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ASSESSING FEDERAL SMALL BUSINESS ASSISTANCE PROGRAMS FOR VETERANS AND RESERVISTS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

JANUARY 31, 2007

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ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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ASSESSING FEDERAL SMALL BUSINESS ASSISTANCE PROGRAMS FOR VETERANS AND RESERVISTS

WEDNESDAY, JANUARY 31, 2007

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in room SR–428A, Russell Senate Office Building, The Honorable John F. Kerry (Chairman of the Committee) presiding.

Present: Senators Kerry, Tester, Snowe, Thune, and Isakson.

OPENING STATEMENT OF THE HONORABLE JOHN F. KERRY, CHAIRMAN, SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP, AND A UNITED STATES SENATOR FROM MASSACHUSETTS

Chairman KERRY. The hearing will come to order.

I know Senator Isakson wants to introduce one of the witnesses on the second panel, but he is unable because of a conflict. We actually just both left Secretary Kissinger over at the Foreign Relations Committee, where we are having ongoing hearings on the war in Iraq. But needless to say, this is a very important outgrowth of that war that we are here to consider today, and so I am grateful to all the witnesses for coming to share in that.

This hearing is important to me personally, and I am glad to be able to be in a position to be able to hold it. Hello, Senator Snowe. I think it is important to every Member of this Committee. I think all of us really are grateful beyond words to those who are serving our country under the most difficult of circumstances. You know, we make some important promises to people who put on the uniform of our country.

I know that when I served back in the late 1960s in a very controversial war and a very divided country, veterans were not particularly treated well. They came back to a country that really didn't value their service and couldn't have cared less in many ways in many parts of the country. But that scar, that impact was lasting and we saw an awful lot of impact on the ability of the armed forces. It took longer for the armed forces to sort of come back and be able to keep the promises and convince people that they would keep the promises. And part of that was due to the level of unemployment and the difficulty a lot of veterans had in reintegrating into society.

One of the promises we—I am not going to spend a lot of time going through it all except to say that one of the promises we all made ourselves after that was that never again were we going to allow that to happen, and it was critical. And I think that the country ought to be very proud right now of most of the ways in which the troops are receiving support. There is an incredible sense of national gratitude and incredible welcoming that goes on. In Maine, you have these greeters who send people off and welcome them home. It is really quite remarkable. There are a lot of other manifestations of this feeling in the country of gratitude. Just yesterday, or the day before down in Texas, they opened an incredible rehab center, which I might add was put together by private funding rather than taxpayer dollars, which is its own statement about some of the things we are and aren't choosing to do.

What I want to make certain is that whatever is under my jurisdiction, we are going to pay attention to and make sure is done, and this Committee is under that jurisdiction and there are mandates with respect to veterans within the small business world and we want to make sure that those mandates are met.

As we sit here today, there are more than 128,000 of our men and women who are in Iraq and another 21,500 in Afghanistan. They are doing their duty because they are committed to serving our country. We need to do our duty, which is to serve them in keeping our promises that we have made to them. They are part of a long line of men and women who have been called to serve their country, from the Revolutionary War until today. The only thing that they ask of us is that we keep our promises, we support them while they are there, and we support them when they come home.

The reason this hearing is timely is that at last count, more than 22,000 of our military personnel had been wounded in combat. Furthermore, there are more veterans returning each day because of the War on Terror. Eight-hundred-thousand veterans were discharged between 2002 and 2005. We need to ensure that these folks have a secure financial future, that they don't come back to a country that somehow in one way or another, inadvertently or sometimes through negligence or other ways, spurns them.

The treatment of our troops ultimately affects our country's ability to be able to recruit troops in the future and to retain those who are already trained and serving. This hearing is an attempt to ensure that we are doing all that we can.

We want to find out what agencies are doing to meet their obligation to veteran business owners and how they can be more effective in those efforts. We are not trying to do this in a sort of "gotcha"-slash retributive way. We really just want to see what can we do to help those Reservists and Guardsmen who are small business owners keep the doors open when they are deployed.

I have talked to a lot of folks, some of whom had to shut their businesses, some of whom have been recalled, enough that when they came back and thought they got it going again, all of a sudden, they have to interrupt that process. It is particularly expensive and costly to them and in many ways demoralizing to them.

There are presently 3 million veteran small business owners. In addition, 22 percent of the veterans in the United States are either

purchasing or starting a new business or considering purchasing or starting one. The facts tell us that we need resources to help those veterans in many cases, disabled veterans and Reservists, as they open and maintain small businesses.

This hearing is going to look at the Government's response to supporting services to disabled veterans who want to start those small businesses or who have started them. Service-disabled veterans are regrettably growing in number. We now have the most we have seen since Vietnam. And unemployment for the recently discharged veteran remains high, at 11.9 percent. That is more than double the overall national unemployment rate of 4.6 percent.

We are also going to look at the strain that frequent and sustained call-ups have had on our Guard and Reservists who are small business owners. Over the past decade, the Department of Defense has increased its reliance on the National Guard and Reserves. During the Persian Gulf War, they accounted for 46 percent of our total forces. This has intensified since September 11, and increased deployments are expected to continue. These call-ups hurt small businesses and Reservist small business owners. So how to mitigate the financial distress to Reservists who are fighting and the small businesses who employ them is a question that we want to address here today.

I have been working on legislation that I believe can help with the strain of call-ups, and today, Senator Gordon Smith and I are introducing the Active Duty Military Tax Relief Act of 2007, which provides a tax credit to small businesses with less than 100 employees and the self-employed to help with the cost of paying the salary of Reservist employees when they are called up for active duty. So we try to mitigate against that disruption and cost. This legislation provides an additional tax credit to help offset the cost of hiring a temporary replacement employee so the business can keep functioning.

Many Reservists who own their own business return to a business that is floundering, so disruptive that it is like starting over in some cases. That is a hell of a sacrifice to ask people to make in addition to the time away from family and the risks that they endure. So these tax credits, we hope, will help Reservists who own their own business, hire temporary replacement folks when they are called up, and mitigate against the impact.

In addition, it will include tax provisions to help ease the finance burden that military families face because they have to borrow and undertake other steps to try to survive.

Finally, we want to look at the problem of contracting. The Federal Government does more than $376 billion in purchasing, and it did so in 2005 alone. Veterans only get the crumbs. Service-disabled veterans get even less. The Federal Government has a goal of 3 percent contracting with service-disabled veterans, but guess what? They got less than 1 percent, .6 percent in 2005, which incidentally is up from .383 percent in 2004. So obviously we are glad to see it go from .383 to .6, but it ought to be at 3 or above. We really need to understand what is so hard about doing business with the men and women who have sacrificed so much for our country.

I know we can do better by these men and women and I hope this hearing will help us identify what is working and see what we can do better, and resolve all of us to make sure that we do. So I thank the witnesses for their testimony here today and happily turn to Senator Snowe.

OPENING STATEMENT OF THE HONORABLE OLYMPIA J. SNOWE, A UNITED STATES SENATOR FROM MAINE

Senator SNOWE. Thank you, Chairman Kerry. I certainly commend you for your first hearing as Chair to address a most critical issue, particularly because our veterans and service-disabled veterans are on the rise, as are the call-ups of the Guard and Reserves. We have to explore ways in which we can minimize the impact on these courageous individuals and what the Government can do. Certainly the Government can do much in terms of increasing the opportunities when it comes to small businesses, whether they work for small businesses or whether they own their own small businesses. So it is absolutely crucial.

There is no question, when a Guard or Reserve is called up it can be devastating to their own business, to their family, to the people they employ, or to the surrounding community, and we need to address and explore the government's effectiveness and its ability to make sure that the Federal small business and entrepreneurial programs are available for these veterans and the service-disabled veterans. These are critical resources that we have to make available so that they can maintain, grow, or start a small business.

So I appreciate your insights, because you obviously represent critical agencies that can really have an impact on how we turn around the contracting goals that Chairman Kerry spoke to, and I am going to show a chart in a minute that will show what the shortfalls are and how pronounced it is and why we have to do better. Certainly, our veterans deserve to have it done better by the Federal Government, so it is absolutely essential.

I welcome a constituent from Maine, Captain Ann Yahner, who is the president of Pen Bay Media Company. In fact, I had the opportunity to tour that facility and see her innovative approach in helping to meet the contracting goals for Federal buyers and meeting contracting goals under the procurement program for veterans. It is really a state-of-the-art facility, and in fact, it is a successful woman-owned, service-disabled veteran-owned small business. She is an example of the entrepreneurial spirit that has been brought about by so many who have served in uniform, so I am pleased she is going to be able to testify here today.

As Chairman Kerry indicated, there are more than 3.7 million veterans who have taken on the challenge of owning their own small business. So it clearly is in our economic interest to make sure that they are able to be reintegrated into the mainstream of our economy. It is a national interest and it should be our singular goal to make sure that that can happen.

In my home State, in Bangor, Maine, at the Bangor Airport, they have greeted every group of returning troops from the front. They did that in the Persian Gulf War and they are doing it in the Iraq War and the Afghanistan War. It doesn't matter what time of day, they are there to greet the troops on the ground at the airport.

My State has had one of the highest Guard and Reserve deployments in Iraq and Afghanistan. In fact, 50 percent of the Guard and Reserve have been deployed either to Iraq or Afghanistan. So it has had a singular impact on a very small State.

Back in 2003, I commissioned a CBO report which found that 35 percent of the Guard and Reservists worked for small businesses or are self-employed. In addition, the small businesses that employ them obviously bear a disproportionate share of the burden of increased Guard and Reservist call-ups, which is happening, as we well know, and a change in policies at the Department of Defense is making our country increasingly reliant on the Guard and Reserves, both for Iraq and Afghanistan. So the burden is further magnified when a small business owner happens to be a key employee or the owner and happens to be deployed. Obviously, all combinations have had a unique impact.

I have introduced several initiatives that have been supported by the Committee that were actually part of the reauthorization that we enacted here in the Committee unanimously and also supported by the full Senate. Unfortunately, it wasn't passed in the House of Representatives, but there are two initiatives that I think go to some of the fundamental issues.

One, of course, is doubling the funding for the SBA's Office of Veterans Business Development. That is absolutely crucial because it is at static funding of $750,000 for the last 5 years. And I also introduced the Patriot Loan Act to the Military Reservists Economic Injury Disaster Loan, which gives these loans top priority processing. But in addition to that, it allows loans up to $25,000 without requiring collateral as another way of easing the process and providing them with much-needed assistance.

Finally, on the issue of Federal contracts and subcontracts, which is disturbing in terms of the fact that no agency has met the minimum 3 percent goal of contracting in 2005. That is unfortunate for firms that are owned by service-disabled veterans, so that the agencies have not accomplished that goal. In October of 2004, the President issued an Executive order again requiring the agencies to achieve that goal, to lay out the steps in order to accomplish it, and to increase and to maximize the efficiencies of these agencies in order to make sure that the 3 percent goal is met. That hasn't happened. As a result, we have seen that our veterans have been shortchanged by $7.5 billion in fiscal year 2005 alone.

Now, I understand that the preliminary data for 2006 shows that agencies have met this goal. I am concerned from what I hear that these numbers may have been achieved due to the fact that large contractors are actually receiving the contracts that are targeted for small business. So that would be disturbing if, in fact, that is true and that is the case, and that is something I would also like to ask you about here today.

So we can get serious about making sure we meet these goals, and if you look at this chart, let me just show you for a moment, because I see where the 3 percent required agency goal is, and where the shortfalls are. You can see from 2003, 2004 and 2005. VA has obviously come up considerably in that time, but we have a long ways to go in meeting the 3 percent goal by both the SBA and the Department of Defense and even the Veterans Administra-

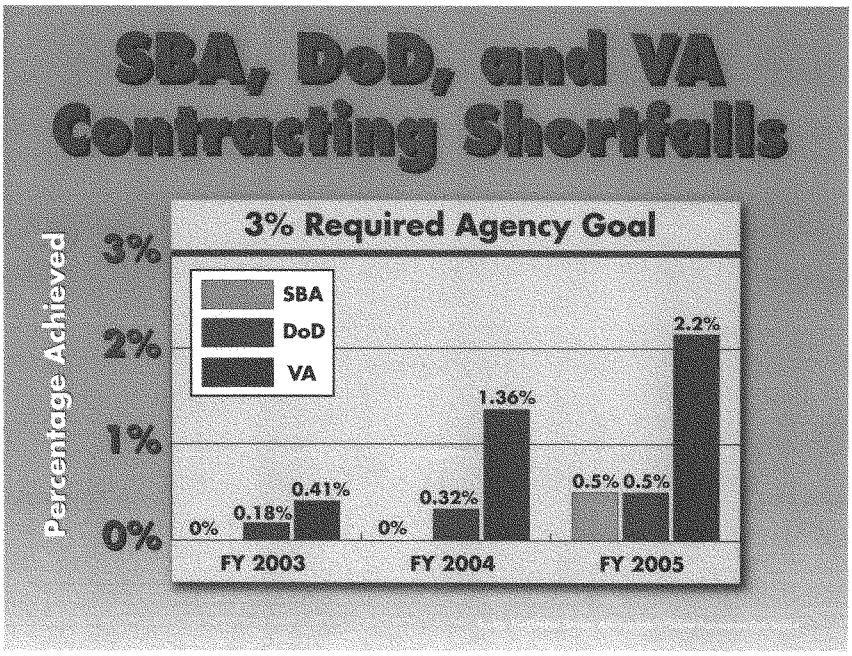
tion has come up, but obviously still is not meeting the 3 percent goal.

So I think it is important for us to understand that where we are seeing the shortfalls that exist as a result, and so I think that sort of illustrates the problems we are facing. But this should be one easy way of helping our veterans and our service-disabled veterans in particular who own small businesses. So I hope we can get to the bottom of that today in this hearing.

Again, Chairman Kerry, I thank you very much.

[The charts referred to by Senator Snowe in the above paragraphs follow:]

Government Wide
Contracting Shortfalls
3% Required Goal
Percentage Achieved
3%
2%
1%
0%
$7.78 billion
$7.82 billion
$7.52 billion
0.20%
0.38%
0.61%
FY 2003
FY 2004
FY 2005


SBA, DoD, and VA Contracting Shortfalls
3% Required Agency Goal
Percentage Achieved
3%
2%
1%
0%
SBA
DoD
VA
0%
0.18%
0.41%
0%
0.32%
1.36%
0.5%
0.5%
2.2%
FY 2003
FY 2004
FY 2005

Chairman KERRY. Senator Isakson, thanks so much for being here. I know you want to introduce your Georgia constituent.

OPENING STATEMENT OF THE HONORABLE JOHNNY ISAKSON, A UNITED STATES SENATOR FROM GEORGIA

Senator ISAKSON. Thank you very much, Mr. Chairman. Like you, I am on the Foreign Relations Committee, so will be going back and forth, and I apologize to the first panel if I jump up and leave before you testify, but I have to get back there for a few minutes before I return back here.

But when the Chairman's staff notified the Members of this hearing, which I commend him on holding, and asked if we had any suggestions on individuals that might be good to testify, I immediately jumped at the opportunity to call Ted Daywalt, my friend and my neighbor in Georgia, who is going to appear on the second panel with the lovely lady from the prettiest town in North America, Camden, Maine, I might add. I did that for Madam Snowe, to let her know I was paying attention.

[Laughter.]

Senator ISAKSON. Ted Daywalt is uniquely qualified to testify at this hearing. He retired from the Navy after 30 years of active and reserve duty as an intelligence officer. He served our country as an intelligence officer in London, the Middle East, and in Africa in his years of active duty employment. In 1999, Ted founded a company called VetJobs. VetJobs has placed thousands of American veterans in meaningful employment, I would guess—I haven't asked Ted this, but the vast majority, probably in excess of 80 percent of those, in small businesses, maybe even more than that.

VetJobs is a very unique company. It is a small business that was recognized last year by the WEDDLE's Users' Choice Award as one of the top 30 job placement sites on the Internet, out of 40,000 job boards on the Internet. I think that is a pretty outstanding record.

I have watched Ted and his activities in our Chamber of Commerce and in our State of Georgia and his many trips to Washington to testify and advocate on behalf of employers and Reservists and active duty personnel who return to see to it that we have meaningful employment for those veterans and that placement of that employment is, in fact, as easy as possible. To serve that end, Ted is the president of the Employers United for a Stronger America organization, whose sole purpose is to ensure that veteran placement is important and that businesses and the needs of businesses who hire our veterans are understood.

He was recently published in the Military Times, and I have already read his statement that he will make today and I commend it to all of you as an insightful statement on the current challenges that face veterans, the current challenges that policies of the Department of Defense place on employers and on veterans, and I think his insight will be important to this Committee. I appreciate, Mr. Chairman, the opportunity to introduce my good friend and a great veteran of the U.S. Navy, Mr. Ted Daywalt.

Chairman KERRY. Thanks so much, Senator. We appreciate your introduction and we appreciate your participation in the Com-

mittee and your concern about this issue, so thank you very, very much for that.

Senator ISAKSON. Thank you.

Chairman KERRY. Our first witness panel this morning is going to feature testimony from various Federal agency representatives. We are going to hear from Ms. Linda Oliver, the Acting Director in the Office of Small Business Programs in the Department of Defense. Next, we will hear from Mr. Scott Denniston, the Director of the Office of Small Business and Center for Veterans Enterprise in the Department of Veterans Affairs. And finally on the first panel, we will hear the testimony of Mr. William Elmore, the Associate Administrator of the Office of Veteran Business Development of the SBA.

If I could ask each of you, so that we have time to get to the questions, if you could—your full testimony will be submitted into the record as if read in full. We do ask you to try to summarize in about 5 minutes or less, if you can, and that will give us time for a little bit of exchange. Thank you for being here.

We will start off with Ms. Oliver. Thank you.

STATEMENT OF LINDA BITHELL OLIVER, ACTING DIRECTOR, OFFICE OF SMALL BUSINESS PROGRAMS, OFFICE OF THE SECRETARY, U.S. DEPARTMENT OF DEFENSE

Ms. OLIVER. Thank you very much, Chairman Kerry and Senator Snowe, for inviting me to this hearing. I appreciate having the opportunity to testify about service-disabled veteran-owned small business and their relationship to the Department of Defense, for two reasons. One is because I am always happy to spread the word, and the second reason is I do think we have good news stories.

A hearing is always very helpful, I think, to the people who are working in the field because of the guidance we get, and I appreciate the guidance we have gotten so far and look forward to the guidance that will come out from the questions.

Senator Kerry, when you talked about never letting things get the way they were after Vietnam in terms of how people felt about veterans, I have to say I agree and that the people who have been trying to keep our servicemen and veterans held in high esteem have been mighty successful. As you probably know, in the Department of Defense, we focus every day on what is good for the soldiers, sailors, marines, and airmen. The touchstone of all of our decisions is, "Will it help them do their job better?"

In our personal careers, in our personal lives, the military members are our colleagues, our brothers and sisters, our children, our neighbors, and our friends. So when they transition from being military members to becoming veterans, they don't really leave the family. And as a result, the Department of Defense—the people in the Department of Defense in general, are very receptive to doing business with veterans, and particularly with service-disabled veteran-owned small businesses.

My testimony actually talks about our strategic plan, takes it point by point. But rather than do that, I wanted to show you some illustrations of what has resulted from our efforts in the Department of Defense and with our strategic plan. Behind me is Frank

Beaty. Frank? Frank is the vice president of Oak Grove Technology.

Chairman KERRY. Vice president of what?

Ms. OLIVER. The vice president of Oak Grove Technology. The president of Oak Grove Technology, who was the service-disabled veteran, is ill today. He sent along his vice president from South Carolina. This is a wonderful and a representative company and it is representative of the earlier crop of veterans. This is such a good company that they have been nominated—they were the first company who came into the Mentor Protege Program, which was a result of Senator Snowe's amendment to the Department of Defense Mentor Protege Program—they were the first company in and they have been nominated for the prestigious Nunn-Perry Award, which will be awarded in March. We will see what happens with that. They are a great company in terms of what they do professionally, but they are also a really great company in terms of setting an example to other service-disabled veteran-owned small businesses.

Oak Grove Technology actually is mentoring, sort of unofficially, another small business, and that small business is owned by Dawn Halfaker, who is also here. Dawn served in Iraq, lost her arm to a rocket-propelled grenade, came back, teamed up with another West Point graduate, has opened a small business that is a security business which is just booming and is under the mentorship of Oak Grove Technology.

Also here today is Tracy Reep. Tracy was also injured by a rocket-propelled grenade, a different one, in Iraq. He lost an eye and part of a hand, was in the Texas National Guard, shut down his business to go to Iraq when called up, came back, was rehabilitated, and has started a new business and, among other things, sells product to Oak Grove Technologies.

My point of all of this is, the world has changed for veterans. It is not like it was after Vietnam. They are loved and respected within the Department of Defense and I don't think this part is new—are wonderfully helpful to each other, reaching down to help the younger people.

That concludes my remarks and I am ready for questions.

Chairman KERRY. Thank you very much, Ms. Oliver. Thank you, each of you, for coming in here today. We really appreciate it. Thank you very, very much.

[The prepared statement of Ms. Oliver follows with attachments:]

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SMALL BUSINESS & ENTREPRENEURSHIP

TESTIMONY OF

LINDA B. OLIVER

ACTING DIRECTOR

OFFICE OF SMALL BUSINESS PROGRAMS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

(ACQUISITION, TECHNOLOGY & LOGISTICS)

BEFORE THE UNITED STATES SENATE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

January 31, 2007

FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
U.S. SENATE COMMITTEE ON
SMALL BUSINESS & ENTREPRENEURSHIP

Linda B. Oliver
Acting Director, Office of Small Business Programs
Office of the Under Secretary of Defense
(Acquisition, Technology & Logistics)
U.S. Department of Defense

Service-Disabled Veteran-Owned Small Business

. Thank you for the opportunity to appear before you today to discuss the work of the Department of Defense (DoD) in supporting the service-disabled veteran-owned small business program. I am currently serving as the Acting Director of the Office of Small Business Programs in the Department of Defense. We are proud of the work the Department performs at every level in promoting small business development across the United States. We are especially proud of the work we do to foster business opportunities for our service-disabled veteran-owned small businesses. I am pleased to join my colleagues today to share with you some of our plans, initiatives and accomplishments.

The Service-Disabled Veteran-Owned Small Business Strategic Plan

On May 10, 2005 the DoD Office of Small Business Programs published a five-year strategic plan to support increasing prime and subcontracting opportunities for service-disabled veteran-owned small businesses. This strategic plan is updated annually and includes six specific objectives.

The objectives are to: 1) increase the number of service-disabled veteran-owned small businesses in the Central Contractor Registration (CCR); 2) increase training and outreach to the defense acquisition community; 3) increase service-disabled veteran-owned small business participation in the DoD Mentor-Protégé Program; 4) increase subcontracting opportunities for service-disabled veteran-owned small businesses; 5) increase the ability of service-disabled veteran-owned small businesses to compete on contracts requiring surety bonding; and 6.) foster and promote the use of teaming agreements and joint ventures.

Each objective was designed to move us closer to reaching the 3% DoD goal for contracting with service-disabled veteran-owned small businesses. To attain this goal the Department would need to award approximately $6 billion annually (based on the current rate of spend) in prime contracts to these entities.

Objective 1: Increasing the Number of Service-disabled Veteran-owned Small Businesses Registered in the Central Contractor Registration (CCR)

Since initial analyses of the service-disabled veteran-owned small business supplier base was conducted, the number of firms who identified themselves as service-disabled veteran-owned small businesses within the CCR system has increased from 2,175 (FY03) to more than 12,000 (FY06). These gains have been accomplished through a focused campaign by the Department of Defense to identify, educate and register service-disabled veteran-owned small businesses in partnership with Veteran Service Organizations, Procurement Technical Assistance Centers and other Federal agencies. In addition, the Department continues to encourage service-disabled veteran-owned small businesses to register in the CCR by offering on-site registration opportunities at numerous national conferences and public events.

Objective 2: Increase Training and Outreach to the Defense Acquisition Community

The DoD has continually trained the defense acquisition workforce on all aspects of contracting with service-disabled veteran-owned small businesses with the intention of increasing prime contract and subcontract awards to this group. Training opportunities have included collaboration with Defense Procurement and Acquisition Policy, the Defense Acquisition University (DAU), the military services, and other defense agencies. For example, since the inception of the DAU web-based training module, more than 1,100 acquisition professionals have completed the course. Additionally, eight one-hour training sessions were videotaped for internet access through DAU and the Veterans Corporation at the *Veteran's Doing Business with DoD Conference* in December 2006. These videos will assist in further training the DoD acquisition community.

Objective 3: Increase Service-Disabled Veteran-Owned Small Business Participation in the DOD Mentor-Protégé Program

The DOD Mentor-Protégé Program offers an opportunity for service-disabled veteran-owned small businesses to partner, learn and grow with established DOD prime contractors. As a result of the mentoring provided, these protégés become valued, competitive additions to the Department's supplier base. Service-disabled veteran-owned small businesses became eligible to participate as protégés in the Spring of 2005. When this program began three service-disabled veteran-owned small businesses participated, and today we have 19 service-disabled veteran-owned small businesses with active DoD mentor-protégé agreements.

Oak Grove Technologies was our first service-disabled veteran-owned small business to enter into a DoD mentor-protégé agreement. Oak Grove Technologies primarily provides information technology services to the Department of Defense and to

its mentor. Oak Grove's participation in the Mentor-Protégé Program has enhances the company's ability to win contracts and expand its capabilities. In fact, Oak Grove has been so successful in the program that it has recently been nominated for the prestigious Nunn-Perry Award in recognition of excellence in performance of its mentor-protégé agreement.

Given successes like that of Oak Grove Technologies, we anticipate major prime contractor mentors will continue to seek service-disabled veteran-owned small businesses as protégés.

Objective 4: Increase Subcontracting Opportunities with Service-Disabled Veteran-Owned Small Businesses

A major opportunity for service-disabled veteran-owned small business owners lies in subcontracting with DoD prime contractors and major subcontractors. Subcontracting is often the initial opportunity for small businesses to participate in the government contracting arena.

Service-disabled veteran-owned subcontracting goals are negotiated into DoD's major prime contractors' and subcontractors' subcontracting plans. Performance is then measured against those goals. We have been actively working with our industry partners to improve their subcontracting performance. Additionally, DoD's Defense Contract Management Agency has been working with our prime contractors to establish initiatives that will identify and increase the number of service-disabled veteran-owned small businesses in the pool of available subcontractors. As additional service-disabled veteran-owned small businesses are identified and subsequently registered in the CCR, and the number of service-disabled veteran-owned small businesses being mentored under the DoD mentor-protégé program increases, we anticipate that the number of service-disabled veteran-owned small businesses receiving subcontract awards will also increase.

Objective 5: Increase Ability for Service-disabled Veteran-owned Small Businesses to Compete on Contracts Requiring Surety Bonding

Approximately 15 percent of service-disabled veteran-owned small businesses registered in the CCR provide construction and environmental remediation services which require surety bonds. We have identified impediments for these service-disabled veteran-owned small businesses to qualify for adequate surety bonding. These impediments are burdensome application process, insufficient asset base, high costs and associated fees.

DoD is discussing the matter through meetings with the Interagency Working Group, the Army Corps of Engineers, and key stakeholders including the Office of

Management and Budget, the Small Business Administration, Associated General Contractors, and the surety industry and industry representatives.

Objective 6: Foster and Promote the Use of Teaming Agreements and Joint Ventures

Teaming and joint venture agreements enhance the capacity and capability of service-disabled veteran-owned small businesses. Over the past two years, we have given presentations on teaming agreements and joint ventures at industry conferences and public events across the United States.

Also, as we have provided training to our acquisition workforce, we have emphasized teaming agreements and joint ventures as one strategy for service-disabled veteran-owned small businesses to compete for DoD contracts. We have further encouraged our acquisition workforce to advocate teaming and joint venturing in their small business outreach and counseling efforts.

In addition, our Procurement Technical Assistance Centers provide counseling to service-disabled veteran-owned small business owners on teaming agreements and joint ventures.

Small Business Innovation Research

In addition to the strategic plan, the Department reaches out to small businesses through the highly successful Small Business Innovation Research (SBIR) Program. SBIR funds leading-edge research and development through qualifying small businesses. Through this highly competitive program, 227 contracts were awarded to veteran or service-disabled veteran-owned small business firms in FY05 and FY06 to develop technologies needed by the Department. Of these, 23 were SDVOSBs.

ArmorWorks Inc. is just one example of a veteran-owned small-business that has benefited from SBIR funding. Based on research and development conducted under FY00 and FY03 SBIR contracts and additional follow-on research and development, ArmorWorks Inc. developed high technology body armor plates for the Interceptor Body Armor System using advanced ceramic materials. To date, the firm has supplied over 450,000 ceramic armor plates for personal protective use and developed additional armor systems for aircraft, ships and ground vehicles.

Conclusion

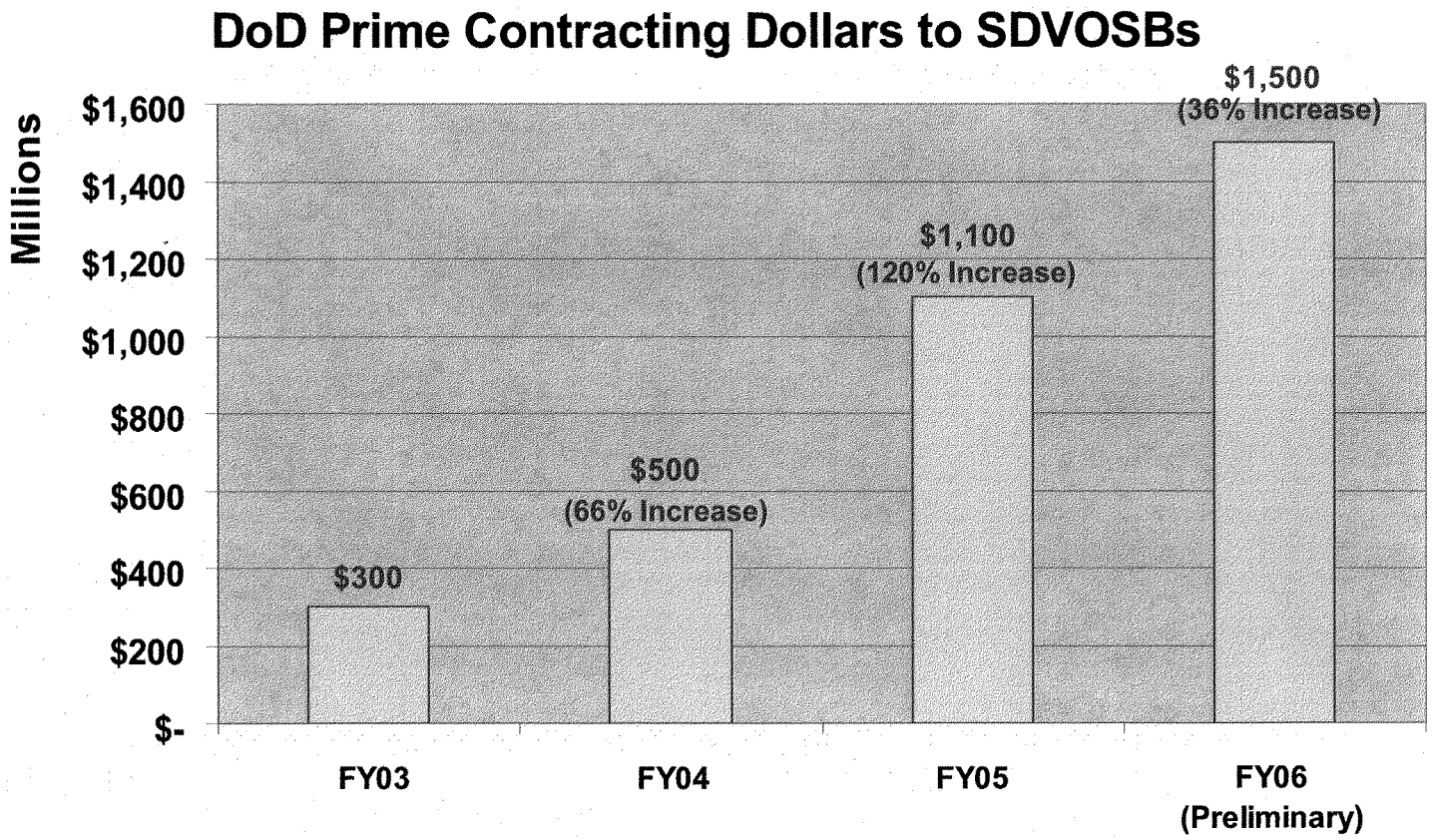
The Department of Defense is aggressively working to support our veteran-owned and service-disabled veteran-owned small businesses. We are increasing the number of service-disabled veteran-owned small businesses in our central registration database. We are continually educating these businesses on opportunities to succeed as well as

educating the entire acquisition community on the use of service-disabled veteran-owned small businesses in their prime contracts and subcontracts.

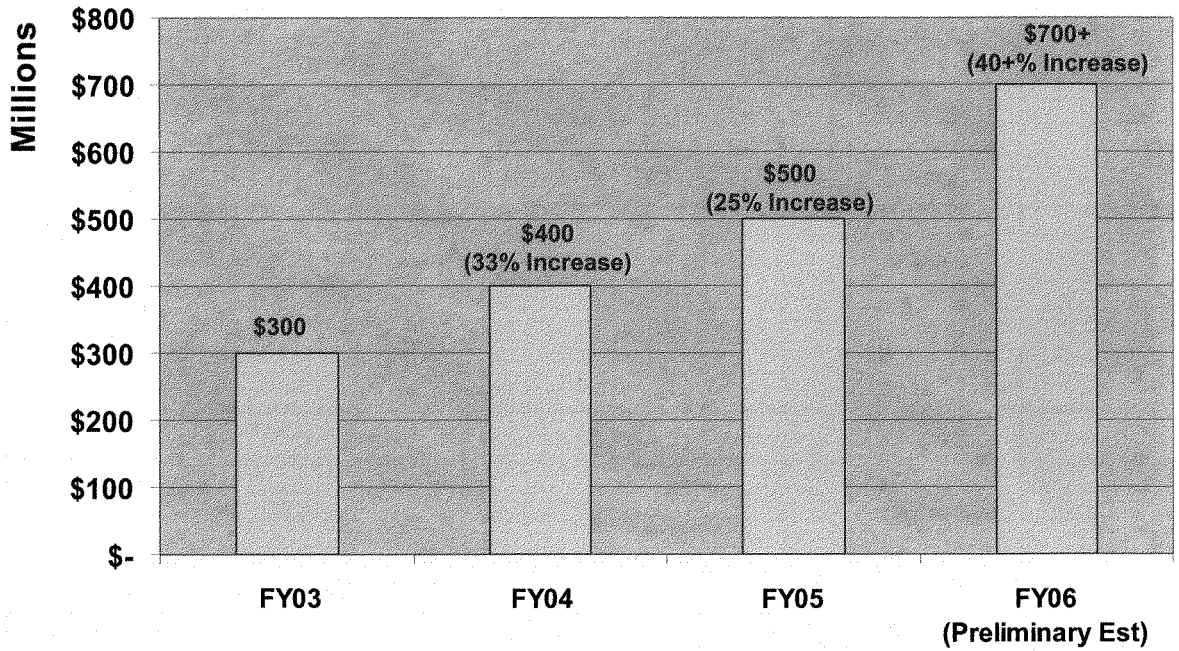
DoD has steadily increased the dollars awarded to service-disabled veteran-owned small businesses since the development and implementation of the strategic plan in May 2005. We have increased prime contract awards from $513 million in FY04 to $1.1 billion in FY05 to $1.5 billion in FY06 (preliminary data).

In developing the strategic plan, our theory was that increases in the central contractor registration, the Mentor-Protégé Program, training, outreach, subcontracting, and teaming would yield concomitant increases in procurement awards. We acknowledge that considerable work remains to attain the 3% goal. We also acknowledge that the task ahead will not be accomplished in the near term. However, we are making great strides in reaching out to and continually improving the performance of service-disabled veteran-owned small businesses.

It is our honor to promote business opportunities for those who have served in the defense of our Nation. I would be happy to answer any questions you and the Members of the Committee may have. Thank you.

