

**STATEMENT OF  
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THE AMERICAN LEGION  
BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
THE ROLE THAT LEGISLATION COULD PLAY IN INCREASING PROCUREMENT  
OPPORTUNITIES FOR SMALL BUSINESSES**

**OCTOBER 4, 2007**

Madam Chairwoman and Members of the Committee:

Thank you for this opportunity to present The American Legion's view on the role that legislation could play in increasing procurement opportunities for small businesses in relation to veterans.

**Veteran-Owned And Service-Connected Disabled Veteran-Owned Businesses**

The American Legion views small businesses as the backbone of the American economy. It is the driving force behind America's past economic growth and will continue to be the major factor as we move further into the 21<sup>st</sup> Century. Currently, more than nine out of every ten businesses are small firms, which produce almost one-half of the Gross National Product. Veterans' benefits have always included assistance in creating and operating veteran-owned small businesses.

The impact of deployment on self-employed Reservists is severe with a reported 40 percent of all veteran-owned businesses suffering financial losses and in some cases bankruptcies. Many small businesses have discovered they are unable to operate, and suffer some form of financial loss when key employees are activated. The Congressional Budget Office, in a report titled, "*The Effects of Reserve Call-Ups on Civilian Employers*," stated that it "expects that as many as 30,000 small businesses and 55,000 self-employed individuals may be more severely affected if their Reservist employees or owners are activated."

Additionally, the Office of Veterans' Business Development within the Small Business Administration (SBA) remains crippled and ineffective due to a token funding of \$750,000 for non-credit programs per year. The SBA once again requested the same dollar amount for FY 2008. This amount, which is less than the Office Supply budget for the SBA, is expected to support an entire nation of veterans who are entrepreneurs. The American Legion feels that this pittance is an insult to American veterans who are business owners, that it undermines the spirit and intent of Public Law 106-50, and it continues to be a source of embarrassment for this country.

The SBA has requested \$4.7 million for the entire budget of the Office of Veterans' Business Development in FY 2008. The SBA's Office of Veterans' Business Development plans to increase its efforts to educate and provide programs and services to veterans and active duty personnel in three major areas: access to capital, management and technical assistance, and procurement assistance programs through SBA, other government agencies, and the private sector. They plan on accomplishing this veterans' initiative through existing loan programs, the service-connected disabled veteran-owned business government contracting program, a redesigned website populated with a broad range of programs and services available to veterans, the development of training and mentoring programs for veterans by veterans, and funding district offices to grow veteran-owned business capacity.

**The American Legion strongly supports increased funding of the Small Business Administration's Office of Veterans' Business Development to provide enhanced outreach and community-based assistance to veterans and self-employed members of the Reserves and National Guard.**

**Additionally, The American Legion supports allowing the Office of Veterans' Business Development to enter into contracts, grants, and cooperative agreements to further its outreach goals. The Office of Veterans' Business Development must be authorized to develop a nation-wide, community-based service delivery system specifically for veterans and members of Reserve components of the United States military.**

**The American Legion recommends that funding for the SBA Office of Veterans' Business Development non-credit programs be increased from \$750,000 to \$2 million.**

### **The National Veterans Business Development Corporation**

Congress enacted The Veterans Entrepreneurship (TVC) and Small Business Development Act of 1999 (Public Law 106-50) to assist veterans and service-connected disabled veteran-owned businesses by creating the National Veterans' Business Development Corporation. Presently, the objectives of Public Law 106-50, as originally envisioned, are not being met due to the scope of the mission, staffing and funding requirements.

The American Legion believes that with limited funding and staffing, TVC should not try to replicate preexisting services such as those provided by the Small Business Development Centers (SBDC).

**The American Legion recommends that the resource-training centers for which TVC is currently providing funding be given to the jurisdiction of the SBA Veterans' Development Office.**

The SBA's Veterans' Development Office is presently funding five such centers around the country and should be given the additional three. In addition, the SBA office should take on the responsibility of partnering with military and the Department of Veterans Affairs (VA) hospitals, the Department of Defense's (DoD's) Transitional Assistance Programs, State Department of Veterans Affairs Offices, Procurement Technical Assistance Centers, Military Family Support

Centers, and veterans' service organizations. This partnership will provide employment and entrepreneurship programs along with the addition of funding and necessary senior staff to oversee the implementation and development of such a program. TVC would operate more effectively acting as a liaison with existing associations of small business owners and, by working with SBA programs, ensure the involvement of private and successful military alumni from the business community to help support SBA's successful integration, and reintegration, of veterans and Reserve component members, who are entrepreneurs, into the private and public American marketplace.

