

**TESTIMONY**

**of**

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**U.S. Department of Defense**

**Before the**

**U.S. House of Representatives**

**Committee on Small Business**

**Subcommittee on Contracting and Technology**

**Hearing on**

**“Ensuring Stimulus Contracts for Small and Veteran-Owned Businesses”**

**March 12, 2009**

**HOLD UNTIL RELEASED BY THE COMMITTEE**

Good morning Chairman Nye, Ranking Member Schock, and Committee Members. I am Linda Oliver, Acting Director of the Office of Small Business Programs of the Department of Defense.

Thank you for the opportunity to appear before you today to discuss the Department of Defense (DoD) plans and strategies to maximize the participation of small businesses --including service-disabled veteran-owned small businesses -- in contracts awarded under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

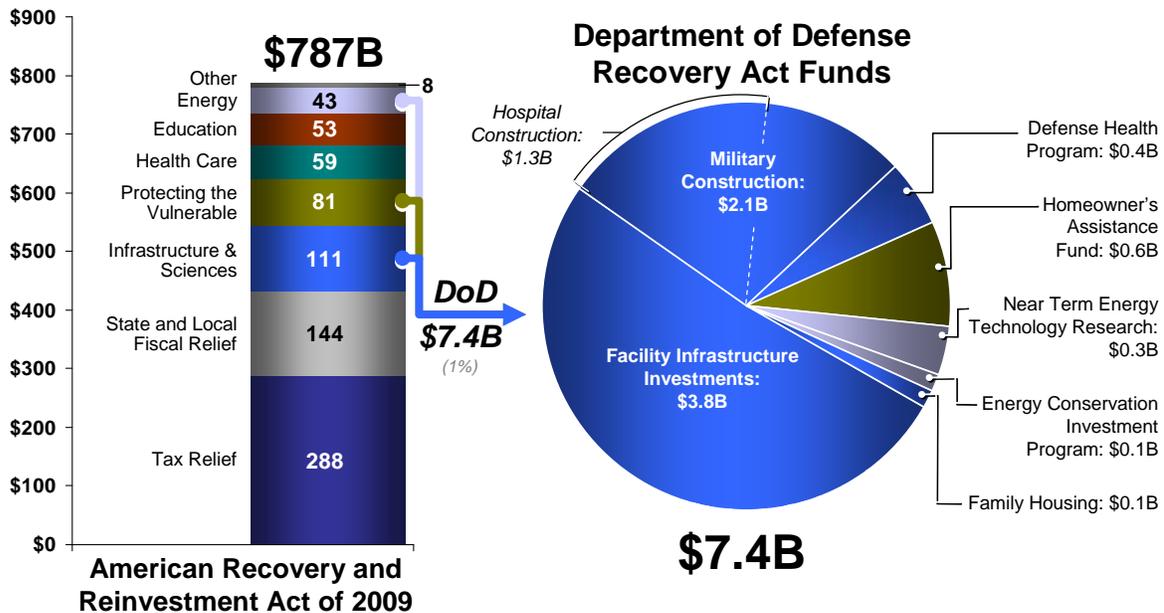
DoD is committed to promoting small business vibrancy in our national industrial base. I am pleased to say that the Department is poised to support small business participation in our acquisitions that will be awarded using funding provided by the Recovery Act. As I proceed, you will hear a brief discussion of DoD's role in support of the Recovery Act, highlights of SDVOSB participation in DoD programs, and additional activities we sponsor to promote opportunities for small business concerns in DoD acquisitions.

### **DoD Implementation of The American Recovery and Reinvestment Act of 2009**

On February 18, 2009, the Office of Management and Budget (OMB) issued initial implementing guidance for the Recovery Act that prescribes transparency and accountability requirements that are to be carried out, in major part, through a series of frequent reports that will be easy for the general-public to review. The Contracts Section of OMB's memorandum is of significant relevance to DoD because approximately \$7.4 billion in Defense-related appropriations will be expended primarily through contracts. The stimulus funds, as illustrated in the chart below, are divided into seven program areas: military construction, facility infrastructure investments, homeowners' assistance fund, defense health, near-term energy efficiency technology demonstrations and research, family housing, and energy conservation and investment.