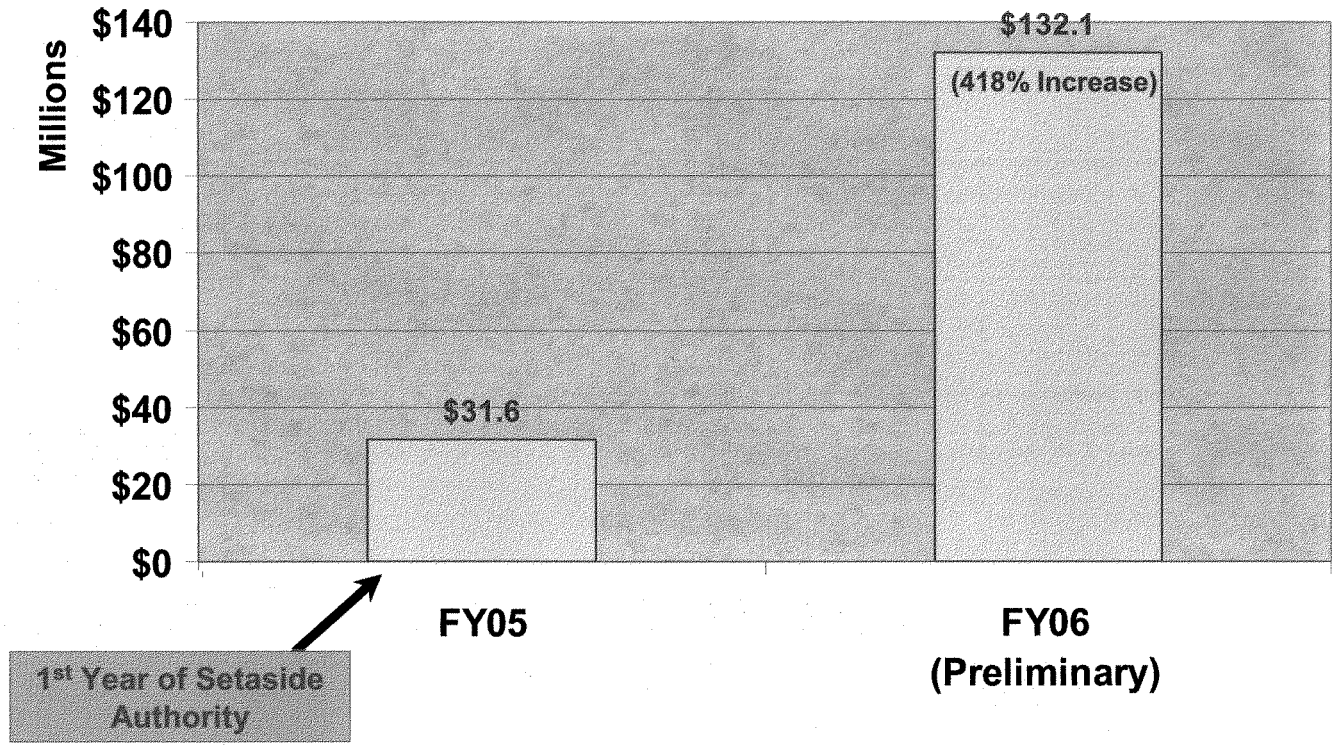

DoD Prime Contracting Dollars to SDVOSBs
Millions
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
$300
$500
(66% Increase)
$1,100
(120% Increase)
$1,500
(36% Increase)
FY03
FY04
FY05
FY06
(Preliminary)

DoD Subcontracting Dollars to SDVOSBs

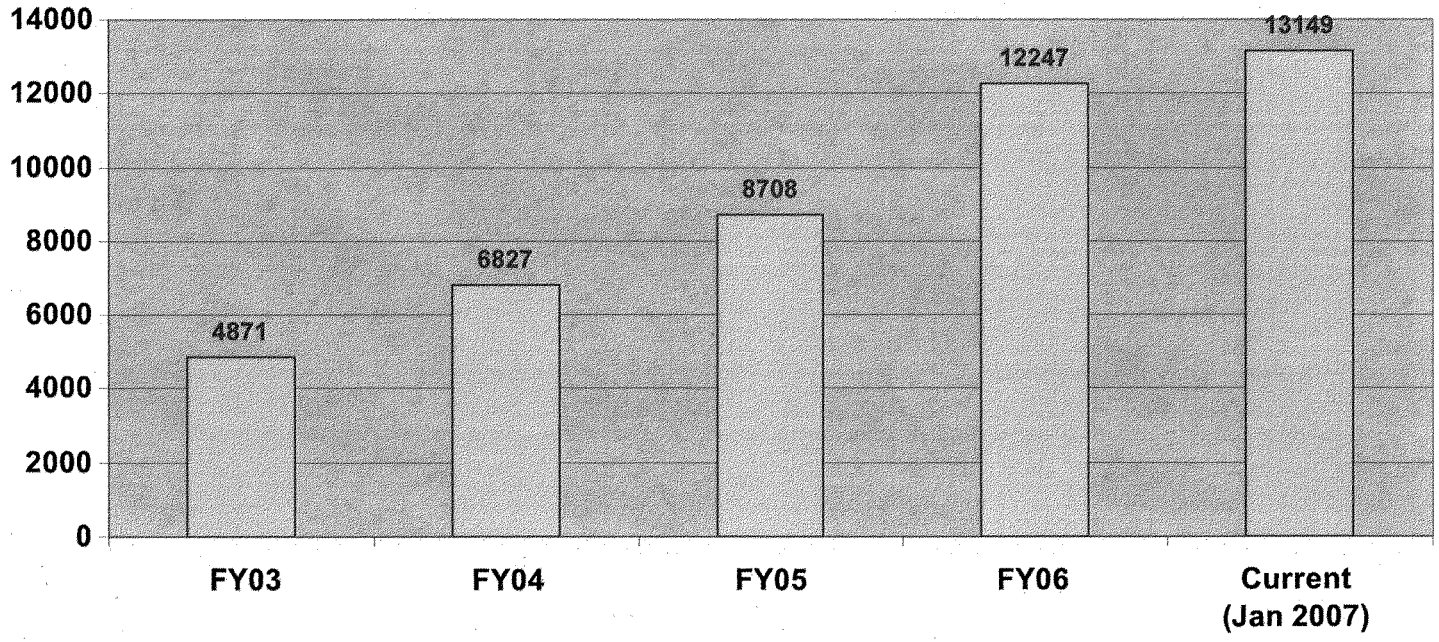


FY06 dollar estimate is based on DCMA ($657.1M) plus a proportional dollar estimate for all other organizations
(DCMA normally accounts for approx 85% of FY total)

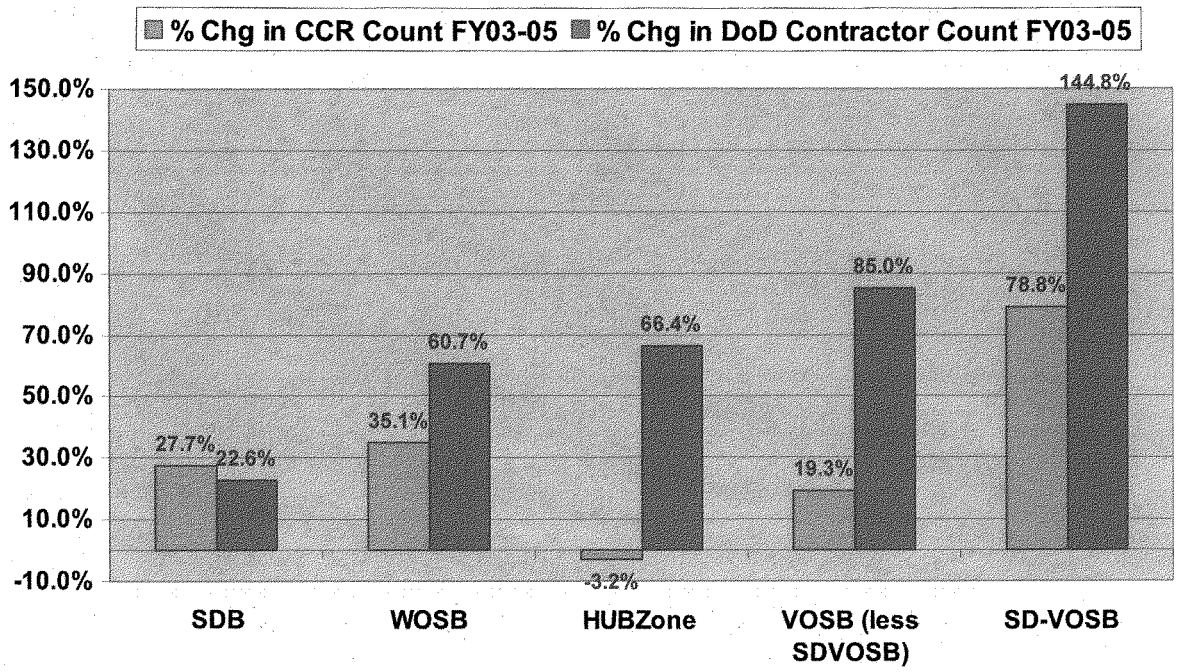
DoD SDVOSB Setaside Dollars



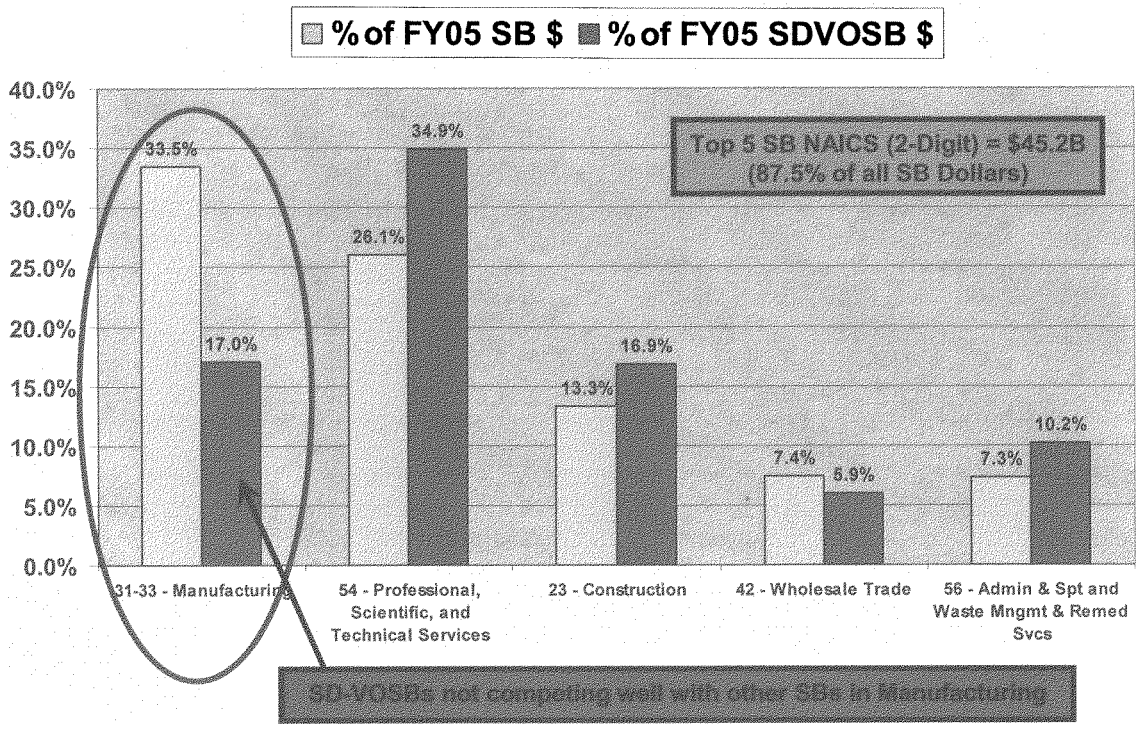
Central Contractor Registration Counts of SD-VOSBs



Rates of Growth in Counts of CCR Contractors & Contractors Receiving DoD Dollars – FYs 03-05



DoD FY05 Prime Contracting



Chairman KERRY. Mr. Denniston.

If I can get you to say a few words afterwards, you will be an unexpected witness, if you are willing to.

Thanks. Go ahead, Mr. Denniston.

STATEMENT OF SCOTT F. DENNISTON, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION AND THE CENTER FOR VETERANS ENTERPRISE, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. DENNISTON. Chairman Kerry, Ranking Member Snowe, thank you so much for holding this hearing today. I am honored to represent Secretary Nicholson and the dedicated workers in the Department of Veterans Affairs who serve our veterans daily.

Based on our preliminary numbers, I am also pleased to report that VA achieved 3.38 percent of our fiscal year 2006 dollars to service-disabled veterans. We also spent approximately 6.35 percent of our total procurement dollars to veteran-owned small businesses. Keep in mind that VA's procurement budget in 2006 was $10.3 billion.

Our Department has a work unit dedicated to supporting veterans in business and those who want to become business owners. This is the Center for Veterans Enterprise. This office has 17 employees, 13 of whom are veterans. Two of these veterans served in Operation Iraqi Freedom. Permit me to introduce to you Mr. Omar Morel, a proudly serving former Marine who saw duty in the Battle of Ramadi, and also Tech Sergeant Patricia Gould, who serves with the Maryland Air National Guard as an emergency medical technician. Since joining CVE in September 2005, she has also been deployed to New Orleans, Bosnia, and just returned in January from Iraq.

Our mission is to connect veterans with community resources who will help them with their business development needs. I am proud to report that our work is well received. Last September, the Veterans Business Journal conducted its first readers' survey. CVE was voted the organization that provides the best support to veterans in business. We appreciate this vote of confidence and will strive to repeat this honor in 2007.

What did we do to deserve this distinction? First, we leveraged VA's considerable resources to spread the word about entrepreneurship opportunities for veterans. Once the veteran calls us, we determine their needs. Then we refer most calls to a partner organization, such as the local Small Business Development Center, Veteran Business Outreach Center, Procurement Technical Assistance Center, or one of the corporate or government advocates for veterans' enterprise who have volunteered to assist veterans.

CVE maintains a robust Web portal which enables veterans to quickly link to our partner organizations. We are grateful for the generosity and resources of the Air Force and the Army's Small Business Program Offices. We have conducted road shows with the Air Force and have been guests on their cable television program several times. With the Army, we have twice co-sponsored the National Veterans Business Conference, which we will do again this June.

The General Services Administration has executed a formal partnership with VA to promote opportunities for service-disabled veterans. CVE offers free market research, training, and other services as may be requested by our Federal partners and their prime contractors.

On our Web portal, we host the VetBiz.gov Vendor Information Pages database. Here, browsers can easily locate more than 13,000 veteran-owned small businesses. At all of our outreach events, we distribute the Tool Kit for Veteran-Owned Small Businesses, which was jointly developed and co-branded by GSA and VA. It contains legislation and policy documents, information on how to market to Federal agencies, a list of Federal veteran business advocates, and templates to assist business owners. The tool has proven to be so successful it is now in its fourth edition.

To promote awareness and utilization of veterans and business, CVE distributed more than 3,000 posters to prime contractors and Government offices last October. To expand awareness of start-up assistance, we dispatched Operation Business Ownership DVDs for use in Transition Assistance Program briefings.

Both SBA and CVE are highlighted under "Small Business Resources" in the Vocational Rehabilitation and Employment Program pocket guide. In the annual Federal Benefits for Veterans and Dependents' book, information about CVE appears under "Transition Assistance." Army Knowledge Online's Web site reaches 660,000 personnel. Our Web portal link is prominently displayed on that site. We are also prominently displayed on military.com's site, and also the VetBiz.gov link appears on USA.gov and the OSDBU.gov web portals.

We teach business owners that business is about successful relationships. We think we have built some good ones.

In the commercial marketplace, more than 300 franchisors have joined the VetFran program, which VA and the International Franchise Association refreshed in 2002. Currently, more than 600 veterans have opened franchises under this program. In VetFran, veterans are eligible for reduced franchise fees and other support.

In closing, I know that you are interested in what more needs to be done. I would recommend increased attention to conducting and documenting training of Federal agency personnel and using the tools available through the Federal Veterans Entrepreneurship Program. Agencies are required to post their strategic improvement plans for enhancing achievements with service-disabled veterans. Veterans who call us want to see these plans in the annual reports posted in an easy-to-identify location.

Many contracting activities are still struggling with a lack of capable businesses in specialized industries. A method to incentivize prime contractors to incubate new small businesses in these underrepresented fields will benefit all parties.

I hope you agree that opportunities for veterans in business are abundant and there is widespread support for the program.

Chairman Kerry, thank you again for convening today's hearings. We will submit our written testimony and be able to answer any questions you may have. Thank you.

Chairman KERRY. Thank you very much, Mr. Denniston.

[The prepared statement of Mr. Denniston follows:]

STATEMENT OF SCOTT F. DENNISTON
DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION AND THE CENTER FOR VETERANS ENTERPRISE, U.S. DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

U.S. SENATE
JANUARY 31, 2007

Chairman Kerry and Committee Members, I greatly appreciate the opportunity to testify at this hearing about VA's efforts to provide opportunities for veterans in business. Thank you for convening this hearing. I am honored to represent Secretary Nicholson and the dedicated workers in the Department of Veterans Affairs who serve our veterans daily.

As you know, VA puts Veterans first. We work to ensure military personnel have good jobs when they transition to civilian life. Some veterans will become business owners and employers themselves. To help them, our Department has had procurement goals for veterans since 1984. We also have a very active direct employment program.

VA was the first Federal agency to implement the landmark set-aside provisions of Public Law 108-183. This tool made a significant difference in VA's ability to comply with the mandatory 3% Service-Disabled Veteran-owned Small Business procurement goal. Based on our preliminary figures, I am pleased to report that VA achieved 3.38% in Fiscal Year 2006 or approximately $346 million. We spent approximately $651 million, which equates to 6.35% of our total procurement dollars with veteran-owned small businesses. VA's procurement budget in FY 2006 was $10.3 Billion. Final numbers are to be reported by the Small Business Administration on behalf of the Federal Government. I say with confidence that VA will be the first to sustain and increase our achievements. As an example, we are establishing plans to use the Veterans' Technology Services Government-Wide Acquisition Contract (VETS GWAC) and spend an increasing

percentage of our dollars in Information Technology with service-disabled veteran-owned small businesses.

Our Department has a work unit dedicated to supporting veterans in business and those who want to become business owners. This is the Center for Veterans Enterprise in our Office of Small and Disadvantaged Business Utilization. This office has 17 employees, 13 of whom are veterans. Two of these veterans served in Operation Iraqi Freedom. Permit me to introduce to you Mr. Omar Morel, proudly serving former Marine who saw duty in the Battle of Ramadi. Tech Sgt Patricia Gould serves with the Maryland Air National Guard as an Emergency Medical Technician. Since joining CVE in September 2005, she's also been deployed to New Orleans, Bosnia and just returned in January from Iraq. The staff in CVE talks with veterans, their families and their business partners daily. Our mission is to connect veterans with community resources who will help them with their business development needs. I am proud to report that our work is being well-received. Last September, the Veterans Business Journal conducted its first readers' survey. CVE was voted the organization that provides the best support to veterans in business. We appreciate this vote of confidence and will strive to repeat this honor in 2007.

What did we do to earn this distinction? First, we have the advantage of being the U.S. Department of Veterans Affairs. When veterans think about assistance, they turn first to VA. We have leveraged VA's considerable resources to spread the word about entrepreneurship opportunities. Our office participates in about 100 conferences each year. Through these events and veterans' benefits publications, our toll-free call center phone number gets widely distributed. Once veterans call us, we determine their needs. Then, we refer most calls to a partner organization, such as a local Small Business Development Center, Veterans Business Outreach Center, Procurement Technical Assistance Center or one of the Corporate or Government Advocates for Veterans Enterprise who have volunteered to assist veterans.

Besides conferences and call center services, CVE maintains a robust web portal which enables veterans to quickly link to our partner organizations. We are grateful for the generosity and resources of the Air Force and Army Small Business Program Offices. They have embraced this program. We have conducted road shows with the Air Force and been guests on their cable television program several times. With the Army, we have twice co-sponsored the National Veterans Business Conference. The General Services Administration has executed a formal partnership with VA to promote opportunities for service-disabled veterans. We have enjoyed success with our joint regional veterans' business conferences. We are excited about the opportunities to arise from the GSA VETS GWAC vehicle. GSA has also created a very helpful website to assist service-disabled veterans.

We have enjoyed tremendous support from the Interagency OSDBU Directors' Council, the Directors themselves and their staffs. When the President issued Contracting with Service-Disabled Veterans' Businesses (Executive Order 13360), the Council coordinated development of a model strategic plan to help both agencies and owners. It is heartening to see the positive trends that are happening in these agencies to create new opportunities for disabled veterans in business. Just last week, veterans convened in California for the National Veterans Entrepreneurship Conference sponsored by the Association of Service Disabled Veterans. Business owners there commonly expressed the belief this program now has synergy and that it is apparent that Federal Government agencies, their contractors and trade associations are working together to help increase contracting opportunities for veteran and service-disabled veteran-owned businesses.

CVE offers free market research, training and other services as may be requested by our Federal partners and their prime contractors. We recognize their hard work in our annual Champions of Veterans Enterprise Awards program each June.

On our web portal, we host the VetBiz.gov Vendor Information Pages database. Here, browsers can easily locate more than 13,000 veteran-owned small businesses. Veterans in this database may elect to receive daily extracts from FedBizOpps and extracts from VA's Forecast of Contract Opportunities. We also use the database to blast early alerts about future requirements or education conferences, such as the 3rd National Veterans Business Conference, which we will co-sponsored this June with the Department of the Army and other agencies. At all of our outreach programs, we distribute the Tool Kit for Veteran-Owned Small Businesses, which was jointly developed and co-branded by GSA and VA. It contains legislation and policy documents, information on how to market to Federal agencies, a list of Federal Veterans' Business Advocates and templates to assist business owners. This tool has proven to be so successful it is now in its fourth edition.

Many of our accomplishments would not have been possible without the teaming provisions in SBA's Service-Disabled Veterans' rule. Also important are the Corporate Teaming Agreement guidelines from GSA and their Acquisition Letter #V-05-12 which permits evaluating socio-economic status as a primary factor in limited Federal Supply Schedule competitions. These have been significant contributors to our success.

Our success is based on a simple formula. VA's Senior Leadership Team is committed to this program. Their support and a comprehensive plan to improve opportunities for service-disabled veterans have changed our sourcing strategies. After publishing our Strategic Improvement Plan, which was required by Executive Order 13360, we changed internal reporting of small business accomplishments. Previously, as the OSDBU Director, I would report the monthly accomplishment data. Now, the leaders of our Administrations report their accomplishments directly to our Executive Order oversight official, Deputy Secretary Gordon Mansfield.

More recently, on December 22, President Bush signed the Veterans benefits, Health Care and Information Technology Act of 2006) Public Law 109-461), which gives VA unique procurement authority among Federal agencies. It provides our workforce with a set-aside tool to use for veteran-owned small business competitions. Under the Simplified Acquisition Threshold and in limited acquisitions above it, contracting officers may use direct sourcing authority with veteran-owned and service-disabled veteran-owned small businesses. Under this legislation, VA will verify the ownership and control of businesses registered in our VIP database. VA's prime contractors will report dollars spent with veterans in business only if those firms are registered in VIP. We hope that other prime contractors will also choose to use VIP as their primary sourcing tool for veterans in business.

To promote awareness and utilization of veterans in business, CVE distributed more than 3,000 posters to prime contractors and government offices last October.

To expand awareness of start-up assistance, we dispatched Operation Business Ownership DVDs for use in Transition Assistance Program briefings. Both SBA and CVE are highlighted under "Small Business Resources" in the Vocational Rehabilitation and Employment Program pocket guide produced by VA's Veterans Benefits Administration. In the annual Federal Benefits for Veterans and Dependents' book, information about CVE appears under Transition Assistance. In addition, each year, VA's Compensation and Pension Service mails cost-of-living adjustment letters to disabled veterans. Veterans receive information about start-up and expansion assistance from CVE in this letter. Army Knowledge Online's web site reaches 660,000 personnel. Our web portal link is prominently displayed on that site, which we understand will soon become a DoD-wide site. We are also prominently displayed on Military.com's site which is generally used by veterans for a variety of information. The VetBiz.gov link also appears in USA.gov and on the OSDBU.gov web portals.

We greatly value the assistance from these partner organizations as it expands our reach beyond our limited resources. We teach owners that business is about successful relationships. We think we have built some good ones.

In the commercial marketplace, more than 300 franchisors have joined the VetFran program, which VA and the International Franchise Association refreshed in 2002. Currently, more than 600 veterans have opened franchises under this program. In VetFran, veterans are eligible for reduced franchise fees and other support. One example is Little Caesar's Pizza. In November, they began a 12-month program of benefits to veterans and service-disabled veterans to help them open pizza shops. The benefit to a disabled veteran approaches $70,000. We are seeing renewed interest from the corporate community to outreach to veterans. Some corporations, such as Northrop Grumman and the former Anteon, have been steadfast in their support to veterans.

Before closing, I know you are interested in what more needs to be done. I would recommend increased attention to conducting and documenting training of Federal agency personnel in using the tools available through the Federal Veterans Entrepreneurship program. Only when we have comprehensive awareness and buy-in for this program will we see global successes. Agencies are required to post their strategic improvement plans for enhancing achievements with service-disabled veterans in business. Veterans who call us want to see these plans, and the annual reports, posted in an easy to identify location. Many contracting activities are still struggling with a lack of capable businesses in specialized industries. A method to incentivize prime contractors to incubate new small businesses in these underrepresented fields will benefit all parties. Others will address, I'm sure, the chronic problem of access to capital.

I hope you will agree that opportunities for veterans in business are abundant and that there is widespread support for this program.

Chairman Kerry, thank you again for convening today's hearing. I will submit my written statement for the record. I welcome your interest and am prepared to answer any questions that you or the members may have.

Chairman KERRY. Mr. Elmore.

STATEMENT OF WILLIAM D. ELMORE, ASSOCIATE ADMINISTRATOR, OFFICE OF VETERANS BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION

Mr. ELMORE. Chairman Kerry, Ranking Member Snowe, and other distinguished Members of the Committee, thank you for your request to appear before you today. I am Bill Elmore, the Associate Administrator for Veterans Business Development, representing SBA Administrator Steven Preston.

As expressed in our January 24, 2007 Memorandum for Heads of Departments and Agencies, jointly issued by Administrator Preston and Office of Federal Procurement Policy Administrator Denett, the Administration is broadly committed to enhancing all of our programs and services for service-disabled veterans, for veterans, and for Reservists, especially those veterans and Reservists returning from duty in the Global War on Terror, or those injured or disabled in service to America.

SBA's efforts go beyond the activities of SBA's Office of Veterans Business Development. Each SBA program is tasked to expand and improve their services for veterans and service-disabled veterans. Thus far, the results have been good. The number of loans made to veterans has increased from 4,800 in fiscal year 2000 to approximately 8,000 loans in fiscal year 2006. In fiscal year 2006, our business counseling training and outreach programs reported more than 108,000 veterans and Reservists assisted.

In October 2004, the President issued Executive Order 13360, and in our effort to lead by example, we do believe that SBA exceeded our 3 percent SDVOSB goal for the first time in fiscal year 2006. We also believe the Federal Government increased its achievements in fiscal year 2006. However, final data is not yet available to confirm this. But it does point to steady and significant growth towards achieving the 3 percent goal. Federal agencies are working very hard to achieve this goal and the numbers of SDV small businesses registered in CCR shows that the veterans themselves are doing their part, as demonstrated by the significant growth in those numbers.

CCR, in the last 6 months, the number of SDVOSB small businesses have grown by approximately 11 percent, to over 12,500, while the total number of small businesses registered in CCR has grown only by approximately 2 percent. SBA and our many Federal partners' outreach to the SDVOSB market is contributing to this growth. However, we have also noted that the average size of the CCR-registered SDVOSBs continue to be the smallest of all SBA procurement programs. This points to weaknesses in our targeted outreach, to gaps in the SDVOSB understanding of how to succeed in the Federal marketplace, and perhaps to the capacity of the identified SDVOSB business community itself.

This is why we are strengthening the full range of SBA programs in support of SD veterans and veterans, including our SBDC program, SCORE, Women's Business Centers, Veterans Business Outreach Centers, our District Office outreach, our 7(a) and 504 loan programs, our Surety Bonding Program, our matchmaking program, and the use of our PCRs and CMRs, all in an effort to im-

prove the knowledge, availability, and applicability of all of our services and programs for both service-disabled veterans and veterans.

I am going to jump to the part that now addresses Reservists, since my time is short. In this last year, I increased OVBD staff by 50 percent. We have improved SBA contracting with service-disabled veterans' small businesses through that process.

Let me talk to the Reservists and Guard, and I have to diverge for just a second. I thank you both for referencing the data that SBA has been able to coalesce and create and gather over these last 5 years. I think that is one of the most important things we could do because there was a striking lack of data, and I thank Advocacy for their work.

We implemented the Military Reservists Economic Injury Disaster Loan in August 2001 and continue to promote that. We think it is a tool of great assistance to those small businesses that it is helpful with, but we also recognize that as a disaster loan, it is constrained by its very design. It is a disaster loan. It is not a business loan. And for those reasons, it doesn't always hit the mark and we realize that.

We have enhanced our outreach counseling training and our lending programs to assist Reservists by offering pre- and post-mobilization business counseling, e-counseling and planning. SBA initiated and continues to lead the Federal effort to develop and offer assistance to small business owners at risk of economic damage when activated. In addition to internal SBA coordination, we have produced comprehensive program guides and business planning materials providing a broad range of information while coordinating many of our activities with various elements of the Department of Defense.

You have most of the things I was going to touch on. Because I have run out of time, all I can tell you is that we continue to work as diligently as possible with the Department of Defense in their efforts, because these are their soldiers and airmen and marines, when activated. They have a certain responsibility in this. The best I think arguably we can do is try to promote, offer, refine, define, and deliver our services.

The biggest issue, if you will, that I hear from our service delivery partners is they can't find these Reservists who need assistance. I believe, like you do, that there is a very significant problem occurring, but without the Reservists themselves stepping up and utilizing the services that we do offer, to a degree, we are stymied. You have referenced, Madam, that my budget is what it is. I think we have done an enormous amount to reach out to this community, but the community has to engage with us, as well.

If there are some solutions in there, perhaps that is really where it lies, in how the Reservists and Guard members themselves are directed to utilize the resources and services we have, and through that, how we improve and dramatically improve, really at the direction of my Administrator, Administrator Preston, how do we improve and deliver our services in the most effective way.

Thank you. I appreciate the opportunity to be here today and I welcome your questions.

Chairman KERRY. Thank you very much, Mr. Elmore. We appreciate it.

[The prepared statement of Mr. Elmore follows:]

Testimony of

William D. Elmore

Associate Administrator for Veterans Business Development

Before the United States Senate

Committee on Small Business and Entrepreneurship

Oversight Hearing on Service-Disabled Veteran Federal

Procurement and Assistance for self employed small business owners who are

Members of Reserve components of the United States Military who have been or may be called to active duty

Chairman Kerry, Ranking Member Snowe, and other distinguished members of the committee, thank you for your request to appear before you today to share information on the activities of the U.S. Small Business Administration (SBA) regarding our efforts to assist and support federal procurement success of veterans who have incurred a service-connected disability, and our assistance for small business owners who are members of the U.S. Military and have been or may be called to active duty for the war on global terror. I am Bill Elmore, the Associate Administrator for Veterans

Business Development (VBD). I am pleased to be here representing Administrator Preston and SBA and grateful for the opportunity to share with you some of the initiatives and accomplishments the SBA has made over the past 6 years. As expressed in the January 24, 2007 Memorandum For Heads of Departments and Agencies jointly issued by Administrator Preston and Office of Federal Procurement Policy Administrator Denett, the Administration is broadly committed to enhancing all of our entrepreneurial programs and services for veterans and reservists returning from duty in the Global War On Terror, and most specifically for those service members injured or disabled in service to America.

SBA's efforts to support veteran entrepreneurs go beyond the activities of SBA's Office of VBD. Each program at SBA is tasked with expanding and improving their services specifically for veterans and service-disabled veterans, this includes our Capital Access programs, our business counseling and training programs and our procurement programs. Thus far, the results have been good; the number of new loans being made to veterans has increased significantly. The number of new loans to veterans has grown from 4,800 in FY 2000 to approximately 8,000 in FY 2006. Additionally, loans to start-up businesses owned by veterans continues to see considerable growth--nearly doubling the 1,300 7(a) loans in FY 2000 to almost 2,500 in FY 2006.

PL 106-50 established a three percent federal procurement goal for prime contracts for small businesses owned and controlled by service-disabled veterans (SDV) and established a best-efforts clause for veterans in federal procurement at the sub-contracting level. The government has yet to achieve the required three percent goal, but

is making progress towards it. In 2004, the President issued Executive Order # 13360, and preliminary data shows SBA, the Department of Veterans Affairs did both exceed our respective three percent goals for FY 2006. In our efforts to lead by example, this represents a significant improvement for both agencies over our achievement in FY 2005, and we believe that over all the federal government increased its achievements in FY 2006. However, final data is not yet available to confirm this, but it does point to what has been growth toward achieving the three percent goal, because of the ongoing efforts of most federal agencies, and the increasing numbers of SDV small businesses presenting themselves for contracting opportunities.

This is further demonstrated by the significant growth in the number of small businesses owned by SDV who are registering their interest in federal procurement in the Government's Central Contractor Registration (CCR). Between July 6, 2006 and January 19, 2007, the number of SDV-owned small businesses registered in CCR has increased from 11,013 to 12,627, a growth rate of more that 11 percent in a six month period. At the same time, the number of small businesses registered in CCR grew from 421,209 to 428,098, or a growth rate of less than two percent. We also recognize that, while the number of service disabled veteran owned small businesses (SDVOB) registering continues to increase, the average size of these businesses continues to be the smallest of all the SBA's named small business programs. While SBA is analyzing what agencies are buying and comparing that to what SDVOBs are selling, we are also strengthening the full range of SBA programs, including SBDC, SCORE, VBOC, District Office Outreach, 7a, Surety Bonding, Matchmaking, PCR/CMR activity in an effort to improve

the availability and applicability of our services to enhance SDV and veteran business ownership.

At our request and at the request of the veterans' advocacy community, the Census Bureau included in their 2002 survey of small business owners questions regarding business owners' veteran and SDV status. These questions mark the first time we have an accurate count of the number of SDVOBs that exist in the American small business marketplace. The 2002 census survey found that approximately 0.7 percent of small businesses in America with employees are owned by service-connected disabled veterans and 14.1 percent of small businesses with employees are owned by veterans. Clearly, achieving a three percent federal procurement goal with a population that represents less than one percent of the small business marketplace presents a significant challenge, this finding reinforces our efforts to strengthen the full breath of SBA programs and services specifically for SDV and veteran business owners. Nevertheless, SBA is strongly committed to working with our federal agency counterparts to reach out to more veteran-owned businesses and make use of their talents and services.

Let me turn my attention to our efforts on behalf of small business owners who are members of reserve components of the U.S. Military and have been or may be activated for the global war on terror. In August 2001, we began offering, and continue to promote the availability of the Military Reservist Economic Injury Disaster Loan program as one tool that can be of great assistance to an activated reservist small business owner, however, we also recognize that this disaster loan is constrained by its very design. We have also enhanced our counseling and training programs, most notably

SCORE, SBDC and VBOC, programs in an effort to inform reservist that pre and post mobilization business planning can be critical to their economic success as business owners and reservist.

I am proud to report to you that the SBA initiated and continues to lead the federal effort to conduct outreach, develop assistance for and design program efforts to enhance business planning, lending and other assistance for small business owners who may be at risk of economic damage when activated. After the September 11, 2001 attacks on America, we established an SBA working committee to coordinate agency outreach and service delivery to Reservists. In 2002, we created the SBA Reserve and Guard fact sheet, and have distributed hundreds of thousands of those fact sheets to mobilizing and demobilizing reservists. In December 2002, we established our special web pages specifically for reserve and National Guard members, and began working with the Department of Defense in a number of ways.

We have and continue to conduct training with and joint outreach with the national and state offices of the national committee for Employer Support of the Guard and Reserve (ESGR). We are supporting the office of the Assistant Secretary for Reserve Affairs at DOD in their development of program and policy recommendations for consideration by the leadership of both DOD and SBA. We assisted the Assistant Secretary for Reserve Affairs of the U.S. Air force, along with the U.S. Chamber of commerce in their efforts to identify "issues impacting small business owners, members of the Air Reserve components and their families". We produced detailed business planning guides as part of our comprehensive 'Reserve and Guard kits' and have

distributed more than 35,000 of these kits directly to reserve and National Guard units, to reservists, to SBA Resource Partners, to federal, state and local partners, and at hundreds of SBA sponsored events. We continue to produce these kits upon request for distribution to any reservist and for conferences, seminars and presentations.

We include Reservists with Veteran status in our community express loan program, and last year, Congress enacted our proposal for the authority to include Reservists in our definition of veteran for purposes of our comprehensive outreach program. We understand the importance of these efforts in the successful conduct of the "Long War", as we recognize the critical importance of supporting and maintaining the civil skills of self employed reservists in the Global War On Terror. We are proud of our efforts for both SDV veterans and reservists, and intend to continue our aggressive efforts on their behalf.

I thank you again for this opportunity to testify before you today. I am proud of the progress we have made and look forward to continuing to serve the veterans, guard and reservists who have served our nation proudly. This concludes my testimony, and I welcome your questions.

Chairman KERRY. I thank all of you for sort of holding it in that timeframe. That is helpful to all of us.

I am glad to welcome Senator Tester here, a new Member of our Committee. We are delighted to have him aboard because he brings a lot of personal small business experience.

Senator, do you have any opening comment you want to make? You don't have to.

Senator TESTER. No.

Chairman KERRY. All right. Thanks.

Let me proceed, then, to a few questions initially, if I can. I want to pick up, Mr. Elmore, because we just sort of ended with you and while it is fresh, in your testimony and you were just chatting about this difficulty of sort of finding people and what happens. I would like to get at this a little bit with all of you, if we can.

The Disaster Loan Program which we passed here, which I authored in 1999, basically then we were focused on Haiti, Iraq, Bosnia, and Kosovo after those conflicts, but your judgment is that something is, I think you have labeled it as onerous in the testimony, and that there are some constraints within the formulation of the program itself, which obviously we don't want to create. So the question is, help us understand those, if you would. What are those constraints and what can we do about them to make that more effective?

Mr. ELMORE. The constraints include, for example, it is not a business loan. It is a disaster loan. Eligibility occurs after activation, and I think we all understand that the majority of Reservists who have been activated since September 11, 2001, have generally had very short notice for activation, so they can't really arguably make application until after they have returned. By that time, the damage is done.

So what we have tried to do with our outreach is to move to a preemptive step and try to put our services and programs in front of Reservists before they get called. So on one hand, through our business counseling and training, they can prepare for the activation, because they now know they are going to be activated, certainly sooner or later and sometimes more than once.

The second is if we can move the ability of that loan program to be available prior to activation, that would be a suggestion that I would make and I have made in the past.

Third is——

Chairman KERRY. Is it limited by the mere designation as disaster, or is it limited because of further formulation in the language?

Mr. ELMORE. I think it is really both. Because it is in our disaster program——

Chairman KERRY. You can't do it until there is, in effect, the downside?

Mr. ELMORE. Well, you can't consolidate debt with a disaster loan, for example. Now, that is a typical business approach, perhaps, to lending and borrowing, but in a disaster loan, we can't really do that. So in that sense, where it sits doesn't allow what is a normal business process of growing, planning, and arguably even how one prepares for——

Chairman KERRY. We need to refine the definitional language, sort of the permissive language?

Mr. ELMORE. And there is another impediment, I think, as well, and that is on the 90 days that you have to apply after you return.

Chairman KERRY. The question is, is that enough time or isn't it?

Mr. ELMORE. I think you said it, sir. The loan——

Chairman KERRY. Would you——

Mr. ELMORE. We would change that. But you said it yourself. The loan was really designed for when we were in Kosovo and Haiti, and now we are in Iraq and Afghanistan, and the level of activations is way disproportionate, five times higher than it was in 2000, maybe six times higher. So the scale of what is happening with those self-employed Reservists out there, I mean, we recognize this and we know this. This is why we started working in September 2001, bluntly, to try to organize our ability to reach out and offer these services.

So I think, certainly in my discussions with Administrator Preston, we would like to engage with the Committee to discuss how to improve and enhance our programs for veterans and for Reservists, and I assume—and I think that includes the military Reservists loan.

Chairman KERRY. Well, let me come back to this a minute, because when we wrote it, we created a fairly open assistance program, and you were the folks who came here and said we have got to limit this. Specifically, you added the word "substantial" to economic harm so that they would have to show a greater level of harm. You reduced the application period. We had allowed 180 days. You reduced it down to 90. In addition, you sort of pressed for the ability to be able to make it easier to show a link between the Reservist's absence and economic injury. So to the degree it is constrained, you folks constrained it.

Mr. ELMORE. If I can try to answer, sir, all I can tell you is that in 1999, I wasn't working for SBA at that point. There wasn't an Office of Veterans Business Development, and I——

Chairman KERRY. You must understand that the agency's view of this was delimiting.

Mr. ELMORE. OK, and I didn't realize that. I didn't know that the agency then had come back to you with those recommendations or suggestions.

Chairman KERRY. They came back with more. They restricted us because we were—they substituted the term "essential employee" for "owner, manager, or key," because that restricted again who might or might not get it, because an essential employee was exempt from call-up. So the result was it became, again, more delimiting.

So basically, look, I am happy to go back to the way we were trying to help people, which was to be pretty broad and encompassing. I hear you. Is the 90 days too short a time?

Mr. ELMORE. I believe it is.

Chairman KERRY. I am glad to hear you say that, because that is why we put 180 originally. So we will come back and see if we can't reverse that and fix it up.

What about the complaint by some people that I hear that it is not marketed? A lot of Reservists don't even know this exists. They go in, they come out, and nobody proactively says, hey—we don't hand them something saying, we want you to know here are the following things that will be available to you to try to help cushion your business. Boom, they are given it proactively.

I think in your testimony, Mr. Denniston, I heard you say it, because I wrote it down, you said, once the veteran calls us, we determine their needs. Is it only upon initiation by the veterans' call?

Mr. DENNISTON. No, sir. We are very active in outreach ourselves. Our staff does about 100 conferences a year. The partners that I mentioned in my testimony, we are very active with them to get the word out to veterans. Again, our focus is on the Federal procurement arena and most of the veterans that contact us are people that are interested in starting small businesses, and again, that is not our focus, but that is why we have the partners that we do so that we have people that we can refer veterans to in the local area.

