Pos.) **ORDER\_NUM**

5. CONTRACTING OFFICE CODE (5 alpha-numeric character code) (5 Pos.) **CUTROFF** 6. ACTION DATE (4 digit calendar year and 2 digit month, e.g., 200012) (6 Pos.) **ADATE** 7. TYPE OF DATA ENTRY (1 Pos.) **TYPENT** 8. REPORT PERIOD (4 digit fiscal year and 1 digit quarter, e.g., 20001) (5 Pos.) **RPTPRD**

9. KIND OF CONTRACT ACTION (1 Pos.) **KCA** 10. DOLLARS OBLIGATED OR DEOBLIGATED THIS ACTION (Right justified; round to nearest 1000; use lead zeros) (8 Pos.) **DOLLARS**

11. TYPE OF OBLIGATION **TYPOBL** 12. PRINCIPAL PRODUCT OR SERVICE (FPDS Product Service Code Manual) (4 Pos.) **PSC**

13. PRINCIPAL STANDARD INDUSTRIAL CLASSIFICATION (SIC) CODE (OMB SIC Manual) (4 Pos.) **SIC** 14. COMMERCIAL ITEM ACQUISITION **CITA** 15. CONTRACTOR NAME (30 Pos.) **ICAR\_NAME**

16. CONTRACTOR IDENTIFICATION NUMBER (9 Pos.) **CEC** 17a. PRINCIPAL PLACE OF PERFORMANCE (State and City Code HPS 55) (7 Pos.) **STATE PLACE COUNTRY** 17b. FOREIGN COUNTRY (HPS 10-31) (2 Pos.) **FOREIGN** 18. CONTRACT FOR FOREIGN GOVT. OR INTERNATIONAL ORGANIZATION (1 Pos.) **FOREIGN** 19. TARIFF OR REGULATED (Pre-CICA) (1 Pos.) **TAREG**

20. MULTYEAR CONTRACT (1 Pos.) **MY** 21. RESERVED FOR FPDS (2 Pos.) **RES** 22. COUNTRY OF MANUFACTURE (HPS 10-31) (2 Pos.) **CUMFG** 23. SYNOPSIS OF PROCUREMENT PRIOR TO AWARD (1 Pos.) **SPOA** 24. TYPE OF CONTRACT OR MODIFICATION (1 Pos.) **TYMOTR**

25. CICA APPLICABILITY (1 Pos.) **CICA** 26. SOLICITATION PROCEDURES (Complete only if item 25 = A-J) (1 Pos.) **SPROC**

27. AUTHORITY FOR OTHER THAN FULL AND OPEN COMPETITION (Complete only if item 25 = U-I) (1 Pos.) **CAUTH** 28. NUMBER OF OFFERS RECEIVED (Complete only if item 25 = A or E-I) (1 Pos.) **NUMOFFR** 29. EXTENT COMPETED (1 Pos.) **EXCOMP**

30. TYPE OF CONTRACTOR (1 Pos.) **TCNTR** 31. WOMEN-OWNED BUSINESS (1 Pos.) **WOB** 32. PREFERENCE PROGRAM (1 Pos.) **PPROG**

33. SUBCONTRACTING PLAN (Small, Small Disadvantaged, and Women-Owned Small Business) (1 Pos.) **SPLAN** 34. SUBJECT TO LABOR STATUTES (1 Pos.) **LSTAT** 35. ESTIMATED CONTRACT COMPLETION DATE (4 digit calendar year and 2 digit month, e.g., 200012) (6 Pos.) **ECD** 36. CONTRACTOR'S TIN (9 Pos.) **CNTRTIN**

37. COMMON PARENT'S NAME (30 Pos.) **TCAR-ULTNAME** 38. COMMON PARENT'S TIN (9 Pos.) **PARENTIN**

39. RESERVED FOR FPDS (4 Pos.) 40. RESERVED FOR FPDS (1 Pos.) 41. RESERVED FOR FPDS (5 Pos.)

42. DEMONSTRATION TEST PROGRAM (1 Pos.) **DEMTST** 43. EMERGING SMALL BUSINESS (1 Pos.) **EMSMALL** 44. EMERGING SMALL BUSINESS RESERVE AWARD (1 Pos.) **AWARD** 45. SIZE OF SMALL BUSINESS (1 Pos.) **SIZESMALL**

46. RESERVED FOR FPDS (10 Pos.) 47. OPTIONAL REPORTED DATA ELEMENTS (30 Pos.)

48. FOR AGENCY INTERNAL USE **DODCLM DODSE SMALLDIS ETHNIC NASAAPT HCAMT PROFITSBB**

49. CONTRACTING OFFICER OR REPRESENTATIVE

Def: - *Hydronics*  
- *building*  
- *MD*  
- *2 years*  
- *OMB*  
- *again*  
- *make*  
- *1*  
- *book*

*These 10 are for ball see slipstream Trade number*



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September 20, 1999

Mr. Jim Hubbard  
Director of Economics  
The American Legion  
1600 K Street, N.W.  
Washington, D.C. 20006

Dear Mr. Hubbard:

I am taking this opportunity to write to you today to seek the assistance of the American Legion. As you may be aware, I am the principal investigator for the study on the status of eligible veterans in small business, which was mandated in the 1997 Small Business Reauthorization Act. There are a number of technical issues here, which I will try to simplify but still present accurately.

As originally conceived, the study was to be a quick profile on eligible veterans engaged in a small business effort. I indicated in my original proposal that virtually no one had a list of all the veterans in small business. Thus, obtaining a sample frame that was absolutely reflective of the universe of population (all the eligible veterans in the country engaged in a small business venture) would probably not be possible. However, I did indicate that I would use as many sampling frames as I could gather and that in my judgement this would provide a reasonably valid profile of the eligible veterans in small business. I did this based on my knowledge of what I had in hand and/or was fairly confident I could obtain.

The project evolved as we continued. Demands are being brought in which were not articulated or raised in the beginning. Essentially, this project is experiencing an expansion in scope ("mission creep"). OMB has decided (at some point between 15 July and 19 July) that a random sample, which was truly representative of the total population, must be utilized and that an examination of business failures must be included. I believe

many of the data lists (these may be thought of as sampling frames) in the possession of many of the veterans' organizations are reasonably representative of the veterans population, and I seek to secure a random sample from these sample frames of organization membership. However, the only such sample, which could unarguably be considered as one truly representative of the entire veteran population would have to be generated from the DVA. Should OMB reject this as valid, then I would be truly dismayed.