## Defense Represents 1% of Recovery Act

(Dollars in Billions)



Source: Recovery.gov, American Recovery and Reinvestment Act of 2009

The OMB guidance directs that contracts funded by the Act maximize opportunities for small businesses to compete for agency contracts and to participate as subcontractors. Carrying out this mandate goes to the heart of the issue of this hearing.

DoD is implementing OMB's guidance through a series of informal committees that report information to, and take direction from a formal committee. "The American Recovery and Reinvestment Act of 2009: DoD Working Group" is the formal name for the ad hoc organization responsible for all Department matters concerning the Recovery Act. It is managed by a group of very senior employees working at the direction of the Under Secretary of Defense (Comptroller) and includes representatives from the Military Departments and Other Defense Agencies as well as subject matter experts in functional areas such as procurement and small business. The group meets formally every Monday to exchange information within the Department.

Across DoD, informal groups and subgroups meet to plan and carry out activities that will be reported to the DoD Working Group either directly or indirectly via groups that are more senior. For example, on Thursday February 26, 2009, senior acquisition officials from the Services met with representatives from the Office of the Under Secretary of Defense (Acquisition, Technology & Logistics) to prepare information that was presented to the DoD Working Group at a meeting the following Monday. The topic most discussed at the February 26 meeting was maximizing small business opportunities. Similar meetings are taking place all over the Department.

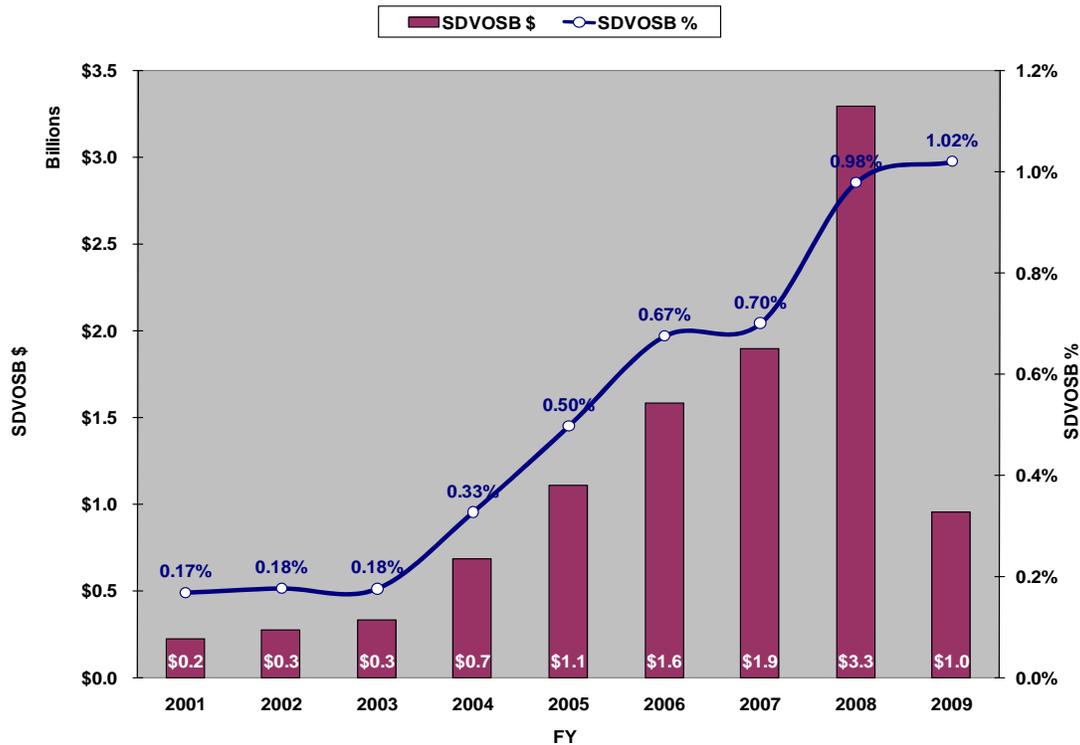
### **DoD SBIR and STTR Programs**

The Small Business Innovation Research (SBIR) Program funds technology research and development through qualifying small businesses via a highly competitive three-phase process. Funding for the SBIR Program is set aside each fiscal year from extramural Research, Development, Test and Evaluation (RDT&E) appropriations.