But given the staff we have, between the Web site that we have and the activities that we have in the outreach area, we think we do a pretty good job of reaching veterans. We also have information now in all the Transition Assistance Programs, so that when veterans get out of the military and think about starting small businesses, they have references so they know where to go so that we can help them.

Chairman KERRY. Here is the thing. I hear from veterans—I hear what you are saying and appreciate your point of view. But often in the bureaucracy, and it is not—I am not suggesting it is willful, but it is just a fact of bureaucracies, there is sort of a breakdown between the program and the intention and what really happens out there.

What I hear from a lot of veterans is, and we have heard it, I think each of the Senators have heard it, is they don't get this information. It just doesn't somehow reach them. They don't know proactively this is really there. It is put to them maybe at odd moments. I mean, I can remember when I was getting out and they said, you have got to sign this and do this and this, and I didn't care what it was. I signed it and I got the hell out. That is sort of a reaction. People are tracking.

The question is, can there be a more effective way of putting this information in front of people and making certain that they have it?

Mr. DENNISTON. I think the best that we can do, because you are right, we face the same thing. I remember when I got out of the Army, the only thing I wanted to do is go get a job and leave the military behind, and I didn't pay attention to all those documents that I was given. But we still think that the Transition Assistance Program is one of the best ways to leave information with veterans, because what we are finding at the Center for Veterans Enterprise, we get contacted by thousands of veterans a month, 2,000 or 3,000, that are thinking about starting a small business. What is interesting is the vast majority of them have been out of the military for 5 to 10 years. They have worked for a large business. They have worked for the Government. They have worked for a small business

and now they have this entrepreneurial vision that they want to implement.

So our issue becomes what can we put in front of veterans today that they will remember 5 to 10 years from now, and quite frankly, that is a challenge. That is why we think between what we do with the Transition Assistance Program, what we do with the outreach or the partners we have, with using resources, as I mentioned, like the Air Force cable television programs, we are doing, we think, a pretty good job. But obviously, we are open to any other suggestions that we can that would help in this outreach effort, because it is definitely a challenge.

Chairman KERRY. Do you run any PSAs on it?

Mr. DENNISTON. We have done some PSAs, probably not as many as we should. We have been more active on the Internet and the Web sites and the links to military.com, the Army Knowledge Network, because we are finding that particularly with the younger veterans, they are very computer savvy, and where us older veterans may wait for a PSA, these folks are aggressive and are using the Internet to get the information that they need to fulfill their goal.

Chairman KERRY. Let me ask you something. When a veteran is called up, when a Reservist is called up, do you know at that time—do you know their occupation?

Mr. DENNISTON. We don't get involved in the call-up of Guard and Reserve. That is an SBA and DOD——

Chairman KERRY. Is there coordination between DOD——

Mr. ELMORE. There is a level of coordination. Let me go to your first question, sir. DOD just in the last couple of years has put together a database of the employers of Reserve and Guard members, and they had to go through all the processes because of privacy concerns to be able to do that and they have fairly recently completed that. We have continued to work with offices in DOD on some of the research they are doing to try to identify not only the employers, but more importantly, what has been the effect of these activations.

Chairman KERRY. What if you did this. What if DOD, when DOD sends them their call-up notice—they get a formal notice, correct? What if it had an accompanying letter that says very simply, if you are a small business owner or an essential employee in a small business and this may be disruptive, the following options are available to you, right there.

Ms. OLIVER. It makes sense.

Mr. ELMORE. If I might, sir, if you really—I support that kind of an idea, but I would like to accelerate that beyond or before, if you will, they actually get their orders. They are in the Reserve and Guard now, and what I would suggest, and this is what we try to do through my office, because we sent our Reserve and Guard kits to Reserve and Guard units themselves. These men and women should know about the services and resources available to them simply because they are in the Reserve and Guard, and it is not just for purposes of planning their business for their eventual activation, but it also ought to address if they are interested in creating a business, the services and resources available to them, as well.

Chairman KERRY. But is there today someone actually coordinating this between your three agencies?

Mr. ELMORE. [Shaking head negatively.]

Chairman KERRY. Wouldn't it make sense to actually have sort of a coordinated effort here, since you are all players in this happening? You are the provider, you are the convener, and you are the service industry on the back end. So, I mean, if you get together, then you have got much more capacity to be able to make certain you are really going after people and reaching them aggressively, at the right moments, and repeatedly, probably.

Mr. ELMORE. If I can, sir, my office has been coordinating with the Assistant Secretary for Reserve Affairs inside DOD, so we have tried to coordinate the SBA side of this. We haven't talked with VA specifically about their role in this, but that is the approach we have taken.

Chairman KERRY. One last question, because I want to get my colleagues in on this, but Ms. Oliver, incidentally, we are delighted that obviously in the last year, the agencies have come up in their procurement. But the question is large in DOD above all. How can DOD be so far behind on this?

Ms. OLIVER. I am torn here, because I don't want to sound smart—smarty—but this is actually a pretty graphic explanation and I will tell you the details of it in just a second. You can't put nine pregnant women in a room for a month and have a baby come out. It just doesn't work that way, and we have a history of that same sort. Some things can't be hurried up in the Department of Defense.

Now, I can tell you a lot of the reasons. One is you can't be looking at contracting with different people on a contract until that contract has expired. There are training issues. There is the complexity of the contracts. Probably most difficult for us is the product mix. There are so many things in the Department of Defense that there is no hope at all that a small business be able to produce, including a service-disabled veteran, or maybe particularly a service-disabled veteran-owned small business.

Our history is really clear. I think there are some charts that show the direction that we are going in all these areas. That is a history typical of all the other special programs that we have had.

Chairman KERRY. Let me just——

Ms. OLIVER. Sure.

Chairman KERRY. Nobody is asking DOD to let a contract to somebody who isn't qualified to perform it.

Ms. OLIVER. Right.

Chairman KERRY. We understand that.

Ms. OLIVER. Yes.

Chairman KERRY. But what we hear—what I hear, anyway, and I will speak for myself, is that there are service-disabled veteran-owned businesses ready and willing to take on some of these contracts and they either just don't get them or they find it too much of a maze to be able to walk through. But they are there. They are waiting. They want the opportunity. And there are all kinds of other things besides sophisticated—I mean, there are all kinds of service——

Ms. OLIVER. Yes, there are. That is right, Senator.

Chairman Kerry. Huge, stunningly huge budget——

Ms. OLIVER. Yes, that is correct. I agree with that.

Chairman KERRY. There really should—I mean, it seems to me of all the agencies that ought to be sensitive to this and able to do it, it is DOD itself.

Ms. OLIVER. It is interesting. I mean, that is right. As I said in my testimony, it is——

Chairman KERRY. So what is the bar?

Ms. OLIVER. What is—I am sorry——

Chairman KERRY. Why doesn't that happen? I mean, are there those service-disabled veteran-owned businesses ready and willing? Is it your judgment that they are there?

Ms. OLIVER. Here is the problem. The Competition in Contract Act requires that we compete contracts unless there is a specific exemption to it, which means that maybe the answer is: We need to train service-disabled veteran-owned small business owners about how to compete better—which we have tried—I mean, we are working on. It just takes time.

Bill pointed out that these tend to be very small businesses. That is a second kind of a problem.

Chairman KERRY. Let me stop you there for one second.

Ms. OLIVER. Sure.

Chairman KERRY. SBA, don't you help these people to be able to compete?

Mr. ELMORE. Yes, sir. Yes, sir, through our training and counseling and through our Small Business Development Centers.

Chairman KERRY. Where is the gap here?

Mr. ELMORE. Well, the gap is—if you look at the data, sir, and this is from my perspective, 0.7 percent of the businesses in America that have employees are owned by service-disabled veterans. That is what the 2002 Survey of Business Ownership tells us from Census. So we have a three percent goal, but we have a 0.7 percent population to achieve it.

I think we are fairly close to the 0.7 percent, but we are nowhere near the 3 percent goal. We have to build the capacity of the businesses that are presenting themselves——

Chairman KERRY. That doesn't make sense. Those are apples and oranges that you are comparing there. It doesn't matter. Whatever the percentage is in terms of the total population, because they are veterans and service-disabled, they are supposed to get a higher piece of the pie. That is the equation.

Mr. ELMORE. We are——

Chairman KERRY. So if 80 percent of them are getting a contract because that is what it takes to get the 3 percent, that is what they are supposed to get, and it is because they are veterans. It is not a relevant percentage.

Mr. ELMORE. If I can, sir, because I am glad we are talking about this because this is in many ways central to this whole discussion, what has happened, and I applaud Congress for doing this and you know this, I was part of the effort to make this happen before I came to SBA. What we have done is we have plugged the moral imperative of how we as a Nation contract with service-disabled veterans into the Federal procurement system, but yet the Federal procurement system isn't geared to mandate contracts. It is geared

to mandate opportunity to compete and there is a gap there. So all of these things that we have touched on from the capacity——

Chairman KERRY. What do you mean by geared?

Mr. ELMORE. We cannot——

Chairman KERRY. We have a goal of 3 percent.

Mr. ELMORE. We cannot just award contracts to service-disabled veterans simply because they are service-disabled veterans. They have to provide the best value to the Government in that process. So there is a process——

Chairman KERRY. So what you are effectively saying is that they are not capable of winning the competitions.

Mr. ELMORE. No, that is not what I am saying. What I am saying is we have to build——

Chairman Kerry. Aren't you duty-bound to provide it to them?

Mr. ELMORE. We have to build the capacity of those businesses that are presenting themselves. If you look at the size of the businesses in CCR——

Chairman KERRY. You are losing me.

Mr. ELMORE. I am trying to explain this, sir.

Chairman KERRY. No, let me just—you have to build the capacity. Does that mean they lack the capacity?

Mr. ELMORE. I think many of them do.

Chairman KERRY. OK, which means they can't compete.

Mr. ELMORE. It means they can compete, but they have as a——

Chairman KERRY. They can't win.

Mr. ELMORE. Many of them can't win, no. I don't believe they can, not as they are presently structured and the size that they are and the arenas that they are trying to compete in——

Chairman KERRY. A lot of them disagree with that, and I think we will hear from some of them, that that is not the judgment of a lot of them in terms of what this fairness of competition is.

I don't want to dominate this. Let me let Senator Snowe ask some questions. We will come back afterwards and follow up.

Senator SNOWE. Thank you, Chairman Kerry.

Just getting back to the entire question, which really needs a solution as to how we achieve these goals. The law has been in place since 1999. So why is it that the agencies can't get together to accomplish the 3 percent goal? I was talking to my colleague, Senator Coleman, who was telling me about someone who is serving in the National Guard and has been deployed to Iraq, lost his business, not aware of any of the resources available. It seems to me that you all have a database, so can't there be an interagency council to coordinate so that they are made aware before they are called up, what are the resources, is there a contracting pamphlet so that they can review their options? Isn't there a way to get around all this?

In the final analysis, we need a solution to this problem, because obviously, it is not working. I just wonder, is it possible to do that, because it is a requirement under the law, and the President had to issue an Executive order in 2004 to lay out the criteria for achieving this, and yet it is still not happening. Now, I will get to 2006 because I want to address the question that was raised as to whether or not large businesses were getting contracts that were intended for small businesses.

But Ms. Oliver, let us start with you. Is there a possibility, and I would like to hear from the three of you, to create an interagency council, because as has been identified here, we have a problem. It isn't rocket science to coordinate and have a single database, to share the information. I understand SBA has some information on some service-disabled veterans, others do not. There has to be a way of doing this.

Ms. OLIVER. Yes, I agree with you, Senator Snowe. I will tell you one of the problems, because I have seen—we have tried to work toward the solution of this before. The Privacy Act, and this is appropriate, is very careful about having people have private information collected by the Government used for any purpose other than that for which it was collected. That has been a stumbling—that actually has been a stumbling block in, for example, going to VA and getting from VA a list of all their service-disabled veteran-owned small businesses, or all their service-disabled veterans. There may be ways around it, but that is definitely a problem.

Senator SNOWE. Have you gotten a ruling on that? Is that something anybody has pursued?

Ms. OLIVER. The Department of Defense attorneys, and we didn't get a—we don't have—I don't have a written opinion, but it was the opinion of the Department of Defense attorneys when the Veterans Corporation wanted information to reach out, they said, we can't give it to you.

Chairman KERRY. Or as Shakespeare said, kill all the lawyers. [Laughter.]

Ms. OLIVER. Well, I can't be in favor of that.

Senator SNOWE. Well, then if that is the case, I would like to hear as to why. Now, I would like to hear from each of you if that is the same response that you are going to give——

Mr. DENNISTON. No.

Senator SNOWE. OK. Mr. Denniston.

Mr. DENNISTON. First, let me say that I think we are confusing two issues here, so I would like to separate them, if I can. I think the issue of the Guard and Reserve call-up is one issue. I think the goals that we are talking about, the procurement goals, are very different. So I would like to focus on the second one, if I can.

Two things. We have a database of veteran-owned and service-disabled veteran-owned businesses that want to do business with the Federal Government. That is the Vendor Information Page. That is those 13,000 companies that I talked about. That is available to all Government agencies. It is available to all prime contractors, and government agencies and prime contractors are using it.

The issue of the privacy comes in with someone getting a list of the 2.5 million veterans that we have on our rolls as service-connected disabled veterans. But one of the things that we do every year is those veterans get a letter from the VA telling them what their compensation check is going to be, because we have the inflation factor so it changes every year. Every year that that letter goes out, we tell them of the services available from the Center for Veterans Enterprise and from the Small Business Administration if, in fact, they have a small business or are interested in starting a small business. So that is how we get around that privacy thing.

We can't give them the information out, but we let the veterans know what is available.

Let us go back to the issue of the goals. My opinion is that this is a cultural issue, because we face this in the Department of Veterans Affairs, this is a new program. Contracting officers have been so—what is the right word—I don't want to say "brainwashed," but to focus on the 8(a) program and the other small business programs that have been around longer that, quite frankly, what we are doing is we are talking about a change in culture.

To us, the two ways that we have worked on this, number one is education, is to make sure that every VA contracting officer and every person in the VA that holds a purchase card knows of the Department's responsibilities to service-disabled and veteran-owned small businesses.

The other thing that we have pushed very hard is that Public Law 108–183 gives us mechanisms through set-asides, particularly, to limit competition only to service-disabled veteran-owned businesses, and one of the ways that we have been successful to reach the 3 percent goal is by instilling in our contracting officers the need to use that mechanism.

The other thing that has helped us is when GSA, the General Services Administration, under the Federal Supply Schedules came out with a determination that said you can limit competition on Federal Supply Schedules based on the socio-economic category of business. So now our contracting officers can use the Federal Supply Schedule as a mechanism and limit competition to service-disabled veterans.

So to me, the issue is about changing culture, and that is why, as one of our recommendations, we said we have to do a better job of educating contracting officers, and particularly program officials, in the Government as to what goes on. The other thing that is important is to get people——

Chairman KERRY. Do you mind if I just ask——

Mr. DENNISTON. No, go ahead.

Chairman KERRY. What is happening with respect to that now? This has been a known problem for a long period of time, this, quote, "education" of the officers. What directive and specific effort does take place to do that?

Mr. DENNISTON. After the President's Executive order was signed, one of the things that the Department of Defense did very quickly through the Defense Acquisition University, was put a course online about the service-disabled veteran program, and that is available for contracting officers throughout the Government. But the issue——

Chairman KERRY. I am not talking about what is available. I am talking about what is happening mandatorily to make them aware that they have got to do this.

Mr. DENNISTON. Well, that is the issue. It is the issue of compliance and it is the issue of follow-up. One of the things that we did in the VA to show our seriousness to this is after the Executive order and our requirement for strategic plan, we made our Deputy Secretary Gordon Mansfield the chief executive responsible for implementation of the plan so that it got the attention of people within the management structure of VA. The other thing that we did

was we put the accomplishment of the goal on everybody's performance plan so that now this is one of the things that they are rated on if they want to get a bonus.

The other thing that we did was every month in the senior managers' meeting that we have, I used to report on what the accomplishments were. We have changed that around, and rather than my doing it, so they are not my numbers, now we have each of the administrations and the buying offices to report to the Deputy Secretary on how they are doing. So that now becomes ownership that is theirs rather than mine, because the one thing we know about the small business programs, to make them successful, we have got to have buy-in from everyone, top management, the contracting officers, the program officials, and the Small Business Office.

Senator SNOWE. Mr. Elmore.

Mr. ELMORE. Yes. I will touch on what Scott was talking about and then I will come back to the Reserve and Guard, if that is OK, kind of like Scott divided the two.

What we are doing inside SBA is we are working with our PCRs and CMRs and the Administrator has directed that we are prioritizing our services and our goals internally for women, HUB Zone, and service-disabled veterans. So we are trying to increase the profile and the use of our PCRs and CMRs across the Government structure to push for and try to deliver some of these same things that we are talking about here today, use of the set-aside and sole source authority, understanding of how to identify and find service-disabled veteran small businesses, those kinds of things.

On the Reserve front, I would agree with you. I think that there should be some cross-government process, not just SBA, not just DOD, and not even necessarily just VA. I would suggest that perhaps Treasury has a role in this, as well, that there has not been an across-government process to tackle this and take this on the right way. I have been frustrated by that like the members in the Reserve and Guard have been.

Now, I may risk myself when I say this, but it does take leadership that comes from beyond my office. I can tell you that my Administrator is dead-on serious about doing this right and doing this as well as we possibly can, and I applaud him; I support him and we are working very hard to try to do that. So if there is any leadership that the committee itself can exert in this arena, I would applaud that, as well.

Senator SNOWE. Well, I appreciate that, Mr. Elmore, and I say that to you, Mr. Chairman, because I do think we have to get to the core of the issue here and see what we can do to serve as a catalyst for standardizing this process, because inevitably, there are going to be rationales as to why it can't work. I mean, there is just not going to be the motivation there. I think we have to create it.

The President did in the Executive order and said "shall." That was very definitive. It is obviously not happening. So I think we have to get beyond, and I appreciate your straightforward response to that request, and I think we have to work it out and figure out how best to work this out. That is something this Committee can work on, Mr. Chairman, because I truly think it is going to happen.

I mean, it is too large. There is too much of an opportunity there that is natural, so why not take advantage of it to help our service-disabled veterans? There has to be a way. I think that that is critically important.

A couple of other issues. In 2006, is it true about meeting the goals or not?

Ms. OLIVER. We don't know yet.

Senator SNOWE. You don't know yet.

Mr. DENNISTON. For VA, 99.9 percent certainty that we have met the goals. The 3.38 is going to be the final number that we certify to SBA. Now, keep in mind that with our ten-point-some billion dollar procurement budget, that equates to about a million contract actions. We have gone through that data several times to ensure that there are no large businesses reported in that data.

One of the dilemmas that we have government-wide is that we don't have a centralized database that talks to the size standard of the small businesses. One of the reasons for that is because for every NAICS code that we use, you can be large in one and small in the other. Some of the other reasons, it is just poor clerical work on the part of the contracting officers who input the information in the Federal Procurement Data System. But we have cleansed our data and I will tell you today that there are no large businesses that are in that 3.38 percent.

The other thing I would like to mention, too, to get at this idea of interagency cooperation, after the President signed the Executive order, we put together a working group of all the Federal agencies to share best practices, to share a standard strategic plan. We, the VA, took the lead for that. And the agencies that chose to participate, I think you will find, have the best strategic plans and their accomplishments, even though they haven't met the 3 percent goal, are trending up better than the agencies that didn't choose to take part in that, because one of the things that we know in the small business program is the more we can share best practices, the better off we are all going to be.

Mr. ELMORE. Tell me the question again, please. I got so engrossed in listening to Scott——

Senator SNOWE. Whether or not for 2006 you are able to——

Mr. ELMORE. Large businesses, OK. We, like VA, we have scrubbed our data, and in fact, we looked at it again last night or else I wouldn't have been able to come up here and say what I said. We believe that we have, in fact, exceeded 4 percent.

Now, we are very sensitive to this question of whether or not there is any large businesses involved in our data. Clearly, you understand that. I can't sit here and tell you with all certainty, like Scott can, because I just bluntly don't know. But I would be flabbergasted if any of the contracts that we let with service-disabled veterans in 2006 went to any large business.

Senator SNOWE. Just to follow up, and this will be my last question, last summer, I was really surprised when the GAO determined the SBA regulations, that, if there was an ineligible contract that was issued and it wasn't challenged before the contract was issued that the ineligible contractor could keep the award. Is that true? Why is that?

Mr. ELMORE. I think——

Senator SNOWE. That just seems so ludicrous. It is almost hard to believe.

Mr. ELMORE. And what I would ask is, if you have a specific question, please get it to me and we will get you a detailed answer back, but I will tell you——

Senator SNOWE. Yes, there is a specific case.

Mr. ELMORE. OK.

Senator SNOWE. The Veterans Enterprise.

Mr. ELMORE. I would have to go back and look at that because I am not privy to all the detail——

Senator SNOWE. These were contractors who did not have service-disabled veterans. I mean, it was not owned by service-disabled veterans and yet received—the Veterans Enterprise should have had it and some other contractor got it, and because it wasn't challenged before the contract was issued, then they could keep it. So the eligible contractor was not remunerated, wasn't compensated for the loss and didn't receive the award, obviously.

Mr. ELMORE. I haven't looked at that particular case. I can tell you that I have looked at how our protest process works and I can give you the numbers and those kinds of things. But again, if you have a specific question, please get it to me and I will make sure we get you the answer back——

Senator SNOWE. Well, we will, because I think it is obviously something that needs to be addressed.

Mr. ELMORE. Yes.

Senator SNOWE. Thank you.

Mr. ELMORE. Thank you.

Senator SNOWE. Thank you, Mr. Chairman.

Chairman KERRY. Senator Tester.

Senator TESTER. Thank you, Mr. Chairman.

Chairman KERRY. That was an important line of questioning, and I agree completely with the Ranking Member about the follow-up piece and we are going to work on that.

Senator TESTER. Thank you, Mr. Chairman. I want to thank the panel, also. I also appreciate Scott segregating the issues because we were talking on several different levels there. The level I want to talk about for right now is Guard and Reservists who go off and there are programs out there to help them, and it kind of dovetails in with what the Chairman was talking about.

Are folks working together now, and does that include DOD, as far as education, allowing folks to know what programs are out there, what services are available, and is DOD part of the equation?

Mr. ELMORE. Yes, sir.

Senator TESTER. It seems to me there was a statement made earlier, and I think it was you, Mr. Elmore, that made it, that folks don't know that the services are out there. If there is a concerted effort between all working parties, the VA in particular and Small Business in particular and the DOD, why is that occurring?

Mr. ELMORE. What I can tell you, sir, is the work that we have done, and maybe this will help answer that, the materials that we produced that are directed specifically to Reserve and Guard, we have provided to Military Family Support Centers, we have provided to State Adjutant Generals, we have provided to the State

committees of the Employers' Support of the Guard and Reserve, and we have sent out to Reserve and Guard units themselves.

What steps DOD may have taken to communicate with their particular service members, I honestly can't give you that answer. I think you would have to ask the Department of Defense.

Senator TESTER. It would seem to me that if they haven't asked you to come do any sort of workshops, in-service while they are——

Mr. ELMORE. In fact, I will be participating in a—and let me make sure I get the name right for you——

Senator TESTER. That is all right.

Mr. ELMORE. There is a summit that is going to be held this next month over in Arlington, I believe it is, with the Military Family Support Center System, and as far as I know, we are the only agency, my office, to come over and participate and be part of this summit. So those kinds of things have been occurring and continue to occur.

Senator TESTER. As far as procurement goes, I will just give you my perspective and then we will move on. I think it deals with the size of the contracts when you are dealing with small business more than anything, and if you are talking about allowing service-disabled veteran small businesses to be able to compete, the size of those contracts are critically important, any Federal contract. I know a lot of small businesses that flat don't pay any attention to Federal contracts because they don't have the wherewithal, they don't have the infrastructure to be able to supply the kind of supplies they need, and I will give you a personal example.

If I wanted to go buy a beef, it is much easier to buy it from one outfit. If I want to bring other people into the fold, I might want to buy it a quarter at a time. And that is what folks need to understand with Federal contracts. For the most part, with my definition of small business, there is no way they can even possibly begin to supply what is there.

The last thing I want to ask, and this is open to anybody, I have a small business and I am called off, and quite frankly, that business shuts down. Any time there is a void in business, it is filled pretty quickly. By the time I get back from my duty in any war, there is already a business sitting there that took the place of my business and so I am out of business. Assuming I know every program that is out there, what is available for me?

Mr. ELMORE. What we can offer is, we can offer access to the full range of our business loans as a businessman or woman before you are even aware that you may be activated, and that is what we try to do. We do offer the Military Reservists Economic Injury Disaster Loan after the effective call-up and generally after they have returned.

Senator TESTER. What is the interest rate on that loan?

Mr. ELMORE. The average is about 2.9 percent and the terms can go up to 30 years. Actually, it is a very good loan in that context, but as we talked earlier, it is not a business loan, it is a disaster loan. It is in our disaster portfolio.

Senator TESTER. And so to qualify for that, the business has to be shut down or what?

Mr. ELMORE. No, they have to be able to demonstrate that there has been some economic damage that is attributable to the activation.

Senator TESTER. How long does it take to get that loan approved, on average?

Mr. ELMORE. I think it is probably about a 2-week process, but don't hold me to that, please, because I don't run that program, but we can get that answer for you.

Senator TESTER. OK.

Mr. ELMORE. We have approved about 70 percent of the applications that have gone through the entire process, I can tell you that.

Senator TESTER. All right. And there are plenty of dollars available?

Mr. ELMORE. Yes, sir. Those are our direct loans. We are generally—our loan products are primarily guaranteed, but that is a direct loan program.

Senator TESTER. What else is available?

Mr. ELMORE. What else is available is the thousand or so Small Business Development Centers, the 400, approximately, SCORE chapters, including e-counseling, the 5 Veterans Business Outreach Centers that my office funds, and the Veterans Business Development Officers stationed in every SBA District Office to try to help these men and women understand where that technical assistance and business planning assistance is available.

Senator TESTER. Is there any money for retraining?

Mr. ELMORE. No, sir, not from us.

Senator TESTER. Is there any money that you know that is out there for retraining?

Mr. ELMORE. The only retraining funds that I am aware of——

Senator TESTER. Specifically focused on——

Mr. ELMORE [continuing]. Are not in the American government, it is our British allies.

Senator TESTER. OK. Thank you. Thank you.

Mr. DENNISTON. If I could just jump on your question about Government contracts being too large, in a lot of respects, that is very true, but I would also submit to you that there are opportunities for small businesses to play. As an example, we have VA medical centers in Montana that need construction, renovation. We buy a lot of services locally, ambulance services, things like that.

The issue for a small business that has never played in the Federal marketplace, in my opinion, is they are overwhelmed by what they perceive to be the red tape. The best resource and the way that we help small businesses understand the Government process is by DOD's Procurement Technical Assistance Centers. You have got several in Montana that do a great job at teaching the local businesses how to do business with the Federal Government and we rely on their services all the time to teach local businesses how to break into the Federal marketplace and particularly how to provide us services with VA in Montana.

Senator TESTER. I applaud those efforts, make no mistake about it. It is not all failure. I am just saying that if you are really concerned—I am not implying that you are not, but I know the size of the contracts impacts a lot of folks. That is all. I am not saying

you do all bad work. You do some darn good work, and I want that on the record.

Chairman KERRY. Thank you, Senator. Those were good questions and important ones, I think, and if I could just follow up on one and then we are going to switch to the next panel. Are you all going to stay to hear some of these business folks, because I think it would be good for you to hear what they have to say.

Ms. OLIVER. Yes, sir.

Mr. DENNISTON. Yes, sir.

Mr. ELMORE. Yes, sir.

Chairman KERRY. Secondly, I heard you say that you have the Internet. You put packages out. All of that is well and good, but I have to tell you from human experience, that is absolutely no guarantee anybody knows what is in them or that it gets to people. And so what you have to think about here is this coordinated, in-your-face effort to be proactive that actually sits with people and gets in a personal way in touch with them, because everything else gets lost. It really does. That coupled with what Senator Snowe raised, and I think we have got to really follow up on that, which is sort of the contracting process per se, and we are going to look at that very, very hard.

I will leave the record open for the submission of questions by Members of the Committee for a week and we look forward to your responses to those. There will be some follow-ups to our own questions. We just don't have time. Thank you very much.

If I could ask the members of the second panel to come up. Let me introduce them as they come up. They are all small business owners, so we particularly welcome them to this reality check.

We have a Boston native. I am pleased to welcome Mr. Louis Celli, Jr., who is a veteran and the president of Northeast Veterans Business Resource Center.

Then we will hear from retired U.S. Navy Captain Ann Yahner, who is the president and general manager of Penobscot Bay Media out of Maine.

We will also hear testimony from Mr. Bob Hesser, who is the president and CEO of HI Tech Services, Inc., as well as the CEO of Allied Technical Services Group.

And finally, we will conclude with the testimony of already introduced by Senator Isakson, Mr. Ted Daywalt, president and CEO of VetJobs.

So welcome to all of you. Thank you very much for your patience. We really look forward to your testimony today. Why don't you lead off, Mr. Celli. Thanks for being here.

STATEMENT OF LOUIS J. CELLI, JR., PRESIDENT, NORTHEAST VETERANS BUSINESS RESOURCE CENTER, INC., BOSTON, MASSACHUSETTS

Mr. CELLI. Thank you, Senator Kerry. Boy, this seat is really warm.

[Laughter.]

Chairman KERRY. Well, it should be.

Mr. CELLI. Good morning, Senators. Thank you for the invitation to come before you and share my experiences and work within the veteran business owner community.

Senator Kerry, like you, I, too, am from Massachusetts, and like you, I left the service to start my own business. I am a 22-year veteran of the U.S. Army, a service-disabled veteran, and I started two businesses. My company, the Northeast Veterans Business Resource Center, is headquartered in Massachusetts and we have recently opened up an office in the Walter Reed Army Medical facility.

We are a nonprofit organization that teaches, coaches, and mentors veterans to start and grow micro-enterprises and small businesses. Over the past 4 years, we have trained over 2,000 veterans through formal training and have served over 4,000 veterans through counseling, seminars, and formal classes.

I serve as the vice chairman for the American Legion's Veterans' Small Business Task Force and have recently been elected to serve as the Chairman of the Small Business Administration's Advisory Committee on Veterans Business Affairs.

I have been asked for my opinion and to relate my experiences regarding the challenges that veterans experience while trying to start small businesses, and specifically examples of Guard and Reserve business owners who have suffered damages to their business as a result of military deployment, and what recommendations I might have to help our veteran community.

One of our clients owns a computer repair store in Boston. His story is probably the most common. He received notification that he was being deployed about a week prior to his activation. His wife was the principal owner and she couldn't afford to replace him during his deployment at the going rate for a senior engineer of $70,000 to $80,000. So what they decided to do was to close the business until he returned. Like me, he believed that when he returned, there would be some kind of Government program in place to assist him which would give him—which gave he and his wife a sense of solace while he was gone. It is what made them comfortable while he was away.

While he was away, the bills kept coming in because he still owed the money that he had taken out to support this business, and his income from the military was significantly lower than his small business income. He and his wife began to fall behind on their payments. They suffered credit damage when he was deployed, and when he returned, he tried to get a loan from every available disaster and commercial loan program, but was denied due to poor credit.

Another one of our clients faces a different problem. He and his partner started a business together. Our client deployed for more than a year. When he returns, the business partner had incurred debt due to his absence while trying to sustain the business. The partner who had remained was growing the business based on the existing clients and then that year's worth of recruiting efforts, and now the question that faces them is who owns what? How do they reconcile an equal division of that business with one person gone and the other person working for a complete year? Who has what debt?

Senator Kerry, Senator Snowe, Congress and specifically this committee have been working on veterans' business owners' issues for years—Public Law 106–50, 108–183, Executive Order 13360,

and most recently Public Law 109–461. In my opinion, I don't think we need more laws to try to help veteran business owners. I think we just need to enforce the ones that we have. More funding will definitely help. We don't nearly have the funding needed to serve the veterans who require services now that we see.

And Public Law 106–50, it was complicated. It was intricate, but it was very well written. I have had many spirited discussions with my colleagues, many of whom are here today, and basically there are 7 parts to 106–50 which were all designed to work independently while working toward a common goal. Each of the entities created by 106–50, the SBA Office for Veteran Business Development, the VA Center for Veteran Enterprise, the SBA Advisory Committee, the Veterans Corporation, the Veterans Representative for SCORE, and all of the others were all supposed to work cooperatively together for the common goal of assisting veteran business owners. They were supposed to support each other while working together.

Public Law 106–50 set in motion a four-year plan, that at the pinnacle of the 4th year, all of these agencies were supposed to coalesce and be working together, supporting each other so that they might have a greater population of veterans as a team. Instead, none of these entities worked together. None of them worked as a team and they simply just coexisted, going in their own way. If there had been an administrator or some kind of oversight to 106–50, a single entity with the sole purpose of making sure that the separate entities and organizations not only complied with the letter of the law but also the spirit and intention, as well, I believe that these separate parts would have been thriving by now rather than individually struggling along.

In my opinion, again, we just don't necessarily need more laws. We need to enforce the ones we have and work harder—that you have worked hard to produce in the first place. And by the way, I did mention funding, right? Funding is important.

As you seek to assist veteran business owners, I ask only that you consider adequate funding for training and assistance, as was mentioned earlier, implement a veterans' direct loan program to assist veterans who wish to start businesses, and invest in a Guard and Reserve deployment business care program that will train, prepare, and support veteran business owners who are called up by our country to defend our Constitution of the United States of America.

I would be happy to assist with any detailed suggestions for these recommendations should your Committee request to pursue them further, and I stand ready with myself, my company, and any of my resources to support this Committee in any way necessary. Thank you for the time today.

Chairman KERRY. Thank you, Mr. Celli. We appreciate it.

[The prepared statement of Mr. Celli follows:]

Testimony of Louis Celli
Committee on Small Business & Entrepreneurship
"Assessing Federal Small Business Assistance Programs
For Veterans and Reservists"
January 31, 2007
Washington, D.C.

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One of our clients owns a computer repair store in Boston. His story is the most common. He received notification that he was being deployed 1 week prior to his activation. His wife was the principal owner and could not afford to replace him during his deployment at the going rate for a Senior Engineer of 70-80 Thousand dollars, so they decided to close the business until he returned. Like me he believed that there would be some kind of government program in place to assist him when he returned which is the only thing that gave him and his wife solos. While he was away, the bills still needed to be paid and his military income was substantially lower than his small business income. He and his wife began to fall behind on their payments and suffered credit damage while he was deployed. When he returned, he tried to get a loan from all available disaster and commercial programs but was denied due to poor credit rating.

Another of our clients faces a different problem. He and a partner started a business together. Our client is deployed for more than a year. When he returns, his business partner had incurred debt due to his absence while trying to sustain the business. The partner who remained has grown the business based on the existing client base and the year worth of recruiting efforts. Who now owns what part of the company?

Senator Kerry, Senator Snowe, congress and specifically this committee have been working for veteran business owners for years. Public Law 106-50, 108-183, Executive Order 13360 and most recently, Public Law 109-461. In my opinion, we don't more laws, we just need to enforce the one's we have. More funding will definitely help, we don't have nearly the funding needed to serve the veterans who require services.

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In my opinion, we don't necessarily need more laws, we just need to enforce the one's we worked so hard to produce in the first place. And, oh yea, did I mention funding??

Changing "May" to "Shall" might help, but it really shouldn't be necessary in the first place, it should be understood.

- As you seek to assist veteran business owners, I ask that you consider committing adequate funding for training and assistance.
- Implement a veterans direct loan program to assist veterans who wish to start businesses.
- Invest in a Guard and Reserve deployment business care program which will train, prepare and support business owners who are called upon by our country to defend our constitution of the United States of America.

I would be happy to assist with detailed suggestions for these recommendations should your committee wish to pursue them further.

Thank you,

Louis J. Celli Jr.
CEO
Northeast Veterans Business Resource Center Inc.
"Serving American heroes, one business at a time"
617.938.3933
www.nevbrc.org

Chairman KERRY. Captain Yahner.

STATEMENT OF CAPT. ANN S. YAHNER, USN (RET.), PRESIDENT AND GENERAL MANAGER, PENOBSCOT BAY MEDIA, LLC, CAMDEN, MAINE

Capt. YAHNER. Good morning, Senator Kerry, Senator Snowe. I am Ann Yahner. I am the resident and majority owner of Penobscot Bay Media. We are an IT company with strengths in geographic information systems, Web development, interactive distance learning, and film and video, and we are located on the magnificent coast of Maine.

In addition to other contract vehicles that we have in place, we are one of the 43 prime contractors that was awarded the Veterans Technology GWAC, and we are the only company that was awarded in New England. Our Vets GWAC partners, many of whom are veterans and disabled veterans, come from all over the nation, including the same States as five Members of this Committee.

I want you to know that because of this contract that we have been awarded, I finally feel confident that as a company, we can provide a benefits package to our employees that they need and deserve, especially in the areas of medical, dental, and short-term disability insurance. And also because of this contract, I anticipate that our workforce will probably double in the next 12 to 18 months.

Senator Kerry, like you, I, too, served my country honorably in the Navy, and as it happens, I was in Vietnam the same year that you were. As you know, it was a very busy year and a difficult year——

Chairman KERRY. Are you sure I was there? According to some people, I wasn't.

[Laughter.]

Capt. YAHNER. Oh, you were there. You were there. It was a particularly difficult year, I am sure for you, and it certainly was for this very young, naive, idealistic 23-year-old nurse who got a real wake-up call real quickly.

Because my husband and I are both veterans, my partners and I have started a program where we are hiring qualified veterans and include many of the people, Maine National Guard and Reservists, who are returning from Iraq and Afghanistan. In fact, there are four soldiers right now that if they come back in April, they have interviews for one of our initiatives.

In conjunction with other IT companies in our area, we are working with the University of Maine to develop training and certification programs to align skill sets with current needs of information technology. We have also developed a really nice relationship with many of the State agencies, as well as the local town council of Camden, to work toward meeting some of these goals with economic development. The Reservists and the National Guard that I am particularly looking at in our company are those that are in engineering battalions because they have the background for GIS and mapping and we have a very strong initiative in spatially intelligent robotic areas and they would be good to work in that area.

Now, as it pertains to this hearing, once I saw what the topic was, I canvassed the SDVOs and veteran-owned companies to try

to find out what two major obstacles we all felt we had to do business with the Federal Government.

First, the Congress, led by this Committee, needs to make SDVOs equal to 8(a) businesses by making it possible for a contracting officer to award sole-source contracts to qualified SDVOs on the same grounds as is currently permitted for 8(a) businesses. A contracting officer may make a sole-source contract noncompetitive award to an 8(a) business without completing any justification paperwork. He need only believe the 8(a) is capable of performing the work

In addition, an award to an 8(a) cannot be protested. However, in the case of an SDVO, the contracting officer must investigate and determine that there are no other SDVOs that claim they can do the work. Otherwise, a time-consuming competition must be conducted. He must complete a justification and approval document and consider the risk of potential protests of the award and take whatever necessary precautions to ensure he can withstand such protests.

