

## **Amendment #177 – Eliminate the National Veterans Business Development Corporation (TVC)**

### **The TVC Has Not Fulfilled Its Original Purpose**

- The National Veterans Business Development Corporation (TVC) was established by Congress with the passage of the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50). The purpose of this law was to provide entrepreneurial assistance to veterans and service-disabled veterans in addition to pre-existing federal small business assistance and economic development programs. The law also stated that TVC “institute and implement a plan to raise private funds and become a self-sustaining corporation.”<sup>1</sup>
- TVC continued to rely on federal funding to achieve its mission through FY09. In total, Congress has appropriated more than \$17 million for this program.<sup>2</sup>
- However, TVC has encountered far worse problems during its existence.

### **Taxpayers Fund Lavish Lifestyle for Two Executives Instead of Veteran Centers**

- According to Senators John Kerry and Olympia Snowe of the Senate Small Business Committee (SBC), “Since TVC was authorized in 1999, the Committee has raised questions about the management and spending decisions made by the organization and its leaders.”<sup>3</sup> Despite continued concerns voiced by both the Government Accountability Office (GAO)<sup>4</sup> and the SBC, in a 2008 the SBC concluded that TVC “has been not only ineffective in meeting its responsibilities to our nation’s veterans, but also troublingly irresponsible in its use of taxpayer dollars.”<sup>5</sup>
- Between 2005 and 2007, TVC failed to support veteran business resources centers adequately, spending only 9-15 percent of federal funding on entities Congress required the TVC to establish and maintain. In fact, the TVC spent more funds on executive compensation than on the business resource centers. In FY07, 22 percent of federal contributions were spent on the TVC’s top two executives’ compensation packages alone. These executives frivolously spent taxpayer funds on lavish dinners, luxury hotel stays, and first-class travel arrangements. While they failed to report \$91,000 in company credit card charges, when they did report expenses such as over \$40,000 in meal expenses over a three-year time period, they often approved their own expense reports or had a subordinate employee approve them. The TVC also spent federal funds on wasteful and non-related items like a \$13,000 teen essay contest and a movie promotional tour.<sup>6</sup>
- Even TVC’s private fundraising program spent \$2.50 for every \$1 fundraised. Its failure to raise private funds prompted TVC to spend much of its time on federal fundraising/lobbying efforts.<sup>7</sup>
- As a result of this report and previous findings of incompetence and mismanagement, even the American Legion<sup>8</sup> and the Veterans of Foreign Wars<sup>9</sup> recommended terminating TVC federal

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<sup>1</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>2</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>3</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>4</sup> Two GAO reports in 2003 (<http://www.gao.gov/new.items/d03434.pdf>) and 2004

(<http://www.gao.gov/new.items/d04893.pdf>) identified a lack of internal controls, and an inability to measure the effectiveness of its programs or become self-sufficient.

<sup>5</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>6</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>7</sup> <http://sbc.senate.gov/Committee%20Report%20on%20TVC.pdf>

<sup>8</sup>

[http://www.post39warner.com/ArchivesPDF/081223\\_AMERICAN\\_LEGION\\_ASKS\\_CONGRESS\\_TO\\_DISMANTLE\\_THE\\_FAILED\\_VETERANS\\_CORPORATION.pdf](http://www.post39warner.com/ArchivesPDF/081223_AMERICAN_LEGION_ASKS_CONGRESS_TO_DISMANTLE_THE_FAILED_VETERANS_CORPORATION.pdf)

<sup>9</sup> <http://www.vfw.org/News-and-Events/Articles/VFW-Wants-Veterans-Corp--Shut-Down/>

funding. The American Legion even passed a resolution (#223) in 2008 recommending no further support.

### **Other Programs Exist to Help Small Business Owners Who Are Veterans**

- The Department of Veterans Affairs (VA) provides assistance to veterans, including service-disabled veterans, interested in becoming entrepreneurs through its Center for Veterans Enterprise (CVE) and its Vocational Rehabilitation and Employment (VR&E) program.<sup>10</sup>
- Additionally the SBA has an Office of Veterans Business Development<sup>11</sup> through which “the SBA promotes veterans’ small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated Agency initiatives, and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty service members and their families.”<sup>12</sup> Recently, SBA supported an Entrepreneurship Bootcamp for Veterans with Disabilities who are returning from the wars in Iraq and Afghanistan.<sup>13</sup>
- SBA also a loan program, Patriot Express, which provides focused lending opportunities for veterans and their spouses. This program is subsidized by SBA and as of July 2010 nearly half-a-billion dollars in SBA’s Patriot Express loans were made in over just three years to veterans, reservists, service members and their spouses.<sup>14</sup> With regard to contracting, SBA program goals are to set aside a certain percentage of the total the value of contracts<sup>15</sup> and subcontracts to Service Disabled Veteran Owned Small Businesses (SDVOSBs).<sup>16</sup>
- In addition, veteran-owned small businesses are eligible for general SBA aid through programs such as the small business development centers program, which provides funding to business centers throughout the country.<sup>17</sup> About \$180 million was appropriated in FY10 for entrepreneurial development programs through SBA.<sup>18</sup>

### **Congress Should Terminate Funding For This Failed Program**

- TVC had more than a decade to prove that it was worthy of the millions of taxpayer dollars it received. Unfortunately, TVC has proven unworthy of such a privilege repeatedly. In a time of record deficit spending and economic hardship, Congress cannot continue to subsidize a program fraught with waste and abuse that even refuses to undergo external audits.<sup>19</sup>

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<sup>10</sup> <http://www.gao.gov/new.items/d0911r.pdf>

<sup>11</sup> <http://www.sba.gov/about-offices-content/1/2985>

<sup>12</sup> [http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR\\_0.pdf](http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf)

<sup>13</sup> <http://www.sba.gov/about-sba-services/7367/12608>

<sup>14</sup> E-mail from SBA Congressional Liaison, March 11, 2011

<sup>15</sup> [http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR\\_0.pdf](http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf)

<sup>16</sup> PR- stating 3 percent goal: <http://www.gsa.gov/portal/content/102422>

<sup>17</sup> <http://www.sba.gov/content/small-business-development-centers-sbdcs>

<sup>18</sup> [http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR\\_0.pdf](http://www.sba.gov/sites/default/files/FINAL%20FY%202012%20CBJ%20FY%202010%20APR_0.pdf)

<sup>19</sup> [http://www.nytimes.com/2008/12/30/business/smallbusiness/30sbiz.html?\\_r=2](http://www.nytimes.com/2008/12/30/business/smallbusiness/30sbiz.html?_r=2)