

**STATEMENT OF  
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ECONOMIC COMMISSION  
THE AMERICAN LEGION  
BEFORE THE  
SUBCOMMITTEE ON CONTRACTING AND TECHNOLOGY  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
ENSURING STIMULUS CONTRACTS FOR SMALL BUSINESS AND VETERAN-  
OWNED BUSINESSES**

**MARCH 12, 2009**

Chairman Nye, Ranking Member Shock and Members of the Committee:

Thank you for the opportunity to present The American Legion's views on the Federal Contracting opportunities for Small Business in relation to veterans.

The American Legion views small business as the backbone of the American economy. It is the mobilizing force behind America's past economic growth and will continue to be a major factor as we move well into the 21<sup>st</sup> Century. Reports show that businesses with fewer than 20 employees account for 90 percent of all U.S. firms and are responsible for more than 97 percent of all new jobs, generated \$993 billion in income in 2006, and employ 58.6 million people. There are 27 million small businesses in the U.S. and 99.7 percent of all firms are small businesses.

In FY 2007, the Small Business Administration's (SBA's) Office of Government Contracting reported that of more than \$378.5 billion in Federal contracts identified as small business eligible, small businesses only received a total of \$83 billion in prime contract award and about \$64 billion in subcontracts. Service-disabled Veteran-Owned Businesses (SDVOBs) were recipients of \$3.81 billion, or 1.01 percent of those available contract dollars.

America has benefited immeasurably from the service of its 26 million living veterans, who have made great sacrifices in the defense of freedom, preservation of democracy, and the protection of the free enterprise system. Due to the experience veteran's gain in the military the success rate of veteran-owned businesses is higher than other non-veteran owned businesses. The current War on Terror has had a devastating impact on our armed forces and has contributed to exacerbating this country's veteran unemployment problem, especially within the Guard and Reserve components of our military. According to the Department of Labor the present unemployment rate for recently discharged veterans is an alarming 20%, and one out of every four veterans who do find employment earn less than 25 thousand dollars per year. Unfortunately, many of the thousands of servicemembers who are currently leaving the service are from the combat arms and non-skilled professions that are not readily transferable to the civilian labor market.

One way of combating unemployment is through the creation of new jobs. Small business creates an estimated 60 percent to 80 percent of net new jobs, therefore providing a central element for strong economic growth. Government should assist in the creation of new jobs by encouraging qualified entrepreneurs to start and expand their small businesses, and no group is better qualified or deserving of this type of assistance than our veterans.

Increasingly, the growth and stability of this nation's economy is dependent on the long-term success of the small business networks across the country. However, during a time of war there is much to be accomplished. Ironically, for too many years, the very men and women who served in uniform, stood ready to fight, and if necessary die in order to protect and preserve our free enterprise system, are summarily ignored by the Federal agencies responsible for meeting their small business needs.

The U.S. Small Business Administration has the responsibility of supporting veteran business owners, yet the office empowered to oversee our programs remains critically understaffed, underfunded, and marginalized despite laws championed by this very committee last year to further empower veterans' entrepreneurship programs.

The Department of Defense (DOD), who will have the responsibility of directing more than six and a half billion dollars of stimulus infrastructure, continues to be satisfied with an embarrassing, less than 1 percent achievement of the federally mandated 3 percent SDVOB contracting goal. Especially important to note is that all of the stimulus money will be dedicated to construction and infrastructure improvement, and these are two of the strongest areas of SDVOB ownership according to the Federal Central Contractors Registry.

Additionally, the Army Corps of Engineers combined appropriations to improve and construct VA hospital and medical facilities adds up to nearly \$6 Billion. All totaled, there will be more than \$12 Billion spent just out of the stimulus package alone, and the omnibus 2009 appropriations increases that amount by more than \$4.3 Billion for the Army Corps in Construction and Maintenance, and additional billions in DOD spending.

With the more than \$20 Billion dollars being spent on veteran and military related projects, The American Legion finds it unconscionable that veteran business owners remain at the back of the line when competing for Federal contracts according to the Federal Acquisition Regulation.

At a time when all other socioeconomic assistance programs are growing, veterans programs across the board have taken a 47% reduction in funding. The Office of Veterans Business Development received less than \$750,000 out of the \$2.1 Million they were scheduled to receive in 2008, a mere 35 percent of their authorization.

And while this country struggles to regain economic stability, The American Legion fails to understand why our nation's veterans continue to be overlooked while they continue to serve this nation as business owners and employers.

Included in this stimulus package were a number of economic development and small business outreach programs and yet again, not a dime was directed toward the development of veteran-owned businesses. Our veterans deserve the finest assistance available, and still year after year

we struggle to maintain the operation of 3 veteran business resource centers originally funded through the National Veterans Business Development Corporation, nor have we increased the assistance to the 5 other centers supported by the SBA's office of Veterans Business Development in more than 5 years.

The need for Veteran Business Outreach Centers cannot be overstated and The American Legion vehemently supports the work and growth of the 3 centers located in Boston, St. Louis, and Flint, Michigan. The American Legion also calls for the immediate and full disbursement of funds appropriated to the SBA for the express intent of supporting these centers with emergency funding so they will be saved from bankruptcy. Specifically, we refer to the \$450,000 in additional funding appropriated to the SBA's Office of Veterans Business Development which is intended for these 3 centers.

Currently, too many military families are suffering financial hardship while their loved ones are recuperating in military hospitals around the country. Spouses are leaving their jobs to be with that disabled service member only to watch their family finances deteriorate. Seamless transition in many cases is just a wishful thought; however if business development training was offered to military members, a small home-based business could be the answer in guaranteeing a constant source of revenue for the family making them less dependent on the Federal government. Again, these centers are vital link toward fulfilling this need.