I might also add that we have found that when we talk to contracting officers, we are educating the contracting officers because they know very little about the set-aside program at all. That is a little discouraging and, I think, needs to be corrected in that area of training about this program.

And the other thing I might add that I didn't have in my testimony, I went through and looked in the past 2006 all of the contracts that were awarded to SDVOs. It is a little discouraging for me as an IT company to sit here and see that most of these awards are going to construction, roof repairs, medical equipment, custodial and janitorial services. I don't see a lot of things going to IT, and hopefully the Vets GWAC will solve that problem.

The second area that I want to bring up is accountability, and this has been touched on a little bit. Mr. Chairman, first of all, I am a very practical business woman. When I and my management team fail to achieve our business objectives, we don't expect to get a bonus or any kind of accolades. Likewise, when the senior management team of any agency doing business with the Federal Government does not even come close to meeting their goals, they need to be held accountable, and that accountability must have negative consequences. It must have some teeth—be it an entry in a performance evaluation or a fine. I don't really care as long as there is some accountability. When there is no accountability and there is no enforcement of regulations that are already in place, then it is just business as usual and the SDVO set-aside program will continue to suffer.

So in my opinion, if these two major points are not corrected, all the initiative and hard work and support of the various veterans groups, the GSA and the SBA will be for nothing and a great opportunity for veterans and disabled veterans could be lost.

Now, Penobscot Bay Media is like a thousand other small companies that are the backbone of my State and the Nation's economy. My understanding, as has been pointed out, is this program was put in place to help the veteran who chose to wear a uniform and was injured in the defense of this Nation. It was to help small businesses grow, partner with other small businesses, hire more em-

ployees, provide good salary and benefits, bring Federal money into communities, and increase economic development in our States. If you don't give the service-disabled veteran an equal playing field with other set-aside programs, one of this will happen and the program will not be successful.

And finally, the service-disabled veteran deserves at the very least to have parity with the other set-aside programs. Unlike all the others, the service-disabled set-aside is the only program that is earned. It is earned by long separations from our family, missing important life events, lost income from our business, and literally fighting and many times being injured in our service to our country. And as one man quoted, "Veterans deserve consideration above and beyond anyone else in America," and I think that is extremely poignant right now.

I, too, will take any questions anybody has.

Chairman KERRY. Thank you very much for important testimony. We appreciate it. Thank you for your service, also.

[The prepared statement of Capt. Yahner follows:]

ASSESSING FEDERAL SMALL BUSINESS ASSISTANCE PROGRAMS FOR VETERANS AND RESERVISTS

STATEMENT OF
ANN S. YAHNER
PRESIDENT/GENERAL MANAGER
PENOBSCOT BAY M EDIA, LLC
BEFORE THE
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE
WEDNESDAY, JANUARY 31, 2007

Good morning Senator Kerry, Senator Snowe and other distinguished members of the committee.

I'm Ann Yahner, President and majority owner of Penobscot Bay Media. This is a woman-owned, Service-disabled veteran-owned small business located on the magnificent coast of Maine. We are an IT company with strengths in Geographical Information Systems, Web Development, Interactive Distance Learning, and Film & Video. In addition to other contract vehicles we are one of the 43 prime contractors awarded the VETS GWAC—the only company awarded in New England. Our Vets GWAC partners, many of whom are veteran and disabled veterans come from all over the nation including the same states as 5 members of this committee.

Because of this government contract, I am confident that we can provide the benefits package our employees need and deserve, especially medical, dental and short term disability insurance. And because of this contract, we anticipate that our workforce could double in the next 12-18 months.

Senator Kerry, like you, I too served my country honorably in the Navy, and as it happens I served in Vietnam the same year you did. And, as you know, it was a very busy and difficult year, especially for this naive, idealistic 23 year old nurse.

Because my husband and I are veterans, we have started a company program to partner with and hire qualified veterans, including those from our Maine National Guard and Reservists when they return from Iraq and Afghanistan. Many of them, especially those in the Engineering Battalions have the background and skills that we can use in our GIS and spatially intelligent robotics areas. In conjunction with other IT companies in our area, we are working with the University of Maine to develop training and certification programs to align skill sets with current needs of information technology.

As it pertains to this hearing, I have canvassed many SDVO and Veteran-owned companies, and due to time constraints, I will identify the two greatest obstacles of doing business with the Federal government.

First: The Congress, led by this committee, needs to make SDVOs equal to 8(a) businesses by making it possible for a contracting officer to award sole-source contracts to qualified SDVOs on the same grounds as is currently permitted for 8(a) businesses. A contracting officer may make a sole-source, non-competitive award to any 8(a) business without completing any justification paperwork. He need only believe the 8(a) is capable of performing the work. In addition, an award to an 8(a) can not be protested. However, in the case of an SDVO, the contracting officer must investigate and determine there are no other SDVOs that claim they could do the work, otherwise a time consuming competition must be conducted. He must complete a Justification & Approval document, and consider the risk of potential protests of the award and take necessary precautions to ensure he can withstand such protests.

Second: Accountability. Mr. Chairman and committee members, I'm a very practical business woman. When I or my management team fail to achieve our business objectives, we don't expect to get a bonus or any accolades. Likewise, when the senior management team of any agency doing business with the Federal Government does not even come close to meeting their 3% SDVO goals, they need to be held accountable and that accountability must have negative consequences, be it a fine or an entry in a performance evaluation. When there's no accountability and there is no enforcement of regulations that are in place, then it's just business as usual, and the SDVO set-aside program will continue to suffer.

In our opinion, if these two major points are not corrected, all the initiative, hard work, and support of the many Veterans groups, GSA and SBA will be for nothing, and a great opportunity for veterans and disabled veterans could be lost.

Penobscot Bay Media is like thousands of other small companies that are the backbone of my state and this nation's economy. We represent those small businesses owned by Service-disabled veterans. My understanding is that this program was put in place to help the veteran who chose to wear a uniform and was injured in the defense of this nation; it was to help small businesses grow, partner with other small businesses, hire more employees, provide them a reasonable salary and benefits package, bring Federal funds into our communities and increase economic development in our states. If you don't give Service-disabled veterans an equal playing field with other set-aside programs, none of this will happen and the program will not be successful.

The Service-disabled veteran deserves, at the very least, to have parity with the other set-aside programs. Unlike all the others, the disabled veteran set-aside is the only program that is earned. It is earned by long separations from our family, missing important life events, lost income from our business, and literally fighting and many times being injured in our service to our country. As one man said, "Veterans deserve consideration above and beyond anyone else in America."

Thank you very much for the opportunity to appear before you today. I will be happy to answer any questions that you might have to the best of my ability.

Chairman KERRY. Mr. Hesser.

STATEMENT OF ROBERT HESSER, CHIEF EXECUTIVE OFFICER AND PRESIDENT, HI TECH SERVICES, INC., AND CHIEF EXECUTIVE OFFICER, ALLIED TECHNICAL SERVICES GROUP, LLP, HERNDON, VIRGINIA

Mr. HESSER. Morning, Chairman Kerry, Ranking Member Snowe. Let me first thank you for the opportunity to come before you today to share my views of Federal procurement policy. I am an executive member of the Vet Force, formerly the Task Force of Veteran Entrepreneurship. However, my comments today are mine.

While the framers of Public Law 106–50 did a good job on setting up the program in 1999 to assist all veterans interested in starting or expanding their own small businesses, it wasn't until the Veterans Benefits Act of 2003, section 308, that a Federal Procurement Program for Veterans was created. Under Section 308, contracting officers were to be given authority to restrict competition or make sole-source awards for procurements to service-disabled veteran-owned businesses. Nonetheless, today, the simplified procedures used to sole source and set aside 8(a) and HUB Zone procurements do not exist for SDVOBs.

I believe that the FAR Council's and the SBA's joint efforts to effectuate section 308 did, in fact, cause greater confusion. They created additional subparts of the CFRs and FARs that do not reflect what is in Public Law 108–183.

To encourage greater Federal agency participation in the SDVOB procurement program, the President issued 13360, which we have heard about here. Executive Order 13360 did heighten the awareness throughout the Federal Government and to large business contractors, I think sometimes to the contractors more than to the government.

My entire adult life has involved service to the Federal Government. I am a retired Navy Master Chief. I was a senior Federal Government employee, left as a GM–14, and a Government contractor. During my involvement, I have learned that a very high percentage of Government employees possess a collective mindset supporting the corporate good. I think they are good people. They try to help us.

Government employees working with contractors build business relationships like anybody else. Some of their relationships last many years. Of course, each contracting officer knows the contractor who is timely, the contractor with reasonable prices, and in what action each contractor is at their best. The CO contracts the contractor to get what their agency customer needs.

When a new requirement is brought to their attention that is not within the scope of existing contracts, the CO wants to use the most efficient, effective, and lowest-cost means to put a new contract in place. Their customer needs a contract created in order to carry out the mission. If the required product or service can be provided by a small business, the CO will first consider the scope of existing small business contracts.

Second, they will consider contractors with whom they already work. This includes large business with an existing subcontracting

relationship with a small business capable of fulfilling the requirement.

Third, they are likely to consider inquiring the GSA schedule system, known as GSA Advantage. They will not consider a service-disabled veteran-owned business, sole source or set-aside. They will work with SDVOBs also certified as 8(a)s or HUB Zone businesses. Why? Because they can award to the other two without any hassle or additional work and can take credit through double- or triple-counting of goal accounting. I believe the goals, if you actually look at the statistics on the Web sites and the pdf's from GSA, you can identify contracts that this $5 million contract was awarded to a service-disabled veteran, they are identifying exactly the same contract number down here awarded to a SDVOB. Whoosh, $10 million.

I have spent thousands of dollars and thousands of hours over the past 6 years chasing leads, creating new markets, educating government employees on new technology, and trusting that new legislation will end inequities within the procurement system. These inequities still exist.

Several opportunities have been created by our marketing or were identified for us by prospective Federal customers. When the customer took the requirement to a contract office, the contracting officers have, in every case, found reasons for not awarding as a sole source or not setting it aside for SDVOBs. All contracts awarded to us have been full and open, small business simplified acquisitions, or GSA delivery orders. We have three GSA Schedules and are service-disabled veteran-owned small business subcontractors on nine extremely large contracts held by large Federal contractors. We have concentrated on opportunities with us being the prime. In most cases, subcontracting work from a large business comes from the small business finding the Federal work and using the prime's contract. We do not pay a prime contractor a percentage of our work if we can possibly get the contract ourselves. We do not believe in the small contractor always waiting for the big contractor to give it to them.

I have included a written request to Congress to close loopholes in the GSA Schedule process wherein large businesses are allowed to take away business intended for small businesses. This has existed for many years.

There are some Congressional actions that will streamline the Federal Procurement Program for Veterans. In summary, assist the Vet Force and veterans' service organizations in changing legislation critically needed so we can move forward. Get rid of the "Rule of Two." This has been mentioned a couple of times already.

Two, program oversight is vital. Ensure the SBA, OMB, GSA, and other pertinent agencies report to Congress each agency's quarterly actions taken in support of the Federal Procurement Program for Veterans, their compliance with reporting requirements such as 106–50 and 108–183. We know there in 106–50, there are several things that haven't been done from GSA, from SBA.

Program execution must be simple. If contracting officers are to be held responsible, they should be given the authority and not burdened by poor policy.

Since I have a couple of seconds left here, I wanted to point out one thing. I work a lot with service-disabled veteran-owned businesses. They call me because I have been in the business for a long time, et cetera. There are some, like myself, who really can't work 40—I cannot work a 40-hour week. I work 60 to 80 hours, but I work in the middle of the night and everything else. I have had 24 operations since 1982. I am continually in the hospital, out, in, out. I am still managing my company, and my HI Tech Services, the only employee in there is me, and I don't always get a salary. My other company I work with, I am CEO. We have contacted about 400 service-disabled veteran-owned companies and we have an understanding with them that they can provide break fix on PCs, et cetera within 30 minutes' driving time of every VA hospital. We are trying to help them get going. We have been somewhat successful.

So I have two companies. It sounds great. One is by myself and the other one, we now have, I think, nine employees that we are providing to the Government. I just want to say for myself, it is sometimes difficult to work for a service-disabled veteran. We do need some good parity with the 8(a)s and with the HUB Zone, and I am more than willing to help with anybody, help write similar legislation.

Chairman KERRY. Well, we will do that. Thank you very, very much.

[The prepared statement of Mr. Hesser follows:]

Testimony

of

Bob Hesser, Chief Executive Officer, HI Tech Services, Inc.

on

Assessing Federal Small Business Assistance Programs
for Veterans and Reservists

to

The Senate Committee on Small Business and Entrepreneurship

Wednesday, January 31, 2007
Russell Senate Office Building
Washington, D.C.

Robert G. Hesser, Chief Executive Officer, HI Tech Services, Inc. January 31, 2007
Chief Executive Officer, Allied Technical Services Group

Good Morning Chairman Kerry, Ranking Member Senator Snowe, and other Members of the Committee:

Let me first thank you for the opportunity to come before you today to share my views on the Federal Procurement Program for Veterans. I am an Executive Member of the Task Force for Veterans Entrepreneurship (TFVE). My comments today are my own. Most of my recommendations for legislative changes are part of the Task Force's submission to this committee's staff.

While the framers of PL 106-50 did a good job of setting up the program in 1999 to assist all veterans interested in starting or expanding their own small businesses, it wasn't until the Veterans Benefits Act of 2003 (PL 108-183), Section 308, that a Federal Procurement Program for Veterans was created. Under Section 308, contracting officers were to be given authority to restrict competition or make sole source awards for procurements to service-disabled veteran owned businesses (SDVOBs). Nonetheless, today, the simplified procedures used to sole source and set-aside 8(a) and HUBzone procurements do not exist for SDVOB's.

I believe that the Federal Acquisition Council's and the Small Business Administration's joint efforts to effectuate Section 308 did, in fact, cause greater confusion. They created additional subparts of the Code of Federal Regulations (CFR's) and the Federal Acquisition Regulations (FAR's) that do not reflect what is in PL 108-183.

To encourage greater federal agency participation in the SDVOB procurement program the President issued Executive Order 13-360. The Executive Order did heighten awareness throughout the Federal government including large business contactors.

My entire adult life has involved service to the Federal government. I was U. S. Navy active duty, a Federal Government employee and a government contractor. During my involvement I have learned that a very high percentage of government employees possess a "collective mindset" supporting the "corporate good." They are good people. Government employees working with contractors build business relationships. Some of the relationships last many years. Of course, each Contracting Officer knows the contractor who is timely, the contractor with reasonable prices, and in what action each contractor is at their best. The Contracting Officer contacts the contractor to get what their agency customer needs.

When a new requirement is brought to their attention that is not within the scope of existing contracts the contracting officer wants to use the most efficient, effective and lowest cost means to put a new contract in place. Their customer needs a contract created in order to carry out a mission. If the required product or service can be provided by a small business the contracting officer will first consider the scope of existing small business contracts. Second, they will consider contractors with whom they already work. This includes large business with an existing subcontracting relationship with a small business capable of fulfilling the requirement. Third, they are likely to consider inquiring the GSA Schedule system known as GSA Advantage. They will not consider a service-disabled veteran-owned small business "sole source" or "set-aside." They will work with a SDVOB also certified as an 8(a) or HUBzone small business. Why? Because they can award to the other two without any hassle or additional work and can take credit through double or triple counting for goal accounting.

I have spent thousands of dollars and thousands of hours over the past six years chasing leads, creating new markets, educating government employees on new technology, and trusting that new legislation will end inequities within the procurement system. The inequities still exist.

Several opportunities have been created by our marketing or were identified for us by prospective federal customers. When the customer took the requirement to a contract office the contracting officers have, in every case, found reason for not awarding us a sole-source or not setting it aside for SDSVOB's. All contracts awarded to us have been full-and-open, small business simplified acquisitions, or GSA Delivery Orders. We have three GSA Schedules and are service-disabled veteran-owned small business subcontractors on nine extremely large contracts held by large federal contractors. We have concentrated on opportunities with us being the prime. In most cases, subcontracting work from a large business comes from the small business finding the federal work and using the prime's contract. Some find this best for their business. We do not pay a prime contractor a percentage of our work if we can get a contract of our own.

I have included a written request for Congress to close loopholes in the GSA schedule process wherein large businesses are allowed to take away business intended for small businesses.

There are some congressional actions that will streamline the Federal Procurement Program for Veterans. In summary, there are three:

1. Assist the Task Force for Veteran Entrepreneurship and Veteran Service Organizations in changing legislation critically needed so we can move forward.

2. Program oversight is vital. Ensure the Small business Administration (SBA), the Office of Management and Budget (OMB), the General Services Administration (GSA), and other pertinent agencies report to Congress each agency's quarterly actions taken in support of the Federal Procurement Program for Veterans, their compliance with reporting requirements in P.L 106-50, 108-183, etc.

3. Program execution must be simple. If contracting officers are to be held responsible they should be given the authority and not burdened by poor policy.

Thank you and this concludes my testimony.

Robert "Bob" Hesser
President and Chief Executive Officer
HI Tech Services, Inc.
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Herndon, VA 20170
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HITS is a Service-Disabled Veteran-Owned Small Business
2004 SBA Veterans' Small Business Advocate DC District
Executive Member, Task Force for Veteran Entrepreneurship (TFVE)
Retired Master Chief Petty Officer (E9), Permanent Disability Retired List

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January 31, 2007

Attachment to Robert Hesser's January 31, 2007 testimony to the "The Senate Committee on Small Business and Entrepreneurship"

This is a request for legislative change to the Small Business Act (15 U.S.C. 644) necessary to right a wrong against small business for many years. For many years the General Services Administration (GSA) has exempted the Small Business Act from Blanket Purchase Agreements and orders placed against GSA Schedule contracts.

I propose that the U. S. Congress close loopholes in the GSA schedule process wherein large businesses are allowed to take away business intended for small businesses.

a. The General Services Administration (GSA) has rules and regulations exempting Federal Acquisition Regulations (FAR), Part 19. FAR Part 19 represents small business procurement regulations for federal government agencies. Part 19 and applicable CFR's are derived from the Small Business Act (15 U.S.C. 644).

b. FAR Part 8, section 8-404, "Use of Federal Supply Schedules" states;

(a) *General.* Parts 13 (except 13.303-2(c)(3)), 14, 15, and 19 (except for the requirement at 19.202-1(e)(1)(iii)) do not apply to BPAs or orders placed against Federal Supply Schedules contracts (but see 8.405-5). BPAs and orders placed against a MAS, using the procedures in this subpart, are considered to be issued using full and open competition (see 6.102(d)(3)). Therefore, when establishing a BPA (as authorized by 13.303-2(c)(3)), or placing orders under Federal Supply Schedule contracts using the procedures of 8.405, ordering activities shall not seek competition outside of the Federal Supply Schedules or synopsize the requirement.

c. FAR Part 19.1404 was created by the FAR Council because of Public Law 108-183.

Public Law 108-183 states:

``(c) Relationship to Other Contracting Preferences.--A procurement may not be made from a source on the basis of a preference provided under subsection (a) or (b) if the procurement would otherwise be made from a different source under section 4124 or 4125 of title 18, United States Code, or the Javits-Wagner-O'Day Act (41 U.S.C. 46 et seq.)."

FAR Part 19.1404 "Exclusions" states:

"This subpart does not apply to--

(a) Requirements that can be satisfied through award to--

(1) Federal Prison Industries, Inc. (see Subpart 8.6);

(2) Javits-Wagner-O'Day Act participating non-profit agencies for the blind or severely disabled (see Subpart 8.7);

(b) Orders under indefinite delivery contracts (see Subpart 16.5);

(c) Orders against Federal Supply Schedules (see Subpart 8.4);

(d) Requirements currently being performed by an 8(a) participant or requirements SBA has accepted for performance under the authority of the 8(a) Program, unless SBA has consented to release the requirements from the 8(a) Program; or

(e) Requirements for commissary or exchange resale items."

d. As reflected above FAR Part 19.1404 Exclusions go far beyond the preferences in Public Law 108-183.

There is nothing in Public Law 108-183 or the Small Business Act excluding "orders under indefinite delivery contracts" or "orders against Federal Supply Schedules." If FAR Subpart 16.5 and 8.4 are not allowed to exempt Part 19 the exclusions in subparagraphs (b) and (c) of FAR Part 19.1404 would not exist.

RECOMMENDED ACTION:

Section 15 of the Small Business Act (15 U.S.C. 644), as amended by this Act, is amended by adding at the end the following:

"(w) There shall be no acquisition, contracting, or procurement policy, regulation, rule or other document exempting requirements of this Act."

Robert G. Hesser, Chief Executive Officer, HI Tech Services, Inc. January 31, 2007
Chief Executive Officer, Allied Technical Services Group

Addendum to Robert Hesser's January 31, 2007 "Testimony for the Senate Committee on Small Business and Entrepreneurship"

I want to enter the following items for committee consideration.

1. Eliminate the "Rule of Two" wherein a contracting officer has to know of two or more SDVOBs before a contract award can be made.

2. Create a level playing field between SDVOBs, 8a(s), and Hubzones. The use of "May" should be changed to "Shall" and all other references to the use of 8a and/or Hubzone companies should also include SDVOBs.

3. Small business subcontracting plans submitted by large prime contractors should be monitored more closely. Liquidated damages and/or elimination of future contracts should be imposed for failure to comply.

4. Provide a Price Evaluation Preference of 10% for SDVOBs in acquisitions conducted using full and open competition.

5. Allow the VA to implement a verification program for Veteran Business Owners.

6. Increase the government-wide small business goals from 23% to 28%.

7. Withhold funds from prime contractors that fail to pay their VOB and/or SDVOB subcontractors.

8. Performance Reviews of Senior Officials.

9. Alleviate barriers to discrimination and expansion of SDVOBs by providing better oversight and frequent monitoring of the implementation of the Small Business Act.

10. Make it mandatory that agencies consider past experiences and performance of the veteran business owner and/or key personnel when evaluating past performance of the company.

11. Aid to Reserve business owners when key personnel are called to active duty;

12. SBA Surety Bonding levels necessary to support SDVOSB success in the federal marketplace;

13. Allow for succession; to continue the status of the SDVOB for 10-years following the death of the service disabled veteran.

14. Capital formation funding needed to help with business growth for all VOB/SDVOBs.

15. Increase the use of Procurement Center Representatives (PCRs) and Commercial Marketing Representatives (CMRs) under the SBA Prime Contracts and Subcontracting Assistance Programs.

CONTACT: Bob Hesser, (703) 318-8819, bhesser@hits-inc.com

Robert G. Hesser, Chief Executive Officer, HI Tech Services, Inc. January 31, 2007
Chief Executive Officer, Allied Technical Services Group

Addendum TWO to Robert Hesser's January 31, 2007 "Testimony for the Senate Committee on Small Business and Entrepreneurship"

The following represents statements with recommended actions.

1. STATEMENT: Eliminate the "Rule of Two" wherein a contracting officer has to know of two or more SDVOBs before a contract award can be made.

RECOMMENDED ACTION:

"TEMPORARY WAIVER

(a) In General- Notwithstanding any other provision of law, section 36(a)(1) of the Small Business Act (15 U.S.C. 657f(a)(1)) does not apply to the award of a contract to a small business concern owned and controlled by service-disabled veterans during the 60-month period beginning on the date of enactment of this Act and ending on the last day of the 60th month, except for the requirement that the concern be determined to be a responsible contractor with respect to performance of such contract opportunity.

(b) Report to Congress- The Administrator shall submit to Congress an annual report concerning the impact of the temporary waiver authority under subsection (a) on contract awards for small businesses owned and controlled by service-disabled veterans."

2. STATEMENT: Create a level playing field between SDVOBs, 8a(s), and Hubzones. The use of "May" should be changed to "Shall" and all other references to the use of 8a and/or Hubzone companies should also include SDVOBs.

RECOMMENDED ACTION:

CONTRACTING AUTHORITY

Section 36(a) of the Small Business Act (15 U.S.C. 657f(a)) is amended in the matter preceding paragraph (1), by striking ''may'' and inserting ''shall''.

3. STATEMENT: Small business subcontracting plans submitted by large prime contractors should be monitored more closely. Liquidated damages and/or elimination of future contracts should be imposed for failure to comply.

RECOMMENDED ACTION:

"Section 8 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

(o) PREVENTION OF MISREPRESENTATIONS IN SUBCONTRACTING; IMPLEMENTATION OF COMPTROLLER GENERAL RECOMMENDATIONS

(1) STATEMENT OF POLICY - It is the policy of Congress that the recommendations of the Comptroller General of the United States in Report No. 05–459, concerning oversight improvements necessary to ensure maximum practicable participation by small business concerns in subcontracting, shall be implemented government wide, to the maximum extent possible.

(2) CONTRACTOR COMPLIANCE. - Compliance of Federal prime contractors with small business subcontracting plans shall be evaluated as a percentage of obligated prime contract dollars, as well as a percentage of subcontracts awarded.

(3) ISSUANCE OF AGENCY POLICIES.—Not later than 180 days after the date of enactment of this subsection, the head of each Federal agency shall issue a policy on small business subcontracting compliance, including assignment of compliance responsibilities between contracting, small business, and program offices and periodic oversight and review activities.''.

4. STATEMENT: Provide a Price Evaluation Preference of 10% for SDVOBs in acquisitions conducted using full and open competition.

RECOMMENDED ACTION:

"Section 36 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

(e) PRICE EVALUATION PREFERENCE During the period beginning on the date of enactment of this Act and ending on September 30, 2011, the head of each Federal agency shall extend a 10 percent price evaluation preference in full and open competitions to any small business concern owned and controlled by service-disabled veteran(s)."

5. STATEMENT: Allow the VA to implement a verification program for Veteran Business Owners.

RECOMMENDED ACTION:

"Section 36 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

(f) Eligibility of Small Business Concerns- A small business concern may be awarded a contract under this section only if the small business concern and the veteran owner of the small business concern are listed in the database of veteran-owned businesses maintained by the Secretary of the Veterans Affairs under section 8127(f) of the Veterans Benefits, Health Care, and Information Technology Act of 2006 (38 U.S.C. 8127(f))."

6. STATEMENT: Increase the government-wide small business goals from 23% to 28%.

RECOMMENDED ACTION:

"Section 15(g) of the Small Business Act (15 U.S.C. 657f(a)) is amended in paragraph (1), by striking ''23'' and inserting ''28''.

7. STATEMENT: Withhold funds from prime contractors that fail to pay their VOB and/or SDVOB subcontractors.

RECOMMENDED ACTION:

PILOT PROGRAM ON DIRECT PAYMENTS TO SUBCONTRACTORS.

"(a) IN GENERAL.—Section 8(d) of the Small Business Act (15 U.S.C. 637(d)), as amended by this Act, is amended by adding at the end the following:

(12) TIMELY PAYMENT TO SMALL BUSINESS SUBCONTRACTORS.—

(A) IN GENERAL.—Subject to subparagraph (B), the failure of a civilian agency prime contractor to make a timely payment, as determined under the contract with the subcontractor, to a subcontractor that is a small business concern shall be a material breach of the contract with the Federal agency.

(B) CONSIDERATION OF PERFORMANCE.—Before making a determination under subparagraph (A), the contracting officer shall consider all reasonable issues regarding the circumstances surrounding the failure to make the timely payment described in subparagraph (A).

(C) WITHHOLDING OF PAYMENTS.—Not later than 30 days after the date on which a material breach is determined by the contracting officer under subparagraph (A), the Federal agency may withhold any amounts due and owing the subcontractor from payments due to the prime contractor and pay such amounts directly to the subcontractor.''

(b) SUNSET.—The amendment made by this section shall remain in effect during the period beginning on the date of enactment of this Act and ending on September 30, 2009."

8. STATEMENT: Performance Reviews of Senior Officials.

RECOMMENDED ACTION:

ESTABLISHING EQUALITY IN PROCUREMENT FOR SMALL BUSINESS

"Section 10 of the Small Business Act (15 U.S.C. 644), as amended by this Act, is amended by adding at the end the following:

"(i) SMALL BUSINESS PERFORMANCE OF AGENCY LEADERSHIP.—Not later than 270 days after the date of the enactment of this subsection, the Administrator, together with the Administrator for Federal Procurement Policy and the head of any other appropriate Federal agency, shall jointly establish a policy on rewarding and sanctioning performance of Federal managers with regard to compliance with this Act with specific reporting concerning meeting goals set forth under section 15 of this Act."

9. STATEMENT: Alleviate barriers to discrimination and expansion of SDVOBs by providing better oversight and frequent monitoring of the implementation of the Small Business Act.

RECOMMENDED ACTION:

MEETING SMALL BUSINESS GOALS

"Section 15 of the Small Business Act (15 U.S.C. 644), as amended by this Act, is amended by adding at the end the following:

"(u) MEETING SMALL BUSINESS GOALS.—Before setting aside a contract for small business concerns, Federal agency contracting officers shall consider setting aside the contract for small business concerns owned and controlled by service disabled veterans, qualified HUBZone small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals, small business concerns owned and controlled by women, or any other subcategory of small business concerns for which goals may be established by law, regulation, or policy, in the order in which the goals for such subcategories of small business concerns under subsection (g)(2) were not met by the agency in the fiscal year before the fiscal year of such consideration, from the most deficient to the least deficient.".

10. STATEMENT: Close loopholes in the GSA schedule and Blanket Purchase Agreements (BPA's) wherein large businesses are allowed to take away business intended for small businesses.

a. The General Services Administration (GSA) has rules and regulations exempting Federal Acquisition Regulations (FAR), Part 19. FAR Part 19 represents small business procurement regulations for federal government agencies. Part 19 and applicable CFR's are derived from the Small Business Act (15 U.S.C. 644).

b. FAR Part 8, section 8-404, "Use of Federal Supply Schedules" states;

(a) *General.* Parts 13 (except 13.303-2(c)(3)), 14, 15, and 19 (except for the requirement at 19.202-1(c)(1)(iii)) do not apply to BPAs or orders placed against Federal Supply Schedules contracts (but see 8.405-5). BPAs and orders placed against a MAS, using the procedures in this subpart, are considered to be issued using full and open competition (see 6.102(d)(3)). Therefore, when establishing a BPA (as authorized by 13.303-2(c)(3)), or placing orders under Federal Supply Schedule contracts using the procedures of 8.405, ordering activities shall not seek

competition outside of the Federal Supply Schedules or synopsize the requirement.

c. FAR Part 19.1404 was created by the FAR Council because of Public Law 108-183.

Public Law 108-183 states:

``(c) Relationship to Other Contracting Preferences.--A procurement may not be made from a source on the basis of a preference provided under subsection (a) or (b) if the procurement would otherwise be made from a different source under section 4124 or 4125 of title 18, United States Code, or the Javits-Wagner-O'Day Act (41 U.S.C. 46 et seq.)."

FAR Part 19.1404 Exclusions, state:

"This subpart does not apply to--

(a) Requirements that can be satisfied through award to--

(1) Federal Prison Industries, Inc. (see Subpart 8.6);

(2) Javits-Wagner-O'Day Act participating non-profit agencies for the blind or severely disabled (see Subpart 8.7);

(b) Orders under indefinite delivery contracts (see Subpart 16.5);

(c) Orders against Federal Supply Schedules (see Subpart 8.4);

(d) Requirements currently being performed by an 8(a) participant or requirements SBA has accepted for performance under the authority of the 8(a) Program, unless SBA has consented to release the requirements from the 8(a) Program; or

(e) Requirements for commissary or exchange resale items."

d. As reflected above FAR Part 19.1404 Exclusions go far beyond the preferences in Public Law 108-183.

There is nothing in Public Law 108-183 or the Small Business Act excluding "orders under indefinite delivery contracts" or "orders against Federal Supply Schedules." If FAR Subpart 16.5 and 8.4 are not allowed to exempt Part 19 the exclusions in subparagraphs (b) and (c) of FAR Part 19.1404 would not exist.

RECOMMENDED ACTION:

"Section 15 of the Small Business Act (15 U.S.C. 644), as amended by this Act, is amended by adding at the end the following:

``(w) There shall be no acquisition, contracting, or procurement policy, regulation, rule or other document exempting requirements of this Act."

11. STATEMENT: Make it mandatory that agencies consider past experiences and performance of the veteran business owner and/or key personnel when evaluating past performance of the company.

RECOMMENDED ACTION:

ESTABLISHING EQUALITY IN PROCUREMENT FOR SMALL BUSINESS

"Section 36 of the Small Business Act (15 U.S.C. 644), as amended by this Act, is amended by adding at the end the following:

"(g) Ensuring veteran-owned an service-disabled veteran-owned small business owners are provided equal opportunity in establishing past performance for awarding contracts. Not later than 270 days after the date of the enactment of this subsection, the Administrator, together with the Administrator for Federal Procurement Policy, Administrator General Services Administration, Secretary of Veteran Affairs, and the Secretary of Defense, shall jointly establish a policy on evaluating past performance of the veteran business owner and/or key personnel when evaluating past performance of the veteran or service-disabled veteran-owned company. Past military and civilian performance will be given equality when compared to those with past business experience gained when veterans were serving in the military. The policy derived from action taken under this subsection will be promulgated to contracting personnel who will, in turn, be required to use the policy to guide them in evaluating awards to veteran-owned and service-disabled veteran-owned small businesses,"

12. STATEMENT: Aid to Reserve business owners when key personnel are called to active duty;

RECOMMENDED ACTION:

"$ 25,000 Grant when the company has 1 to 9 employees; $ 50,000 Grant when the company has 10 to 25 employees; $100,000 Grant when the company has more than 25 employees; $100,000 maximum low interest line of credit (LOC) when the company has 1 to 9 employees; $500,000 maximum Low interest Line of Credit (LOC) when the company has 10 to 25 employees; $1 million maximum low interest LOC when the company has more than 25 employees; and Affordable business insurance for the principle company officers who are called to Active Duty.

FINDINGS

Congress finds the following:

(1) From September 2001 through November 2004, approximately 410,000 members of the Guard or Reserve, have been mobilized in support of United States military operations.

(2) According to 2004 data from the Manpower Data Center of the Department of Defense, an estimated 35 percent of members of the Guard or Reserve are either self-employed or own or are employed by a small business concern.

(3) The majority of privately employed members of the Guard or Reserve either work for a small business concern or are self-employed.

(4) As a result of activations, many small business concerns have been forced to go without their owners and key personnel for months, and sometimes years, on end.

(5) The effects have been devastating to such patriotic small business concerns.

(6) The purpose of this subtitle is to stem the effects of deployments of members of the Guard or Reserve on small business concerns, and better assist veterans and service-disabled veterans with their business needs.

GUARD AND RESERVE LOANS.

(a) IN GENERAL.—Section 7(b)(3) of the Small Business Act (15 U.S.C. 636(b)(3)) is amended—
(1) in subparagraph (E), by striking "$1,500,000" each place such term appears and inserting "$2,000,000"; and

(2) by adding at the end the following:

(G) Notwithstanding any other provision of law, a loan not greater than $25,000 may be made under this paragraph without collateral.

(H) The Administrator shall give priority to any application for a loan under this paragraph, and shall process and make a determination regarding such applications prior to processing or making a determination on other loan applications under this subsection, on a rolling basis.

(b) LOAN INFORMATION.—

(1) IN GENERAL.—The Administrator and the Secretary shall develop a joint website and printed materials providing information regarding the program under section 7(b)(3) of the Small Business Act.

(2) MARKETING.—The Administrator is authorized—

(A) to advertise and promote the program under section 7(b)(3) of the Small Business Act jointly with the Secretary and veteran's service organizations; and

(B) to advertise and promote participation by lenders in such program jointly with trade associations for banks or other lending institutions.

STUDY OF INSURANCE PROGRAM FOR MEMBERS OF THE GUARD AND RESERVE.

(a) IN GENERAL.—The Administrator and the Secretary shall jointly conduct a study of the feasibility of—

(1) creating a business mobilization and interruption insurance program for members of the Guard or Reserve who own or operate small business concerns;

(2) creating an insurance program to repay debts to the Administrator in the event of the death or significant injury of a member of the Guard or Reserve who is on active duty; and

(3) increasing the use of credit unions affiliated with the Department of Defense in programs administered by the Administrator.

(b) REPORT.—Not later than 6 months after the date of enactment of this Act, the Administrator and the Secretary shall submit a joint report to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives regarding the study conducted under subsection (a).

GRANT ASSISTANCE FOR MILITARY RESERVISTS' SMALL BUSINESS CONCERNS.

(a) AUTHORIZATION OF GRANTS.—Section 7(b)(3)(B) of the Small Business Act (15 U.S.C. 636(b)(3)(B)) is amended by inserting ''or grants'' after ''or deferred basis)''.

(b) GRANT SPECIFICATIONS.—Section 7(b)(3) of the Small Business Act (15 U.S.C. 636(b)(3)), as amended by this Act, is amended by adding at the end the following:

''(I) Grants made under subparagraph B)—

''(i) may be awarded in addition to any loan made under subparagraph (B);
''(ii) shall not exceed $25,000; and
''(iii) shall be made only to a small business concern—

''(I) that provides a business plan demonstrating viability for not less than 3 future years;

''(II) with 10 or fewer employees;

''(III) that has not received another grant under subparagraph (B) in the previous 2 years.''

''(iv) shall not exceed $50,000; and
''(v) shall be made only to a small business concern—

''(I) that provides a business plan demonstrating viability for not less than 3 future years;

''(II) with 11 to 25 employees;

''(III) that has not received another grant under subparagraph (B) in the previous 2 years.''.

''(vi) shall not exceed $100,000; and ''(vii) shall be made only to a small business concern—

''(I) that provides a business plan demonstrating viability for not less than 3 future years;

''(II) with more than 25 employees;
''(III) that has not received another grant under subparagraph (B) in the previous 2 years.''.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 20(e)(2) of the Small Business Act (15 U.S.C. 631 note), as amended by this Act, is amended by inserting after subparagraph (B) the following:

"(C) GRANT ASSISTANCE FOR MILITARY

RESERVISTS' SMALL BUSINESSES.—There are authorized to be appropriated for grants under section 7(b)(3)(B) for each of fiscal years 2007 through 2009.".

13. STATEMENT: SBA Surety Bonding levels necessary to support SDVOSB success in the federal marketplace;

RECOMMENDED ACTION:

Surety Bond Guarantee Program bonding limits should be revised upward to $15,000,000 for small businesses to insure their competitiveness in today's construction environment.

14. STATEMENT: Allow for succession; to continue the status of the SDVOB for up to 10 years following the death of the service disabled veteran.

RECOMMENDED ACTION:

"Section 36 of the Small Business Act (15 U.S.C. 637) is amended by adding at the end the following:

(h) Treatment of Businesses After Death of Veteran-Owner-

(1) If the death of a service-disabled veteran causes a small business concern to be less than 51 percent owned by one or more service-disabled veteran, the surviving spouse of such veteran who acquires ownership rights in such small business concern shall, for the period described in paragraph (2), be treated as if the surviving spouse were that veteran for the purpose of maintaining the status of the small business concern as a small business concern owned and controlled by service-disabled veterans.

(2) The period referred to in paragraph (1) is the period beginning on the date on which the veteran dies and ending on the earliest of the following dates:

(A) The date on which the surviving spouse remarries.

(B) The date on which the surviving spouse relinquishes an ownership interest in the small business concern.

(C) The date that is ten years after the date of the veteran's death."

15. STATEMENT: Capital formation funding needed to help with business growth for all VOB/SDVOBs:

RECOMMENDED ACTION:

(a) Persons receiving loans must practice veterans preference,

(b) After 3rd year of loan, business must demonstrate outreach to the community, and

(c) demonstrate business-to-business with other VOB and SDVOBs.