I am seeking the assistance of the American Legion for the following:

- (1) I would appreciate a letter from the Legion to DVA, which supports the study and requests DVA cooperation in providing a sample for the conduct of this study. While, DVA may not have any information in the data table on small business, they certainly can identify veterans and disabled veterans. A large enough sample size of each of these populations would have to be secured in order to assure a return of enough veterans engaged in small business who would be willing to participate in the study.
- (2) However, there still may be difficulties to overcome. Thus I would like to request that the American Legion provide a sampling frame from its membership list. Further, I would request that the American Legion take the lead and secure similar participation in the study from the other major VSOs. Please note that I do not necessarily need to receive these if the organizations could coordinate the mailing for, which the study would pay the postage. I would of course need to see the returns.
- (3) I care to alert the American Legion about a particular facet of this project. That is, there exists a governmental form, the Federal Procurement Data System (FPDS) Individual Contract Action Report (ICAR). There is a committee, which oversees the format of this form, and the data collection in engenders, (and no doubt other related issues). Changes are now being planned for this form. (Incidentally, not all the information on this form is collected.) **It is imperative that veterans be included in the coming changes.**

My understanding is that these changes are for not only the paper (many thousands of new forms will be eventually printed), but also the electronic data entry screens. If veterans are not included now, the chances that the recent legislation that requires data on veterans in small business procurement efforts to be collected, being implemented is poor to non-

existent. Advocates will be told that it is simply too expensive. Enclosed are a fax from Durie White, and my letter to Diedre Lee. I called Roger Keller (and others) and told him about this. He, in turn, contacted others. I do not know how things are progressing, but I would not leave this to chance. I fear that we will hear the same old mantra.... "If we only knew earlier, we would have been happy to include the veterans."


As you are aware, this is really a matter of applied research, which by its very definition is politically charged. Veterans attempting to secure assistance in the area of small business have been the subjects of official neglect for well over twenty years. I really implore your help. Opportunity structures for thousands of eligible veterans are at stake. I want to do everything I can to respond to OMB's objections. In order to do this, I will need the assistance of the American Legion and the other VSOs.

I should point out that there are a number of technical issues, which OMB has raised. Some of their concerns are valid, if in fact a truly random sample is required, as they insist. They raised other concerns that confuse the issues of confidence levels, response rates, bias, and techniques to assess and adjust for this. Currently I am working with Mr. Ted Wartell, Director of Policy, at SBA to resolve these issues. I will be submitting a review of all the methodological efforts designed in the conduct of this study to him in the near future. According to OMB, an entirely new submission must be made and then (I am not certain of the process) the entire effort will require a 30-day comment period in the Federal Register.

There are a number of enclosures. I have provided (1) a packet of the major "events" so far. (2) There is the fax from Ms. White and the letter to Ms. Lee concerning the SF 279. When I complete my packet to Mr. Wartell, I will forward a copy to you as well.

Again, I implore the American Legion to assist me in this matter. I would most appreciate any opportunity you could arrange for me to come to Washington and speak with you and (hopefully) others who represent the major service organizations.

Sincerely,

  
Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, DC 20416

The Honorable Lane Evans  
Ranking Member  
Committee on Veterans' Affairs  
House of Representatives  
Washington, DC 20515-1317

Dear Congressman Evans:

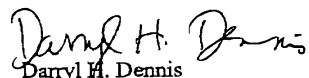
Thank you for your letter of July 8, 1999, Aida Alvarez, Administrator of the Small Business Administration (SBA). Your letter, co-signed by six of your colleagues, expressing support for the Title VII Study of small businesses owned by veterans, and request that the SBA expedite the collection of data. I have been requested by Administrator Alvarez to respond to your request.

The Office of Veterans Affairs (OVA) has been designated to coordinate the Title VII Study as mandated by Congress under Section 703 of the Small Business Reauthorization Act of 1997. We are working with the contractor, the University of Massachusetts Boston, William Joiner Center, to provide the necessary program assistance needed to fulfill the requirements of the Study.

The SBA is committed to ensuring that the doors of economic opportunity are open to all Americans particularly those who have done so much to make this country strong. This study will help the SBA improve its program and service delivery to disabled veteran entrepreneurs.

Thank you and your colleagues for your interest in this much needed study.

Sincerely,

  
Darryl H. Dennis  
Associate Deputy Administrator  
for Entrepreneurial Development

**Notes on phone conversation with Ted Wortell (Policy Director of SBA) on September 23, 1999**

- Dr. Camacho acknowledges that the contract conditions have been changed by OMB.(eg. A random sample is needed that is truly representative of the veteran's small business population.)
- **Paul:** The change came about because the proposal implies a non-probability sample. So alternatives have to be made to create an accurate (representative) sample perhaps using data provided by the American Legion or the VA.
- **Ted:** to re-apply with a random sample list is pushing it without support (agreement) from the VA to use their sample data.
- Ted states that he doesn't think OMB will go for it. He says that OMB's major concern is that the group sampled may not be representative. It is not necessarily the response rate rather the representativeness of veteran's small business population.
- **Ted:** (commenting on Clif Toulson's vague reply/suggestions to Paul concerning the study) "There is a certain amount of lack of communication from our Agency. Let me apologize for that". Kept saying we should put that off for another time. Ted reiterates that what we have to think about now is how to get that representative random sample.
- Ted says he will contact OMB within two or 3 days concerning methodological revamp' of the survey. (e.g. Separating GSA portion)
- Ted tells Paul to find out about available representative samples and find out what the sources will be. "If you have a way of augmenting the sample you already have you can send it here (to Ted) for evaluation by our statisticians"

SA PROTION OF CONTRACT

**Subject: GSA PROTION OF CONTRACT**

**Date:** Thu, 07 Oct 1999 16:51:32 -0500

**From:** Paul Camacho <paul.camacho@umb.edu>

**Organization:** JOINER-CTR

**To:** TED WARTELL <theodore.wartell@sba.gov>

Dear Ted:

There are five GSA data files: FY 94, 95, 96, 97 98.

Each contains approximately 230,000 records of contracts over \$25,000.