The Recovery Act provides \$300 million of RDT&E funding to the Department of Defense. A part of this funding, 2.5 percent of the eligible amount, consistent with statute (15 U.S.C. 638), is being set aside to fund SBIR contracts. Small businesses, including qualified service-disabled veteran-owned firms, may compete for Phase I funding through the SBIR Program. Similarly, funding is being set aside for the Small Business Technology Transfer (STTR) Program. The STTR Program funds cooperative technology research and development through qualified small firms in partnership with research institutions, such as universities. STTR Program funding is 0.3 percent of the eligible portion of RDT&E appropriations.

### **DoD Service-Disabled Veteran Owned Small Business Program**

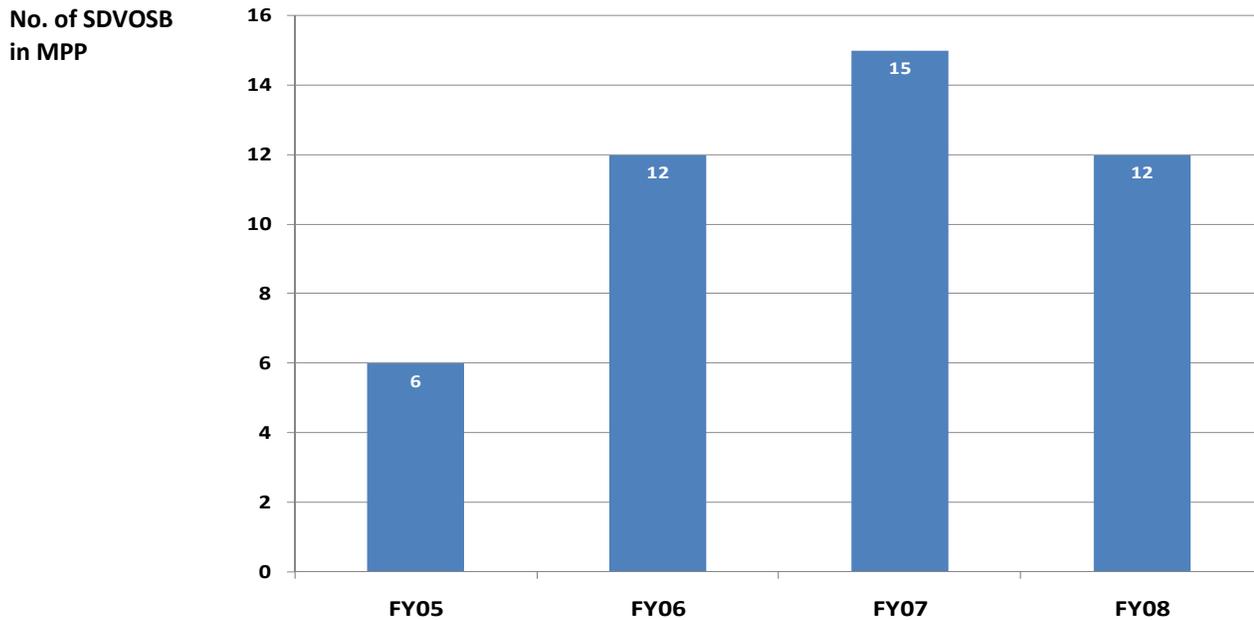
The chart provided below shows DoD's accomplishments toward increasing prime contracts with service-disabled veteran-owned small businesses (SDVOSBs). In the past five years (2003 to 2008), DoD increased prime contract awards to SDVOSBs from \$0.3 billion to \$0.98 billion. In dollars, that represents a nearly 227 percent increase.



We are quick to pat ourselves on the back for this remarkable progress, but the increases would have been far more modest without the assistance of Congress and of the service-disabled veterans, themselves. Congress enacted a statutory SDVOSB goal, and authority to set-aside procurements for SDVOSBs. We have received input from a varied coalition of veterans groups, formally called the Veterans' Entrepreneurship Task Force (Vet-Force), and we appreciate their support.