16. STATEMENT: Awarding a contract under the authority of the Small Business Act is the result of limiting competition to small business firms. If a small business firm qualifies as one of the socioeconomic groups or a veteran-owned or service-disabled veteran-owned small business the award qualifies to be reported to the President and Congress under the small business goals attained by each agency. If, 8(a) contracting procedures are used for the award, the award should be counted under 8(a) goal achievement only because the award was protected under 8(a) limited competitive procedures within the Small Business Act.

Today, the procedures in effect within all agencies permits reporting a limited competitive award within one group as being under any other group for which the protected small business qualifies. For example, if an 8(a) firm whose owner also qualifies as a woman-owned, HubZone and service-disabled veteran-owned small business the agency reports identical contract value under 8(a), WOB, HubZone, and SDVOSB goal achievement.

The reported procurement dollars claimed to be awarded to SDVOSB's are not accurate. They are, in fact, known by the reporting agency to be multiple counts. There are no laws, policy, or regulations preventing multiple counting. Without complete accurate accounting of all awarded contracts it is not possible to state the exact percentage of procurement dollars awarded to small business. I believe that instead of the total Federal 23% plus goal federal agencies say they met, the actual percentage is more like 11%.

It is highly recommended that the Small Business Act be changed to reflect that multiple counting is not allowed.

RECOMMENDED ACTION:

"Section 15 of the Small Business Act (15 U.S.C. 644) is amended, by adding subparagraph 15(g)(2)(G) by inserting:

"Reports submitted under Part 15 of this Act concerning goals achievement will include only the procurement dollar value of the socioeconomic group or veteran-owned, or service-disabled veteran-owned small business restricted competition used for awarding the contract The practice known as "duplicate counting" or "multiple counting" will not be performed under this Act. Each award protected by this Act will be counted only once in reporting goal achievement under this Act."

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Chairman KERRY. Mr. Daywalt.

STATEMENT OF THEODORE L. DAYWALT, CHIEF EXECUTIVE OFFICER AND PRESIDENT, VETJOBS, MARIETTA, GEORGIA

Mr. DAYWALT. Good morning, Mr. Chairman, Senator Kerry, Ranking Member Senator Snowe, staff members. It is a pleasure to be here before the Committee. You will have to excuse my voice. I just had a major neck operation, and unfortunately, they put the plate right behind my vocal cords. Some days are good, some are bad.

Chairman KERRY. If you hadn't have said anything, we wouldn't have known.

Mr. DAYWALT. Well, thank you. It is an honor to be here. I would ask that my written testimony be entered into the record. I appreciate your doing that. In my written testimony, I present——

Chairman KERRY. Let me correct myself. We are going to leave the record open for two weeks, so I stand corrected.

Mr. DAYWALT. In my written testimony, I present some suggestions from the position of being a businessman for nearly 30 years as well as a drilling Navy Reservist. The most important of my suggestions, which you have already heard several times here today, is the Rule of Two needs to be eliminated and Federal contractors need to have the ability to sole source directly to small veteran-owned businesses.

However, I want to bring to your attention the second half of my written testimony that discusses the new DOD policy extending call-ups for the Guard and Reserve. Corporate America is not going to put up with this. I have been in corporate America. I have run billion-dollar operations, million-dollar operations. It is not going to happen.

At a press conference on January 11, Dr. David Chu, the Under Secretary of Defense for Personnel and Readiness, was quoted as saying, "The fact that some with previous Iraq experience will end up spending more than 24 months on active duty is no big deal." It is a big deal.

Since the announcement of the new policy, I have had the opportunity to talk to dozens of HR managers, senior executives from different corporations throughout the United States, and many of them brand-name companies, but they want to remain confidential because of the USERRA and other laws, but uniformly, they say they cannot support the new policy because it puts their human resource managers and their recruiters in a very precarious situation. It is a quandary that they have got to face.

One senior HR executive in a major company commented that in light of the new policy, they will continue to support current employees who have been activated, but will no longer hire members of the Guard and Reserve, and that is pretty uniform. All seem to agree with that position.

Another explained it to me this way. If I have three final candidates for a position who are all equally qualified and one mentions that they are a member of the Guard or Reserve, I now have two final equally qualified candidates.

You see, companies have a fiduciary responsibility to their shareholders to run an efficient and profitable operation and they can't

do that if they cannot count on having their employees, their human capital, present, readily available to work. While for many this is just common sense, those making the decisions on how to utilize the Guard and Reserve at DOD seem to have missed the point of what corporate America is saying.

This week, I received an e-mail from a Master Sergeant who is a recruiter for the National Guard in Fort Lee, Virginia. Here is the concern this recruiter expressed.

> As an AGR soldier with a spouse that is a TPU member, I find this new policy very disturbing. How can our government ever conclude that it is okay to add more uncertainty to serving in the Reserve? I recently interviewed a soldier who chose not to affiliate with the Guard because of her fear that her employer would not support her service.

And that is just the tip of the iceberg.

Last week, I met a Navy Reserve Commander who had 7 years active duty and the rest of it in the Navy Reserve, a total of 16 years' service, and he is going to resign his commission because of this new policy. He is a financial analyst with a major corporation and he is up for a promotion. He can't take that promotion if he is going to be called up for 24 months. In fact, when I used to be president of different companies, I would have had to quit the Navy Reserve because my board would never have tolerated me being gone for 24 months. I couldn't have been the president.

This is appalling, but more appalling is what corporate America is quietly saying. Following the policy announcement, Workforce Magazine, which is read by a lot of senior executives and HR managers, ran a poll the week of January 15 that asked, "If you as an employer knew that a military Reservist or National Guard member could be called up and taken away from their job for an indeterminate amount of time, would you still hire the citizen soldier?" The results are staggering. Only 29 percent said yes. Fifty-four percent said no and 17 percent said, don't know. I think the 17 percent were afraid they might be identified, so they said, "don't know." But the fact that there is even one employer that would say no disturbs me.

This new policy will hurt veteran-owned companies, because guess where a lot of the service-disabled veterans work at, and the ones that get called up, the Guard and Reserve. They work in veteran-owned companies.

This policy is the straw that is going to break the back of corporate America's support for our Guard and Reserve system, which has worked very well for the last 100 years. Without corporate America's support, the citizen soldier system cannot work, and that is a big deal.

That concludes my testimony. I appreciate your time. If you have any questions, I would be more than happy to answer them.

Chairman KERRY. That is very important testimony.

[The prepared statement of Mr. Daywalt follows:]

Testimony

of

Theodore L. Daywalt
CEO and President
VetJobs

on

Assessing Federal Small Business Assistance Programs for Veterans and Reservists

to

The Senate Committee on
Small Business and Entrepreneurship

Wednesday, January 31, 2007
Russell Senate Office Building
Washington, D.C.

EXECUTIVE SUMMARY

Over the years, there have been many good laws passed in recognition and support of those that served in our Armed Forces. But it wasn't until 1999 that Congress found that: (quotes from the Findings Section of PL 106-50)

(1) "Veterans of the United States Armed Forces have been and continue to be vital to the small business enterprises of the United States;
(2) In serving the United States, veterans often faced great risks to preserve the American dream of freedom and prosperity;
(3) The United States has done too little to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises;
(4) Medical advances and new medical technologies have made it possible for service-disabled veterans to play a much more active role in the formation and expansion of small business enterprises in the United States; and
(5) The United States must provide additional assistance and support to veterans to better equip them to form and expand small business enterprises, thereby enabling them to realize the American dream that they fought to protect."

Agencies and large Prime contractors have yet to reach their 3% mandatory goals for procuring goods and services from SDVOBs. The biggest impediment to increasing contracts to SDVOBs is the "Rule of Two." Following a discussion of the issues, I suggest the following be considered:

- Eliminate the Rule of Two
- Permit federal contracting officers to sole source business to SDVOBs and SVOBs
- Implement mandatory hiring levels of veterans in all federal agencies.
- Stronger tax incentives to hire returning veterans, especially disabled veterans
- Strengthen the Veterans Federal Procurement Program for VOBs by increasing contract awards, resources, and support without including them in the 8a program.
- Alleviate barriers to discrimination and expansion of veteran owned businesses by providing better oversight and frequent monitoring of the implementation of EO 13-360.
- Small business subcontracting plans submitted by large prime contractors should be monitored closely to ensure they are including veteran owned businesses in the process.
- Provide a Price Evaluation Preference of 10% for veteran owned businesses in acquisitions conducted using full and open competition.
- Close loop holes in the GSA schedule wherein large businesses are allowed to take away business intended for small businesses, especially veteran owned businesses.
- Restore veteran hiring preference and effect an enforcement mechanism so all federal agencies will provide veterans preference.

This testimony concludes with a discussion concerning the new DOD policy of extending the time National Guard and Reserve personnel can be called up. This policy will not be supported by employers, whose support is necessary for the success of the citizen soldier concept. And it negatively affects SDVOBs and SVOBs.

WRITTEN TESTIMONY

Introduction

Good Morning Chairman and members of the Senate Committee on Small Business and Entrepreneurship. Let me first thank you for the opportunity to come before the Committee today to share with you information that is relevant to the Committee's discussions on Federal Small Business Assistance Programs for Veterans and Reservists. It is an honor to be here. VetJobs has a unique vantage point on these discussions as by the nature of our business, VetJobs deals with veteran owned businesses nationwide on a regular basis.

The mission of VetJobs is to assist veterans, their spouses and dependents find quality jobs with employers worldwide. Since our launch on Veterans Day in 1999, VetJobs has assisted tens of thousands of veterans and their family members meet the recruiting needs of thousands of companies. As we speak today, there are over 30,000 jobs on the VetJobs site from hundreds of patriotic companies who want to hire veterans and their family members.

VetJobs is a company owned and staffed by veterans or military family members and is recognized as the leading military related job board on the Internet. VetJobs is sponsored by the Veterans of Foreign Wars, endorsed by the Vietnam Veterans of America and for four years has been voted to the WEDDLE's User's Choice Award, the only military related job board to be voted four years running. This award marks VetJobs as one of the top job boards on the Internet out of 40,000 job board sites!

As a businessman, I would like to suggest that in your deliberations on assessing any future small business assistance that you give emphasis to making existing programs stronger rather than creating a rash of new programs. There may be occasions to create new programs when the need is determined to be great enough to justify the action. However, strengthening existing programs and not increasing the size of the bureaucracy should be given precedence in your deliberations.

Veterans have been receiving assistance from many federal agencies over the years. Examples include the Veterans Employment and Training Service (VETS) at the Department of Labor, the myriad programs at the Veterans Administration and the Small Business Administration, and programs provided by the Defense Department.

As a former drilling Navy reservist, I am very pleased that VETS and the National Committee for Employer Support of the Guard and Reserve (ESGR) have been exceptional in getting employers to understand the Uniformed Services Employment and Reemployment Rights Act (USERRA). What concerns me is the recent rise of USERRA complaints. I will discuss this more later.

PL 106-50, originally known as The Veterans Entrepreneurship and Small Business Development Act, was important in setting a government wide goal for participation service disable veteran owned businesses (SDVOBs). PL 106-50 states that not less than 3% of the total value of all prime contract and subcontract government awards each year shall go to SDVOBs. But this goal has not been met. Agencies indicate that this is because no mechanism has be legislated that allows them to reach the goal. Now that four years have passed since the passage of PL 106-50, Section 308, it should be revisited and revised to meet the needs of today's SDVOBs and add provisions for small veteran owned businesses (SVOBs).

Discussion

What follows is a discussion of my observations as a businessman and former drilling Navy Reservists who interacts with federal agencies, corporations, including veteran owned businesses, and veterans and their family members who are seeking work.

While the framers of PL 106-50 set up a good program in 1999 to assist all veterans interested in starting or expanding their own small businesses, it was not until the Veterans Benefits Act of 2003, Section 308, that a Federal Procurement Program for Veterans was created, particularly for disabled veterans.

Under Section 308, contracting officers were given the authority to restrict competition or make sole source awards for procurement to service disabled veteran owned businesses (SDVOBs). Unfortunately, due to systemic issues federal contracting officers for the most part have not complied to the level they would like with PL 106-50. Executive Order 13-360 says agencies are to implement the laws to create procurement opportunities for SDVOBs, but this still is not happening.

Agencies and large prime contractors have not met their 3% mandatory goals for procuring goods and services from SDVOBs. One of the biggest impediments to increasing the contract activity is the "Rule of Two." The Rule of Two is a major impediment to veteran business success under PL 106-50, 108-183 and EO 13-360.

To be fair, many federal contracting officers are frustrated with the difficulty in awarding procurements directly to veteran owned businesses. The contracting officers need greater freedom and discretion in selecting veteran owned companies to meet their agency's goals.

The Rule of Two as introduced under PL 108-183 is contained in Part 19 FAR, and the Code of Federal Regulations (CFR) 13 CFR, Part 125. The Rule of Two states if a contracting officer knows of two or more SDVOBs that can do the work, then the requirement must be competed and a sole source award can not be made. If sole source can not be made, then the requirement may be competed among SDVOBs only under restricted competition.

Federal Government contracting officers are often under pressure to get requirements awarded quickly, and although there is a SDVOB that can do the job, they routinely go to 8(a) sole source, since the Rule of Two will not allow them to deal with the SDVOB on a sole source basis. In these cases, the Government contracting officer does not have time to even consider restricted competition among SDVOBs because of time factors. Thus, the SDVOB suffers and the government agency looses an opportunity to add to its 3% Goal under the law.

SBA 8(a) Firms have no such Rule and are awarded single sole source awards for their self marketing activities under part 19 FAR. For SBA 8(a) firms there can be a multitude of 8(a) firms and the Contracting Officer can still elect to sole source to just one without competitive procurement activity. I would suggest to the Committee that you consider giving federal contract officers the ability to award contracts on a sole source to SDVOBs and small veteran owned businesses (SVOBs) the same way the contracting officer can make awards for SBA 8(a) firms.

While the Department of Defense announced earlier this month announced several initiatives to expand contracting for small, disadvantaged businesses and change their use of the Rule of Two, the rule itself should be eliminated completely if we are to give all veterans the opportunity they have earned.

And I trust that is the goal of your deliberations, to give veterans the opportunity to start successful businesses.

When I look for reasons why veteran owned businesses are not getting their share of federal business as proscribed by law, I frequently think it has much to do with the background of those making the decisions. The lack of military experience or knowledge of the military immediately becomes apparent. In 1970, one in ten people who worked in the United States had served in the military. Today it is over one in two-hundred and growing. Having an all volunteer force for 35 years means there are now two generations of Americans who have had no exposure, much less an understanding, of today's military. With no understanding or appreciation of what the military brings to the economy of the country, and the skills that veterans have to offer, it is easy for some to overlook giving business to veteran owned companies. There is no true appreciation of what the veterans have done. A way to correct this would be to implement a mandatory hiring level of veterans in all federal agencies, particularly those agencies that deal with the military and veterans, such as the Veterans Administration, Department of Labor, the Small Business Administration and the civilian arm of the Department of Defense. Another move that would help would be to restore the veteran preference to something that is meaningful and that has an effective enforcement mechanism.

On January 11, Secretary of Defense Robert Gates and General Peter Pace, Chairman of the Joint Chiefs of Staff announced that the policy on the use of the Guard and Reserve was changing such that National Guard and Reserve personnel can be called up for longer periods of time and more frequently. As discussed further below, this policy will not be supported by corporate America. The policy also will be destructive to many SVOBs

since many Guard and Reserve personnel own their own businesses. The loan programs that have been implemented to assist the Guard and Reserve personnel who are called up have onerous requirements. And once a person takes advantage of these loan programs, if they are called up a second or third time they do not have the ability to make payments.

Another aspect for consideration is to create stronger encouragement for companies to hire returning disabled veterans and veterans of the recent overseas conflicts. To encourage companies to hire these returning veterans, there should be an incentive program in the form of a targeted job tax break for hiring low income returning veterans. While there are some programs in place, very few employers take advantage due to the fact that the bureaucratic paperwork and tracking costs far exceed any gain to be realized by hiring a veteran! The current laws need to be changed such that an employer has a TRUE incentive to hire veterans, especially disabled veterans.

It should be noted that studies seem to indicate that disabled veterans are less likely to start a company. Much of this comes from the fact that banks are reluctant to give disabled people a loan on the same basis as a non-disabled person. The banking system considers a disabled person to be a higher risk. This system needs to be changed. Laws can be passed to mitigate the risk for banks and thus encourage more veterans to start companies, especially disabled veterans.

Thus, the suggestions I would make for the Committee to consider would include:

- Eliminate the Rule of Two
- Permit federal contracting officers to sole source business to SDVOBs and SVOBs in the same manner the contracting officers can make awards to SBA 8(a) firm
- Implement mandatory hiring levels of veterans in all federal agencies.
- Stronger tax incentives to hire returning veterans, especially disabled veterans
- Strengthen the Veterans Federal Procurement Program for VOBs by increasing contract awards, resources, and support without including them in the 8a program.
- Alleviate barriers to discrimination and expansion of veteran owned businesses by providing better oversight and frequent monitoring of the implementation of EO 13-360.
- Small business subcontracting plans submitted by large prime contractors should be monitored closely to ensure they are including veteran owned businesses in the process.
- Provide a Price Evaluation Preference of 10% for veteran owned businesses in acquisitions conducted using full and open competition.
- Close loop holes in the GSA schedule wherein large businesses are allowed to take away business intended for small businesses, especially veteran owned businesses.
- Restore veteran hiring preference and effect an enforcement mechanism so all federal agencies will provide veterans preference.

The veterans who have served our country so well deserve this treatment.

New Guard and Reserve Call Up Policy - "No Big Deal"?

The rest of my testimony addresses a new policy that is negatively affecting the citizen soldier system in the United States. This policy will have a disproportionate negative effect on SVOBs due to the new frequency and number of times that Guard and Reserve personnel can be recalled.

In today's workplace, many Guard and Reserve members have been serving two masters – their military organization and their civilian employer. This system has worked for nearly a century, mainly because of the support of patriotic civilian employers. But that support is rapidly going away.

During a press conference on January 11, Secretary of Defense Robert Gates and General Peter Pace, Chairman of the Joint Chiefs of Staff announced that the policy on the use of the Guard and Reserve was changing. The Pentagon's policy on the Guard and Reserve was that members' cumulative time on active duty for the Iraq or Afghan wars could not exceed 24 months. That cumulative limit is now lifted; the remaining limit is on the length of any single mobilization, which may not exceed 24 consecutive months. What this means is a National Guard or Reserve member could be mobilized for a 24-month tour in Iraq or Afghanistan, be demobilized and allowed to return to a civilian working life, only to be mobilized a second time for as much as an additional 24 months for a total of 48 months in any 60 month period.

The Associated Press release of the Pentagon press conference was titled Pentagon Abandons Active-Duty Time Limit. The Associated Press quotes Dr. David Chu, the Under Secretary of Defense for Personnel and Readiness, as saying: The fact that some with previous Iraq experience will end up spending more than 24 months on active duty is no "big deal."

With all due respect to Dr. Chu, it is a big deal. And one that employers will not support.

This new policy will have long term negative consequences for members of the Guard and Reserve, the Department of Defense and employer support for the Guard and Reserve which is needed to make the system work.

History

The Guard and Reserve system as it is used in the United States has been very effective for nearly a century. It has worked in large part due to the outstanding support by the employers of corporate America and municipal and state governments. But that support has been strained as a result of the many call-ups of the Guard and Reserve over recent years in support of overseas operations. Employers are uncomfortable since long periods of employee absences are not what they had anticipated or had been accustomed to in the past. Employers have endured watching their Guard and Reserve employee's call-up

times move from 30 days, to 90 days, to six months and then to one year. Now employers face losing their employees for two years at a time.

The employer's playing field over the last several years has changed with regard to the Department of Defense use of employers Guard and Reserve employees. The employers feel disenfranchised since as employers they had no input on the new use of their Guard and Reserve employees, and they have no practical ability to replace the absent employee who is called up for long periods of time, especially in the existing tight labor market. This is especially burdensome to small and medium size employers. This naturally will affect SDVOBs and SVOBs.

Please keep in mind that over 60% of the participants in the Guard and Reserve come from rural areas. When they are called to active duty and leave their job, it is hard for employers to find replacements, especially if it is a critical position or a management/executive position.

Historically, the Guard and Reserve had been activated only twice from inception until 1991. There was a full call-up during World War II and a partial call-up during the Korean War. The 30,000 plus Guard and Reserve personnel who served during the Vietnam War for the most part were volunteers who asked to be sent to the war zone. There were selected call-ups, but few were actually sent to Vietnam. The limited combat activities between the Vietnam War and the Gulf War were for the most part fought with active duty troops.

However, since the 1990-1991 Gulf War there have been multiple full call-ups of the Guard and Reserve. This has put a tremendous strain on the Guard and Reserve system and the relations of those military participants with their employers.

In addition to call-ups to support overseas actions, there has been an increase in the traditional uses of the Guard here at home for emergencies. Examples include Hurricane Katrina, Hurricane Rita, border operations against illegal immigrants and removing snow from avalanches in the western states. Many western states regularly count on their National Guard units to help fight fires each summer. The ability by states to use their National Guard units in their traditional roles has been disrupted with the many call-ups for Afghanistan and Iraq. And the equipment that historically had been used to fight the fires is no longer available as the equipment has been used for combat in Afghanistan and Iraq. Combat use has destroyed much of the Guard's equipment.

This higher pace of activity has put a tremendous strain on the Guard and Reserve citizen soldier system and the relations of those military participants with their civilian employers. This has placed a significant number of Guard and Reserve members in the tenuous position of trying to serve two masters at the same time.

Unintended consequences

The result of all these call-ups has had some unintended consequences which are not favorable, either for employees or companies. Business & Legal Reports (www.Compensation.BLR.com) conducted its annual Survey of Employee Benefits in late 2004 and found that the percentage of employers paying full salaries to their National Guard or Reserve employees on active duty had plummeted in just two years. In 2003, 33% of employers paid exempt employees their full salary while on military leave; this had apparently dropped to 15% in 2005. Meanwhile, the number of employers who paid nothing to their active duty employees had increased from 31% in 2003 to 50% in 2005. Many companies were still willing to make up the difference between what employees earn during military service and their normal wages, 36% in 2003, declining slightly to an estimated 34% in 2005.

The results of BLR's 2007 Survey of Employee Benefits show that the number of employers maintaining full pay for employees serving the Guard or Reserve had increased since 2005, but still had not returned to the percent of employers offering paid leave reported in 2003. In 2007, 21% of respondents to the survey reported that they would pay employees on military leave full pay during such leave. Similarly, the number of employers that paid the difference between military pay and an exempt employee's salary rose from 34% in 2005 to 43% in 2007. The number of employers that do not pay exempt employees on military leave decreased fro 50% in 2005 to 36% in 2007. The results of the 2007 BLR Survey of Employee Benefits is heartening and shows that some employers are providing full or differential pay out of patriotic duty. But there is a limit to what employers will tolerate and the poll was taken before the announcement about the new policy.

Recent polls

More recent evidence that there is a trend in declining support by employers for employees who participate in the Guard and Reserve comes from Workforce Management (www.workforce.com). The readership of Workforce Management is primarily corporate executives and members of the Human Resource profession.

Workforce Management ran two polls of its readers this month regarding the hardships that are being imposed on employers who want to support their Guard and Reserve participating employees. The first question which was posted the week of January 8 asked:

Does your company have employees deployed in Iraq, and is this a hardship for your business?

The answers from 335 executive and human resource managers are disturbing.
Yes – 67%

No – 31%
I don't know – 2%

Following the results of the January 8 poll and in light of the new Department of Defense policy regarding the Guard and Reserve announced on January 11, the second poll which ran the week of January 15 asked:

If you, as an employer, knew that a military reservist or National Guard member could be called up and taken away from their job for an indeterminate amount of time, would you still hire a citizen solider? (All answers are confidential.)

The results to this question from 389 respondents are even more disturbing.
Yes – 29%
No – 54%
I don't know – 17%

I suspect that many of the "don't knows" in the second survey had a patriotic twinge or were concerned about being identified in some way, and chose "don't know" instead of "no". But the fact that there is even one employer who would say no is disturbing.

These two recent polls definitely indicate there is a rising trend in corporate America to not support the way the Guard and Reserve are currently being used. These Guard and Reserve employees are the human capital that a corporation needs to function. The corporate support that has always been present in the past was critical to the success of the Guard and Reserve programs. These polls indicate that corporate support is now rapidly disappearing.

With the results of the Workforce poll, it is evident that a comprehensive study needs to be conducted by an independent organization, one like the Society of Human Resource Management. The study should be done with no participation by organizations that might have a vested interest.

A disturbing emerging trend

These results are indicative of a trend among companies nationally to not want to hire members of the Guard and Reserve due to the extended use by the Department of Defense of their Guard and Reserve employees. The trend to not supporting Guard and Reserve employees is directly correlated to when the term Strategic Reserve was changed to Operational Reserve. If they are operational, they are not really a reserve. They are operational combat troops who are underpaid and not getting the same benefits as when they were on active duty, especially when it comes to retirement benefits.

It should be made clear that most companies are very patriotic and were willing to support employees that were in the Guard and Reserve in the old system before the extended call-ups of six months and one year started to take place. Many companies have

active military hiring programs and in many cases, encourage managers to hire a veteran, whether the veteran had been active duty, retired or a participant in the Guard or Reserve.

Most companies are aware of their obligations to support employees who are active in the Guard or Reserve. This is due in large part to the success of the National Committee for Employer Support of the Guard and Reserve (ESGR). ESGR has been very active in getting the word out about USERRA (Uniformed Services Employment and Reemployment Rights Act). VETS at the Department of Labor is also very effective in this effort.

But since the call-up times were moved from a six month to a one year call up, there is evidence indicating employers are not enthusiastic about hiring a new employee who is an active member of the Guard or Reserve. This new policy of two year call-ups will definitely work against members of the Guard and Reserve who are trying to also have a meaningful civilian career or start a business.

VetJobs has been receiving calls from veterans and transitioning military who are concerned about employers asking during an interview whether the candidate intends to join the Guard or Reserve. While the question is patently illegal, there is no real enforcement. If the candidate files a complaint, it becomes a he-said she-said type of issue. The candidates inherently know that if they say yes to joining or rejoining the Guard or Reserve, they will not be hired. The fact that some employers are asking this question is disturbing, but it is also understandable.

Employer support on the wane

There are definite reasons why the support for the Guard and Reserve system as it is currently operated by the Department of Defense is not receiving support from employers.

Historically, employees participated in a Guard or Reserve program on weekends and most used two weeks of their vacation time to participate in their active duty for training. But current policies by the Department of Defense is calling Guard and Reserve personnel from their employers for up to a year a time or longer, and in many cases the employee has been called up several times.

This policy makes it hard for employers to plan and depend on having their human capital available to fulfill their corporate mission. While large patriotic companies like Wal-Mart, BNSF Railway, Caterpillar, CACI and many utilities and municipalities actively support the call-up of their Guard and Reserve personnel, it is much harder on smaller firms, especially those firms with less than 100 employees and companies in rural areas. And an overwhelming percentage of those who participate in the Guard and Reserve are employed in small to mid-sized companies, many of which are veteran owned.

Companies have a fudiciary responsibility to their shareholders to run an efficient and profitable operation. Companies can not do so if they can not count on having their employees, their human capital, available. While for many this is just common sense, those making the decisions on how to utilize the Guard and Reserve seem to have missed what corporate America is saying.

Given a company's fudiciary responsibility, the new policy regarding the use of the Guard and Reserve is disturbing to human resource executives as it puts them in a quandary. One senior vice president of human resources of a major company explained it to me this way: If I have three final candidates for a position who are all equally qualified, and one mentions they are active in the Guard or Reserve, with the new policy I now have two final candidates, especially if it is for a critical position in the company. Another senior executive commented that in light of the new policy, they will, under USERRA, continue to support their current employees who are active in the Guard or Reserve, but they will no longer actively seek out to hire candidates who are active in the Guard or Reserve.

I have heard this same sentiment from a large number of human resource managers since the Pentagon's policy announcement of January 11. All these executives were not willing to be quoted publicly due to USERRA and other applicable laws, but they represent a trend that is taking place in corporate America.

Indications of this trend are being picked up by the news media.

In a December USA Today article titled More Reservists Feel Slighted, it was reported that the number of Guard and Reserve members who say they have been reassigned, lost benefits or been fired from civilian jobs after returning from Guard or Reserve duty has increased by more than 70% over the past six years. The Labor Department said it handled 1,548 complaints from returning service members in the fiscal year ending September 30, 2006, up from 895 in fiscal year 2001. About one-third of the cases were resolved in favor of employees according to the Department of Labor. But those numbers don't reflect all the servicemen and women with problems. Many of the cases are settled before they get to the Labor Department.

A Department of Defense spokesperson said the Pentagon received more than 8,000 complaints in 2006, nearly double from the previous year. Most of the complaints were resolved without further government action. The complaints ranged from being fired, losing chances for promotion or being reassigned to jobs with less pay or responsibility.

It is interesting to note that about 500,000 of the 850,000 reservists and National Guard members eligible for duty have been mobilized since late 2001. That represents the largest call-up of part-time troops since the Korean War. Many of the Guard and Reserve personnel have been called up multiple times, especially if they have high demand security clearances and/or specialized technical skills.

While the Pentagon's goal has been to mobilize Guard and Reserve units no more frequently than one year out of six, the demands of wartime require calling up units more often than that. Army officials had been saying for some time that more frequent mobilizations were necessary because the active-duty force is being stretched too thin. Secretary Gates' announcement on January 11 is the first confirmation of the change.

An important aspect of this issue is the policies of increased use of Guard and Reserve were never vetted with the employers of the Guard and Reserve members. Consequently, the employers feel disenfranchised and no longer want to support the system. Recognizing the potential legal implications, the employers are staying under the legal radar, but the trend is occurring.

An example of how the employers are not supporting the multiple call-ups is the recent highly publicized case by Lieutenant Colonel Debra Muhl against Sutter Health of California for violating USERRA in 2006. The suit alleges the company violated federal law by firing her after she told her supervisor she was being deployed to Iraq. Lieutenant Colonel Muhl had been called up to active duty status several times, including in March 2003 for 10 months and twice in 2005 for military training. Demand for nurses is very high.

Some Pentagon officials like to note that Guard and Reserve who serve more than one call-up do so "voluntarily". While this is technically true, what is left out is that many of the members are volunteering because they can not find meaningful employment equal to their education and experience. They have found that their participation in the Guard and Reserve is working against them in the civilian work place. This has got to be stopped!

Impact on families

Another aspect to this issue is the impact on families. Among the leading reasons why people leave the military are operation tempo and the effect on families. Over the last six years the stress on Guard and Reserve families has been significant. I hear regularly from people leaving the Guard or Reserve because they do not want to get a divorce. Their spouses are not tolerating the call-ups as if they were still active duty military. Particularly since the Guard and Reserve do not get the same benefits as an active duty person or access to their retirement upon retiring like an active duty military person, but they are being used as if they were part and parcel of the active duty force.

The Guard and Reserve were created to be strategic reserves. But in today's world they are being used as an extension of the active duty forces. If the members and their families wanted to stay in the active forces, they would not have resigned and joined the Guard or Reserve. While a Guard or Reserve participant may be very patriotic and support the policies of the Pentagon, they also have to pay attention to their families. And spouses carry a lot of weight in these types of decisions.

The family issue is why the National Guard Bureau has created an entire section to tend to family issues and concerns while members are deployed. The active duty forces have also created family support centers to support families. But spouses carry considerably more sway than commanding officers. And if the constant extended and repeated deployments are fought by the spouses and parents, the members will not stay active in the Guard or Reserve.

Conclusions

The results of this new call-up policy will be very damaging. In fiscal year 2006, 23 of the 54 National Guard groups failed to meet their recruiting numbers. The Army Reserve met 95% of its recruiting goal while the Navy Reserve met only 87% of its goal. A policy increasing the call-up time for Guard and Reserve participants will make it even harder to meet recruiting goals.

More importantly, if an employee is looking at a promotion in a company and senses that their participation in the Guard and Reserve will work against them, they will quit participating. If a potential Guard and Reserve candidate in the civilian labor force senses that employers will not support participation in the Guard and Reserve, they will not join.

It should be noted that most of the participants in the Guard and Reserve are natural leaders in their community and have the very skills needed for the high tech military of today's Guard and Reserve. This new policy will not encourage the very people we need in the Guard and Reserve to participate or remain in uniform.

And perhaps most disturbing, as this trend grows, returning Guard and Reserve personnel – the very people who have been fighting to keep the United States free – will find it harder to obtain meaningful employment equal to their education and experience. The results from the Workforce polls are appalling. But from the standpoint of corporate America, they are understandable.

I will be interested to see if the Congress and the Department of Defense is paying attention to what employers are quietly saying – for now – employers will no longer support the way the Guard and Reserve are being used.

And that is a "big deal".

Thank you for your time.

This concludes my testimony.

Theodore (Ted) L. Daywalt
CEO and President
VetJobs

Chairman KERRY. I think Senator Snowe and I really take to heart what you have just said and I couldn't agree with you more. I mean, I have heard this from people all over the country. It is just a terrible burden being placed on folks right now and it is really complicating a whole bunch of things, not the least of which is how you sort of deploy properly to meet the security needs of the country without unraveling all the rest of this fabric.

Mr. DAYWALT. To add to what you said, Senator, I have talked to several TAGs. In fact, this afternoon, I fly out for the National Guard Bureau's Family Service Conference out in Phoenix. I am a speaker out there. Several of the TAGs told me—that is the Adjutant Generals—they are already receiving resignations from their junior officers because they can't be called up for 24 months and still maintain a meaningful career.

Dr. Chu at DOD said there are a lot of people that get called up the second or third time voluntarily, and I agree, that technically is a very true statement. But they volunteer for the second and third time because corporate America won't hire them so long as they are eligible for recall time and time again, and that is why they volunteer. We are getting career part-timers because they can't get a decent job with businesses in this country, and that is wrong. I feel that because I did 23 years in that system, but that was a different environment. If the rules today applied, I would have quit, too.

Chairman KERRY. Let me ask each of you—Captain Yahner, do you want to say something?

Capt. YAHNER. I just want to look at this from a different angle. The Congress made a decision after Vietnam to put a lot of support troops into the Reserves because of troop reduction requirements, and it wasn't a problem with the Reserves as it is now because they didn't get called up that much prior to Desert Storm. Now that we see that this is really creating a big problem across the board, why don't they increase the active duty number of people——

Chairman KERRY. Well, we are about to. We are——

Capt. YAHNER [continuing]. And bring some of these things back into the active service so you don't have this bottleneck.

Chairman KERRY. We are going to do that. We are going to do that. I mean, I recognize—you may recall, I proposed—maybe you don't recall in the course of these things, but I proposed in 2004 as part of the campaign that we needed an augmentation in the Marines and Army by at least 40,000, and of course I was deemed wrong and it was a ridiculous concept. Now I see we are talking about 90,000 and they are finally admitting what everybody knew back then. So hopefully, we are going to get that job done, but look, rest assured, that is not going to solve this immediate problem.

Capt. YAHNER. No, it isn't. No, it isn't——

Chairman KERRY. That is a long-term piece, because it is going to take us time to bring them in, time to force it up, time to——

Capt. YAHNER. Absolutely.

Chairman KERRY [continuing]. Time to do it, and you are not going to see those folks in the service for a couple of years.

Capt. YAHNER. Absolutely, but I doubt very seriously that we are going to have world peace, either, so——

Chairman KERRY. We are going to have a long——

Capt. YAHNER [continuing]. This is probably going to continue to go on.

Chairman KERRY. Well, it is going to be very difficult for it to continue to go on even in that context with the current Reserve structure.

Let me ask each of you very quickly, and when I say quickly, because we are going to have to break up here in a couple of minutes, and I want to get—let me just ask Dawn, Tracy, Omar, and Patricia, do any of you want to share anything quickly about your experiences? Is there something you want to say based on what you have heard here? You don't have to. I am not pressing you into being a witness, but I want to give you the opportunity since you took the time to come here today.

You did want to say something? Sure. We can find a chair for you, I think, can't we? Just identify who you are so the record has that.

Ms. HALFAKER. My name is Dawn Halfaker. I am a small business owner, service-disabled veteran business owner. I would just like to echo what the panel said. I mean, I was very impressed with all of your testimonies. I would just like to reiterate, there was a question that came up, I think it was in the first panel, and it was something about the nature of: Are these businesses capable of performing the services that the Federal Government needs, and particularly let us look at DOD.

I would just like to reiterate the fact that not only are we capable, but we are the ones doing it right now. A lot of my classmates—I was a 2001 graduate at the U.S. Military Academy, and a lot of my classmates right now are getting out of the service. They have done three, possibly four tours in Iraq now, and I have lost a lot of friends. I have seen a lot of my classmates die, unfortunately.

So what we are faced with is a situation where we are getting out and we want to continue our service, but we don't know how to do that. So what I have created is a small business which I really think is a vehicle to enable them to continue to serve—to enable any veteran who wants to continue to serve, and so we are really targeting our business within DOD.

But I would just like to say on that note that we do have the experience and the skills and the abilities, the motivation and the sense of duty to perform these services for the Federal Government and right now particularly DOD. So just to reiterate what all they have said and to answer your question, sir, yes, we do have the skills and we are ready. We just need the ability to get our foot in the door and get access to these Federal contracts.

Chairman KERRY. Dawn, just quickly, what is your business?

Ms. HALFAKER. Sir, we are a national security consulting firm.

Chairman KERRY. How many people are in it?

Ms. HALFAKER. Right now, we have nine people.

Chairman KERRY. You started that?

Ms. HALFAKER. Yes, sir.

Chairman KERRY. How long has it been going on?

Ms. HALFAKER. We have been going since March of 2006, so just 10 months.

Chairman KERRY. March of 2006. That is great. What was your initial capitalization funding? Where did that come from?

Ms. HALFAKER. It came from me.

Chairman KERRY. OK. And are you interested in trying to get either SBA involvement in this routine or do you want to just go straight for the contract and stay free and clear of that?

Ms. HALFAKER. Well, I think right now, we are really having to strategize where we spend our time and energy. Do I spend my time and energy at the SBA office, which does have a lot of resources, or do I leverage off of other contacts that I have, my network, and try and get in and start actually going after contracts while trying to create my infrastructure and get all those necessary things like the GSA Schedule, all those things that take quite a bit of time, and actually, you are supposed to have been in business for a certain period of time before you can even apply for those things.

So, I mean, there really are a lot of obstacles, and not to say that there is not a lot of hard work on the initiatives being done to overcome those, but I just really believe that we need to somehow bridge this gap.

Chairman KERRY. We could facilitate it, in your judgment, considerably?

Ms. HALFAKER. I believe so.

Chairman KERRY. What year were you at West Point?

Ms. HALFAKER. Two-thousand-one.

Chairman KERRY. Two-thousand-one. Where were you serving?

Ms. HALFAKER. I served over in Korea, and then I was stationed at Fort Stewart, Georgia, and deployed with Third Infantry Division to Iraq.

Chairman KERRY. Where in Iraq?

Ms. HALFAKER. Bakuba. Military police officer.

Chairman KERRY. Well, thank you so, so much for your service and for the comments this morning. That was really very, very helpful, very important.

Ms. HALFAKER. Thank you. Thank you all for your time.