It should be noted that many firms have several contracts. From my cursory examination thus far, the average is approximately 4.23 contracts per contractor. However, this mean hides a very significant skew in the dispersion of contracts. The actual number of distinct contractors is under 50,000 in any particular year.

Over all it is proposed that a random sample of the size 1000 for each list (sampling unit) be constructed. Each of these contractors would be sent a one-page letter explaining the purpose of the study. Enclosed with the letter would be a postage-paid return postcard. The postcard contains a maximum of six questions. (A mock-up of the card is enclosed with this email. Ms Word Ms office 97)

Each set of postcard has a different color (one for each year). Each has an unobtrusive marking allowing only the study team to identify the respondent. This will allow us to calculate the percentage of those receiving contracts and the total amount of those contracts.

Since this is so simple, and requires less then perhaps five minutes of the contractors time, we would expect the percentage of returns to be quite high (mid 70%). However, there is no way to assure that this will be the case. Therefore, a random sample of the non-respondents will be contacted and queried as to why they did not respond, and about their veteran status.

Additionally we plan to send out the samples from the frames in sequence. That will allow us to make any corrections we feel are necessary to ensure the maximum response from the subsequent samples of the remaining sampling frames. That is we first send out 1994, get the response, then 1995, get their response, etc.

Also, we are thinking of sending two random and two stratified random samples (by agency, and by sic - industry), and perhaps one cluster sample (DOD) - a study in the mid-1980s had sampled DOD contractors.

If they also indicate that they would like to participate in the survey, they we can include them as a distinct sampling frame among all the other sampling frames we have been gathering.

I hope this helps you.

Sincerely,

the text below is out of format in this email

The William Joiner Center - Congressional Small Business Study

Dear Small Business Owner/Operator: Please mark the appropriate box(es) and drop in the mail

of 2

10/26/99 4:13 PM



OR FRACTION OF CONTRACT

Have you ever served in the Armed forces of the United States? Yes \_\_\_  
No \_\_\_

(If you checked "no" to the above, drop card in mail. If you checked  
"yes", complete the card and drop in mail.)

When did you serve in the Armed Forces? From: 19 \_\_\_ To: 19 \_\_\_

Are you a service-connected disabled veteran currently receiving  
compensation from the Department of Veterans Affairs? Yes \_\_\_ No \_\_\_


Are you a disabled veteran entitled to compensation but are currently in  
receipt of military retired pay? Yes \_\_\_ No \_\_\_

Have you been discharged or released from active duty because of a  
service-connected disability? Yes \_\_\_ No \_\_\_

Are you interested in participating in a survey regarding the needs of  
small business concerns owned and controlled by eligible veterans? Yes  
\_\_\_ No \_\_\_

Name \_\_\_\_\_  
Address \_\_\_\_\_

Paul

 POSTCARD.doc	<b>Name:</b> POSTCARD.doc <b>Type:</b> Winword File (application/msword) <b>Encoding:</b> base64
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LETTER TO FED CONTRACTORS

**Subject:** LETTER TO FED CONTRACTORS  
**Date:** Thu, 07 Oct 1999 17:17:51 -0500  
**From:** Paul Camacho <paul.camacho@umb.edu>  
**Organization:** JOINER-CTR  
**To:** TED WARTELL <theodore.wartell@sba.gov>

Ted:

Here is the context of the letter.

May 17, 1999

Dear Federal Contractor:

In compliance with Title VII, Section 703 of the Small Business Reauthorization Act of 1997, The William Joiner Center of the University of Massachusetts has been contracted to conduct a comprehensive study on the "small business concerns owned and controlled by eligible (disabled) veterans." A final report including results and recommendations must be submitted to Congress. Your cooperation in this matter is requested and greatly appreciated.

Reading this letter, filling out the enclosed postcard and putting it in the mail should take less than five minutes of your time. Your participation will provide valuable information that will assist America's disabled veterans involved in small business ventures. Should you have any questions you may reach me via a toll free number we have for this endeavor (877-730-7201).

Thank you in advance for your time and attention to this matter.

Sincerely,

Dr. Paul R. Camacho  
Paul.camacho@umb.edu

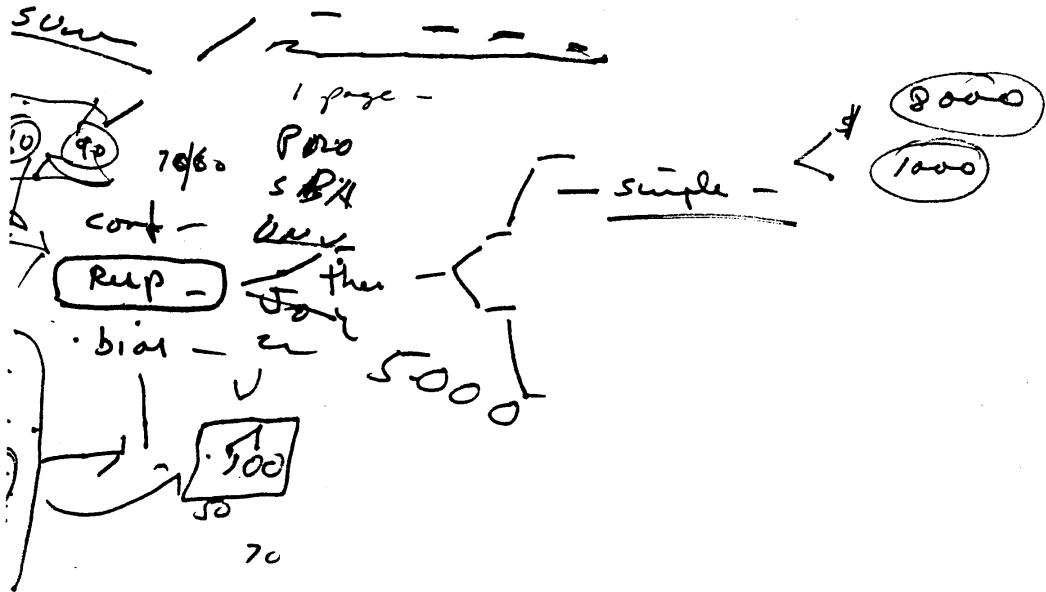
of 1

10/26/99 4:13 PM

from OMB  
ask who at OMB

This is what OMB quoted Clif Taylor  
when he asked them to interpret the  
Survey Instrument Deficiencies  
original Fox to J. White

- included
1. The contractor should include in his survey unsuccessful Disabled Veterans (DAV) with failed businesses? ✓
  2. Why are some people not responding to the survey? ✓
  3. Is there a systematic reason why people would not respond? ✓
  4. Why does the survey instrument address the most successful veterans? ✓
  5. A response rate of 40% does not represent the entire population of veterans surveyed. ✓
  6. The methodology is incorrect and is not without bias.
  7. The survey is too long and needs to be shortened.
  8. The contractor must find a population where the random sample can be done.
  9. Increase contacts.
  10. The survey needs to be more relevant.
  11. The contractor needs to explain what the interviews are for, so that it will increase the response rate.
  12. The survey will need to be resubmitted to OMB as a new package. It will also require a 30-day comment period in the Federal Register.