**The American Legion supports restructuring the National Veterans' Business Development Corporation. By changing the current chief executive officer position to a congressionally appointed director from the Senior Executive Service, Congress would have greater oversight of expenditures and an enhanced ability to monitor performance. Finally, it will restrict the role of the Board of Directors to fundraising, marketing and branding. The American Legion believes this change would serve to increase small business opportunities for veterans.**

The American Legion reiterates that the Small Business Administration's Office of Veterans' Business Development should be the lead agency to ensure veterans returning from Iraq and Afghanistan are provided with Entrepreneurial Development Assistance. Comprehensive training should be handled by the SBA and augmented by TVC's on-line training. Resource Training Centers should include DoD and VA faculties.

Currently, many military families are suffering financial hardship while their loved ones are recuperating in military hospitals around the country. Many spouses leave their jobs to be with that disabled servicemember which results in financial ruin. Business development training is one key to a seamless transition for servicemembers. If business development training was offered to military members while still at a treatment facility, a small home-based business is feasible.

### **Legislation and Veterans Federal Procurement Opportunity**

The American Legion seeks and supports legislation to require a 5 percent goal, with set-aside and sole source authority, for Federal procurements and contracts for business owned and operated by service-disabled veterans and businesses owned and controlled by veterans. This includes those small businesses owned by Reserve component members who have been or may be called to active duty, or may be affected by base closings and reductions in our military forces.

The American Legion has encouraged Congress to require reasonable "set-asides" of Federal procurements and contracts for businesses owned and operated by veterans. The American Legion supported legislation in the past that sought to add service-connected disabled veterans to the list of specified small business categories receiving 3 percent set-asides. Public Law 106-50, "The Veteran Entrepreneurship and Small Business Development Act of 1999," included veteran-owned small businesses within Federal contracting and subcontracting goals for small business owners and within goals for the participation of small businesses in Federal procurement contracts.

Agency compliance with Public Law 106-50 has been minimal with only two agencies self-reporting that they have met their goals (VA and SBA). In 2004, President Bush issued Executive Order 13360 to strengthen opportunities in Federal contracting for service-disabled veteran-owned businesses.

The following list shows selected agencies that have failed to meet the 3 percent goal for Fiscal Year (FY) 2006 for service-disabled veteran-owned businesses that has been established since 1999 and enhanced by the Executive Order in 2004.

1. The Executive Office of the President
2. Defense
3. Agriculture
4. Homeland Security
5. Transportation
6. Justice
7. Labor
8. Nuclear Regulatory Commission
9. Treasury
10. Interior
11. Education
12. Environmental Protection Agency
13. GSA
14. Health and Human Services
15. NASA
16. Energy
17. National Science Foundation
18. OPM
19. Social Security Administration
20. USAID
21. Commerce
22. HUD
23. FEMA

Once again, these are some of the agencies that did NOT meet the 3 percent goal for FY 2006. Service Disabled Veteran-Owned Businesses (SDVOBs) had the potential to be awarded approximately \$7-8 billion for FY 2006 and about the same for FY 2007; yet, they have only been awarded approximately \$3 billion. The scorecards can be viewed at: <http://www.sba.gov/aboutsba/sbaprograms/goals/index.html>. The actual dollar amount and percentage of all Federal agencies can be viewed at: [http://www.sba.gov/idc/groups/public/documents/sba\\_homepages/sbgr\\_fy\\_2006.html](http://www.sba.gov/idc/groups/public/documents/sba_homepages/sbgr_fy_2006.html).

### **Certified Veteran- and Service-Disabled Veteran-Owned Businesses**

The American Legion applauds the Veterans Information Portal operated by the VA's Office of Small and Disadvantaged Business Utilization. The Vendor Information Pages (VIP) is a

veteran-owned business database that lists businesses that are 51 percent or more owned by veterans or service-connected disabled veterans. These businesses are certified as veterans, if they are disabled and if they are 51 percent majority owners of their businesses.