Chairman KERRY. It is very important.

Senator SNOWE. I, too, want to express my admiration and gratitude for your service to our Nation, and now you are doing it in another dimension and we want to make it easier for you. Thank you for your very important testimony.

Ms. HALFAKER. Yes, ma'am.

Senator SNOWE. Thank you.

Chairman KERRY. Thanks a lot.

Do you want to add something, I gather, Tracy?

Mr. REEP. Yes, if I could, please.

Chairman KERRY. Sure. Please.

Mr. REEP. Is the seat hot?

Chairman KERRY. She cooled it down.

[Laughter.]

Mr. REEP. Yes, she did. My name is Tracy Reep and I am the president of Disabled Veterans Office Suppliers. I want to—I agree with many things that have been stated here today, but in particular as a Texas Army National Guardsman and previously a corporate HR person, a recruiter specifically, a lot of what Mr.

Daywalt said rang true to me in my personal experience prior to being called up.

Obviously, as a Guardsman, we speculated that that was going to happen in late 2002 and I was beginning to feel the heat in my corporate position and therefore made a decision to step away from that corporate position and start my own recruiting firm in hopes that that did not come to fruition, and also in the instance that it did, I didn't want to leave my company in a lurch. I wanted to be able to prepare my replacement and then attempt to move on in my own endeavor and hopefully not leave that company in a negative position.

In hindsight, I don't necessarily think I should have been put in that position. I was. I think I made the right decision at the time and don't regret that, but I do think there was a lot of pressure early on prior to the beginning of the conflict. I can only imagine what it is like now within the corporate world.

Chairman KERRY. Thank you for that observation. It is helpful.

We are going to have to wrap up in a moment or two. Let me ask each of the panelists, your testimony is important and we have it, but give us sort of the shorthand, you know, 30 seconds, 1 minute, the biggest obstacle that you see to SDVOBs getting at these contracts, or veterans getting their businesses going one way or the other. Just a short hit. What is our biggest priority here in this Committee, in your judgment? Let me go down. Mr. Daywalt, why don't you lead off. We will just go down the table.

Mr. DAYWALT. Personally, you have a mentality that has to be corrected within the Government bureaucracy. You have got to get rid of the Rule of Two, allow sole sourcing.

The other biggest problem with people starting a company up is called capitalization, and for the Government to step in and say, I am going to help you 6 months, 12 months, 18 months after you are out, that isn't when we need the help. When I capitalized this company, I put my own money into it because there wasn't anybody else. Then I got investors later on. But getting financial help right up at the front is when entrepreneurs need the help. After we are up for 18 months, I really don't need Government help if I have been up for 18 months. I have already succeeded.

Chairman KERRY. OK. Mr. Hesser.

Mr. HESSER. Ditto on the Rule of Two. It is the number one biggest problem. The other one is I really believe that oversight, had we had the oversight on 106–50 from the very beginning, you even commented: Is there any one thread, any one person, any one thing for all three of them getting together for DOD? That is what is really needed, is——

Chairman KERRY. The coordination between——

Mr. HESSER [continuing]. Coordination and the fact, are they doing it?

Chairman KERRY. Thank you. Captain.

Capt. YAHNER. To understand——

Chairman KERRY. Where did you serve? Where were you?

Capt. YAHNER. I was on the hospital ship Sanctuary, spent a little time getting bombed at, shot at in Danang for a while. I was up in the DMZ with the Third Med Battalion until we got bombed

and my CO wanted me back. And I spent 2 weeks in an Army MASH unit, believe it or not, nothing like the television show——

Chairman KERRY. That is too bad.

[Laughter.]

Capt. YAHNER [continuing]. Where I was promoted Lieutenant, and I had the honor, I suppose, of saying that I was promoted with Army Captain's bars.

Chairman KERRY. Good for you.

Capt. YAHNER. Anyway, it was an interesting year.

Chairman KERRY. Good for you. Congratulations.

Capt. YAHNER. I guess. I would say reduce the restrictions. Understand that SDVOs are as capable as any other set-aside. And then hold people accountable for meeting those goals, and if they don't, put some teeth behind them, but make them meet the goals.

Chairman KERRY. Got it. Mr. Celli.

Mr. CELLI. Thank you, Senator Kerry. First, I want to say it has been an honor to be here today, and if I could leave with some parting comments, training, cooperation, planning, and funding. I think that the planning on the part of the Guard and Reserve member needs to start 18 to 24 months prior to them even being notified that they are getting ready to leave. If a business owner makes a commitment to become a Guard and Reserve member or vice-versa, they need to start to prepare early and they can only do that with the support and funding from Congress and organizations such as have already been created can carry that plan out.

Chairman KERRY. I want to thank all of you. I don't know if Senator Snowe has questions or comments. Let me just for myself close out by saying to all of you that I want to join with Senator Snowe, and I am sure she wants to do this, to respond to each of those things that you have just put forward. We will put together legislation. I am confident we can pass it in short order out of here. We will do everything we can to respond to those concerns that you articulated. I think they are legitimate. I think they will have an impact. It is imperative that we facilitate this, that we make it as simple as possible.

We have a lot of folks who are going to be coming back, and ultimately, a whole bunch of folks. But there are more yet to go over. This thing is not over. It is not going to end in the near term and the War on Terror itself is going to go on for a long time, and so the demand is going to be there. We have got to get this right and we are determined to do that and we will do our part here in this Committee.

Senator Snowe.

Senator SNOWE. Thank you. I, too, want to express my appreciation for the collective testimony. I think it is going to be very useful in helping us to shape a package to address these particular concerns. I mean, it has been an ongoing challenge on the 3 percent.

And also, I think, the prejudice within the agencies in how they evaluate and how they approach small business, I think that has been, unfortunately, one of the dimensions to this problem. There has been a natural tendency to resist in opening the doors for small business within the agencies, which it seems to me would be the most useful path to assisting those who have served our Nation so honorably, as demonstrated here today by these men and women,

and it is just such an impressive group. Thank you all for your service to our Nation, as well. We certainly can do better.

I know that Senator Kerry and I will be working along with the Members of the Committee. I think there won't be much difference or disagreements with respect to how we should proceed to overcome some of these barriers.

I know on the sole source, we had included it in the last reauthorization, but as I said, it didn't get beyond the Senate, regrettably. So we are going to go back and try to work through these issues, but I truly appreciate—and Mr. Daywalt, you mentioned about the National Guard and that 24-month call-up. I deeply regret that it was characterized as no big deal. I can tell you, in my State, it is a big deal and it is a real hardship. So I am just sorry that that was conveyed and that statement was even uttered.

Chairman KERRY. I concur and we thank you all very, very much, and for all the veterans here, we thank every single one of you for your service. Take care. God bless.

We stand adjourned. Thank you.

[Whereupon, at 12:15 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

PREPARED STATEMENT OF HON. DANIEL K. AKAKA, U.S. SENATOR FROM HAWAII

I first thank Senator Kerry for his kind invitation to participate in this important hearing. Senator Kerry and I have worked together in the past on issues related to veterans—especially service-connected disabled veterans—and small business. I very much look forward to continuing our efforts in this area.

In 2003, Congress recognized that Federal agencies were not meeting the 3 percent governmentwide goal, established in Public Law 106–50, for procurement from service-disabled veteran-owned small business. As a result, Congress enacted Public Law 108–183 to provide additional opportunities for service-disabled veterans to contract with the government by authorizing a Federal contracting officer to award sole source contracts to small businesses owned and controlled by service-disabled veterans.

However, the government has not come close even once to meeting that 3 percent goal. This hearing, which will review the Administration s efforts to comply with the law, should give us a good understanding of how we can increase Federal contracting opportunities for small businesses owned and controlled by service-connected disabled veterans.

We must make certain that we are doing everything within our power to provide contracting opportunities for service-disabled veterans. These veterans selflessly set aside their lives in service to the Nation. The Federal Government must fulfill the minimal goal established by Congress to give them opportunities to advance their small businesses.

It is also important that we look at the needs of the brave men and women now serving on active duty, especially those who have been mobilized from the Guard and Reserves. The economic impact on the Guard and Reserve members who own and operate small businesses is immense. I will be particularly interested in learning what is being done to help these individuals.

We have a tremendous obligation to those who serve in our armed forces. Entrepreneurial education for disabled service members who are transitioning from military to civilian life and want information on starting a small business is critically important. We must make certain that each servicemember is receiving high quality assistance.

One phrase that is used repeatedly in this area is "seamless transition." I understand this to mean that, for the servicemember, the shift from military to civilian life should be as smooth as possible. Achieving this result should always be an important outcome, but never more so than during a time of war when so many servicemembers need assistance in dealing with the impact of military service on their lives. All soldiers, sailors, airmen, and Marines, including the men and women who are coming back from Iraq and Afghanistan, should have nothing less than a seamless reintegration into civilian society.

I look forward to reviewing the testimony of all of those presenting today. I will be particularly interested in the input we get from the panel of veteran small business owners. Their firsthand experience will help us understand what best might be done to serve the needs of our Nation's veterans.

STATEMENT
SENATOR KIT BOND

ASSESSING FEDERAL SMALL BUSINESS ASSISTANCE PROGRAMS FOR VETERANS AND RESERVISTS

Small Business Committee Hearing
January 31, 2007

Thank you Mr. Chairman. This is a timely hearing and I commend you for holding it. As you know, I take a great personal interest in the welfare of our military, our veterans, reservists and all the men and women in uniform who serve this country.

Our fighting men and women and their families sacrifice a great deal while they are in the service. Having done all they can to protect us and our way of life, they ought to be able to share fully in the American dream when they return home or retire.

For some, sharing in the American dream means owning their own business.

Helping veterans start and expand their own small businesses is the purpose of the SBA programs we will review today.

While our policy and programs are basically sound, there is always room for improvement. Perhaps some changes to the legislation are necessary.

Congress and the President have directed federal agencies to strive to meet a 3 percent goal for participation by service-disabled veteran businesses in federal contracting. Individual agencies are doing well, but overall the government's efforts to meet a 3 percent goal have been dismal. And that's only 3 percent!

The Small Business Administration has made some progress under Administrator Steven Preston. I know the SBA is committed to expanding and improving its services for veterans and service-disable veterans and I commend the SBA for its outreach programs.

However, I want to continue seeing increases in the results not just at SBA but throughout the government.

What can we do to improve prime contract awards to service-disabled veteran-owned small businesses? How well is the Department of Defense meeting the 3 percent goal? I look forward to hearing our witnesses testify on this subject.

What can we do to encourage veteran and service-disabled businesses to get their foot in the door for government contracts? Perhaps we need to do more to educate our procurement and contracting officers. We must also educate the heads of our departments and agencies.

I look forward to hearing what our witnesses have to say.

Let's remember that the SBA program goals are not just abstract concepts.

They were established to help real people who have served our country with honor make a living after they complete their service.

Those who have served and those who have been disabled as a result of their service deserve more than our appreciation and thanks. They deserve our ongoing, active commitment to ensuring that they share in the largesse of the people for whom they bravely served and fought.

Thank you Mr. Chairman. I look forward to working with you and the rest of the Committee on improving these programs to ensure that they work for our veterans.

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PREPARED STATEMET OF HON. MARK L. PRYOR, A U.S. SENATOR FROM ARKANSAS

I'd like to thank Chairman Kerry and Ranking Member Snowe for having this hearing today which will assess small business programs for veterans and reservists. Your leadership on this Committee and this issue are highly valued. The topic of this hearing is quite timely and it is important that we review our small business programs to ensure services for our veterans remain intact and robust. With thousands of veterans re-entering the workforce and looking for an appropriate spot in the marketplace, it is vital that we evaluate the current state of our outreach and support to them to ensure that we are providing the greatest benefit to these honorable men and women. I am pleased that the Committee has brought together so many leaders in the government and private marketplace that can provide us with better insight into the effectiveness and/or ineffectiveness of our current small business programs for veterans. I look forward to hearing from these witnesses today, and working together in a bipartisan fashion to provide the best remedies and methods to serve our veterans.

PREPARED STATEMENT OF HON. JOHN THUNE, A U.S. SENATOR FROM SOUTH DAKOTA

- Mr. Chairman, thank you for holding this important hearing to consider the effectiveness of the Federal Government's small business assistance programs for our veterans and reservists.
- Our veterans have served and sacrificed for their country, and they deserve their government's help in finding meaningful and productive employment as they transition from military to civilian life.
- Likewise, those reservists who are self-employed small business owners who've been called to active duty deserve the help needed to keep their businesses established while they're deployed.
- I strongly support the programs Congress has enacted to help spur entrepreneurial activity among our veterans, particularly through awarding Federal contracts to small businesses owned by service-disabled veterans, and I'm committed to making sure these programs are strong and effective.
- I look forward to the insights and expertise on these programs provided by today's panelists, and I hope that we will be able to translate what we learn today into effective results for our veterans and reservists. Thank you, Mr. Chairman.

CHARRTS No.: SSB-01-001
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Kerry
Witness: Mrs. Oliver
Question: #1

Question: The Department of Defense deploys our men and women to protect our country and has an obligation to support veterans, especially service-disabled veterans, after they return home. About two-thirds of Federal procurement is DOD purchasing. Therefore, DOD plays a critical role in providing contracting opportunities to small businesses. However, the overall Department of Defense numbers for contracting with SDVOBs remain dismal.

Federal Government
FY04: 0.383%
FY05: 0.605%

DoD
FY 04: 0.327%
FY 05: 0.499%

Why hasn't your agency met your goal? What is preventing your agency from attaining this goal? What specific actions will your agency take this year to meet this goal?

Answer: I understand and share your concern. Although DoD has steadily increased the dollar amount awarded to these firms, from $513 million dollars in FY2004 to $1.5 billion dollars in FY2006, we have not met the 3 percent goal. The Department has gone to great lengths to ensure that the members of our acquisition workforce are knowledgeable of the procurement tools available to make it less difficult to limit competition to Service-Disabled Veteran-Owned Small Businesses SDVOSBs, such as the Veterans Technical Services Government-wide Acquisition Contract (VETS GWAC), and set-asides to SDVOSBs and restricted competitions limited to SDVOSBs. We have stepped up our outreach to SDVOSBs and we are promoting the need to increase subcontract awards to SDVOSBs DoD prime contractors.

A factor that may be impeding the Department's progress in achieving the 3 percent goal is the relatively low number of active SDVOSB registrants in the Central Contractor Registration (CCR) database. The CCR is an indispensable market research tool that is used by Federal acquisition officials to locate potential contractors. Also a general matter, prospective contractors must register in the CCR database to be eligible to receive contract awards from the Federal Government. DoD small business advocates stress the importance of registration at outreach events; it is mentioned repeatedly on our public Web site and reinforced continuously by both DoD small business specialists and Procurement Technical Analysis Centers (PTACs). However, the number of SDVOSB firms registered in CCR is low in comparison to other small business subcategories:

Women-Owned Small Businesses	60,546*
HUBZone	13,590*
Veteran-Owned Small Businesses	37,582*
Service Disabled Veteran-Owned Small Business	9,633*

*Active Registrants

To increase awareness of the importance of CCR registration, we have placed an advisement on the DoD Small Business Web site and we have asked our small business specialists and PTACs to pay special attention to this issue when counseling SDVOSBs.

CHARRTS No.: SSB-01-002
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Kerry
Witness: Mrs. Oliver
Question: #2

Question: More small businesses are turning to subcontracting as a way to participate in the Federal government procurement program. Some small businesses have complained that the subcontracting plans are not adequately enforced. For instance, businesses will list SDVOB on their subcontracting plan but not necessarily use them. - What can DOD do to enforce these subcontracting plans? - Are there any changes in the law that are necessary to increase enforcement?

Answer: DoD is enforcing its subcontracting program. It is the responsibility of both DoD contracting officers and small business specialists to ensure prime contractors' put forth their best efforts to achieve subcontracting goals. There are instances, however, where mistakes are made. When the Department becomes aware of these situations, it takes prompt action to investigate and correct them. We welcome information from Congress that identifies any discrepancies within DoD's subcontracting program so it can become even more productive.

As another way of ensuring the enforcement of DoD's subcontracting program, Military Departments and DoD Agencies may delegate contract administration, including the administration of individual subcontracts and the entire subcontracting program for their prime contractors, to the Defense Contract Management Agency (DCMA). DCMA conducts small business program compliance reviews to assess the effectiveness of prime contractors' overall small business subcontracting program as well as individual subcontracting plans.

I am unaware of any laws that need to be changed, however, the Service-Disabled Veteran-Owned Small Business Study may provide us with a basis for recommending future statutory changes.

CHARRTS No.: SSB-01-003
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Kerry
Witness: Mrs. Oliver
Question: #3

Question: Both SBA and VA believe that they attained the 3 percent goal for contracting with SDVOB. The SBA went from 0.50% contracting with SDVOB in 2005 to over 3% in 2006. I would love to see the Department of Defense show similar results. - What changes can we make to help you meet your goals? Specifically, what legislation or resources do you need to improve subcontracting opportunities for SDVOBs?

Answer: I am unaware of any legislative changes or additional resources that are needed at this time; however, the Service-Disabled Veteran-Owned Small Business Study may provide us with a basis for recommending future legislative changes.

CHARRTS No.: SSB-01-004
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Kerry
Witness: Mrs. Oliver
Question: #4

Question: In 1990, the Comprehensive Subcontracting Test Program began, yet the DOD has not established metrics to evaluate the program's results and effectiveness. As a result, there is no systematic way of determining whether the program is meeting its intended objectives and whether further changes need to be made. - Can you tell me whether the Test Program is effectively increasing procurement opportunities with small businesses, including SDVOBs? - Can you tell the Committee how many SDVOBs have received subcontracting opportunities under the plan or, alternatively, how many dollars have gone to SDVOBI under the plan? - How many procurement dollars do the 16 firms who are a part of the Comprehensive Test Plan represent?

Answer: The Office of Secretary of Defense, Office of Small Business Programs (OSD OSBP) contracted with LMI Government Consulting to study the efficacy of the DoD Comprehensive Subcontracting Plan Test Program. The study concluded that the Test Program has successfully met its goal of increasing subcontracting opportunities for small business concerns while reducing the administrative burden for prime contractors and Government procurement officials. Although the study took into account small business and all subcategories of small business, it does not provide the level of detail necessary to determine whether the Comprehensive Subcontracting Plan Test Program has been beneficial for SDVOSBs. The publication number for the report, entitled, Review of Department of Defense Comprehensive Subcontracting Plan Test Program, may be found at LMI's Web site under report ATL56T1/March 2007.

This data is currently unavailable since neither the manual collection process (SF 295) nor the new Electronic Subcontracting Reporting System (e-SRS) provide this level of detail. DoD is investigating different approaches so that in the future it will have this information readily available. In the meantime the Department does have data to demonstrate that overall, the percentage of subcontracting dollars awarded to SDVOSBs has been on the rise:

Fiscal Year	Percent of Total Subcontract Awards
2006	**0.5***
2005	0.4
2004	0.3

*Based on preliminary information. We do not yet have the total subcontracting figures for FY2006. This is due to the fact that the Department is migrating subcontracting data from the old manual system, to the e-SRS. This information is due to come on line in the next few months.

There are currently 14 firms that participate in the DoD Comprehensive Subcontracting Plan Test Program. With regard to the amount of procurement dollars represented by these firms, I can not provide an answer, since Government procurement data systems do not capture data in this manner.

CHARRTS No.: SSB-01-005
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #5

Question: Mrs. Oliver, I am pleased to see the adoption of a five-year strategic plan by the DoD Office of Small Business Programs to facilitate the federal procurement goals outlined in PL-106-50. Though the Department of Defense has historically lagged behind many agencies in reaching the 3% target, it is becoming more obvious that the Department takes these goals seriously and is working hard to achieve their targets. Objective 5 of this plan seeks to address the issues of surety bonding for service-disabled veteran-owned small businesses. You mention in your testimony that the DoD is discussing this matter with a number of entities inside and outside of the government. Through the course of these meetings, are there any problems that have been highlighted or ideas proposed that could better facilitate the attainment of surety bonds for these small businesses?

Answer: There is a problem involving surety bonds because they are prohibitively expensive to obtain. Market forces have reduced the amount of bonding capacity for both small and large businesses. Due to the Base Realignment and Closure Act, there will be large amounts of DoD construction and environmental work in the near future. The opportunity for Service Disabled Veteran-Owned Small Business (SDVOSBs) to capture some of these awards will be lost if these firms are unable to obtain bid, performance, and payments bonds.

We are also currently exploring other impediments and potential solutions with fellow Government agencies.

CHARRTS No.: SSB-01-006
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #6

Question: In your own opinion, have you noticed any areas of need where the Congress could provide assistance to these small businesses?

Answer: Congress can continue to assist organizations that provide technical assistance to companies owned and controlled by service-disabled veterans who seek to do business with the Department of Defense (DoD), such as the DoD Procurement Technical Assistance Center (PTAC) program.

CHARRTS No.: SSB-01-007
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #7

Question: The strategic plan adopted by the DoD Office of Small Business Programs also includes an objective to enhance the use of teaming and joint venture agreements. No doubt, these agreements and the mentor-protégé program you mention provide valuable assistance and guidance for these small businesses. However, I was wondering if you might elaborate on some of the features of these programs.In your opinion, how effective have the mentor-protégé program and the Procurement Technical Assistance Centers (PTACs) been at achieving the goals they intend to accomplish?

Answer: I consider the DoD Mentor-Protégé Program (MPP) to be a highly successful program, particularly for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). DoD has over twenty approved MPP agreements with SDVOSB firms. This is a remarkable achievement, considering the fact that SDVOSB's have only been eligible to participate as protégés in MPP since May of 2004.

The Procurement Technical Assistance Program (PTAP) has also been very effective. Procurement Technical Assistance Centers (PTACs) provide outreach, counseling, and other specialized and professional assistance to SDVOSB's and other small businesses, and are a wealth of information for small businesses seeking to learn about contracting and subcontracting opportunities with DoD, other Federal and state and local governments. PTACs have been very helpful in assisting SDVOSBs in the Central Contractor Registration (CCR) registration process. In addition, many PTACs have been successful in identifying SDVOSB firms as potential protégés to mentors under the DoD Mentor Protégé Program.

CHARRTS No.: SSB-01-008
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #8

Question: Have your yearly reviews highlighted any areas where these initiatives could improve or where Congress could provide assistance?

Answer: Both the Mentor-Protégé Program (MPP) and the Procurement Technical Assistance Program (PTAP) have proven to be very beneficial for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). The results of the study may identify ways these programs can be put to even greater use in terms of increasing contracting and subcontracting opportunities for SDVOSBs. The study may also indicate the specific areas where Congressional assistance will be helpful.

CHARRTS No.: SSB-01-009
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #9

Question: In your opinion, what are the greatest obstacles for service-disabled veteran-owned small businesses in participating in these initiatives?

Answer: The greatest obstacle facing a Service Disabled Veteran-Owned Small Business (SDVOSB) hoping to participate in the Mentor Protégé Program (MPP) is its size. If the firm is exceedingly small both in terms of number of employees and financial reserves, our experience has shown it can be very difficult for that firm to dedicate sufficient time to be a protégé while at the same time maintaining its day-to-day business operations. The most successful protégés are those that have sufficient personnel and capital to participate in the mentoring process without disrupting their normal business operations. Business size is not the only qualifying factor and DoD reviews each MPP agreement on a case by case basis; nevertheless being extremely small does have its disadvantages.

Another difficulty lies in obtaining a mentor. It can be difficult matching the talents and goals of the potential protégé to a company with the appropriate expertise to mentor it. To increase the pool of qualified mentors, the Department actively markets the MPP to potential mentors through outreach events, the annual MPP conferences, press releases, and Web sites.

With regard to the PTAP, there are no obstacles for SDVOSBs to which I am aware.

CHARRTS No.: SSB-01-010
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Pryor
Witness: Mrs. Oliver
Question: #10

Question: Would you mind highlighting how the DoD accounts for the teaming and joint venture agreements when computing its federal procurement percentages for purposes of PL 106-50?

Answer: We do not collect data on teaming or joint venture agreements; however we do encourage such business arrangements as a means of enhancing the contracting capacity and capability of Service-Disabled Veteran-Owned Small Businesses SDVOSBs.

CHARRTS No.: SSB-01-011
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Lieberman
Witness: Mrs. Oliver
Question: #11

Question: Can you each outline a plan for your respective agencies to improve outreach efforts to veterans about small business programs and loans? What steps can be taken immediately to improve the process of informing veterans about these programs? Have you begun to work on coordinating a plan between the SBA, Department of Defense and Department of Veterans Affairs to implement these improvements?

Answer: The overall plan of the Department of Defense (DoD) is to achieve the 3 percent goal as quickly as possible. DoD is continuously adapting its business plan to make it more conducive to this objective.

The Office of the Secretary of Defense, Office of Small Business Programs (OSD OSBP) has developed a five-year strategic plan intended to significantly increase prime contracting and subcontracting opportunities for Service Disabled Veteran-Owned Small Business (SDVOSBs). This is a living document that is adjusted as we learn more about how to improve our strategies. In addition to the strategic plan, DoD has concentrated its efforts in three focus areas: (1) Outreach to SDVOSBs; (2) Education and training of the DoD Acquisition workforce; (3) Encouraging prime contractors to do more business with SDVOSBs.

(1) Outreach to SDVOSB: The Services and Other Defense Agencies within the Department have numerous national, regional, and local SDVOSB conferences. The purpose of these conferences is to educate SDVOSB firms concerning doing business with the Department, and to provide networking opportunities with DoD acquisition officials and major prime contractors.

(2) Education and training of DoD Acquisition workforce: The purpose of this education and training is to familiarize DoD acquisition professionals with procurement tools such as the Veterans Technology Service Government-wide Acquisition Contract (VETS GWAC), SDVOSB set-asides and other contracting techniques that can facilitate awards to SDVOSBs.

(3) Encouraging prime contractors to use SDVOSBs as subcontractors: There are several resources at DoD's disposal to accomplish this effort.

The Tri-Association Advisory Panel on Small Business (TRIAD) is an organization comprised of Small Business Liaison Officers from major prime contractors belonging to the Aerospace Industries Association, the National Defense Industrial Association, and the Government Electronics and Information Technology Association. The TRIAD provides a forum for Defense industry representatives to discuss new ways to increase subcontracting opportunities for small business. The TRIAD meets three times a year; the Department is regularly invited to speak at

these meetings and by doing so is able to focus attention on items of special interest, such as SDVOSBs.

The Defense Contract Management Agency (DCMA) negotiates individual, divisional, and corporate-wide subcontracting goals with major Defense Contractors. These goals challenge prime contractors to provide the maximum practical subcontracting opportunities to all small businesses, including SDVOSBs. In the past two years, SDVOSBs have been a special area of interest for DCMA.

Each Military Service and Defense Agency maintains a Web site to provide a centralized repository of information concerning its unique small business program. This information is available to prime contractors and small businesses. The Department also uses Web casts and distance learning aids to ensure that information regarding SDVOSBs is disseminated to as wide and varied an audience as possible.

With regard to loans to SDVOSBs, the Small Business Administration (SBA) has a loan program and therefore can respond to this portion of your inquiry.

CHARRTS No.: SSB-01-012
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Lieberman
Witness: Mrs. Oliver
Question: #12

Question: Ms. Oliver and Mr. Elmore: According to Mr. Elmore's responses to Senator Kerry's questions, veteran-owned businesses are encountering difficulties winning defense contracts. Why are veteran and service-disabled veteran owned businesses not winning these contracts at a higher rate? We need a solution to this problem. How can we start moving in the right direction?

Answer: This is an area of concern for me. I believe the initiatives I discussed earlier, such as the DoD Five-Year Strategic Plan, DoD's numerous outreach events, the Veterans Government-Wide Acquisition Contract (VETS GWAC), Web casts and the Small Business Training Conferences have been effective in bringing DoD closer to achieving the 3 percent goal.

Small business advocates throughout DoD stress the importance of registering in the Central Contract Registration (CCR) to Service Disabled Veteran-Owned Small Business (SDVOSBs) and the requirement to annually update their registration. For more specific guidance in developing proposals or bids, SDVOSBs are advised to contact their local Procurement Technical Assistance Center (PTAC) representatives. PTACs provide counseling and training on selling to the DoD and are a valuable resource for small business.

To identify other ways to increase contract awards to SDVOSBs, the Office of Secretary of Defense Office of Small Business Programs (OSD OSBP) has contracted for a study to analyze DoD spending habits by major industry group, geographic region and business size, to gain a multi-dimensional understanding of the capacity and depth of the SDVOSB supplier universe. This contract was awarded to a SDVOSB firm. The study will help us identify any conditions affecting DoD's ability to award contracts to SDVOSBs, and reveal opportunities for increasing contract awards to these firms.

There are many initiatives DoD is currently pursuing to increase contract awards to SDVOSBs. Among these initiatives are:

- Increased use of the set-aside authority for SDVOSBs. Advanced planning for set-asides, which will allow for increased usage of this tool.
- Encouraging teaming arrangements as a means of increasing the capacity of SDVOSBs firms to compete, win, and successfully perform larger, more complex contracts.
- Continue to promote the VETS GWAC to fulfill DoD's information technology requirements.

CHARRTS No.: SSB-01-013
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Thune
Witness: Mrs. Oliver
Question: #13

Question: I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans in the community to inform them of the opportunities that are available to them through federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous federal contracting opportunities are out there for them?

Answer: This question is more appropriately answered by Small Business Administration (SBA), which has an extensive network of field offices and larger number of business assistance programs.

CHARRTS No.: SSB-01-014
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Thune
Witness: Mrs. Oliver
Question: #14

Question: I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer: This question is more appropriately answered by Small Business Administration (SBA).

CHARRTS No.: SSB-01-015
Hearing Date: January 31, 2007
Committee: SSB
Member: Senator Thune
Witness: Mrs. Oliver
Question: #15

Question: Since the three percent contracting goal is a government-wide initiative, it seems likely that there would be a lot of duplicate activity across the federal government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the federal government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the federal government?

Answer: It has not been my observation that veterans are having difficulty obtaining useful information about the DoD Service-Disabled Veteran-Owned Small Business (SDVOSB) program. However, I will be better able to address this question once I have seen the results of the study.

DoD works with the Veteran's Administrations, the Small Business Administration and other Federal agencies and organizations. We frequently exchange data and consult with each other to solve problems.

RESPONSE BY SCOTT F. DENNISTON TO WRITTEN QUESTIONS FROM SENATOR JOHN F. KERRY

Question 1. We all know that with the current conflict, services for veterans and disabled veterans will be under an increasing strain. The VA has admirably attempted to meet those needs over the years and I'm sure they will continue to do so. With that in mind, I have a few questions about how the VA is responding to the needs of this new group of veterans as small business owners.

Question 1a. What are the current needs of veterans in small business and how are the needs of these veterans different than previous veterans?

Answer. America's business base has shifted from manufacturing to a service economy. Veterans of earlier eras often returned to civilian life and accepted employment with private industry, many times this was lifetime employment. The older generation of veterans often had 10 years or more of industry experience before starting their own businesses, and therefore often have more detailed knowledge of how the process works from the start.

However, the newer generation of veterans is returning home to a challenging employment reality. Today's 20-year-old may expect to have many different jobs for many different employers during their productive work years. Job instability is a reality for this generation. While their basic information needs remain similar to previous generations' (access to capital, and management and technical support), this generation differs in how they access information; using the Internet, instant messaging and other electronic sources is common for them.

Our younger veterans need guidance in how to get their businesses started and in how to go about learning the ropes of Federal procurement. The small business development centers (SBDC) and the procurement technical assistance centers (PTAC) are good organizations for helping these young veterans with their questions and in guiding them through the process. We make frequent referrals to these organizations so that the veterans can get a leg up on how to do business. The challenge is ensuring that veterans are aware of these services and know how to easily access these services. The Center for Veterans Enterprise (CVE) has created a data base of assistance centers to facilitate easy retrieval of this information by veterans seeking to start or expand a business.

Question 1b. In general, what veteran or reserve needs do you see that are not currently being met?

Answer. The majority of small businesses are frequently capitalized initially through the owner's savings or through family members. For veterans, frequent changes of station, combined with lower pay, leaves them without the substantial savings or the support network necessary for starting a small business. The most commonly expressed unmet need for enterprising veterans is access to equity capital funding, other than loans. Many veterans served by CVE have little or no credit. They do not have access to the capital necessary to start their businesses. They do have the technical training and a strong drive to be successful if they are able to overcome the capitalization problem.

Question 1c. What authority, programs or funding would you need to address them?

Answer. A veteran's venture capital type fund could make the difference in whether or not a veteran-owned or service-disabled veteran owned business could be viable. Another area of improvement is a coordinated effort to identify the 22 million existing veterans, who've been out of uniform for awhile and who could benefit from learning about the Federal veterans entrepreneurship program. It's difficult to locate these veterans. Last, we need to effectively engage the current generation of uniformed personnel. The traditional lines of communication have not been successful. The Department of Veterans Affairs (VA) does not seek to become the Small Business Administration (SBA) for veterans. We want to work with SBA, with the Department of Defense (DoD) and with the Department of Labor (DoL) to create an effective communications strategy that meets the needs of today's younger, "wired" veterans.

Question 2. You testified that the VA will exceed the SBVOSB contracting 3 percent goal. You have gone from 1.361 percent of Federal contracts going to SDVOSB 2 years ago to an estimated over 3 percent contracting last year.

VA:

FY 04: 1.361 %

FY 05: 2.151 %

FY 06: over 3 %, estimated

Question 2a. What did VA do to create greater contracting opportunities for SDVOSBs?

Answer. With the final numbers for fiscal 2006 now available, we are pleased to announce that VA exceeded the 3 percent goal, for fiscal 2006, 3.39 percent of VA's total procurement dollars went to Service-Disabled Veteran Owned Small Business (SDVOSB) contracts. Numbers for subcontracting are not yet available for fiscal 2006. VA hopes to see improvement in subcontracting. VA's Office of Small Business (OSB) programs and CVE worked directly with the prime contractors in outreach programs and to publicize SDVOSB opportunities. Our continuous outreach efforts through meeting with the prime contractors, veteran business conferences and targeted mailings seem to be having a positive effect for SDVOSBs interested in contracting with VA.

Question 2b: What steps were most effective in bringing about this phenomenal change?

Answer. Our phenomenal results between fiscal 2004 and 2006 are due to a two pronged approach. First, and foremost, we have to give credit to the exceptional support we have received from VA leadership. Without this support, our efforts would not be seen as either necessary or important. VA leadership believes strongly in helping veterans in all aspects, and this includes placing an importance on contracting with veteran owned businesses.

Secondly, VA's OSB programs played and continue to play an important role in contracting decisions. OSB often acts as an advocate for veteran owned small businesses (VOSB) and SDVOSBs to the contracting officers. Without this intervention and participation, these goals could not have been achieved.

Question 3. In the last Congress, we passed new VA procurement procedures that will significantly increase opportunities for veterans and service disabled veterans at your department. For the first time, an agency will have the ability to sole source and set-aside for 2 SDVOSBs on an equal par with other disadvantaged groups. Veterans will also receive a preference in contracting.

Question 3a. How will this legislation make it easier for veterans and SDVOSBs to contract with your agency?

Answer. Public Law (PL) 109–461 is an important milestone for both VOSBs and SDVOSBs in contracting with VA. This legislation establishes an order of precedence within VA in which veterans are first priority and it strengthens the sole source authority. Additionally, the requirement in the law that all VOSBs/SDVOSBs in the vendor information pages (VIP) data base should be verified to ensure that they are who they represent themselves to be will make that listing an important tool for all agencies and contractors wishing to do business with veteran owned companies. It will become a reliable source of businesses that agencies, prime contractors and the general public can use to find veteran owned businesses to fulfill their needs.

Question 3b. Do you believe that this legislation should be extended to other agencies?

Answer. While VA has no Administration-cleared position on doing so, it is obvious that extending the requirements in PL 109–461 to other Federal agencies would increase opportunities for VOSBs and SDVOSBs. Under PL 106–50, procurement goals are set for SDVOSBs, while veterans without disabilities who valiantly served our country are given no preferences in Federal contracting. Extension of PL 109–461 would open new doors for VOSBs.

Question 3c. Do you have any additional ideas for legislation which would aid this effort?

Answer. The Department has not yet implemented PL 109–461 so it is too soon to suggest other ideas. Some ideas have been proposed in pending bills. Among these are House Resolution (H.R. 109, the Disabled Veteran Small Business Eligibility Expansion Act of 2007, and Senate (S) 117 the Lane Evans Veterans Health and Benefits Improvement Act of 2007. Under HR. 109, SDVOSBs would achieve parity in contracting with the SBA's 8(a) program. S. 117 would help to provide access to capital for veterans in being able to choose between the housing loan guarantee and a small business loan guaranty. Other suggestions often raised by owners include establishing set-asides in the General Services Administration (GSA) Federal supply schedules.

Question 4. The Center for Veterans Enterprise, which you lead, is "designed to assist veteran entrepreneurs who want to start and expand their businesses in the Federal and private marketplace." The center also works with SDVOSBs trying to do procurement with the Federal Government. The SBA, Department of Defense

and other agencies also strove to do this. What are you doing to make sure that your efforts are being coordinated with the efforts of other agencies?

Answer. CVE coordinates and communicates with other Federal agencies both formally and informally. CVE has partnered with SBA, DoD, GSA, and other Federal agencies to present veterans business conferences, to train contracting personnel, and alert veterans to upcoming activities.

In 2006, regional conferences were held in Albuquerque, Colorado Springs, Ann Arbor, Boston, Indian Wells, New York City, St. Louis, Washington, DC, and a National Veterans Small Business Conference was held in Las Vegas. Planning for the 2007 national conference is well-underway with an even greater number of agencies co-sponsoring the event. These conferences have given small business owners opportunities for training and counseling, and matchmaking with VA and other Federal customers. In addition, they have afforded VA and other Federal agencies the opportunity to meet with and advise prospective contractors. Volunteers from Federal agencies and Federal prime contractors have offered to man an answer desk for veterans interested in procurement opportunities with their organizations. CVE maintains lists of these volunteers on the VetBiz.gov Web portal.

RESPONSE BY SCOTT F. DENNISTON TO WRITTEN QUESTIONS FROM SENATOR JOHN THUNE

Question 1. I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans in the community to inform them of the opportunities that are available to them through Federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous Federal contracting opportunities are out there for them?

Answer. VA reaching out to SBDCs throughout the United States. This past Fall VA mailed posters to all the SBDCs and to all PTACs to display in their offices to inform veterans and others of the opportunities available to veteran owned businesses and how to contact CVE. Additionally, VA refers a large number of veterans who call regarding starting a small business to the SBDCs in their local areas. VA has engaged the Council of Better Business Bureaus in discussions about how to access their network of centers and business owners. In addition, we hope to establish a partnership with the U.S. Chamber of Commerce to further expand VA's reach.

Question 2. I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer. There are excellent opportunities for Native Americans who are also SDVOSB. We have seen some veterans leveraging their dual status. A good example of a successful Native American-owned SDVOSB is Metropolitan Enterprises, Inc. The owner, Tony Jacobs, is a Native American who started out as a small mechanical, heating ventilation and air conditioning contractor. Using his status as an 8(a) company he gradually built up his resume and began some very smart partnering and teaming contracts. Building on his SDVOSB status, he worked with CVE to establish a teaming agreement with CCI, Inc., an Alaska-based company that gave the teaming arrangement the bonding capacity to bid on a prime contract for building a VA facility. On October 23, 2006, Metropolitan Enterprises, Inc. won a $31 million prime contract from VA for the construction of a VA facility in Menlo Park, CA. VA has also conducted outreach conferences in Oklahoma and other communities with a large veteran population who may also be Native Americans.

