

**STATEMENT OF
PETER S. GAYTAN, PRINCIPAL DEPUTY DIRECTOR
VETERANS AFFAIRS AND REHABILITATION COMMISSION
BEFORE THE
SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
H.R. 1460, THE VETERANS ENTREPRENEURSHIP ACT OF 2003; H.R. 1712, THE
VETERANS FEDERAL PROCUREMENT OPPORTUNITY ACT OF 2003 AND H.R.
1716, THE VETERAN'S LEARN AND EARN ACT.**

APRIL 30, 2003

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to present The American Legion's views on H.R. 1460, the Veterans Entrepreneurship Act of 2003; H.R. 1712, the Veterans Federal Procurement Opportunity Act of 2003 and H.R. 1716, the Veteran's Learn and Earn Act. We commend the subcommittee for holding a hearing to discuss these important issues.

Small business is the backbone of the American economy and has been one of the driving forces behind past economic growth. It will continue to be a major factor as we progress into the new millennium. According to the Small Business Administration (SBA), small business represents 99 percent of all businesses, and employs over half of the American work force, creating two-thirds of the new jobs in this country. The American Legion recognizes the benefits of American entrepreneurship, not only for the overall American economy but also for the transitioning service-member seeking to develop their own business.

H.R. 1460 "The Veterans Entrepreneurship Act of 2003"

H.R. 1460 allows veterans to use Department of Veterans Affairs (VA) educational benefits to enroll in a non-degree, non-credit business course offered by a Small Business Development Center (SBDC) and the National Veterans Small Business Development Corporation. In addition, it clarifies that disabled veterans enrolled in school under a VA vocational rehabilitation program may establish self-employment in a small business enterprise as a vocational goal and would give Federal agency contracting officers the discretionary authority to create sole source contracts for disabled veteran-owned businesses up to \$5 million for manufacturing awards and \$3 million for non-manufacturing awards.

Section 2. Authorization for State Approving Agencies to Approve Certain Entrepreneurship Courses

This section seeks to allow State approving agencies to recognize entrepreneurship courses by qualified entrepreneurship course providers as eligible under the definition of program of education. Entrepreneurship courses are non-credit, non-degree courses in business that enable

or assist veterans to start or enhance a small business. It is unfair to limit earned educational benefits to veterans who may not be seeking a traditional secondary education. The American Legion fully supports allowing qualified veterans to use their earned educational benefits when seeking business education through recognized entrepreneurship courses.

Section 3. Establishment of Self-Employment as a Vocational Goal for Veterans Receiving Vocational Rehabilitation

This section would establish self-employment as a vocational goal for veterans enrolled in vocational rehabilitation to establish self-employment as a vocational goal. In June 1999, The American Legion testified before this Subcommittee that 30 percent of small businesses are veteran-owned and that, unlike other SBA constituency groups, veterans have earned the right to quality entrepreneurship services because of their sacrifices and service to the nation. We reaffirm this position today and fully support this provision.

Section 4. Procurement Program for Small Business Concerns Owned and Controlled by Service-Disabled Veterans

This section would allow government contracting officers to award sole source contracts to qualified service-connected disabled veterans of up to \$5 million for manufacturing contracts and \$3 million for other contracts. Contracting officers would further be given discretionary authority to restrict competition, by limiting the bidder's list to firms owned or controlled by qualified service-connected disabled veterans. The American Legion supports this initiative. More than any other group, those veterans who have sacrificed their health and well being in service to the nation deserve the opportunity to successfully transition to the civilian workforce.

H.R. 1712 "The Veterans Federal Procurement Opportunity Act of 2003"

H.R. 1712 amends the Small Business Act to establish a development program for small business concerns owned and controlled by qualified service-connected disabled veterans, to reauthorize the programs of the National Veterans Business Development Corporation, and to establish a government-wide procurement goal for small business concerns owned and controlled by veterans.

Section 2. Development Program for Small Business Concerns Owned and Controlled by Qualified Service-Disabled Veterans

This section amends 15 U.S.C. § 631 to establish a development program for small businesses owned and controlled by qualified service-connected disabled veterans.

According to the SBA's most recent report to Congress (issued February 2003), of 495,680 total clients trained in FY2001 only 32,561 or 6.6 percent were veterans. The American Legion reaffirms support for the Small Business Administration's Office of Veterans Business Development. Too often service-connected disabled veterans, who own and/or are considering starting a small business, are unaware of the programs offered through the Small Business Administration (SBA) that will assist them in their endeavors.

Mr. Joseph B. Carr, Vietnam veteran, Purple Heart recipient and small business owner, in Norfolk Va., never took advantage of the opportunities afforded him through SBA as a combat

injured service-connected disabled veteran. Unaware of the veterans specific programs through the SBA, Mr. Carr acquired a conventional bank loan to open his business and in 1999 sought an additional bank loan to expand his business. Injured in combat during the Vietnam War, Mr. Carr is qualified to seek small business loans and expansion loans through the SBA. However, poor coordination of services and a lack of outreach prevented this service-connected disabled veteran from utilizing a much needed and well-deserved benefit. The need to improve oversight of concerns and outreach to service-connected disabled veteran business owners is paramount. Creating a development program for small business concerns owned and controlled by service-disabled veterans would help to ensure that veterans, like Mr. Carr who have sacrificed to ensure the freedoms and liberties of this great country, do indeed benefit from the small business opportunities available to them through the SBA. The American Legion fully supports Section 2 of H.R. 1712.