VIP is used to promote and market Veteran-Owned Small Businesses (VOBs) and SDVOBs. This database is the number one source for Federal agencies looking for SDVOBs to comply with Executive Order 13360. The VIP database averages over 4,500 visits per month accounting for over 4,100 vendor searches by Federal agencies, prime contractors and private citizens. This database is also the sole source for all inquiries for market research requested through the Center for Veterans Enterprise (CVE) and VA.

The VIP is a tremendous tool that contracting officers can refer to in order to guarantee that they are negotiating with certified VOBs and SDVOBs - <http://www.vip.vetbiz.gov>.

### **1. Create an Interagency Task Force**

The American Legion supports the creation of an Interagency Task Force made up of the Administrator of the SBA (Chair), one additional representative of SBA, representatives of the VA, DoD, DOL, GSA, OMB, and four representatives of Veterans' Service Organizations that should be appointed by the President. The Task Force should be charged with developing proposals regarding: (a) increased capital access; (b) increasing access to Federal contracting and subcontracting, (c) increasing the integrity of certifications of status as a small business concerns, service-disabled veterans, or small businesses controlled by veterans, (d) reducing paperwork and administrative burdens on veterans in assessing business assistance; and (e) making improvements relating to supporting veterans business development. The Task Force must send an annual report to the Senate and House Small Business Committees and Veterans' Affairs Committees.

### **2. Incorporate Executive Order 13360 into SBA Regulations and Standard Operating Procedures**

The American Legion agrees with the recommendations given from the "SBA Advisory Committee on Veterans Business Affairs" FY 2006 SBA report:

- "The SBA needs to reemphasize implementation of Executive Order 13360 and establish it as a Federal procurement priority across the entire Federal sector. Federal agencies need to be held accountable, by the SBA, for their implementing Executive Order 13360 and their progress toward the 3 percent goal. The SBA needs to establish a means to monitor agencies progress and, where appropriate, establish a vehicle to report or otherwise identify those that are not in compliance, and pursue ongoing follow-up."
- "To achieve the SDVOB procurement goal contained in Executive Order 13360, the SBA must identify all agencies affected by the Executive Order under the directive of Congress. Then the SBA should assist these agencies to develop a demonstrable, measured strategic plan and establish realistic reporting criteria. Once the information is received, SBA

should disseminate this data to all agencies, Veterans' Service Organizations and post its findings on the SBA website as a bellwether of program progress.”

### **3. Change to Sole Source Contracting Methods**

To provide parity among special emphasis procurement programs, the SBA should take immediate, appropriate steps to promulgate regulations to revise 13 CFR 125.20. The proposed revision would eliminate existing restrictions on the award of sole source contracts to SDVOBs such as the “Rule of Two.” The change should mirror 13 CFR 124.508, part c, which applies to 8(a) Program participants and states, ”...In order to be eligible to receive a sole source 8(a) contract, a firm must be a current participant on the date of the award....” Accordingly, adopting this language would eliminate all restrictions on sole source awards to SDVOBs.

### **4. Develop a User Friendly Veteran Procurement Database**

The American Legion also supports the concept that the Federal government and DoD utilize its available technology to create, fund and support a veterans' procurement-spending database within DoD that is designed to capture past spending and project future spending goals in a format that allows contracting officers and program managers to evaluate and allocate procurements to meet the needs of the government while at the same time meet their SDVOB goals. This database would provide veteran-owned and service-disabled veteran-owned businesses an equal footing with all other small business special interest groups as regards Federal procurement opportunities.

### **5. Recommendations**

The restructure of all small business programs within the SBA would be a tremendous benefit for veterans. Currently, the veterans' community is the only community that represents every socio-cultural small business group within SBA. There are presently 10,451 registered service-disabled veteran-owned small businesses, of which 3,330 are minority, and 1,329 are women. The American Legion is looking for a program that works for all small businesses and which would make an immediate, demonstrative impact on Federal procurement.

## **CONCLUSION**

The mission of The American Legion's National Economics Commission is to take actions that affect the economic well being of veterans, including issues relating to veterans' employment, home loans, vocational rehabilitation, homelessness and small business. The American Legion reiterates the Small Business Administration's Office of Veterans' Business Development should be the lead agency to ensure that veterans returning from Iraq and Afghanistan are provided with Entrepreneurial Development Assistance.

We look forward to continue working with the committee to enhance entrepreneurship among America's veterans. The American Legion appreciates the opportunity to present this statement for the record.