University of Massachusetts Boston

*The William Joiner Center  
for the Study of War and Social Consequences*

100 Morrissey Boulevard

Boston, MA 02125-3393

Tel 617 287-5850

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November 19, 1999

Mr. Ted Wartell  
Policy Director  
U.S. Small Business Administration  
409 3<sup>rd</sup> Street, S.W.  
Washington, D.C. 20416

Dear Mr. Wartell:

As you are aware, our contract for the study entitled "A Comprehensive Study of the Status and Needs of Small Business Concerns Owned and Controlled by Eligible Veterans – Recommendations to Congress and the Federal Agencies" "officially" expired as of the end of September 1999. Due to OMB concerns about the issue of "representativeness", response rates, and potential sampling bias, we never were able to proceed past or even fully complete even the first phase of this study. In my judgement these concerns have been misplaced given the tradeoffs that come with cost and performance.

In our original proposal we stated that we would employ a variety of sampling frames in our possession and those we could secure during the time of the study. We indicated that there was some concern in that there is presently no sample frame that could unequivocally be considered as definitely representative of America's population of veterans. The alternative which we offered, **and which SBA accepted**, was that a variety of specific sampling frames be employed.

Each of these sampling frames offers a specific viewpoint of the eligible veteran or veteran small business population. We acknowledge the granularity, but argue that approximate and timely data is better than no data and that precise data will take several years to assemble. Further, the in-depth interviews would provide the research team with an opportunity to visit a sample of the respondents' businesses and gather some qualitative data as a check or audit on the quantitative data. In addition, we planned to interview a variety of federal, state, and local officials to get their perspective on this issue.

As you must know we also argued that we be allowed to survey non-disabled veterans (from sample frames in our possession) to use for rough control group/comparison purposes. Perhaps that is not necessary. In any case, our efforts would be complimented with a thorough literature review and review of past recommendations. We argued that this would provide a solid study for the price and the nine-month time allocated in the legislation. Again, SBA initially agreed; they accepted this proposal.

As we proceeded we secured GSA data files (FY1994 – FY1998) for federal contractors for all the reporting agencies with contracts equal to and exceeding \$25,000. This enabled us to answer the specific question articulated in section 703 of Title VII. As you know, I have suggested that we separate this sector of the study (and perhaps other parts) from the survey. If we are unable to settle the matter of the survey for eligible veterans in the immediate future, we should proceed in this area. Essentially, the sample of GSA contractors involves a letter of explanation and a return postcard. The entire process would take under five minutes and the return postcard is pre-paid. Accordingly, we expect a very high rate of return. This would at least enable us to answer the questions about federal procurement contracted to businesses controlled by eligible veterans by amount and percentage.

I have spoken with a number of individuals about these issues, including personnel who worked on the 1992 Economic Census. Several weeks ago I indicated to you that we were trying to secure the cooperation of the Department of Veterans Affairs. We hoped that they would provide a sample frame or sample of disabled and non-disabled veterans for use with the study. SBA helped arrange a phone conference on this matter. I was left with the impression that they might help. However, there was some question as to why we would also need non-disabled veterans. We would need them for comparison if required. These sample frames/data files would have to be quite large (they apparently contain no small business field). Thus their implementation would be quite expensive. Also, if we must include subgroups, then both the sample size and related expense will be even greater.

All this notwithstanding, OMB could still say that either this is not acceptable or representative of America's veterans (see the notice sent to Ms. Jackie White). Even if they agreed that the DVA list is representative, they could insist that we use non-veterans for a proper control group. At that point we would need a list of businesses. There are such sources, say from businesses selling CD-ROMs of what is essentially national yellow pages of businesses, etc. Again there is an issue of expense. We should find out if a DVA sample of disabled veterans is acceptable and if a control group is required. If a control group is required and a list from commercial sources is unacceptable, then we have to obtain a list from the Census Bureau. As I mentioned more than once, with the decennial census coming up, they may not be able to help.

What I have tried to outline here are just a few of the problems. I have provided another angle in my response to the OMB objections as articulated to Clifton Toulson during a phone conversation he had with them a few months back, when he provided us with a list during the meeting of September 16, 1999. Also, I have worked out a description of every data file/sample frame we can secure and provided an outline of its features.

There is no doubt that if OMB insists on these points/conditions, then the requirements of the study have moved far beyond the original proposal. Developing and employing an unequivocally representative sample of disabled veterans can be provided by the DVA (if OMB agrees that such a sample frame has that quality). The development of a corresponding control group (particularly a non-veteran control group) will increase costs at least fivefold. A list of non-

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disabled veterans from the VA would be helpful, but if OMB is fixated on this issue, then there exists a problem.

In my judgement, a control group is unwarranted for several reasons. First, the level of sophistication is unnecessary; the legislation does not ask for this. There are no threshold issues of imperative importance to be determined here. To say that federal policy cannot be proposed or decided on with less than perfect information and data flies in the face of experience and works to ensure the continuation of a history of neglect; to do nothing is a policy decision. Second and as mentioned above, the cost and time of a census quality study is far beyond the scope of the original proposal. The construction of such a study would easily cost a minimum of \$1.5 million and require at least three years. We can do this, but it would require negotiating an entirely new proposal. The nine-month time frame contained in the legislation belies that this was.