Section 3. Reauthorization of Programs of the National Veterans Business Development Corporation and The Advisory Committee on Veterans Affairs

This section reauthorizes programs of The Veterans Corporation, formerly the National Veterans Business Development Corporation (NVBDC). The American Legion notes that the authorization is \$2 million for each of FY 2003 and FY 2004 and \$1 million for FY 2005 and FY 2006. NVBDC was established by P.L. 106-50 with an initial authorization of \$2 million in the first year and \$4 million in the second, third and fourth years, dropping back to \$2 million in the fifth and final year. After the fifth year, the Corporation was to have been self-funded from private donations and no longer eligible for Federal funds. The delay in establishing the Corporation has made necessary the need for additional funding as proposed in Section 3 of H.R. 1712. The American Legion supports funding proposals in Section 3. As well as, the additional mandates for more detailed reporting requirements and the development of new 5 year strategic and business plans. The American Legion fully supports The Veterans Corporation.

Section 4. Establishment of Government-wide Procurement Goal for Small Business Concerns Owned and Controlled By Veterans; Authorization of Restricted Competition to Achieve Goals

This section of H.R. 1712 adds qualified veterans and qualified service-connected disabled veterans to the list of specified small business categories for a certain percentage of Federal procurement contracts: For qualified (nonservice-connected disabled) veterans, the goal is 3 percent of government-wide prime contract procurement; qualified service-connected disabled veterans (service connected at 10 percent or higher) the set aside is 3 percent of all government prime contracts and applicable sub-contracts. Public Law 106-50, "*The Veterans Entrepreneurship and Small Business Development Act of 1999*" included veteran 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. It requires the head of each Federal agency to establish agency goals for the participation, by small businesses owned and controlled by service-connected disabled veterans, in that agency's procurement contracts. Agency compliance with P.L. 106-50 has been minimal and H.R. 1712 would codify the 3 percent set aside for these two categories and provide consequences for agencies not meeting these goals. The American Legion is disappointed with the lack of compliance with the 3 percent requirement mandated in P.L. 106-50.

Statistics from the Federal Procurement Data System (FPDS) show that during FY 2001 service-connected disabled veteran-owned small businesses were awarded 9053 contract actions for a total of \$554,554,000; this represents approximately .24 percent of the total dollars awarded by Federal agencies during that period. During FY 2001, service-connected disabled veteran-owned small businesses received \$74,652,719 in subcontracts. For the first three quarters of FY 2002, FPDS reports that service-connected disabled veteran-owned small businesses were awarded 2,735 contract actions for a total of \$143,611,000; this represents approximately .10 percent of the total dollars awarded by Federal agencies during that period. With regard to other veteran-owned small businesses, FPDS reports that in FY 2001, these small businesses were awarded 79,419 contract actions for a total of \$564,463,000; this represents approximately .244 percent of the total dollars awarded by Federal agencies during that period. During the same period, veteran-owned small businesses received \$533,029,664 in subcontracts. For the first three quarters of FY 2002, veteran-owned small businesses were awarded 27,562 contract actions for a total of \$526,055,000; this represents approximately .366 percent of the total dollars awarded during that period. While The American Legion is encouraged by what appears to be a significant increase from 2001 to 2002 for veteran-owned small businesses, these numbers fall far short of the “set asides” enjoyed by other specified small business categories. These categories include businesses in historically underutilized business zones (HUBZone), women-owned businesses and businesses owned by socioeconomically disadvantaged groups.

The American Legion encourages Congress to require a reasonable “set asides” of Federal procurements and contracts for businesses owned and operated by veterans. We are pleased to see this proposed legislation adding veterans, especially service-connected disabled to the list of specified small business categories receiving 3 percent set asides. The American Legion fully supports Section 4 of H.R. 1712 and suggests granting the highest priority to veteran-owned businesses adversely impacted by the Department of Defense (DoD) Base Closure and Realignment Commission (BRAC) recommendations.

H.R. 1716 “The Veteran’s Earn and Learn Act”

H.R. 1716 seeks to approve VA educational assistance programs for apprenticeship or other on-job training.

Section 2. Modification of Entitlement Charges for Certain On-Job Training Programs

This section of H.R. 1716 amends 38 U.S.C. § 3687 to modify the formula used to charge a veteran’s entitlement to training and educational assistance for certain on-the-job training (OJT) programs. This provision recalculates the remaining OJT assistance entitlement of an eligible veteran or other eligible person by a percentage of a month derived from the ratio of the total monetary entitlement for training assistance to the total monetary entitlement for educational assistance. This has the effect of reducing the disparity in entitlement between veterans who choose to pursue a trade or vocation and those who choose the path to a college degree. The American Legion fully supports this initiative to make the disbursement of educational benefits fair for all veterans regardless of the type of secondary education pursued.

