



U.S. SMALL BUSINESS ADMINISTRATION
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Service-Disabled Veteran-Owned Small Businesses Program

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Chairman Nye, Ranking Member Schock and distinguished members of the subcommittee: It's an honor to testify before you today on the SBA's deep commitment to veteran entrepreneurs and small business owners.

This past year, our Administrator has made veterans a priority in each of the SBA's core mission areas: the three Cs of capital, counseling, and contracting.

With regards to access to capital, the SBA hit a milestone on July 4th with nearly half-a-billion dollars in SBA's Patriot Express loans over just three years to veterans, reservists, service members and their spouses.

Within our counseling programs, the SBA has doubled the number of Veteran's Business Outreach Centers to 16. We also joined with six leading universities around the country to support an Entrepreneurship Bootcamp for Veterans with Disabilities who are returning from the wars in Iraq and Afghanistan.

Today, I've been asked to focus on the steps we've taken to help veteran and service-disabled-veteran-owned small businesses (SDVOSBs) access Federal contracting opportunities.

As you know, the SBA works with federal agencies to increase contracting opportunities for small businesses. Our goal is to ensure that not less than 23 percent of the total value of all eligible prime contract awards for each fiscal year go to small businesses. Within that, the federal government has a number of additional sub-goals, including three percent of the total value of all prime contract awards for each fiscal year for SDVOSBs. In addition, the Federal government has a three percent subcontracting goal for SDVOSBs.

Agencies have made great strides in recent years. In FY07, 1% of prime contracting dollars went to SDVOSBs. That rose to 1.5% – or \$6.5 billion – in FY08, and we expect that based on preliminary data from FY09, there will be yet another significant increase both in percentage and in dollar amount. Still, we know that we have work to do and are committed to ensuring that the federal government hits its goals for all small business groups – including SDVOSBs.

One of the reasons we know that we can improve further is due to our efforts with respect to Recovery Act Contracting. This time last year, the Vice President, Commerce Secretary Locke and our Administrator made a strong interagency push to ensure that Recovery Act contracts were going to veterans, minorities, women and other groups.

We've been tracking this data, and I'm very pleased to say that the federal government has awarded 5 percent of Recovery Act contracts to service-disabled veteran-owned small businesses. And I want to thank the other agencies represented here today for their contributions to that accomplishment.

Building on our success under the Recovery Act, we're examining which of our actions were most effective: from our 300 outreach, training, and matchmaking events in the course of 90 days... to our online contracting training modules that were used by tens of thousands in just a matter of weeks... to our close coordination with every agency receiving Recovery Act funding. Ultimately, we want to identify best practices and integrate them into our regular, day-to-day fiscal year contracting efforts.

More recently, this commitment to veteran-owned small businesses has been renewed by the President himself. In April, he ordered the creation of two task forces: one on small business contracting and another on veterans' business development.

Today's discussion lies at the intersection of those two efforts, and Administrator Mills and I – as well as others throughout the Administration – are working to create formal recommendations that should be delivered to the President in the coming weeks.

And I should note that we're building on the accomplishments that have already been made by our Office of Veterans Business Development.

For example, in FY2009, we provided training to 290 contracting officials at five major agencies as well as 2,000 service-disabled-veteran-owned (SDVO) small businesses. So far this fiscal year, we've trained 150 more contracting officials, 1,900 more veterans, and more training events are planned.

Overall, we've made progress over the past year, but as the GAO reminded us last year, there is more we can do. Our goal-related improvements must be accompanied by policies and procedures that root out any fraud, waste, or abuse in this important program. SBA is focused on ensuring that only legitimate SDVO small business concerns benefit from the SDVO small business program.

That's why we have developed a comprehensive approach to rooting out fraud, waste, and abuse. We are collectively focused on all three stages of the contracting oversight continuum: Certification, Ongoing Surveillance and Monitoring, and Enforcement. We have already made improvements in all three areas – even when, like in the case of the service-disabled veteran owned small business program, it operates via a self-certification process.

We are handling more protests than ever before, and the protest process is working. While the number of protests is increasing, the percentage of firms determined as ineligible through protests is declining.

We are also working more closely than ever with the Veteran's Administration (VA), our General Counsel's office, our suspension and debarment official, our Inspector General, the Department of Justice, and many other key stakeholders. I want to thank our partners at the VA who are here today who are critical partners in this effort.

I should also note that the President's FY11 budget submission asks for \$2 million that will help us with eligibility and certification efforts across our contracting programs.

My commitment to you today is that we will continue to move forward with diligence and speed in strengthening our efforts to eliminate waste, fraud and abuse.

Finally, we share the concerns of many SDVOSB contractors on the issue of parity, which is perhaps the most pressing issue facing this community.

A recent court decision attempts to place the HUBZone set aside program above SBA's other small business contracting programs, including the SDVOSB program. If this decision were applied throughout our contracting programs, it could essentially re-direct billions of dollars away from SDVOSBs as well as 8(a) and women-owned small firms. Moreover, it could create confusion within the contracting community, which could result in all small businesses losing opportunities for Federal contracts.

That's not fair, and it wasn't the intent of Congress. That is why the Administration supports a legislative effort currently underway to make the relatively simple clarification in statutory language: replacing "shall" with "may" in HUBZone's language. This would give contracting officers the discretionary authority to select, based on market research, the most appropriate small business program when reserving a procurement for exclusive small business participation. We urge Congress to act on this issue with urgency – especially given that a large portion of contracting dollars are obligated in the final quarter of the fiscal year and missing out on just 1% of contracting opportunities means \$5B in lost revenue to Small Businesses.

Thank you for your time and I look forward to your questions.

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