My suggestion is that SBA should convince OMB that this proposal, which SBA accepted, should be carried out. The addition of the DVA disabled veterans sample frame would provide great validity to the findings. Again, since a comparison with others is not mentioned in the language of Title VII, Section 703, or in the memo to Jackie White a control group should not be necessary. The final report would provide the Congress and the Agencies with a picture of eligible veterans engaged in a small business effort. Interesting questions and or variables could be explored by the DVA national survey 2000, which I understand is being planned and will be implemented by Westat Corporation.

Sincerely,



Dr. Paul R. Camacho  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)



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November 19, 1999

Mr. Clifton Toulson Jr.  
Assistant Administrator for Veterans Affairs  
U.S. Small Business Administration  
409 Third Street S. W.  
Washington, D. C. 20416

Dear Mr. Toulson:

Please accept this letter and the enclosure as a response to the page of notes that you provided me at the meeting of September 16, 1999. I have addressed these issues in an outline format. I also addressed the overall situation in a letter to Mr. Wartell. I believe that if SBA cannot convince OMB that the contract it accepted is worthy of approval, then it has to come to some decision about renegotiating the entire proposal.

Sincerely,

A handwritten signature in black ink that reads "Paul R. Camacho". The signature is written in a cursive style with a large, sweeping 'P' and 'C'.

Dr. Paul R. Camacho  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)



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November 19, 1999

A Response to the verbal objections concerning the survey  
provided to Clifton Toulson by OMB

- 1 The contractor should include in his survey [a sample of] unsuccessful disabled veterans with failed businesses.

Though not part of the original proposal, the study can include unsuccessful disabled veterans in the survey and/or aggregate data about unsuccessful veterans.

A check of the data file of those veterans who received a SBA guaranteed loan seems to indicate that a proportion of those businesses failed. We would work to contact those veterans and discuss their business experience with them. We also will work with the VSOs and small business specific veterans' organizations to identify others that have failed and seek to have them participate in the survey and in the in-depth interview process. There are also several studies, which contain aggregate data from which we can extrapolate an estimate of the number of failures. We are working to gather more methods to secure information that will satisfy this new OMB requirement.

- 2 Why are [may] some people not responding to the survey?

It is impossible to discern why each and every non-respondent failed to respond. The standard methodological technique for dealing with non-respondents is to select a random sample of them (by phone, and additional letter, etc.) and ask them perhaps a dozen questions. One of the questions posed to them would be why they did not respond. The point is to determine whether there is some common characteristic among the non-respondents, which would impact any of the variables in the study. If there was such a characteristic and it did impact variables, then the adjustments in the point estimates are made to these variables and provisos are mentioned in the conclusion.



- 3 Is there a systematic reason why people would not respond?

It is extremely hard to determine in advance of seeking out a sample of non-respondents. One might conjecture that political cynicism about the government and the SBA could be a common thread among the non-respondents. However, that alone would not impact other variables in the study. Another conjecture to make would be to believe that those doing well, and thus not in need of SBA services or any other programmatic assistance, will not respond. If that was the case, then it could mean that responses would be skewed towards those least prepared and toward those individuals most in need of assistance.

Yet, there is no reason to assume that any class of individuals would not respond to the survey. Again, the standard method for addressing the non-response issue is to contact a proportionate and random number of the non-respondents and ask them a few questions to determine if there are any common factors among them.

- 4 Why does the survey instrument address the most successful veterans?

In my judgement, this survey instrument is not focused toward addressing successful veterans, but rather any veteran in small business. I am unclear as to what OMB is referring to here. Several different sampling frames are being used to gather separate snapshots of the eligible veteran population.

- 5 A response rate of 40% does not represent the entire population.

At no point did we ever indicate that we were seeking a response rate of 40%. This is an OMB percentage no doubt derived from the letter I sent to Clendon Terry on June 10, 1999. That letter contains a chart of the data tables we have gathered thus far. The number 400 refers to the number required for an estimate of the 05% confidence level. That is not the response rate we are seeking. That number refers to the confidence level. This is independent of the issue of bias that may or may not be present. I have reworked this table in the overview of the methodology (enclosed). In any case, like any other researcher team in any other research project, we will be seeking the highest response rate possible.

I also indicated in that chart that we hoped for a 70% return from the list of veterans asking to participate in the study and from the Massachusetts bonus list, which is as close to a true sample of Massachusetts veterans as can be developed. I admit I should have said that we hoped for that rate in all the table blocks. That number is still valid for the confidence level being sought. We will be seeking to achieve the highest response rate possible.

- 6 The methodology is incorrect and is not without bias.

This is a fairly sweeping statement that is difficult to respond to. I can only say that the original contract proposal indicated that we would be using various sample frames garnered from, as many sources as possible. I stated in the proposal that these sample frames were not truly random samples. This is a profile study to be conducted on a limited amount of funding. At the time the proposal was submitted there was no population sample frame in the possession of the research which could be qualified as a solidly representative sample frame of the population of eligible veterans engaged in small business ventures.

Several sample frames were identified and it is yet contended that data collection from samples drawn from these individual frames would provide several views or snapshots of sectors of the "true" disabled veterans' small business population. Altogether, these several vantage points provide an overall roughly balanced picture of the population.

- 7 The survey is too long and needs to be shortened.

We will work with SBA and OMB to identify and remove those questions that are superfluous.

- 8 The contractor must find a population where the random sample can be done.

This is a new requirement. We are seeking the assistance of several congressional offices and the veterans' service organizations to secure the participation of the Department of Veterans Affairs. My understanding is that SBA has received a verbal agreement from Dennis Duffee of VA that a sampling frame of disabled veterans will be forthcoming. However, since this would be a sample of disabled and non-disabled veterans without regard to whether or not they are engaged in a small business effort, the sample size has yet to be determined. It has to be large enough to engender an adequate number of veterans who are engaged in small business. It would have to be much larger if SBA or OMB decide that sub-group populations are required.

- 9 Increase contacts.

Every state director of veterans' services across the nation has been notified about this study. All the traditional veterans' organizations have been notified. Several have placed public service announcements in their national newspaper/magazines. The VA Outreach Centers were also notified and have posted flyers at their facilities. In addition all the Small Business Development Centers were informed about the study. The study is willing to employ virtually any suggestions SBA or OMB care to make.

- 
- 10 The survey needs to be more relevant.

This remark seems vague. The survey contains several relevant sections including: Business and work experience, computer experience and use, procurement questions, experiences with private sector and government assistance, questions concerning the use of veterans services, questions concerning military history, housing and educational background, questions concerning personal information, and a comments section. If there are questions which SBA or OMB desire to include, the study team will work to fit them into the survey instrument.