### SDVOSBs in DoD Mentor-Protégé Program

In 2003, my office initiated a legislative change proposal that would make SDVOSBs eligible to be protégés in the DoD Mentor-Protégé Program. This change was enacted in the spring of 2005, when three SDVOSBs entered the program. Since then, their participation has steadily increased so that today there are 31 service-disabled veteran-owned small businesses with active DoD mentor-protégé agreements. This represents 25 percent of all active mentor-protégé agreements within the Department. The chart below shows mentor-protégé agreements that were formed since 2005 with SDVOSBs as protégés. Typically, these agreements last for three years.



The SDVOSB participation in this program was a particularly important step because the program facilitates protégé success by helping them learn and grow with established DoD prime contractors. Technology enhancement or technology transfer from the mentor to the protégé firm is a central element of the program. As a result, protégé firms that graduate from the program are generally valuable additions to the Department's supplier base.

The SDVOSB protégé firms have excelled in this program. Last November, three mentor-protégé teams with SDVOSB protégés were presented Nunn-Perry Awards for their outstanding contributions to the Department of Defense. The three protégés firms are CSSS.NET, Stratom, Inc., and Maintenance and Inspection Services, Inc. CSSS.NET, with help from Northrop Grumman Mission Systems, is honing expertise in geographic information systems. Stratom is working with Applied Research Associates on robotic manipulator technology. Q.E.D. Systems is helping Maintenance and Inspection Services enhance their manufacturing capabilities. These SDVOSB protégés are becoming valued business partners and innovators within a relationship that fosters technical progress.

### **Additional Accomplishments**

We, with a team of experts across the Department, are extensively revising Defense Acquisition University's Internet Web-based training module for DoD acquisition personnel on strategies for contracting with SDVOSB. Our office is also

working with Defense Acquisition University to develop additional training modules for program managers and contracting officers.

Additionally, DoD sponsors an annual awards ceremony to recognize the accomplishments of and service to the SDVOSB community. These awards honor such things as outstanding business practices, success in federal procurement, hiring veterans and service disabled veterans, and other demonstrated support of the service-disabled veteran community. The awards also recognize prime contractors whose efforts and dedication have led to a significant increase in subcontracting opportunities for SDVOSBs.

Many of our activities are reflected in our five-year Service-Disabled Veteran-Owned Small Business Strategic Plan. We published our most recent version in January 2009. Our SDVOSB Strategic Plan is a subset of our office strategic plan. The strategic plans force us to evaluate the effectiveness of projects and they help us focus on areas that will most effectively create maximum opportunities for small businesses, including service-disabled veteran owned small businesses.

The Department of the Army, on behalf of DoD leads the Department's efforts with respect to the National Veteran Small Business Conference each year. This conference serves as a training and outreach event specifically aimed at our service-disabled veteran-owned small businesses and allows DoD to present current information on its contracting methods and what firms need to know to compete effectively for DoD contracts. The DoD small business contracting workforce is committed to increasing its training and outreach efforts that are designed to assist SDVOSB concerns.

My office also sponsors an annual DoD small business specialist training conference. The conference provides training and assistance to the DoD acquisition workforce across all DoD components.

## **Conclusion**

The achievements of service-disabled veteran-owned small businesses in contracting with DoD resulted from dedicated, agency-wide support of the SDVOSB program and the diligent efforts of veterans' groups and the DoD acquisition community. The increase in contracts awarded to SDVOSBs has been continuous since 2003. DoD has shown it can increase opportunities for SDVOSBs in all its programs, including the DoD Pilot Mentor-Protégé Program. Service-disabled veteran small businesses are and will continue to be, an important part of DoD small business programs.

As DoD expends the funds provided by the Recovery Act, we will continue to pursue strategies that will give the maximum practicable opportunities to all small business, and give vigorous attention to providing opportunities for SDVOSBs. I am

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convinced that we will succeed in this endeavor by continuing to recognize the value offered by small business firms, including those owned by service-disabled veterans who continue to serve their country as part of the nation's industrial base.

Mr. Chairman, I thank you and the members of the Committee for your interest in our efforts, and I would be pleased to address your questions. Thank you.