Question 3. Since the 3 percent contracting goal is a governmentwide initiative, it seems likely that there would be a lot of duplicate activity across the Federal Government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the Federal Government? Is there an interagency cooperation initiative that serves as a center for veteran to be able to gather all the information that they need to start and sustain a small business based on contracting with the Federal Government?

Answer. In VA we have worked hard to educate our employees about the services available to veterans through CVE. Veterans seek assistance first from VA. CVE's Web portal is identified on the Department's home page. This Web portal, *www.VetBiz.gov* provides links to all partner organizations involved in supporting veterans in business. Further, CVE maintains a national call center to serve veterans interested in business ownership and expansion. VA uses the services of the veterans' business outreach centers (VBOC), SBDCs and PTACs to assist veterans, depending upon the nature of their question and the stage of business ownership. CVE's services are free to the veterans. SBA funds in part the SBDCs and the VBOCs. DoD funds the PTACs. We believe this is a sterling example of interagency cooperation that works to benefit our veterans.

In addition, CVE has established formal partnerships with key agencies, like GSA, to provide direct support to veterans interested in obtaining Federal supply schedule contracts. GSA maintains a toll-free assistance line, a robust Web site and an extensive outreach conference calendar to ensure veterans receive timely and courteous response to their questions.

To help solve some of the problems that come with interagency cooperation, VA formed the Executive Order 13360 working group with representatives from most of the Federal agencies. This group works on coordinating the annual National Veterans Small Business Conference, as well as coordinating the strategic plans for increasing support to SDVOSBs from each of the agencies. It was instrumental in aligning the content of the strategic plans so that veterans could easily locate information in different plans and could also compare the plans.

More interagency outreach efforts aimed at educating the Federal workforce will improve opportunities for SDVOSBs. We need to target acquisition professionals and program managers to educate them and encourage them to make use of the SDVOSB set-asides and sole source contract vehicles available to them. The National VOSB Conference helps fill, in part, this education need.

RESPONSE BY SCOTT F. DENNISTON TO WRITTEN QUESTIONS FROM SENATOR JOSEPH I. LIEBERMAN

Question 1. Mr. Elmore, Ms. Oliver, and Mr. Denniston: Can you each outline a plan for your respective agencies to improve outreach efforts to veterans about small business programs and loans?

Answer. PL 106–50 requires that the agencies work cooperatively and that we work with private sector partners as well. Under this legislation, the Secretary of Veterans Affairs has a duty to annually inform veterans about the availability of services that will help them expand their business. This letter is coordinated with SBA and DoL. Our mutual outreach efforts have been previously mentioned. There is solid cooperation in planning outreach programs. Improvement areas include reaching non-Federal resources, like the Chambers of Commerce, to locate the non-Federal veteran-owned small businesses. We believe we have adequately informed the Federal VOSBs about the program.

On continuing basis, CVE and our Federal partners have assembled advisory and coaching services for veterans that provide the veteran business owner with free advice and assistance, individualized coaching, several small business conferences each year, periodic e-mail notifications, and other assistance mostly for free or at very low cost. If these services did not exist, veterans would have to pay several thousand dollars a year to obtain them through for-profit conferences and professional services.

Based on our small business contracting performance and feedback from veterans, I believe that we have created an effective outreach design of national conference, regional conferences and local outreach that allows the small business owner to obtain information, make initial contacts with customers, and start marketing their product or service to Federal agencies. As part of this, CVE, GSA, SBA, and the Army and Air Force are cooperating today to host the national conference and the regional conferences and do other outreach.

For example, just last month, CVE and the Army Corps of Engineers Norfolk District corresponded with construction companies registered in CVE's VetBiz VIP data base regarding upcoming construction opportunities being managed by the Norfolk District. As a result, Norfolk District has a preliminary list of over 80 SDVOSB construction companies that are interested in these opportunities, and the SDVOSB community has sufficient notice to start preparing well before the time the announcements appear in Federal Business Opportunities (FedBizOpps).

Results show that we already have an effective outreach system. More small business conferences will most likely not materially help the smallest business owners.

In fact, they may have a dilutive effect on the mature small businesses, so we are not moving in that direction. Instead, we are focusing on, and relying upon, the local contracting activities to identify commodities and services to purchase from SDVOSBs and VOSBs. We recognize those high performing activities in VA's annual Champions of Veterans Enterprise Awards program.

Question 2. What steps can be taken immediately to improve the process of informing veterans about these programs?

Answer. We currently have a team at CVE working on improving the process of informing veterans about the small business programs available to them. We have conducted focus groups on how to best reach out to veterans and how to improve the services of CVE for veterans. The results will be available at the end of March. Further, CVE's communications' team is conducting market research on the best methods to touch veterans and how to efficiently disseminate information in the most cost effective method.

Question 3. Have you begun to work on coordinating a plan between the SBA, Department of Defense and Department of Veterans Affairs to implement these improvements?

Answer. VA shares information with our veterans business advocate volunteers in the Federal agencies. These volunteers include SBA, the Office of the Secretary of Defense, and the respective military services. We are also organizing an education conference in conjunction with our annual awards program in June to go into detail on the results of the focus groups. Also, on an as needed basis, VA convenes meetings of the Executive Order 13360 strategic plan work group.

RESPONSE BY SCOTT F. DENNISTON TO WRITTEN QUESTIONS FROM SENATOR MARK L. PRYOR

Question 1. Mr. Denniston, I understand the difficulty it may be to facilitate interagency cooperation, but I would like to applaud the VA and all these agencies for coming to task when looking for needed solutions to serve our service-disabled veterans who have served our country so well. I would like to ask you a few questions regarding the cooperation of these three agencies here today. How effectively would you assess the cooperation of these agencies to achieve the goals to serve our service-disabled veterans and their small businesses?

Answer. The cooperation of the agencies in achieving SDVOSB goals is having a positive effect on results for most agencies. It is imperative that we have buy-in from all the agencies that use Federal procurement dollars because veteran-owned businesses represent the full spectrum of types of businesses that are created. Federal procurement dollars are spent on virtually every consumer item by one agency or another. In order to help all agencies meet their 3 percent goal, there must be cooperation and top down buy-in from all agencies. We have seen solid commitment from the agencies that co-sponsor the national VOSB conference and those which participate in the Executive Order 13360 strategic plan working group.

Question 2. Are there any programs or activities that you would like to mention regarding interagency cooperation?

Answer. CVE is holding its 6th annual champions of veterans enterprise awards ceremony on June 14, 2007. In conjunction with this, we are planning a 1–day accountability conference where we will hold those who hold the purse strings accountable for their actions in helping or not helping meet the agency and prime contractor goals. Agencies and prime contractors who have met/exceeded their goals or have made great improvements in meeting their goals can show how they achieved their success. Those that have not made the progress expected will be held accountable for why progress has not been made. Further, several agencies were specifically identified in the testimony as having outstanding programs for veterans. They include the Army, Air Force and GSA. The Army organizes the national VOSB conference. The Air Force hosts the business opportunities showcase, a cable television program. GSA organizes regional events, created flexibility in Federal supply schedule competitions and recently awarded a very large Government-wide contract for information technology (IT) services which is limited to SDVOSBs.

Question 3. Are there any new initiatives that have been created to facilitate these processes?

Answer. While not new, the Veterans Entrepreneurship Task Force has been instrumental in ensuring that Federal agencies remain focused on creating opportunities for service-disabled veterans, veterans and surviving spouses. They are very effective monitors of agency actions. They scrutinize FedBizOpps announcements and question the accuracy of data in the Federal Procurement Data System—Next Gen-

eration. When they identify concerns, they go straight to the agency to get resolution while the problem is fresh.

Question 4. What assistance could Congress provide to facilitate greater interagency cooperation and, as a result, our veterans?

Answer. Regular congressional oversight of the Veterans Entrepreneurship Program and Federal agency implementation of Executive Order 13360 will deliver the message that this program is important. Town hall meetings would be valuable in informing congressional leadership if the program is really working.

Question 5. In your opinion, what resources have been the greatest resources for our service-disabled veterans as they seek to enter the small business marketplace or utilize Federal procurement programs?

Answer. Readers of the Veterans Business Journal voted VA's CVE as the most effective organizational provider of services in a recent survey. CVE's Web portal, VetBiz.gov, is recognized as the first place to seek information about this program. Our volunteers in Federal agencies and contractors are a tremendous asset to veterans seeking information about specific requirements and procedures. SBDCs and PTACs are tremendous resources for a wide variety of support. In conjunction with individual agency small business development offices help, VOSBs and SDVOSBs navigate the waters of starting or expanding their small businesses and gaining access into the Federal procurement arena.

RESPONSE BY WILLIAM D. ELMORE TO WRITTEN QUESTIONS FROM SENATOR JOHN F. KERRY

Question 1. In the hearing, we discussed some of the problems in the Military Reservist Economic Injury Disaster Loan program. Last Congress, I introduced a bill that would provide grants to military reservist-dependent small businesses that are able to demonstrate a plan for sustainability. Senator Snowe also proposed non-collateralized loans for these businesses.

- Do you think that these programs would be helpful to reservists?
- Are there additional assistance programs that the SBA could be marketing or pursuing that would help returning reservist business owners prosper economically?

Answer. Given the individual circumstances each activated self-employed reservist may face, a range of services and programs are now available to assist and support them. Regarding proposals to add grants or other new loan products added to our authorities, if these authorities are provided to SBA by Congress, we will implement them.

We are always exploring means to improve our efficiency and effectiveness in supporting self-employed reservists. As I indicated in my Testimony, Administrator Preston is open to working with Congress to improve our ability to assist reservists and veterans.

Question 2. We have heard you state in your testimony that the SBA is expected to meet the SDVOB contracting 3 percent goal. You have gone from 0.00 percent of Federal contracts going to SDVOB 2 years ago to an estimated over 3 percent contracting last year.

- What did SBA do to create greater subcontracting opportunities for SDVOBs?
- What steps were most effective in bringing about this phenomenal change?
- Based on SBA experience, what can the SBA do to help other agencies attain this goal?

Answer. First, we consolidated additional responsibility for SDVOSB contracting into the Office of Veterans Business Development to enhance our effectiveness, and the staff and I worked with procuring officials at SBA to ensure that they were aware of capable SDVOSIs interested in doing business with SBA. Following the leadership from top officials within the Agency, we were able to match capable SDVOSBs with contracting opportunities within SBA, and subsequently awarded SDVOSBs contracts. SBA created a specific position in the Office to address procurement issues, and we are supporting that person's effort with other members of the staff. We are working to identify best practices, and the effective tools being utilized by other agencies, and are engaging in specific discussion with other agencies to support their efforts for SDVOSBs.

Question 3. Please list SBA's SDVOB contracts and the companies which received them in fiscal year 2006.

Answer. That information is being compiled into a list which we will provide under separate cover as soon as it is completed.

Question 4. In 2005, .605 percent of Federal contracting was done with SDVOBs up from .383 percent in 2004. For those service disabled veteran business owners

we must improve these numbers. SBA also plays a role in helping SDVOB contract with all Federal Government agencies.

- What can SBA do to help SDVOB contract with other Federal agencies?
- Does the SBA have the resources that it needs to effectively help other agencies meet the 3 percent goal?

Answer. We are reviewing all of SBA's procurement programs to explore means for maximizing participation by SDVOSBs and by VOSBs. We intend to use all tools at our disposal to improve contracting opportunities and success for veterans. The Small Business Act statutes, along with the Presidents Executive Order 13360 provide us the tools and authorities necessary to achieve the goal.

Question 5. You mentioned that SDVOBs are the smallest of small businesses that SBA tracks.

- What do you think accounts for this disparity in size?
- If SDVOB's small size is hindering their ability to perform on Federal contracts, what can be done to address the size issue?

Answer. A combination of factors appear to contribute to the size disparity of SDVOBs. SBA's Office of Advocacy has conducted research that has found that not all SDVOSBs report their status. With the significant marketing that SBA and our partners have been and continue to do, the number of SDVOSBs registered in CCR are increasing. However, as you and SBA have noted, many of the registered businesses are very small. We believe we can begin to tailor our outreach to try to encourage more mature SDVOSBs to enter the Federal marketplace, as these more mature SDVOSBs will be past their startup phase and more capable of securing and performing on contract opportunities. Additionally, providing technical assistance or other resources to help the small firms currently registered in the CCR grow and mature so they can better compete in the Federal marketplace.

Question 6. I was very disappointed to hear about the SBA's decision to move Teresa Lewis from her position as Assistant Administrator for the Office of Federal Contract Assistance to Veteran Business Owners. However, I am gratified to learn that you have hired a new veteran contracting official.

- When will the new person start?
- What accounted for this lag in finding someone new?

The procurement point person started in this new position in December 2006, The lag is attributable to going through the process of securing the authority to add a position to the office. We spent time and effort designing the job description, advertising the availability of the position and going through a rigorous selection process to ensure that the position was offered to the very best candidate available. We are pleased that we offered the position to our first choice, and he accepted.

Question 7. We have heard about a number of initiatives that you are undertaking to help veterans and reservists.

- Do you see any veteran or reserve needs that are currently not being addressed?

Answer. We have strengthened program agreements and improved our data collection processes to support and track reservists' participation in our Entrepreneurial Development programs. If there is a gap, it is the inability to identify and correspond directly with every self-employed small business owner in reserve components to ensure they are aware of and can take advantage of our services and programs significantly prior to their anticipated activation(s).

Question 8. Lastly, the goal of this hearing is to improve the services that the government offers to veterans, service disabled veterans and reservists. With that in mind:

- What authority, programs or funding would you need to improve the present programs or to address issues that are currently not being addressed?

Answer. DOD indicates that reserve components have transformed from a strategic to an operation force in the Global War On Terror. We are constantly reviewing our programs as to how they may best benefit reservists, veterans and service-disabled veterans. As we identify recommendations for improvement that would require additional Congressional authorities, we will communicate those recommendations to our authorizing Committees.

RESPONSE BY WILLIAM D. ELMORE TO WRITTEN QUESTIONS FROM SENATOR JOSEPH I. LIEBERMAN

Question 1. Mr. Elmore, Ms. Oliver, and Mr. Denniston: Can you each outline a plan for your respective agencies to improve outreach efforts to veterans about small business programs and loans? What steps can be taken immediately to improve the

process of informing veterans about these programs? Have you begun to work on coordinating a plan between the SBA, Department of Defense, and Department of Veterans Affairs to implement these improvements?

Answer. SBA is constantly reviewing our programs and services in an effort to improve our efficiency and effectiveness. Regarding coordination with DOD, and DVA and other Federal partners, my office presently coordinates outreach and access to SBA programs and services with the DOD Office of the Assistant Secretary for Reserve Affairs and other offices as necessary within DOD, including the National Transition Assistance Program. We also coordinate and collaborate with the National Committee for Employer Support of the Guard and Reserve, the DOL Office of Veterans Employment and Training Service, the Presidents National Hire Veterans Committee, the DOL Office of Disability Policy Initiatives, and the Employment and Training Administration. We coordinate and collaborate with the DVA Office of Small and Disadvantaged Business Utilization and their Center for Veterans Enterprise, the DVA Vocational Rehabilitation and Employment Services program, and other DVA programs as necessary or appropriate. In addition, we conduct outreach to and with a number of Congressionally Chartered Veterans Service Organizations, including the American Legion, the VFW, the Disabled American Veterans, the Military Order of Purple Heart, Vietnam Veterans of America and over 100 other VSOs. We also provide materials to State National Guard Adjutants, State Veterans Affairs Departments, Military Family Support Centers and numerous others.

Question 2. Ms. Oliver and Mr. Elmore: According to Mr. Elmore's responses to Senator Kerry's questions, veteran owned businesses are encountering difficulties winning defense contracts. Why are veteran and service-disabled veteran owned businesses not winning these contracts at a higher rate? We need a solution to this problem. How can we start moving in the right direction?

Answer. At SBA we believe we are moving in the right direction in supporting the success of SDVOSB contracting with DOD and other Federal partners. As I indicated in my testimony, Census Bureau data shows that approximately 0.7 percent of small businesses in America, with employees other than the owner, are owned by Service-Disabled Veterans. We believe that by growing the capacity of existing SDVOSBs utilizing all of SBA programs and services, along with a more tailored outreach effort directed to more mature SDVOSBs that have thus far not entered the Federal market place, we can and will achieve the 3 percent goal.

Question 3. Mr. Elmore, I am concerned about the status of the Advisory Committee on Veterans Business Affairs, which was established in Public Law 106–50, the Veterans Entrepreneurship and Small Business Development Act. This law created an advisory body within the Small Business Administration that could actively participate in relevant policymaking that concerns veteran-owned small businesses. I am dismayed by reports that the SBA has not utilized the resources of this committee—comprised currently of ten veterans—to its fullest capacity. I would like some clarification about the role of the committee.

Question 3a. What is the SBA's strategic short-term and long-term plan for the Advisory Committee on Veterans Affairs?

Answer. Under the extension of SBA authorities, SBA has continued to support this Committee and hosted the first 2007 meeting late in January 2007.

SBA supports what this Committee is doing and is working with the Committee to set up future meetings.

Our short term and long term plan is to follow the statutes regarding this Committee.

Question 3b. Does the SBA consult the Advisory Committee prior to developing initiatives designed to promote small businesses owned by veterans?

Answer. Consultation occurs at meetings of the Committee hosted by SBA in our Headquarters at least three times per year, and on an ad hoc basis. Some of the initiatives we have undertaken have been based in part on recommendations provided by the Committee. We consider the initiatives developed by the Committee as recommendations in our efforts to improve our programs for veterans and reservists.

Question 3c. How will the SBA implement the recommendations of the committee's most recent 2006 report?

Answer. We consider them as recommendations in our efforts to improve our programs for veterans and reservists.

RESPONSE BY WILLIAM D. ELMORE TO WRITTEN QUESTIONS FROM SENATOR MARK L. PRYOR

Question 1. Mr. Elmore, I applaud your agency, the Small Business Administration, as well as the Department of Veterans Affairs for exceeding the 3 percent Federal procurement goals outlined by PL 106–50. Though sensibility would direct us to the benefit these goals provide our veterans, the stories we will hear today truly attest to the differences being made. However, there are a few issues I would like to address regarding the Federal procurement goals.

Question 1a. Do you have current or the most recent figures tracking where service-disabled veteran procurements should be to meet the 3 percent target?

Answer. We are awaiting final fiscal year 2006 numbers from the Office of Federal Procurement Policy. When we receive them, we will study them in our ongoing efforts to improve all of our programs and services for veterans, service-disabled veterans and reservists.

Question 1b. What are the most recent figures of actual Federal contracts being awarded to these veterans?

Answer. The most recent final figures have been reported for fiscal year 2005. Please see attachment provided.

Question 1c. Which agencies have improved the most in recent years?

Answer. SBA, DVA and the Department of State.

Question 1d. What agencies are the furthest from meeting these goals?

Answer. There are a number of agencies that have not achieved the same success as those agencies in #1c above. Please see attached fiscal year 2005 list.

Question 1e. In your opinion, what initiatives should Congress undertake in order to assist the agencies in achieving this goal and to help the veterans take advantage of the program?

Answer. The opinions expressed to me by SDVOSBs include concerns with the disparity of language between the various procurement programs, including the SDVOSB program. In addition, the latest authority recently provided to only the Department of Veterans Affairs could be considered for implementation across the Federal Government and clarifications in language and potentially duplicative or replicate efforts contained in that new law could be addressed as well.

Question 2. The Veterans Business Outreach Centers (VBOC) mentioned on your website often cover a wide geographical area. Obviously, the geographical limitations for these centers and those interested in the services they provide can cause somewhat of a disconnect or inability for real person to person contact.

Question 2a. What programs are in place to reach out to veterans serviced by these VBOCs?

Answer. We direct the VBOCs to provide internet based assistance and what we call "directed referrals" to local program services available at SBA and SBA resource partners closer to where they live. The five centers are promoted in the Office of Veterans Business Development Outreach Tools, the VetGazette Newsletter, and in special Outreach Events hosted by or participated in by our district offices.

Question 2b. Are there any recent initiatives created by the SBA to facilitate communication amongst veterans and the centers?

Answer. We continue to conduct comprehensive outreach to veterans and reservists, and this always includes promotion of the availability of our five centers. We are also reaching out to other public and private web sites as a means to promote all of our services and programs for veterans and reservists, including a special page on the Presidents National Hire Veterans Committee web site, and a major internet based organization with almost 10 million members who are veterans, service members and family members. This will be announced when complete.

Question 2c. What assistance or mandates could Congress provide to further facilitate the process?

Answer. As I indicated in response to an earlier question, our ability to identify and communicate directly with self-employed reserve component members is hampered.

ATTACHMENT.—FEDERAL CONTRACT AWARD FIGURES

1. Smarkeling Business Systems
SBAHQ–06–A–0030 $150,000.00
Office Supplies

2. Smarkeling Business Systems
SBAHQ–06–V–0035 $1,709.99
Office Supplies

3.Video & Telecommunications Inc.
SBAHQ–06–F–0397 $2,223,404.24
Software

4. Video & Telecommunications Inc.
SBAHQ–06–F–0243 $11,414.26
Copier Equipment

5. Intelligence Communications Solutions
SBAHQ–06–C–0035 $398,791.30
Consultant Services

6. Intelligence Communications Solutions
SBAHQ–06–M–0456 $1,469.00
Computer Equipment

7. Ambit Group
SBAHQ–06–0316 $181,701.60
Consultant Services

8. Ambit Group
SBAHQ–05–C–0029 Mod 1 $300,000.00 (FY 6)
Consultant Services

9. K.D. Lions Inc.
SBAHQ–06–M–626 $3,140.79
Office Supplies

10. K.D. Lions Inc.
SBAHQ–06–M–0651 $484.93
Office Supplies

11. K.D. Lions Inc.
SBAHQ–06–M–0649 $7,077.97
Office Supplies

12. K.D. Lions Inc.
SBAHQ–06–M–0647 $467.00
Office Supplies

13. K.D. Lions Inc.
SBAHQ–06–M–0646 $1,296.74
Office Supplies

14. K.D. Lions Inc.
SBAHQ–06–M–0645 $640.00
Office Supplies

15. K.D. Lions Inc.
SBAHQ–06–M–0644 $1,250.00

Total procurement dollors $3,132,847.82

Total Budget $80,000,000.00

RESPONSE BY WILLIAM D. ELMORE TO WRITTEN QUESTIONS FROM SENATOR JOHN THUNE

Question 1. I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans in the community to inform them of the opportunities that are available to them through Federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous Federal contracting opportunities are out there for them?

Answer. We are working cooperatively with SBA resource partners and local small business development programs, and our 504 Loan program, delivered though Community Development Corporations. The 504 program includes veterans in their public policy goals. We would be supportive of engaging with and providing our veterans and reservists business development tools directly to any state or local economic development authority. All of our materials and services are available upon request.

Question 2. I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer. Yes. My office is coordinating with the SBA Office of Native American Affairs to identify means to improve our ability to support Native American veterans, service-disabled veterans and reservists.

Question 3. Since the 3 percent contracting goal is a governmentwide initiative, it seems likely that there would be a lot of duplicate activity across the Federal Government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the Federal Government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the Federal Government?

Answer. All Federal agencies with procuring authorities are working to identify and improve contracting opportunities for veterans and service-disabled veterans, and most agencies are working together on joint events. However, as in any marketing effort, there may be some duplication of effort, but until we achieve and hopefully exceed the 3 percent goal for SDVOSB, we are hesitant to reduce or eliminate efforts from all the agencies. Regarding a one-stop web site, my office is developing just such an effort within SBA and further, we are working with other web based partners to better promote this program as well as all SBA programs and services for all veterans, including reservists.

RESPONSE BY LOUIS J. CELLI. JR. TO WRITTEN QUESTIONS FROM SENATOR JOHN THUNE

Question 1. I Know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans in the community to inform them of the opportunities that are available to them through Federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous Federal contracting opportunities are out there for them?

Answer. Unfortunately not. Most economic development offices that I have worked with are primarily funded through the Department of Housing and Urban Development and Department of labor. City and State offices are run similarly to nonprofit organizations in that they are usually servicing a grant or funded line item.

I am sure that it is not the case that the leadership or employees of these offices are not Veteran sympathetic or Veteran friendly however they are employed to serve the people of their communities as set forth by the grants they are servicing and neither HUD nor DOL have issued many (if any) community development grants which mention veterans (that I am aware of).

That said, any Veteran specific advice offered through community development offices would be ancillary unless that City or State had a specific Veteran initiative which has been championed by their respective leadership.

In some cases, there are grassroots organizations which serve veterans such as the Northeast Veterans Business Resource Center, our sister organizations in St. Louis, MO and Flint, MI, and I know that much has been accomplished by way of veterans procurement initiatives in other states as well such as California, Minnesota and Nevada but again, these are all primarily grassroots efforts which are severely underfunded and overburdened.

Most recently, our organization answered a Request for Proposal (RFP) to participate in a Community Development Block Grant funded by HUD in the city of Lawrence Massachusetts where we built our flagship veterans business resource center. We were encouraged to apply and encouraged to address the communities veteran low income and homeless population by building a program which would assist targeted community veterans with starting microenterprises and enhancing small business skills and resources. After the City council reviewed our proposal, we were not considered as the City Council felt that our proposal did not meet the focus of the grant and that "Veterans were not a priority".

While this example does not specifically address your question, it demonstrates what I explained earlier about how community development activities are paid and subsequently where their focus is.

I hope this helps you to understand my answer to your question. Your question is logical and basic and as such it would so reason that such advice, guidance, direction or counseling would be readily available. Perhaps a community development outreach grant which seeks to educate the veteran business owner population might help as the only such counseling initiative available presently is through the Procurement Technical Assistance Centers which may or may not have veteran specific programs and again, this would depend on the sentiment of the prevailing leadership.

Question 2. I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer. This is a question that I am not fully qualified to address as I work in states which do not have large native American populations. I do however work with colleagues who work extensively with the Native American population and I have asked their assistance to help me address your question.

The colleagues which I have asked guidance from are:

Raymond Jardine Jr., PhD
President & CEO
Native Hawaiian Veterans, LLC
3375 Koapaka Street Suite B–286
Honolulu, Hawaii 96819
Vice Chair for "The National Veterans Business Development Corporation" aka The Veterans Corp
Board of Directors for the National Guard Association of the United States representing the 14 western United States

Dr. Camilla Madden
Department of Veterans Affairs
Anchorage, AK
Formerly Director, Compensated Work Therapy (CWT) program
VA Black Hills Health Care Center
Eagle Butte, SD

Mr. Paul Adams
Chief Operating Officer
Liberty Tree Enterprises
Henderson, NV 89052

Bernie Cournoyer, LRC
Managing Director
Department of Veterans Affairs, Veterans Construction Team
Bedford, MA

These individuals possess a combined knowledge base and expertise which spans the United States and paints a very clear and consistent picture of critical lack of outreach and informational resources.

Before I continue, it should be noted that contained within the question, there are two socioeconomic governmental programs in play, they are;

(a) The Service Disabled Veteran Owned Business (SDVOB) initiative which is primarily a contracting initiative.

(b) The Woman Owned (WO) and Minority Owned program, 8(a) which is a business development program.

Native Americans business owners who also happen to be Service Disabled Veterans would be eligible to participate in both programs as well as certify as what is known Super 8(a) status. This is where a Native American tribally owned enterprise can meet DOD Indian Incentives Act requirements, provide "super 8(a) status" and meet HUB Zone criteria.

The prevailing opinion among all of my collogues was that the severe lack of outreach initiatives, Small Business Education and program advertisement leaves most Native American Business Owners ESPECIALLY Native American Service Disabled Veteran Business Owners in the dark. It was commonly agreed that while there are very powerful and well intentioned programs available to assist Native American Veterans, there needs to be much more resources dedicated to education, training and outreach if these programs are to have the effect on the native American Veteran Population that is intended.

There is little outreach to Native American veterans, even though there is usually a high percentage of veterans in the Native American community. As I am sure you are aware, the contracting mechanism for a Tribal 8 (a), or Super 8 (a) is very powerful, probably more powerful than any other Federal contracting mechanism. Government agencies must respond to an unsolicited proposal and there are no dollar limits on sole source contracts. So, if a reservation wants to use the Tribal 8a status, the veteran status is in the background.

Another problem is that not all agencies recognize all the diversity of a bid. In other words, for an award to a team that consists of a Tribal 8a, a veteran owned SB and a SCDVOSB, many agencies will only recognize the Tribal 8a. If that is their policy, then there is no reason to diversify down the chain, so to speak, because there is no extra credit for hiring a Native American Veteran over a Native American.

The net result is that there is little incentive for a Native American Tribe to focus on its veteran population as such, they should just focus on leveraging their Tribal 8a contracting mechanism or being certified as a Native American owned SB if not tribally owned. Since there is no certification program for SCDVOSB and perhaps no extra credit to an agency for contracting with a Native American SCDV as compared to a Native American owned SB, the Native American veteran status is often ignored.

More significantly, many of the Tribes are just not well organized to attract and retain business. Some do it very well, others do it poorly. The system of grants for economic studies often does not result in real economic growth. For example a colleague was working with a tribe that had conducted a feasibility study for a wind powered renewable energy facility. I understand they received a grant for the study and Federal dollars were used to pay for the study. Apparently, nothing has been done with the study. My collogue approached the tribe and informed them, through an intermediary that they were quite certain they could obtain 100 percent financing for their project if they could see the study. That was in November and to date they have still not seen the study. I have heard from others that there are a lot of feasibility studies that have been completed with Federal dollars and then similarly shelved.

So in addition to training and outreach, business counseling and mentoring to assist Tribal businesses organize their businesses and business concerns is also a great need within this community.

Question 3. Since the 3 percent contracting goal is a governmentwide initiative, it seems likely that there would be a lot of duplicate activity across the Federal Government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the Federal Government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the Federal Government?

Answer. I was completely taken aback by this question. The most common similarity among Federal agencies is that there is no common school of thought or commonality of goal or program thus zero duplication.

PL 106–50 started an era of confusion which continues to plague the veteran business owner community today. The dreaded "may" versus "shall" strategically pitted

veterans against agencies, contracting officers against contractors and Americans against their government.

While the intent of the law is clear, the execution and "letter of the law" is in question and subsequently the interpretation is in constant flux. Some agencies have attempted to develop programs which comply with the intent, which is to direct that 3 percent of all federally spend dollars which are used to purchase goods and services be spent with businesses which are owned and operated by Service Disabled Veterans, but even with these initiatives, contracting officers are under no obligation to meet such goals.

The bottom line is that there is no duplication of services or efforts within our Federal system. Several efforts have been made to attempt to define, clarify or amplify the language of PL 106–50, specifically, PL 108–183, Executive Order 13360 and most recently PL 109–461 and while these initiatives were designed to address the ambiguity of PL 106–50 with regard to Federal contracting goals, it somehow seems that these subsequent efforts still fall short of "directing" Federal agencies to insure that 3 percent of all Federal dollars spent, be spent with Service Disabled Veteran Owned Businesses.

Regarding the question of information, there is no authoritative agency, government, public or private which is the defining authority regarding this issue. While one agency may have one opinion and policy regarding SDVOB contracting, another agency may have a separate policy, and while a third may have yet another opinion and policy, all will argue that the other policies directly conflict with the Federal Acquisition Regulation (FAR).

More and more pressure have been put on agencies to reach a 3 percent SDVOB contracting goal but for the most part, this program is not being enforced.

PL 106–50 mandated interagency cooperation yet every agency specifically addressed in PL 106–50 has summarily ignored this directive. Each has taken its own program, it's own dollars and its own interpretation of the law which initiated their respective programs and have completely gone in their own direction. This is clearly NOT what Congress had in mind when they passed this law.

I want to be more specific but I don't want to make this answer too long. If you would like me to work directly with your office regarding this or any other veteran business or training issue, please consider my resources at your disposal. Agencies should have a "mandated" (not goaled) amount that must be met. The penalty for not meeting the mandate should be a reduction of their fiscal budget the next year equal to the amount they didn't meet the previous year.

Below is an article which I recently wrote for Veterans Business Journal Magazine.

HOW DO LAWS HELP SDVOBS?

Since 1999, there have been a number of legislative initiatives which have all sought to assist veterans who are and who wish to become business owners.

PL 106–50, PL 108–183, Executive Order 13360 and most recently the passage of PL 109–462 are some of the most notable.

The most notable issues addressed by these initiatives can be boiled down to two things, training and contracting.

Depending on where you are in the business cycle, each may have a different meaning. It is important to know that the laws you see published are often very different than the bills which were the basis of the law in the first place, for instance; PL 109–462 establishes a mechanism for The Department of Veterans Affairs to authorize something called "Noncompetitive Procedures" (sole sourcing) and effectively eliminates the dreaded "Rule of Two" which has plagued the veteran contracting community since the passage of PL 106–50.

Also ordered is the freedom of the Agency (VA) to set annual contracting goals for doing business with SDVOBs which "will not be less than the Government-wide goal for that fiscal year" which is currently set at 3 percent. Originally, when the language which was the initial thrust of this law was proposed (HR 3082), the law called for a minimum "Contract Requirement" of 9 percent of contract dollars to be spent with VOBs and a minimum of 3 percent (of the original 9 percent) to be spent with SDVOBs.

So what does this mean to you? Advocates are hard at work for you. Just because you don't see what you think is enough action in the law doesn't mean that we didn't ask.

Your power is with your lawmakers, let them know how you feel and what is important to you as a constituent.

RESPONSE BY CAPT. ANN S. YAHNER TO WRITTEN QUESTIONS FROM SENATOR JOHN THUNE

Question 1. I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veteran's in the community to inform them of the opportunities that are available to them through Federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous Federal contracting opportunities are out there for them?

Answer. I'm not aware of any initiative or agency that is specifically attuned to informing veterans in their small towns about the opportunities in Federal contracting. Perhaps the Regional Economic Development Council who knows the makeup of his constituents, or the local state representative might be a conduit for this information. In my state of Maine, there are 160,000 veterans, but most are veterans of WW II, Korea, or Vietnam, and are not wanting to start a business. Perhaps in states with younger veterans there might be more activity through veterans groups. In my case, I personally have not been educated by any local representative, in fact I have educated them on what opportunities are available to veterans.

Question 2. I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer. In Maine we have a small population of Native Americans, primarily in the northern part of the state. There are a few small business who have been awarded Federal contracts as an 8(a) (minority and disadvantaged) set aside. There are also a couple SDVO Native American SB who have been involved in Federal contracts either as the prime or as a subcontractor.

Question 3. Since the 3 percent contracting goal is a government-wide initiative, it seems likely that there would be a lot of duplicate activity across the Federal Government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the Federal Government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the Federal Government?

Answer. PL 106–50 set aside the goal of 3 percent for all Federal agencies doing business with SDVOSB. Executive Order 13360 re-enforced meeting that goal. As a small business owned by a Service disabled veteran, we first went to the Small Business Administration and the Veterans Administration for information on how to get assistance and established in the CCR, fedbizopps etc. We then identified which Federal Agencies we wanted to do business with and contacted their Office of Small and Disadvantaged Utilization person, Small Business Specialist and Contracting Officer.

We then looked at GSA and applied for GSA Schedules. From there it was a marketing effort to establish relationships and show competencies and experience. It was a lengthy process to break into the Federal arena. What we found most effective was to be introduced by someone we had done business with, or to get a subcontracting award. We've found that once we had done a couple of jobs for Federal agencies, our credibility and performance spoke for itself. That opened more doors, and in time the business opportunities grew.

I think it might be helpful if there was a portal or website that could serve as a central site to assess what assistance the small business SDVO needs with links to SBA, VA, GSA and others. That way it would be easier for a small business to fmd the information they need to get started like a business plan, financial assistance, proposal writing, various registrations, and know what steps to take to do business with the Federal Government. However, after that, it's up to the business to sell themselves to Federal agencies. That can't be done, nor should it be done any other way. The SDVO needs to decide what agencies best match its capabilities and look at their forecast for opportunities. That's a lot of work and takes time.

The one area of difficulty due to the vast amount of information across several Federal agencies is the need for training the agencies, their Small Business Specialist and their Contracting Officers about the SDVO set aside program. We have

found that we are educating the COTRs about the program, how to sole source etc. If they do not understand the program, and they are not required to use the SDVO set aside, they will continue to use the vehicles they have been using for years and the 3 percent goal will never be met. Also, if they used a Woman owned, SDVO they could get credit toward meeting their 5 percent goal for women as well.

Ann S. Yahner

RESPONSE BY THEODDORE L. DAYWATT TO WRITTEN QUESTIONS FROM SENATOR JOHN THUNE

Question 1. I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans inform them of the opportunities that are available to them through Federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous Federal contracting opportunities are out there for them?

Answer. I am not aware of any such initiative. In checking with several chamber of commerce economic developers in Georgia, they were not aware of any such programs.

Question 2. I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?

Answer. The SBA has some programs that address this issue (see *http://www.sba.gov/aboutsba/sbaprograms/naa/index.html*), but to my knowledge the programs are not marketed very well.

A good example would be the recent National Guard Bureau Family Service Conference held in Phoenix, AZ. Over 300 transition assistance and family representatives from the 54 National Guards were present. While VetJobs, VA, DOD, VFW, Legion, DAV and DOL had significant representation, conspicuously missing was the SBA.

Question 3. Since the 3 percent contracting goal is a government-wide initiative, it seems likely that there would be a lot of duplicate activity across the Federal Government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the Federal Government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the Federal Government?

Answer. From my experience, it is very difficult for veterans to ascertain what programs are available and how to access the assistance that is currently provided. I am not aware of any interagency cooperation initiative per se to get information out, but one needs to be put into place.

More importantly, the Congress has got to get Federal agencies to pay attention to the 3 percent rule as was mandated in PL 106–50 8 years ago.

As a classic example of how Federal agencies intentionally subverts PL 106–50, the March 5 issue of Military Times has a story titled: Web site will be key to transition. The story elaborates how DOD's Transition Assistance Program, in conjunction with DOL and VA are designing a dynamic automated web-based system for delivery of transition assistance and related information. Details of the site's features or expected launch date were not immediately available.

I have made inquiries to friends at DOL and DOD and have since learned that this portal is being developed by Monster.com. The portal is being developed by DOD's ODUSD, MC&FP/EdOps. This comes under Dr. David Chu. ODUSD, MC&FP/EdOps gave an exclusive contract to Monster to develop the site for transitioning military. The contract was not bid out, but was arbitrarily made part of an existing contract with Monster in order to get around doing a bid. My sources at DOD and DOL tell me that the site will be free to employers to search resumes and post jobs. Monster is being paid a LARGE annual fee to run the site. This is supposedly in the millions of dollars (actual figure has not been confirmed to me).

There are several problems with this activity by DOD ODUSD (MC&FP/EdOps):

1. Why was the work not bid out?

No veteran owned military related job boards were contacted to develop the portal, but several of the military job boards have the capability to do this work. This would have been an excellent opportunity for DOD/DOL/VA to be able to move toward meeting the mandated 3 percent rule as dictated by PL 106–50, but instead they chose to subvert the process and violate the spirit and intent of PL 106–50.