- 11 The contractor needs to explain what interviews are for, so that it will increase the response rate.

The in-depth interviews serve as a qualitative data method to compliment the survey instrument. It is part of the mixed methodological techniques, which are available to be employed in applied social research. The original contract proposal indicated that (at the time) the study team did not have access to an unequivocally representative sample frame of the disabled veteran population. We contended that the several population frames we did have would provide a reasonably accurate view of the overall disabled veterans in small business population.

The in-depth interviews serve as a way to secure qualitative information about respondents small businesses. This would complement the survey data; it serves as a kind of triangulation or qualitative check or audit on the survey data gathered from the disabled veterans' small business population.

- 12 The survey will need to be resubmitted to OMB as a new package. It will also require a 30-day comment period in the Federal register.

11/23/99 MON 12:04 PM

Faxed to Dr. Paul R. Camacho From:  
Sandra Mathieson  
Office of Ruth Runyon  
Company Statistics Division  
November 29th, 1999

To: Kevin Wheeler and Paul Camacho

Response to the fax received from Kevin Wheeler on 11/23/99.

Having read Kevin Wheeler's packet of information and most of Dr. Camacho's proposal, I can understand OMB's concern and raise the following questions myself, perhaps for which clarification might suffice:

1. The proposal is inconsistent as to whether the survey sample of 3,000 is of all veterans or disabled veterans. Is there a field in the source data which identifies service disabled veterans?
2. If the primary frame of veterans who have had contracts with the Federal, state and/or local governments.
  - a) These are veterans in business and will tell you nothing of failures, unless the 5 year longitudinal file can identify failures and these are included in the frame.
  - b) According to a 1992 survey of all businesses except corporations, conducted by the Census Bureau, only about 8 percent of businesses, NOT VETERAN OWNED BUSINESSES, had any type of government contracts. Any observations about veteran owned businesses with government contracts based on a small sample would be questionable.
3. If the sampling frame is an aggregate of various source lists with differing defining characteristics, it is unlikely that aggregating results from samples of these lists can be reliable.
4. A sample of 3,000 is very small, especially with concerns about nonresponse, to conclude information for specific types of business, unless you stay very general such as manufacturers or retailers, etc. Other cross tabulations such as geographic, amount and sources of capital, etc. are unlikely to be reliable other than stating results in terms of characteristics.
5. In depth interviews with 25 (disabled?) veteran owned businesses from 4 regionally separated states is probably insufficient for regional comparisons without controlling for a large number of other factors. This is not well defined in the proposal.

Having reviewed the proposal and OMB's questions, these are a few serious questions which need to be addressed or further clarified in Dr. Camacho's proposal. If you expect to derive quantifiable, statistically reliable results, I suggest a statistical methods person evaluate the proposal, relative to the requirements of the RFP.



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To: Kevin Wheeler and Ruth Runyan  
From: Paul R. Camacho  
Date: November 29, 1999  
Re: Response to fax received from Ruth Runyan:

I have read Ms. Runyan's comments and can agree with her, **if and only if the scope of the study is expanded to the new parameters as demanded by OMB**. The original proposal never indicated that the study would be of the quality that OMB is now demanding. We still feel that for the price such an abbreviated study would be worthwhile.

Allow me to respond to these very good points.

1) At the time we wrote the original proposal the sample of approximately 3000 veterans was to come from a variety of sources. **We intended to take as many "snapshots" as possible. We never intended (nor do we intend) to mix or aggregate the sample frames**, but to consider each individually. At the time we wrote the proposal (December 1997) we did not know what sampling frames would be developed as we moved along.

2) **There is no primary frame**. If the points (Ms. Runyan's memo) refer to a definitive primary frame, then she is very correct. **The only possible definitive primary frame can come from the Department of Veterans Affairs**, and depending on several factors it would have to be large to huge in size.

These factors would include, but may not be limited to

- (a) whether or not OMB agrees that it represents a primary frame,
- (b) whether or not OMB requires subgroups from within the disabled veteran population,
- (c) whether or not OMB insists that one of these subgroups be failures (potentially a subgroup from within the subgroups),
- (d) whether or not OMB requires a control group.

This is very different from that which was in the original proposal.

Below is a simple description of the frames we have:

We have developed several **sampling frames of veterans engaged in small business.**

- 1) A sample frame of 32,000 **disabled and non-disabled** veterans who have received SBA guaranteed loans. **Certainly this list contains failures.**
- 2) A sample frame of approximately **3000 disabled veterans** who are members of a disabled veterans small business organization
- 3) A sample frame of approximately **3000 disabled veterans** who identified themselves as being engaged in a small business venture on ProNet.
- 4) A sample frame of approximately **2600 veterans and disabled veterans** from the original Massachusetts's bonus list who indicated they were engaged in small businesses. **Certainly this list contains failures.**

**5) Sampling Frames of small businesses with federal contracts** but not necessarily veterans or disabled veterans' status **come from the GSA.**

In seeking to develop/discover more sample frames we came to "discover" that GSA had data tables that they were willing to provide.

**It is not a sample frame that is representative of disabled veterans or veterans and there are no failures in the list. Rather it is the best set of tables of those engaged in a small business venture who have federal contracts.**

The GSA provided **five data tables** of those engaged in a small business and possessed at least one federal contract valued at \$25,000.00 or greater from FY94 through FY98. The number of individual contractors on each of these data files ranges from approximately 43,000 to 58,000.

Veteran status is not known for any of these individuals from these five frames. **If the question here is limited to the language of Title VII, Section 703 of the Small Business Reauthorization Act of 1997**, which asks for the amount and percentage of contracts going to eligible (disabled) veterans, then in my opinion a **sample of 1000 for each data table** is sufficient. **The plan was/is to send them a letter and a return postcard, which only asks about disabled veteran status.** There is a check-box asking if they would be willing to participate in a study. If so they would be sent a questionnaire. However, it would not be representative of all disabled veterans engaged in small business.

**This is a good frame of those small businesses with federal contracts, and would answer the question of (the amount and percentage of) how many of**

**those with these contracts are disabled veterans. A high rate of return would answer the specific question posed in section 703 with reasonable accuracy.**

3) Again, **we never intended to mix or aggregate the samples selected from these different sample frames**, but rather use each and let each stand as a picture from that perspective. The original proposal was meant as an abbreviated or profile study.