Section 3. Incentive Payment for Early Completion of Apprenticeship Training

This section would allow veterans, who successfully complete an apprenticeship or OJT program ahead of schedule, to receive from VA, as a lump sum benefit, the remainder of the benefit he or she would have received had the entire time been required. Also, the amount of monthly benefit individuals required to attend classroom instructions receive as part of an apprenticeship or OJT program would be increased. These two changes are applied to the four VA educational benefits programs:

- The Montgomery GI Bill.
- The Selected Reserve Montgomery GI Bill
- Post-Vietnam Era Veterans Educational Assistance
- Veterans Educational Assistance and Survivors and Dependents Educational Assistance

The American Legion supports the development of an outreach program to veterans and employers to develop on-the-job training (OJT) programs for eligible veterans. The American Legion supports the development of joint projects to enhance OJT opportunities for eligible veterans through VA educational programs.

Section 4. Increase in Benefit for Individuals Pursuing Apprenticeship or On-Job Training and Related Postsecondary Classroom Education Training

This section increases the monthly VA benefit for trainees who simultaneously pursue apprenticeships or on-job training and related post-secondary classroom education training. It is important to ensure veterans enrolled in OJT are provided adequate monthly benefits to allow them to pursue an alternative business education. The American Legion supports increasing the benefit for veterans pursuing apprenticeship or OJT and related classroom education.

Section 5. Authority for Competency-Based Apprenticeship Programs

This section codifies and strengthens VA authority to pay benefits for competency-based apprenticeships. The traditional apprenticeship OJT is based on a specific period of time, commonly known as time based programs. Section 5 allows VA to pay benefits to veterans and other eligible individuals who are enrolled in apprenticeships based on mastery of skills, known as competency based programs, and may also required a combination of the two. In the case of a competency based program, VA would be required to consider the approximate term of the program based on apprenticeship standards recognized by the Department of Labor (DoL) or by a State approving agency. The American Legion supports this measure with a caution that the veteran's entitlement not be reduced in relation to time based apprenticeships.

This section of H.R. 1716 earmarks \$3 million from VA's annual appropriations to modify and enhance computer systems to implement these changes and requires VA, DoD and DoL to coordinate their respective databases on OJT programs. This provision is especially timely and salient in light of the Joint Strategic Planning Initiative announced on April 21, 2003 by VA and DoD. The initiative extends the scope of the VA/DoD partnership to deliver seamless, cost-effective, quality services to veterans, service members, military retirees and their families. Among the plan's goals are efforts to improve access to benefits, streamline application processes, eliminate duplicated requirements and smooth other business practices that complicate service members' transition from active duty to veteran status. While the modification of

computer systems would indeed prove beneficial, The American Legion is concerned that earmarking existing funds will cause additional stress on an already overburdened system.

Section 6. Pilot Program to Provide On-Job Benefits to Train Department of Veterans Affairs' Claims Adjudicators

This section requires VA to begin a pilot project to pay OJT benefits to new VA claims adjudicators. The American Legion has no formal position on this issue; however, we question why this project is necessary. VA claims adjudicators typically are hired in at the GS-7 or GS-9 levels. 2003 General Schedule (Base) Step 1 starting salaries are \$29,037 and \$35,519 respectively, equating to \$14.50 and \$17.75 per hour. Most apprenticeships and OJT are in manual trades paying at or near minimum wage at the outset. OJT benefits are designed to supplement the veteran's subsistence while becoming proficient enough to command higher wages. The American Legion is aware that this program may indeed improve recruitment and retention of quality claims adjudicators, but is concerned about the reduction of available funds for veterans pursuing on-job training in fields that may pay less.

Section 7. Requirement for Coordination of Data among the Departments of Veterans Affairs, Defense, and Labor with Respect to On-Job Training

This section requires certain coordination of information among VA, DoD, and DoL with respect to on-job training. At the time of a service-member's separation from active duty, the Secretary of Defense would be required to furnish VA with information concerning each registered apprenticeship pursued by service-members during active duty service. Additionally, it would require VA in conjunction with the DoL, to encourage and assist states and private organizations to grant credit to service-members in civilian occupations for skills and training earned during military service. The American Legion has consistently advocated proper recognition of military training and experience by civilian licensure and certification agencies. Section 7 of H.R. 1716 is a step in the right direction. Ignoring the skills and training of America's service-members when they transition into the civilian workforce is not only a disservice to the transitioning veteran, but is a disservice to their future employers. The training and education of military personnel is, in many cases, parallel if not better than their civilian counterpart. Parity recognition of their skills and qualifications enables civilian employers to recruit from the highly trained and experienced workforce of transitioning service-members. The American Legion applauds Chairman Smith for introducing this important piece of legislation.

Mr. Chairman, that concludes my testimony. I thank the Subcommittee for this opportunity to present the views of the 2.8 million members of The American Legion and look forward to working with each of you on these important issues.