

**STATEMENT OF
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BEFORE THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
SMALL BUSINESS ADMINISTRATION'S CONTRACTING PROGRAMS
SEPTEMBER 19, 2007**

Madam Chairwoman and Members of the Committee:

Thank you for this opportunity to present The American Legion's view on the Small Business Administration's Contracting Programs in relation to veterans.

Veteran And Service Disabled Veteran Owned Businesses

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

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

Additionally, the Office of Veterans' Business Development within the SBA remains crippled and ineffective due to a token funding of \$750,000 per year. This amount, which is less than the office supply budget for the SBA, is expected to support an entire nation of veteran entrepreneurs. The American Legion feels that this pittance is an insult to American veteran business owners, that it undermines the spirit and intent of Public Law 106-50, and it continues to be a source of embarrassment for this country.

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

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

The American Legion recommends that funding for the SBA Office of Veterans' Business Development be increased to 2 million dollars.

The National Veterans Business Development Corporation

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

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

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

The SBA's Veterans' Development Office is presently funding five such centers around the country and should be given the additional three. In addition, the SBA office should take on the responsibility of partnering with military and VA hospitals, TAP, State Department of Veterans Affairs Offices, Procurement Technical Assistance Centers, Military Family Support Centers, and veterans' service organizations to provide employment and entrepreneurship programs along with the addition of funding and necessary senior staff to oversee the implementation and development of such a program. TVC would operate more effectively acting as a liaison with existing associations of small business owners and, by working with SBA programs, ensure the involvement of private and successful military alumni from the business community to help support SBA's successful integration, and reintegration, of veteran and reserve component entrepreneurs into the private and public American marketplace.

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

The American Legion reiterates that 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. Comprehensive training should be handled by the SBA and augmented by TVC's on-line training. Resource Training Centers should include DOD and VA faculties.

Currently, many military families are suffering financial hardship while their loved ones are recuperating in military hospitals around the country. Many spouses leave their jobs to be with that disabled servicemember which results in financial ruin. Business development training is one key to a seamless transition for servicemembers. If business development training was offered to military members while still at a treatment facility, a small home-based business is feasible. A business could be the answer in guaranteeing a constant source of revenue for the family, in turn making them less dependent on Federal government compensation payments.

The Veterans Federal Procurement Opportunity

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

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

Recommendations

1. Incorporate Executive Order 13360 into SBA Regulations and Standard Operating Procedures

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

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

measured strategic plan and establish realistic reporting criteria. Once the information is received, SBA should disseminate this data to all agencies, Veterans Service Organizations and post its findings on the SBA website as a bellwether of program progress.”

2. Change to Sole Source Contracting Methods

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

3. Develop a User Friendly Veteran Procurement Database

The American Legion also supports that the Federal government and DOD utilize its available technology to create, fund and support a veteran procurement-spending database within DOD. This action will finally put veteran-owned and service-disabled veteran-owned businesses on equal footing with all other small business special interest groups as regards Federal procurement opportunities.

CONCLUSION

The mission of The American Legion’s National Economics Commission is to take actions that affect the economic well being of veterans, including issues relating to veterans’ employment, home loans, vocational rehabilitation, homelessness and small business. The American Legion reiterates that 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.

The American Legion looks forward to continue working with the Committee to enhance veteran entrepreneurship. Madam Chairwoman and Members of the Committee, this concludes my testimony.