4) I am not sure what is assumed in the quality of the sample. **Again, if we are assuming that a truly representative sample frame is absolutely necessary and that this can only come from the DVA, then the sample of 3000 (which was in our original proposal as an estimate) is indeed too small.** It would have to be much larger (see (2) above).

(5) **In depth interviews were meant as a check/audit on the responses from the non-probability samples commented about above** and in the original proposal. It provided a qualitative measure against the survey data for each of the limited sample frames we originally started out with.

**There was no RFP. There was no funding.**

We responded to the Title VII Section 703 (December 1997) with this limited proposal as an unsolicited proposal. We showed this to individuals in SBA beginning in December 1997. We formally submitted this proposal in April 1998.

SBA accepted this and provided a letter of authorization to proceed in July 1998. There was no funding. Funding had to be developed. We did not know this until October, 1998. A contract was not signed until December 1998. SBA never constructed an RFP.

**Conclusions:**

OMB has changed the requirements for this study.

There is and never was an RFP for this study.

No RFP "like" parameters were ever developed by SBA. Our unsolicited proposal responded to the language of 703. There is nothing there that demands a census quality study. **If that is required then the cost and time frame is far in excess of what we first submitted.**

Either a compromise has to be worked out, or an entirely new proposal must be developed.



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December 15, 1999

Darryl Dennis  
Associate Deputy Administrator  
For Entrepreneurial Development  
U.S. Small Business Administration  
409 Third Street, S.W.  
Washington, D.C. 20416

Dear Mr. Dennis:

It was nice to speak with you over the phone last Wednesday, December 8<sup>th</sup> to review the difficulties OMB has had with this study. I hope that we can come to an agreement about how to proceed. Given the problems that we are facing, and the costs that the university has incurred since the last phase I am submitting this to you as a Phase II report. It certainly is not the report I would like to have submitted. As you must be aware, the initial termination date for this project has passed. We never received the OMB approval required to proceed. The conditions that OMB now requires are far outside the scope of our original contract. Perhaps it is best to proceed by outlining what (1) we have done/planned in terms of the survey; (2) the consequences of OMB's new requirements; (3) outlining possible solutions.

There are a number of issues that are entwined here. Therefore, I hope you will forgive me for employing an outline format and moving back and forth in the discussion below.

- (1) We have gathered the following sample frames of veterans engaged in small business.
  - (a) A sample frame of **32,000 disabled and non-disabled** veterans who have received SBA guaranteed loans. **This list contains failures.**
  - (b) A sample frame of approximately **3000 disabled veterans** who are members of a disabled veteran's small business organization.
  - (c) A sample frame of approximately **3000 disabled veterans** who identified themselves as being engaged in a small business venture on ProNet.



- (d) A sample frame of approximately **2600 veterans and disabled veterans** from the original Massachusetts's bonus list who indicated they were engaged in small businesses. **This list contains failures.**
- (e) We were intending to augment this data with qualitative data obtained from in-depth interviews with a selection of the respondents. These interviews would serve as a check or audit on the survey data we gathered.

Again, these sample frames cannot be considered truly representative of the disabled veterans' population as a whole. **I said this in my original proposal.** After responding to a number of SBA comments and objections about the survey instrument, I was asked to assist SBA in preparing the submission to OMB. I prepared some materials, but SBA made the submission. I was told in various phone conversations with SBA that approval was forthcoming. On July 19, 1999 I had several phone messages, dated from the 15<sup>th</sup> and 16<sup>th</sup>, from SBA informing me that the request was denied.

(2) The OMB objections outlined in a fax or email to Ms. Jackie White indicated that the denial was based on the fact that there was no plan for gathering data on failures and that the sample frames were not representative of the true universe of population. **The OMB author also stated that there was no population which could be considered representative!** In my rebuttal I indicated that we were seeking the assistance of the DVA to secure a list of disabled veterans. I would think that researchers would consider the DVA data table of disabled veterans as representative of all disabled veterans, in legal terms if nothing else. **The primary question is whether OMB considers it representative of the true universe of population of disabled veterans in the nation.** That is what I thought was one of the major discussion points we were to have in the meeting with OMB. However, there are a number of additional issues, which should be decided upon since they have a definite impact on the cost and time of completing the study. These factors would include, but may not be limited to:

- (a) Whether or not OMB agrees that our ultimate sample size is adequate and that a simple random sample is sufficient for the purposes of this study.
- (b) Whether or not OMB requires subgroups from within the disabled veteran population.
- (c) Whether or not OMB demands that these subgroups include failures (a subgroup from within the subgroups).
- (d) Whether or not OMB requires a control group.

**The greater their demands (with each of these steps), the greater the cost and time by degrees of magnitude, and the greater the difference from that which was in the original proposal.** Further, I must point out that I cannot answer several questions that lie with the points immediately above because I have no idea about the structure, content, and quality of the DVA data tables. I have checked with firms like Westat and Klem Analysis. They both have indicated that the cost of updating addresses is high and can vary wildly. Thus, I would think that I should be included in discussions with the

DVA at some point. Other issues also remain; these are sample size, response rates, and confidence levels.

(3) I feel we should proceed by submitting two separate applications. One would focus on only the GSA data tables. The other on the sample and survey of disabled veterans.

- I “discovered” the existence of and obtained five GSA sample frames, covering FY 94 through FY 98. These data tables are not without flaws. GSA has no enforcement authority to ensure that other agencies comply and report. **Each data table contains approximately 225,000 records and under 50,000 distinct contractors.** There is no field indicating veteran’s status. Among other things, these records contain fields for identification of agency, contract amount, contractor and contractor’s address. A simple postcard with a letter of explanation should produce a very high return. This would enable us to answer the specific request in section Title VII, Section 703, of the Small Business Reauthorization Act of 1997, which asks for the amount and percentage of federal contracts being awarded to small businesses owned and/or operated by eligible veterans. These data files are the best one source to utilize for this endeavor. We could do a simple random, or even a larger sample size to obtain valid results for regions, etc.
- With regard to the survey of veterans, a set of parameters should be established or secured from OMB. This will enable SBA to make an informed decision as to how to proceed with the survey sector of this study. It is possible that we could do a simple random and sacrifice some or all of the in-depth interviews. I should be frank and say that **the more OMB requires the less sense it makes to continue with the veterans survey portion of this project.** Again, I say this because once you move beyond a simple random sample the sample size, cost, time, etc. increases to a minimum of \$1.5 million and at least two years – and that is assuming no more difficulties. If that is to be the case and SBA has that kind of funding available, **then why not alter the project into an economic census study which will include all groups.**