The American Legion strongly supports the mandates of the "Veterans Entrepreneurship and Small Business Development Act of 1999" (P.L. 106-50) that were designed to assist all veterans wishing to start, expand, or protect their business. If there is a true desire to assist veterans returning from Iraq and Afghanistan in developing small businesses, we must work together to enforce and expand upon the mandates of P.L. 106-50.

The Office of Veterans' Business Development within the SBA remains crippled and ineffective due to inadequate funding, and \$750,000 in FY 07 and \$742,000 in FY 08 is a shameful afterthought by our Federal government to support veteran entrepreneurship. These amounts, which are less than the office supply budget for the SBA, are expected to support an entire nation of veteran entrepreneurs. The American Legion feels that this is an insult to America's veteran business owners, and that it severely undermines the spirit and intent of P.L. 106-50. The American Legion strongly supports increased funding for SBA's Office of Veterans' Business Development so it can provide enhanced outreach and community-based assistance to veterans and self-employed members of the Reserves, National Guard and their immediate family members. The American Legion recommends this office receive \$15 million in FY 2010 in order to implement a nationwide community-based assistance program to veterans and self-employed members of the Reserve and National Guard.

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

The American Legion seeks and supports legislation to require a 5 percent goal, with set-asides and sole source authority for Federal procurements and contracts for business owned and operated by service-disabled veterans and businesses owned and controlled by veterans. This includes those small businesses owned by Reserve component members who have been or may

be called to active duty, or may be affected by base closings and reductions in our military forces.

The American Legion has encouraged Congress to require reasonable “set-asides” of Federal procurements and contracts for businesses owned and operated by veterans. The American Legion supported legislation in the past that sought to add service-connected disabled veterans to the list of specified small business categories receiving 3 percent set-asides, and supports this committees efforts to raise the priority level of Service Disabled Veteran Business owners in the Federal Acquisition Regulation by changing “may” to “shall” and further by eliminating the “Rule of 2.”

## **Noncompetitive Contracts**

The American Legion concurs with National Veteran Owned Business Association’s assessment in their statement submitted for this hearing regarding the White House announcement that executive agencies shall not engage in noncompetitive contracts. The press release makes no distinction between the billions of dollars awarded to large businesses such as KBR and Halliburton or the critically important sole source awards to productive and efficient small businesses under the SDVOSB, HUB Zone, or 8(a) programs. Specific guidance needs to be provided to contracting officers as to whether the administration is restricting the use of legitimate contracting mechanisms to support the nation’s small businesses, or to restrict multi-billion dollar non-competitive awards to large prime contractors.

The American Legion also agrees that pressures being exerted on the Federal contracting community will probably result in greater use of the General Services Administration’s (GSAs) Federal Supply Schedule Program, and while this program holds a higher contracting preference compared to the small business programs, it unfortunately does not allow set-asides for any small business group. The American Legion agrees that expanded use of this program will further diminish opportunities for small businesses, especially small businesses owned by veterans.

Therefore, The American Legion recommends;

- Service-disabled, veteran-owned small businesses set-asides should be allowed under the Federal Supply Schedule Program. Currently, GSA schedules are exempt from FAR part 19. Without this change SDVOSB will be limited in their quest for small business opportunities to compete for Federal contracts.
- Implementation of a coordinated standardize training program for procurement staff that focuses on SDVOSB procurement strategies in their respective agency.
- President Obama should reissue Executive Order 13-360 “Providing Opportunities for Service-Disabled Veteran Businesses” to increase Federal Contracting and Subcontracting opportunities for veterans, and require that its tenets be incorporated into SBA Regulations and Standard Operating Procedures.
- The SBA needs to emphasize Executive Order 13-360 and establish it as a procurement priority across the Federal sector. Federal agencies need to be held accountable by the

SBA for implementing the Executive Order and the SBA needs to establish a means to monitor agencies progress and where appropriate, establish a report to identify those that are not in compliance, and pursue ongoing follow-up.

- In order to achieve the mandates of Executive Order 13-360, the SBA must assist Federal agencies to develop a strategic plan that is quantifiable, and will assist them in establishing realistic reporting criteria.
- The American Legion also recommends that the House Small Business Committee embrace and promote development of stronger policy and legislative language that champions the utilization of Veteran-Owned Small Business (VOSB) Joint-Venturing (JV) as a ready solution to the Small Business Spending requirements of the Stimulus Spending initiative.

## CONCLUSION

The American Legion believes that the majority of funding allocated to veteran and military projects through this, as well as future spending bills, should be spent exclusively with veteran-owned firms. It was the veteran who volunteered to defend this nation, the veteran who continues to keep our democracy intact, and the veteran who deserves the right to participate in rebuilding America's infrastructure and other necessary projects. In this capacity, the veteran will continue to serve the people of the United States by building and growing strong, reliable, dependable businesses.

The mission of The American Legion's National Economic Commission is to take actions that affect the economic well being of veterans, including issues relating to veterans' employment, home loans, vocational rehabilitation, homelessness, and small business. Small business continues to be a primary job generator and a major trainer for American employees. The small firm workforce includes more young and entry-level workers than colleges and large businesses combined. It is vital that Veteran-Owned and Service-Disabled Veteran-Owned Businesses receive a fair and proportionate amount of Federal contracts so these veterans can build and maintain successful businesses while they contribute to this down economy. The American Legion reiterates the Small Business Administration's Office of Veterans' Business Development should be the lead agency to ensure that veterans returning from Iraq and Afghanistan are provided with Entrepreneurial Development Assistance.

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

Again, thank you Chairman Nye and Ranking Member Shock for allowing The American Legion to present our views on this very important issue.