2. Why is this being given to a large corporation (Monster.com)?

As was pointed out at the SBE hearings on January 31, DOD is one of the prime violators of not meeting the 3 percent rule under PL 106–50. VetJobs, as well as some other small veteran owned companies who run military related job boards could easily have done the work, and definitely considerably less expensive than what DOD is paying Monster.

3. Why is DOD competing with what private enterprise sites that for the last decade have been doing this work very successfully?

It would seem that the activity by DOD will seriously affect many veteran owned job board companies and could even put some of them out of business by offering for free what employers now pay a fee, but at the same time giving millions of tax dollars to a large corporation in violation of PL 106–50.

Until the Congress can get the Federal agencies to comply with both the spirit and the intent of PL 106–50, the law remains a joke and raises serious questions as to whether the Congress really wants to help veteran owned companies. The failure to enforce PL 106–50 and the continued practice by DOD to avert compliance as in the case described above indicates that there is no real concern or truly effective effort to assist veteran owned companies!

COMMENTS FOR THE RECORD

PREPARED STATEMENT OF DR. PAUL R. CAMACHO, DIRECTOR OF SPECIAL PROJECTS, THE WILLIAM JOINER CENTER FOR THE STUDY OF WAR AND SOCIAL CONSEQUENCES, UNIVERSITY OF MASSACHUSETTS BOSTON

Senator John F. Kerry, *Chairman,*
Committee on Small Business and Entrepreneurship,
Room 428A, Russell Senate Office Building,
Washington, DC 20510

DEAR CHAIRMAN KERRY: I would like to take this opportunity to submit a brief letter of testimony for inclusion into the record for your Committee Hearing, "Assessing Federal Small Business Assistance programs for Veterans and Reservists" to be held on Wednesday, January 31, 2007.

As you are aware one of the most crucial matters in assessing the progress of any program is the collection of solid statistical data. An assessment of progress for veterans involved in a small business/entrepreneurial endeavor is a case in point. Arguments about the numbers and percentages of veterans as well as Guards and Reservists was one of the principal difficulties veteran advocates had to confront during the half dozen years of advocacy preceding the passage of what eventually became PL 106–50, The Veterans Entrepreneurship and Small Business Development Act of 1999.

What is needed is the following:

1. The Department of Veterans Affairs must work with the Bureau of Census to develop a "*universe of population*" of veterans in small business so that the Bureau has an adequate and representative base from which to draw appropriate samples of veterans for inclusion in all future small business studies. *This is a very feasible and necessary task.* Confidentiality should not be a concern, since the Bureau of Census is the "gold standard" in terms of trust and confidentiality of sources and sample sets. If one assumes that the Department of Veterans Affairs and the Bureau of Census collaborate, then this project including all the matching of data tables and data cleaning with IRS, Dun and Bradstreet, resources, etc. should take no more that 18 to 24 months to complete.

2. SBA must be required to include veterans as a *unit of analysis* in all future small business studies, including any that might now be in the planning process.

3. Funding for the development of the universe of population should be required of the VA.

4. Funding to include veterans as a unit of analysis in all future small business studies should be required of SBA.

The Congress must make these directives clear to the agencies in the strongest language possible and the agencies must be held accountable.

THE CONSEQUENCES OF VETERANS AS A VARIABLE

To date veterans have been only a variable. For example, see Table 7b, p 64–65 of *Characteristics of Business Owners,* 1992 Economic Census CB092–1. There you will see the units of analysis: "All businesses," "Hispanic-owned businesses," "Black-owned businesses," "Other minority-owned businesses," "women-owned businesses," and "non-minority male-owned businesses"—you will never see Veteran/disabled veteran-owned businesses!

Despite the risk of oversimplification, it may help to very briefly summarize the consequential technical problem—the standard error and variance. Because veterans are only a variable, only the broadest summary counts and percentages are fairly accurate. However, as a researcher or committee staff person seeks to "drill down" into the data—take the number of black women veterans in retail trade as an example—the data is less reliable in that it has a greater variance and probability of error. The deeper one drills down, the greater the variance and probability of error. This is primarily because veterans are a variable not a unit of analysis.

It is the consequences of this distinction between a population being regarded as a unit of analysis and one that is taken as a characteristic, i.e. is only a variable that is the issue here. It is the reason I must emphasize the need for clear and strong language and action on the part of the Congress.

MY PERSONAL EXPERIENCE AS PRINCIPLE INVESTIGATOR

As you are aware Senator, I worked with your office to gain cooperation of both the Senate and House Committees: on Small Business and on Veterans Affairs during the time I was the Principal Investigator of *The Status and Needs of Small Businesses Owned and Controlled by Disabled Veterans* November 10, 2000, SBAHQ-99-C-0001. This was to be the report required by Congress under Public Law 105-135, The Small Business Authorization Act of 1997, December 2, 1997. Sec-

tion 703 required a study be conducted by the administrator of the Small Business Administration that provided a report on:

(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.

The product of that study was less than what I had hoped for, particularly in the area of part "C." One of the principal reasons for lack of success here was that SBA and DVA, as well as OMB were uncooperative despite the letter with the signatures of both the Chairman and Ranking members for both the House and Senate Committees on Small Business and Veterans Affairs (mentioned above) asking for their assistance. The appendix of that report documents their refusal to provide assistance to the study.

During that time as the legislation for what became PL 106–50 was before the Senate Committee on Small Business in 1998, SBA and OMB both urged the Senate not to pass the bill, but to wait for the completion of the study (the study I was undertaking and they were hobbling). Immediately after the committee approved the bill, I received several phone calls denying my survey instrument. The counsel for OMB for that overview denied even the possibility that any universe of population could be developed that was representative of veterans in small business. If the committee requests a copy of that study with the appendix and SBA provides it, then my claim will be readily verified. As a result I had to utilize a focus group methodology that has no statistical power.

All during that time, and since then, I have pleaded that SBA include veterans and disabled veterans as a unit of analysis in the economic census, "Characteristics of Business Owners," undertaken by the U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census every several years. SBA continually has refused to do this. Veterans were included as a variable by the fact that two questions were asked about military service in the last economic census. However, it should be absolutely clear to the Committee that this was a result of activists finding out about the coming economic study. They ascertained that no questions about military/veterans status were to be included and consequently sought the intervention of the House Committee on Veterans' Affairs. That Committee's intervention was the only reason that the two questions were included.

I hope that these comments will convince you that only the strongest Congressional language with requirements for accountability and enforcement will result in veterans being included in future small business economic studies by the bureau of census. Should you have any questions or concerns, please do not hesitate to call on me.

Semper Fidelis,

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TESTIMONY SUBMITTED TO THE SENATE
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
SUBMITTED BY WAYNE M. GATEWOOD, JR., USMC (RET)
PRESIDENT/CEO, QUALITY SUPPORT, INC.
301-459-3777 Ext 101
SUBMITTED ON FEBRUARY 7, 2007

Dear Mr. Chairman (Senator Kerry), Senator Snowe, and distinguished Committee Members:

I respectfully submit my Testimony to the Senate Committee on Small Business and Entrepreneurship. My name is Wayne M. Gatewood, Jr. I am the President and CEO of Quality Support, Inc., an 18-year old Service Disabled Veteran-Owned Small Business (SDVOSB). I am a Vietnam Veteran and served 21 years of active duty in the United States Marine Corps during the period 1966 to 1987. I have a 40% disability rating through the U.S. Veterans Administration. I am also an active member of the Veterans Entrepreneurship Task Force (VET-FORCE), an organization that is dedicated to advocating on behalf of Veterans in business and ensuring that all SDVOSB goals and procedures set forth by Congressional mandate are met and followed.

I respectfully provide my Testimony regarding what I believe to be ongoing impediments to the success of our Veterans Small Business Program under PL's 106-50, 108-183, and as addressed in Presidential Executive Order 13360.

The first major impediment to the success of our Veterans participating in the Federal Government market place is **"The Rule of Two" in PL 108-183.** "The Rule of Two" is a clause within existing law that states if a contracting officer is aware of two or more SDVOSBs that can do the work, then the work must be competed. This being the case, we are seeing more and more Federal Government contracting officers making sole source contract awards to 8(a) companies that are also SDVOSBs. Although our Veteran community is happy that an SDVOSB won an award, the fact is that non-8(a) SDVOSBs are precluded from such an award. Contracting officers tell me time and time again that they cannot and will not make a sole source award to an SDVOSB because of the "Rule of Two" and the fact that they do not want to chance a protest subsequent to a sole source award to an SDVOSB. Thus, contracting officers look diligently to reach to their 3% Thus, contracting officers look diligently to reach to their 3% SDVOSB goal through sole source contract awards to SDVOSBs who are also 8(a) companies since the 8(a) sole source program does not have a "Rule of Two" impediment. The "Rule of Two" needs to be eliminated and SDVOSBs must have sole source parity based on best value, equivalent to 8(a) firms.

SDVOSB goal through sole source contract awards to SDVOSBs who are also 8(a) companies since the 8(a) sole source program does not have a "Rule of Two" impediment. The "Rule of Two" needs to be eliminated and SDVOSBs must have sole source parity based on best value, equivalent to 8(a) firms.

The second issue is the multiple counting of a contract award to satisfy as many small business goals as possible, including the SDVOSB and socio-economic goals. Government agencies are allowed to double and triple count when they make an award to a company that has multiple certifications. Contracting officers routinely look to a company that has multiple certifications and are also an SDVOSB. If in fact SDVOSBs are left out of sole source consideration and/or the competitive procurement phase for a given contract, then that Agency and that Contracting Officer should not be allowed to claim such an award as an SDVOSB purchase or contract.

I also address the apparent disregard for Congressional mandate shown by so many of our Federal Government agencies. The fact is that many agency personnel are still unaware of the SDVOSB program first initiated under PL 106-50. Many contracting offices and their personnel are completely ignorant as to the requirements of the Law. Other agency officials seemingly disregard the Law and are not held responsible when they do not make the required 3% goal for SDVOSBs. Public Law 108-183 (although restrictive because of the "Rule of Two"), did give contracting officers added contract vehicles by which to make their 3% goals. The problem is that many Federal Government Agencies continue to miss their goals, have haphazard strategic plans in place, and are never held accountable for their failures. Agency heads and their entire organizations need to be educated as to our Veterans Small Business Programs and goals, and they also need to be held accountable for their failures to adhere to Congressional mandate.

It is very sad and disappointing to see that since PL 106-50 was passed, we Veterans still have to fight at every turn to receive the same benefits in procurement procedures routinely allowed to others who have never served a day in the Military on behalf of their Country. There are some in America that mistakenly believe that Veterans' inclusion in the Federal Government market place is detrimental to other procurement programs in place; that Veterans will take away opportunities from the socio-economic groups that are included in FAR Part 19. As an African-American Veteran and a member of the NAACP, I am proud to proclaim that Veterans share the same colors, and these colors are "RED, WHITE, and BLUE."

I respectfully request that the Committee please clearly define, delineate, and enforce these Laws and that you hold the Federal Government agencies responsible for their seeming arrogance, indifference, ignorance, and apparent contempt for our Veterans Small Business mandates.

I now offer a scenario that is all too real for our Veterans who are seeking to do business with our Federal Government and be eligible for sole source awards similar to 8(a) companies. "A person leaves his or her Country and comes to America. This person never serves a day in the military nor does any volunteer work in behalf of their community. This person starts a small business, obtains U.S. citizenship and then applies for 8(a) certification and is granted that certification. This person may then be awarded a sole source non-competitive contract because of his/her 8(a) status. In the meantime, our Veterans returning from War are not eligible for the same sole source contract awards as this person who recently arrived on our shores." There is something clearly wrong with this scenario.....very wrong.

Lastly, Veterans do not want to be part of the 8(a) Program; our Veterans' Small Business Program is one that has been earned by virtue of our Service to our Country as members of the Armed Forces of America. We have our Laws in place in the forms of PL 106-50, 108-183, and most recently PL 109-461. Also, President Bush reminded all Federal Government Agency heads to work in accordance with these Laws when he signed Executive Order 13360. We want and expect adherence to mandate, and we want parity with 8(a) Companies.....getting rid of the Rule of Two will be a start; and enforcement of the Law will help greatly. I respectfully suggest that Agency Heads and officials be required to provide the Senate Committee with no less than Quarterly Reports regarding their progress or lack thereof when it comes to contracting with our Nation's Veteran Small Business Owners. Such a reporting requirement would cause SBA and DOD to think twice before coming to the Senate Committee as they did on January 31, 2007 with their pathetic Testimony and feeble excuses. For DOD to parade around three brave Service Disabled Veterans and assert that they were effectively working toward meeting their goals was nothing less than shameful. The numbers tell the real story of their ongoing failures.

Very sincerely and Semper Fi,

Wayne M. Gatewood, Jr., USMC (Ret)

Small Business Issues and Notes

Prepared by
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Applied Computing Technologies, Inc.

Veteran Owned Small Business

Established in the
Commonwealth of Virginia
December, 1993

January 28, 2007

Background

Paragraph 1.102 of the Federal Acquisition Regulations established the Guiding Principles for the Federal Acquisition System. The Principles state a vision of "delivery on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives." FAR seeks to provide best product that meets Government requirements at the lowest price – it seeks to use the powers of competition with provisions for also fulfilling public policy objectives. Public policy objectives include the accomplishment of certain objectives through preferences of various types for small businesses.

Small businesses appreciate the benefits associated with these provisions but it is important to understand that many small businesses are capable of providing innovative, cost-effective solutions on timely basis and with a high degree of dependability. Within many work scopes, we can outperform larger companies on a cost, quality, and schedule basis.

Small businesses have the capability to perform as a Prime Contractor. Prime contracts often enhance a small business's capability to achieve the desired results of innovation, cost savings and on time delivery by developing the efficient management and control achievable in smaller companies.

Even within various small business preferences, Government often benefits from intense competition to provide goods and services as a best value for the Government. Many small businesses, particularly those characterized by innovation, effective cost controls, sound past performance, and a responsive management structure, are more than willing to compete, in fact, are eager to compete within their small business categories and even in the full and open arena.

Issues

However, there are some very important recent examples where Government contracting and procurement actions purported to assist small business or labeled as small business initiatives have severely penalized large numbers of small businesses. What is presented as a benefit to small businesses is actually the opposite, a huge obstacle to Small Businesses' ability to bid on or compete for Federal contracts/task orders. These purported "small business" items actually establish conditions that will result in higher prices and less value to the Government. At the same time they do not accomplish in any significant widespread sense the public policy objectives created by Congress as stated in FAR 1.102 -- Statement of Guiding Principles for the Federal Acquisition System – "The vision for the Federal Acquisition System is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives." The following are several examples of recent Federal Procurements where public policy objectives for small business are problematic.

DHS Enterprise Acquisition Gateway for Leading Edge Solutions (EAGLE)

Reference: (http://www.dhs.gov/xopnbiz/opportunities/editorial_0700.shtm)

EAGLE is now the vehicle of choice for the issuance of Task Orders for all IT services for all of DHS and its component Departments and Agencies. EAGLE small business was awarded to 28 small businesses. DHS has effectively established a very significant barrier to competition for all non-EAGLE small businesses. EAGLE awardees represent a miniscule number of capable IT small businesses. Further, the majority of these awarded small businesses are concentrated in the National Capital Area. And EAGLE does not include provisions for rolling admissions whereby on a periodic basis the base of EAGLE small businesses could be widened.

> Non-EAGLE small businesses' only opportunity to obtain DHS business is through subcontracts with EAGLE primes contractors. This compounds business planning and increases risk. In many cases, Non EAGLE small businesses with an objective to perform as a prime contractor will choose to concentrate their efforts in other segments of the Federal market.
>
> To date, it appears that DHS Eagle Task Order Solicitations have been published with very short turnaround periods (days or weeks) eliminating the possibility for non-EAGLE small business to effectively participate.
>
> The net effect is that the majority of small businesses are effectively prevented from competing for all IT procurements within 27 Departments and Agencies.
>
> The big losers are both the Federal Government and small business. This is the prospect for at least five years and perhaps ten years if nothing is done.
>
> The suggested remedies for this are to increase small business participation and accrue the benefits of effective competition by:
>
> - Remove the DHS imposed restriction that the only small business awards will be under EAGLE and substitute other means of wider competition for small business awards.
> - Establish a "Rolling Admission" scheme for EAGLE small business so that the EAGLE small business pool is significantly increased in numbers and geographic basis.

GSA Alliant

Reference:
(http://www.gsa.gov/Portal/gsa/ep/channelView.do?pageTypeId=8199&channelPage=%252Fep%252Fchannel%252FgsaOverview.jsp&channelId=-16829)

In GSA's words: "Alliant SB Government wide Acquisition Contract (GWAC) will provide innovative Information Technology (IT) solutions from small businesses. Alliant SB offers advantages to pre-qualified small businesses by providing opportunities to compete amongst a defined group of contract holders and a chance to develop their business before moving into unrestricted acquisition environments. The Alliant SB GWAC is designed to assist agencies in reaching their small business procurement goals."

GSA enforced a RFQ requirement that a small business must have a DCAA approved accounting system in place. This is an unusual, if not rare, qualification for a small business, even those with previous or existing federal cost based contracts. DCAA is limited in its audit capacity, there is a substantial backlog for performance audits, and the business volume established to require an audit usually implies that the small business is well on its way to exceed small business size standards.

By this single limitation, GSA has effectively established strong barriers to competition for the majority of IT small businesses that presently operate in the federal market. Small businesses without a DCAA approved accounting system are simply prohibited from competing regardless of proven capabilities, efficiencies, innovation and cost savings.

As in EAGLE, the net effect is that the majority of small businesses are effectively prevented from competing for IT procurements on this acquisition contract.

Big losers are both the Federal Government and small business. This is the prospect for at least five years and perhaps ten years if nothing is done. GSA, in effect, has established on it's own a new small business category, i.e. small businesses with a DCAA approved Accounting System.

The suggested remedies for this situation are to increase small business participation and accrue the benefits of effective competition by:

- Remove the imposed restriction regarding a DCAA approved accounting system and substitute other means of wider competition for small business awards.
- Establish a "Rolling Admission" scheme for Alliant Small Business Contract so that the Alliant small business Pool is increased in size.

Enforcement of Small Business Quotas

Many Departments and Agencies establish various small business quotas for prime contractors. Small businesses benefit to a degree from this but there can be improvements made. Small business quotas and subcontracting plans that are established in RFQ's and evaluated as part of the award process are effective in creating an environment for establishing teaming agreements and often result in a subcontract for the small businesses during contract execution. However, in many cases that is the last time that there is any mandated enforcement or even measurement of actual participation by small businesses. Addition of requirements for establishment of initial goals and

subsequent effective follow-on execution of sub-contracting small business quotas would be of great benefit to the small business community. This would require a method or reporting and assessing penalties when promised goals for small businesses are not achieved.

SeaPort e - Favorable Aspects for Small Businesses

Reference: (http://www.seaport.navy.mil/)

SeaPort Enhanced is used by the Department of Navy to issue competitive solicitation among a large number of approved contractors and also, through web portal technology, offers an effective way to award and manage task orders. Participating contractors, large and small businesses, are qualified via a competitive process and then become eligible to bid on Task Orders. There are several factors in SeaPort e which are very beneficial to small businesses. They are:

- The requirement for DCAA approved Accounting System is not a prerequisite for award. If a contractor is qualified through the RFQ evaluation process for other factors and is sufficiently qualified in other aspects of cost, the evaluation process includes a DCAA audit which, if the contractor is sufficiently prepared, will result in DCAA approval of the contractor's accounting system. This is very different than the GSA Alliant approach; under the SeaPort e approach, the Government in effect mentors/sponsors a bidder through the DCAA qualification process once the contractor passes certain other thresholds in the Government evaluation process. This is beneficial to both the Government and the small business in that it significantly increases the size of the qualified contractor base while at the same time reduces cost risk during the execution phase.
- SeaPort e has provisions for addition of small businesses to the program either by becoming a subcontractor to an existing SeaPort e Awardee or through an annual process of rolling admissions. Small businesses wishing to receive a SeaPort e award follow standard processes for proposal submission and undergo evaluation for award under the rolling admission process. Small businesses are not locked out of the program for extended periods of time. Please note that award does not guarantee success from the small business perspective; it only allows the small business to compete in a meaningful way. That is what most small businesses are more than willing to do.
- SeaPort e has provisions for purging contractors who do not participate in the program after specified time periods. This prevents the base from becoming too large and also encourages awardees to actively participate in the program.

Recommendations

Investigate methods that small business participation as prime contractors within the Department of Homeland Security can be significantly broadened.

Compel procurement and contracting activities to consider the economic impacts on the competitive base within small businesses and small business categories during the procurement planning process for contract vehicles. The goals should be to accomplish public policy objectives as they apply to small business or small business segments and to the greatest degree possible preserve competition within the segments.

Introduce mechanisms so that established small business goals for prime contractors can be monitored and managed so that they are actually achieved.

Testimony of Dave Krasner
Committee on Small Business & Entrepreneurship
"Assessing Federal Small Business Assistance Programs
For Veterans and Reservists"
January 31, 2007
Washington, D.C.

Good morning, Senators. Thank you for the invitation to come before you and tell you my story. I am a reservist and a small business owner. I will tell you the realities of what my family and I faced when I was called up, what others like me face, and what can be done better to help us while we are on active duty and when we return.

LEAVING FOR IRAQ:
When you are called up, you aren't given much time to prepare to leave. I received word that I would be leaving only a week before being activated, and I had a lot to do. My wife and I both own a small technology company called Expetec. We service and repair printers, computers, Network devices, and network infrastructure. We scrambled to have our clients taken care of in our absence. It was hard, but we managed.

My wife was the majority owner and had contributed the amount of capital necessary for the business to start, and she became worried about whether to replace me with a senior engineer. This would cost the company between $70,000 and $80,000. We were in the startup phase of the company, so we did not have the capital needed to do so. Therefore, we decided to close until my return, knowing and hoping that there would be some way to recoup and to get help from the government in a loan or other subsidy that would put us in a position to succeed again. This was somewhat comforting at the time, but ultimately did not help as we were refused assistance based on our credit scores (which should not have been a factor in the decision).

We have thus far applied for the MREIDL, which we were refused, and the homefront financial security loan from the state of Massachusetts, which we were also refused. We then applied for a regular SBA loan, where we met Mo Dube, a decent and strong individual who referred us to several lending institutions. Unfortunately, none of those were able to lend to us because of the financial difficulty of lost income during deployment causing bad debt. That was frustrating because those military loan programs were supposed to help reservists and families like ours who run into trouble, or might, because they are serving. Instead, when we serve, and serving causes our credit to suffer, we become ineligible for the assistance. Luckily, we were able to get enough money from our friends and family to restart the business and continue on.

FALLING ILL IN IRAQ:
To make things even worse, I suffered a mild heart attack in Iraq due to severe asthma and have subsequently lost my second job as Boston Firefighter. This has put us in a situation of absolute panic because now the creditors from the business are after our property even though we have not had time to fully recover. They have no sympathy for those who have served to protect their country and do not care about the deployment and what is has done to my family.

SUGGESTIONS FOR HELPING BUSINESSES:

- Military for Reservists: I suggest a program of in processing for deploying business owners. In this program, they would receive a separate checklist of all debts owed and contact info for these accounts. These creditors should be contacted and notified to reduce their rates to the 6 percent required by law, or to suspend payments while we are serving. We need services and even financial assistance to keep our credit good. Without good credit, we can't get the loans we need for operating capital while building back up, or to pay expenses as we get back our clients. Also, they should be encouraged to start looking toward the business owner's return and develop a plan with respect to funding the business upon that return.

- Family Preparation for Deployment: There should be a packet with all the information about resources available to the small business owner for a family business. Currently, the deployed soldier or business has to search for the information and it is often difficult to locate.

- Business Hardships: We currently face losing our home, as we put it up for collateral. Not only that, but we will be forced to close the business and stop operations if a sufficient amount of capital is not available to the business to fund invoice collection. There needs to be a program in place to ease the rough transitions before and after deployment.

We are begging for help and cannot understand why, even if this is an unpopular war, we are not given a fair opportunity to keep our home and run a successful business. Things that have taken place, such as my deployment, were not controlled by us but have taken a serious toll on our lives.

Again, as I have said many times to the bank or institution reviewing our situation, it is not my family's fault that I was called to duty, yet they pay the price for my patrioitism and loyalty every day!

I thank you for the opportunity to testify and explain why the current system does not support reservists who are small businesses owners.

White Paper
Service Disabled Veteran Owned Small Business

I. Problem Statement: The 3% goal for award of federal business to Service Disabled Veteran Owned Small Business (SDVOSB) is not and cannot be achieved under the current circumstances.

II. Background/Facts:

A. Public Law 106-150 established a 3% goal for award of small business contracts to SDVOSBs

B. Reference is made to Public Law 108-183, 15 U.S.C. 657f ``Procurement Program for Small Business Concerns Owned and Controlled by Service-Disabled Veterans." The law provides that federal contracting officers may:

1. Award contracts on the basis of competition restricted to service-disabled veteran-owned small businesses (SDVOSB) if there is a reasonable expectation that two or more SDVOSBs will submit offers and that the award can be made at a fair market price;
2. Or award a sole source contract to a responsible SDVOSB when there is not a reasonable expectation that two or more qualified SDVOSBs would submit offers,
3. The anticipated contract price (including options) will not exceed $5 million (for manufacturing) or $3 million otherwise, and the contract award can be made at a fair and reasonable price.
4. The rule also limited use of SDVOSB procurement authority to procurements that would not otherwise be made from Federal Prison Industries (section 4124 or 4125 of Title 18.)
5. The Law and the Federal Acquisition Regulations (FAR 19) permit 8(a) Disadvantaged business to be awarded sole source contracts without competition over equally qualified SDVOSBs (section 808-1)

C. IDIQ Omnibus government contracts take precedence over and precludes award to qualified SDVOSB.

D. Current regulations require that SDVOSBs self certify they are in fact 51% owned and actively controlled by Service Disabled Veteran/s.

III. Problem Discussion: The following major reasons explain why the 3% goal of award of federal business to SDVOSB is not being achieved

A. *Difficulty to Sole-Source Contracts to SDVOSB*: It is much more difficult and risky due to potential for protests for Government contracting officers to award a sole source contract to a SDVOSB and than to an 8(a) Business. A contracting officer may make a sole-source, non-competitive award to any 8(a) Business, without completing any justification paperwork. He need only believe the 8(a) Business is capable of performing the work. In addition, the contracting officer's decision to award to an 8(a) Business can not be protested. By contrast, before a contracting officer can make a sole-source award to a SDVOSB, the contracting officer must

1. Investigate and determine that there are no other SDVOSB that claim they could do the work, otherwise a time consuming competition must be conducted;
2. Complete a Justification and Approval (J&A) document to justify his sole source selection of the particular SDVOSB.

White Paper
Service Disabled Veteran Owned Small Business

3. Consider the risk of potential protests of a contract award to a SDVOSB and take the necessary precautions to ensure that he can withstand such protests.

Given the time, effort, and expense, the contracting officers will always choose to award business to the 8(a) Business. Consequently the SDVOSB is subordinated, treated inequitably and has few chances. It therefore becomes almost impossible for contracting officers to meet the established 3% SDVOSB annual goals.

B. *Limitation on Contract Size for SDVOSB*: The current law provides for a $5 million (for manufacturing) or $3 million otherwise restriction on Disadvantaged and SDVOS Businesses.

C. Government Contracting Officers administering IDIQ Omnibus Contracts do not have the option to award work associated with theses contracts to qualified SDVOSB when it is of benefit to the Government.

D. The "self certification" by a Small business purporting to be 51% owned and controlled by a Service Disabled Veteran/s lends itself to misrepresentation of the actual 51% ownership and management control.

IV. Recommendation/Request: The following changes are respectfully recommended and requested:

A. Make SDVOSB equal to 8(a) Business by making it possible for a contracting officer to award sole source contracts to qualified SDVOSB on the same grounds as is currently permitted for 8(a) Businesses.

B. Help the SBA reach its 3% SDVOSB annual goal by removing the $5 million (for manufacturing) or $3 million otherwise restriction on qualified SDVOS Businesses.

C. Allow a Government Contracting Officer the option to select on a sole source basis a qualified SDVOSB over an IDIQ Omnibus contractor when it will benefit the Government

D. Require Small Businesses purporting to be 51% owned and controlled by a Service Disabled Veteran/s to submit documentation from the Veterans Administration showing that they are in fact a disabled Veteran/s and to provide a written description and certification of his/their duties in management and control of the company.

Respectfully Submitted

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Association for Service Disabled Veterans
Association of Small Business Development Centers
American G.I. Forum of the United States
AMVETS (American Veterans)
Black Veterans for Social Justice, Inc.
Blinded Veterans Association
Center for Veterans Issues
Enlisted Association of the National Guard
HI Tech Services, Inc.
Jewish War Veterans of the USA
Korean War Veterans Association
Military Officers Association of America
National Association for Black Veterans
National Association for Uniformed Services
National Coalition for Homeless Veterans
National Gulf War Resource Center
National Organization for Competency Assurance
Non-Commissioned Officers Association of the USA
Paralyzed Veterans of America
Quality Support, Inc.
Reserve Officers Association of the United States
Rolling Thunder
The Retired Enlisted Association
The Veterans Advocacy Foundation
Veterans Benefits Clearinghouse
Veterans Business Network
Veterans Economic Action
Veterans Enterprise Training & Services Group
Veterans of Foreign Wars
Vietnam Veterans of America
Vietnam Veterans of California, Inc.

Veterans' Entrepreneurship Task Force (VET-Force)

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Statement for the Record

Joe Wynn, Treasurer
Veterans Entrepreneurship Task Force (VET-Force)
and
Legislative Liaison
National Association for Black Veterans (NABVETS)

to the

Senate Committee on Small Business & Entrepreneurship

on

Assessing Federal Small Business Assistance Programs
for Veterans and Reservists

Wednesday, January 31, 2007
Russell Senate Office Building
Washington, D.C.

Submitted February 2007

On behalf of the Veterans Entrepreneurship Task Force (VET Force), let me first commend Senators Kerry and Snowe, Chairman and Minority Chair, respectively, of the Senate Committee on Small Business & Entrepreneurship for conducting their first hearing of this new 110th Congress on the topic of Assessing Federal Small Business Assistance Programs for Veterans and Reservists. While the country as a whole has been supportive of the nearly 1 million of our Nations' troops, including members of the National Guard and Reserves, who have and continue to experience the toils of the 'War on Terror,' which is primarily being waged in the territories of Iraq and Afganistan; support for those that are fortunate enough to return home as our Veterans, need equally as much support, if not more; especially those that incurred injuries while in service.

In addition, many of the 24 million more veterans who have served in previous wars and conflicts, who served either here or abroad, also deserve our continued support. As part of the effort to "Care for those who have borne the battle,..." Congress, realized that:

(1) "Veterans of the United States Armed Forces have been and continue to be vital to the small business enterprises of the United States;

(2) In serving the United States, veterans often faced great risks to preserve the American dream of freedom and prosperity;

(3) The United States has done too little to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises;

(4) Medical advances and new medical technologies have made it possible for service-disabled veterans to play a much more active role in the formation and expansion of small business enterprises in the United States; and

(5) The United States must provide additional assistance and support to veterans to better equip them to form and expand small business enterprises, thereby enabling them to realize the American dream that they fought to protect."

That finding led to the passage of the Veterans Entrepreneurship & Small Business Development Act of 1999, which provided assistance to veterans interested in starting or expanding their own small business. While the framers of PL 106-50 did a good job of setting up the program in 1999 to assist all veterans interested in starting or expanding their own small businesses, it wasn't until the Veterans Benefits Act of 2003, Section 308 that a Procurement Program for Service Disabled Veterans interested in participating in the Federal Marketplace was created. Under Section 308, contracting officers were given the authority to restrict competition (set-asides) or make sole source awards for procurements to service disabled veteran owned businesses (SDVOBs).

However, it has taken an Executive Order 13-360 from the President (October 2004), and follow up letters in 2006 from Senator Kerry's office via this Senate Small Business Committee, to finally get agencies to make a serious effort of implementing the program and to do more to

achieve the 3% minimum contracting requirement for all federal agency's and large primes to procure goods and services from SDVOBs.

As a veteran of the U.S. Air Force, President of the Veterans Enterprise Training & Services Group, and a member of the Veterans Entrepreneurship Task Force (VET-Force) since 1999, the veterans business advocacy group that has taken the lead in overseeing the creation and implementation of veterans' business legislation and programs for service disabled veterans, that most agencies and large primes are still finding excuses for not meeting the 3% minimum requirement.

As we move into the 4th year since PL 108-183 and the creation of the Federal Procurement Program for Service-Disabled Veteran Business Owners, we request that the following recommendations be considered to correct the shortcomings referred to by federal contracting officials, improve the effectiveness of the procurement process and to increase contracting opportunities for small businesses owned and controlled by service disabled veterans.

Recommendations to Achieve the Goals – Legislative Fixes

1. Eliminate the "Rule of Two" and allow Sole Source awards to SDVOBs up to the anticipated award price of the contract (including options) provided the award will not exceed the amounts referenced in PL 108-183, Section 36 (2)(A) and (B) and the Code of Federal Regulations (CFR) 13 CFR, Part 125. Section **19.1405, Service-disabled veteran-owned small business set-aside procedures states that:**

(a) The contracting officer may set-aside acquisitions exceeding the micro-purchase threshold for competition restricted to service-disabled veteran-owned small business concerns when the requirements of paragraph (b) of this section can be satisfied. The contracting officer shall consider service-disabled veteran-owned small business set-asides before considering service-disabled veteran-owned small business sole source awards (see 19.1406).

By eliminating the Rule of Two, it is not intended to eliminate the authority to set-aside procurements for two or more SDVOBs, but to eliminate the requirement under 19.1405 (b) of the FAR, as referenced above, that a contracting officer shall consider a set-aside of two or more SDVOBs before considering a SDVOB sole source award.

It is further recommended that contracting officers shall be given the authority to use Noncompetitive Procedures for certain small contracts less than the simplified acquisition threshold for the purposes of meeting the SDVOB goals. It should be noted that this authority was granted by Congress under PL 109-461 for contracting within the Dept. of Veterans Affairs.

Meeting with and talking with Federal Government contracting officers, we have found that they are often under pressure to get certain requirements awarded quickly, and although there is a SDVOB that can do the job, they routinely go to 8(a) sole source, since the Rule of Two will not allow them to deal with the SDVOB on a sole source basis. In these cases, the Government does not have time to even consider restricted competition among SDVOBs because of time factors. Thus, the SDVOB suffers and the government agency looses an opportunity to add to its 3% Goal under the law.

SBA 8(a) Firms have no such Rule and are awarded single sole source awards for their self marketing activities under part 19 FAR. For SBA 8(a) Firms there can be a multitude of 8(a) Firms and the Contracting Officer can still elect to sole source to just one without competitive procurement activity.

2. Create a level playing field for veteran business owners as with the Hubzone program. **The use of "May" for SDVOBs should be changed to "Shall" under FAR Part 19.1405(a) and PL 108-183, Section 36(b) when granting contracting officers the authority to restrict or set-aside procurements strictly for SDVOBs.** The order of priority for contracting preferences among the three groups, 8a, Hubzone, and SDVOBs, should be equal. Contracting officers need clear guidelines and authority to contract with SDVOB's and allow SDVOBs to reap the benefits of their hard work and self-marketing activities.

3. Small Business Subcontracting Plans submitted by large companies (Primes), including all of details of the plans, shall be made available to the public either electronically or on forms 294 and 295, immediately upon request. Plans submitted in accordance with FAR Part 19.702 should be strictly enforced by the Contracting Officer, the Procurement Center Representative, and the SBA, whereby any large Prime contractor receiving a contract award over the Simplified Acquisition Threshold must agree that each of the designated small business preference groups, including SDVOBs, will have the maximum practicable opportunity to participate in the contract. Contracting Officers should also impose Liquidated Damages, as prescribed in FAR Part 19.705-7 for those companies that fail to demonstrate a good faith effort to submit or fulfill the requirements of a required subcontracting plan.

4. Aid to Reserve business owners when key personnel are called to active duty by offering grants, low interest lines of credit, and affordable business insurance.

5. Allow for succession to continue the status of the SDVOBs for 10-years following the death of the service-disabled veteran.

6. Close loopholes in the GSA schedule (FAR Part 8) wherein large businesses are allowed to take away business intended for small businesses.

7. Make it mandatory that agencies consider past experiences and performance of the veteran business owner and/or key personnel when evaluating past performance of the company.

8. Capital formation funding needed to help with business growth for all VOBs/SDVOBs. Persons receiving loans must practice veterans preference, (b) After 3rd year of loan, business must demonstrate outreach to the community, and (c) demonstrate business-to-business with other VOB and SDVOBs.

9. Provide a Price Evaluation Preference of 10% for SDVOBs in acquisitions conducted using full and open competition.

10. Allow the Department of Veterans Affairs to establish a verification process for veterans and SDVOBs that will be used by all agencies through the use of the VA's veteran contractor

database. The VA and DOD are the only two government agencies authorized to grant service-connected disability status to veterans. Thus it would be quite natural for these agencies to issue a letter indicating a veterans' disability status. Absent an official certifying letter, the self-certification system that is currently in place, if SDVOB contract awardees are challenged, can be time consuming and an unnecessary burden.

OTHER RECOMMENDATIONS:

1. Direct SBA and agencies to increase the use of Procurement Center Representatives (PCRs) as prescribed throughout FAR Part 19. Also increase the use of Commercial Marketing Representatives (CMRs) in assisting SDVOBs with identifying contracting opportunities. SBA should also be directed to expand the number of PCRs in its Prime Contracts Program and the number of CMRs in its Subcontracting Program.

2. Strengthen the SDVOB program by increasing contract awards, resources, and support **without including SDVOBs into the 8a program.** The 8a program was created to help alleviate the more than 100 years of wrongful discrimination and exclusion of minorities from the full benefits of American society, including the federal marketplace. The SDVOB program is intended to be inclusive of any American who served in this country's armed forces, guard or reserves. The SDVOB program should retain its own identify for "those who have borne the battle." Though some SDVOBs may be socially and/or economically disadvantaged, reference is made to items 1 and 2 above, to further the business development of SDVOBs.

3. SBA should be directed to provide better oversight and frequent monitoring of agency strategic plans for implementing veterans' business legislation, in accordance with Executive Order 13-360. SBA should be diligent in alleviating barriers to discrimination and providing more resources to expand and develop the pool of capable and qualified veteran and service disabled veteran business owners. As a result – more employment opportunities will be created for veterans, disabled veterans, their families, and their communities.

4. The Veterans Federal Procurement Program should be extended to assist OIF/OEF veterans and other service disabled veterans by directing agencies to contract first with SDVOBs that meet the requirement to hire a percentage of their direct labor from the pool of OIF/OEF severely disabled veterans. The SDVOB would also have an obligation to provide the training needed for their disabled veteran workforce.

5. Finally, it is further recommended that the use of FAR Part 19.705-1, Incentive Subcontracting Program, be emphasized, whereby the contracting officer may encourage the development of increased contracting opportunities in negotiated acquisitions. And all agencies should be required to implement and/or expand the use of Mentor – Protégé Programs.

Thank you for accepting this statement for the record. As you begin your deliberations on assessing the effectiveness of federal small business programs for veterans and reservists, I urge you to consider these recommendations, and the oral and written statements submitted by other SDVOB owners pertaining to the Federal Procurement Program for SDVOBs, created under PL 108-183.

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