My understanding from talking with people at the Census (Ronald S. Jarmin, Office of the Chief Economist (301-457-1858) and others) in July 1999 was that SBA did not have the funding to recommit to the follow-up of the Economic Census of 1997 (based on 1992 data) for the new millennium. How then does it expect to have the funding to do such a study exclusively concerned with veterans? Again, why do that and not include the other constituencies? **Would it not make more sense for SBA to decide whether or not disabled veterans and veterans are in the SBA family of constituencies and if so then include us as a subgroup and fund the Economic Census project again? Would that not be much more cost effective?**

This project as originally proposed would provide a profile of disabled veterans engaged in a small business effort from a number of viewpoints. It intended to capture data on a variety of subjects relevant to the veteran's social status, etc. (please see enclosures). The study as we designed it would have provided several "snapshots" of the eligible veterans' population engaged in a small business endeavor. Non-probability studies are very useful in raising critical questions and identifying variables of interest.

These items of interest are in turn usually passed on for verification or refutation in a more thorough study. As you know the DVA is going to be conducting a major study in the near future. If it is not exclusively limited to health issues, are they going to include any small business questions? If this study moved forward, we could have passed salient questions over to them. In the interim, non-probability data is still very useful, particularly since there is little to no data on this population. No study has been conducted since the early 1980s.

In conclusion, I would like to also point out that the 2000 census precludes any other federally funded surveys from being conducted from approximately March 15 through July 1, 2000. If we proceed quickly we may be able to conduct the GSA portion of the study before this date.

I must also ask about this process. If OMB has this authority, then why was the contract not forwarded to that agency for approval at the very beginning? This entire issue should have been settled by October 1998. The delays have caused some of the team members to drop out and have worked to sap the spirit and energy of those who remain.

**Finally, I must say that if we cannot come to some consensus as to how to move forward, then we should seriously consider how to bring this effort to a conclusion.** It would take me approximately four to six months to bring this project to a completion and submit a report of findings from the literature review, recommendations of the past, as well as complete a summary of the aggregate data, which we have developed, etc.

I certainly hope that you can negotiate a solution to the difficulties with OMB. Opportunity structures for thousands of disabled veterans can be advanced quickly if you succeed.

Sincerely,



Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)



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March 9, 2000

Ms. Sharon A. Gurley, Director  
Office of Procurement and Grants Management  
U.S. Small Business Administration  
409 Third Street, S.W.  
Washington, D. C. 20416

Dear Ms. Gurley:

Mr. Paul O'Keefe, Assistant Vice Provost for Research and Director of the Office of Research and Sponsored Programs, informed me that you require a brief explanation ("a few paragraphs") of what work it was that the consultants performed and for what purposes travel monies were expended. Please accept this letter as an explanation of your concerns regarding these two matters.

- Virtually all consultants/team members were asked to participate in, and were paid for the following work – some devoted more time to this or particular aspects of this than others - as individual consultants/team members:
  - the literature review
  - the search for relevant data
  - the identification of individuals in the public and private sector (not veterans) to interview about the provision of services for veterans
  - To identify and contact advocates in the veterans' community to assist the study team in securing support for the study

- Any travel or accommodations, which was incurred in this endeavor, was paid for by the study
- Virtually all the consultants/team members were brought together in January, 1999 in Washington, D.C. to participate in the development of the final draft of the questionnaire and in discussing strategies for working together to secure support from all sectors of the veteran and non-veteran community in order to produce the best possible study. Some of the team met on Friday evening and the entire team met and worked all day Saturday and half of Sunday. These consultants/team members were paid for their time. Their travel and accommodations were also paid for.
- All consultants/team members were paid for their time for any extended phone conversations they had with me concerning the study.
- Some consultants were very active in developing contacts with senior officials in the banking and corporate area. A number of these non-government individuals were to be selected as part of the agency/business community in-depth interview schedule. These consultants/team members were paid for their time. Their travel and accommodations were also paid for.
- Some of the consultants/team members were highly involved with responding to the various rounds of SBA objections to the survey instrument for veterans.
- Some of the consultants/team members worked on the interview instrument in connection with the in-depth interviews which were to have taken place with government officials at the federal, state, and/or local level or those leaders from the financial and business community.
- One of the consultants/team members was particularly involved with the process of identifying sources of aggregate data.
- In May 1999 several of the consultants/team members met in Washington, D.C. to discuss our interview strategy for the in-depth interviews which we would be engaging in with veteran owned businesses. This was to be the follow-up and audit check on the survey returns that we expected to be receiving from the survey of various samples of the different universes of population, which we had identified. (We were told on a number of occasions since July 15, 1998 that OMB approval would be forthcoming.) These consultants/team members were paid for their time. Their travel and accommodations were also paid for.
- The principal investigator met with SBA officials in Washington, D.C. and with other individuals at the Census Bureau and at GSA and at DOL at various points during this time. The travel and accommodations were also paid for.

- Several of the consultants were involved in assisting the principal investigator in the effort to assist SBA in obtaining OMB clearances.
- Two of the consultants/team members accompanied the principal investigator to discuss the issues of Hispanic minorities and small business in Puerto Rico at the National Puerto Rican Coalition. The principal investigator was specifically contacted by three different sectors of the Puerto Rican and Puerto Rican veteran community (in writing) to attend this conference and participate in a workshop specifically designed to address Puerto Rican veteran issues concerning small business and Puerto Rican veteran participation in the study.
- Several of the consultants/team members were specifically delegated with ensuring minority awareness and participation in the study. These entities and or consultants/team members were paid for their time. Any travel and accommodations connected with this study were also paid for.

I hope that this explanation is sufficient for your needs. Please contact me once you have had a chance to review this information. I am happy to work with you to bring this matter to a resolution.

Sincerely,



Dr. Paul R. Camacho  
Principal Investigator  
[Paul.camacho@umb.edu](mailto:Paul.camacho@umb.edu)