



**U.S SMALL BUSINESS ADMINISTRATION**  
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**Subcommittee on Economic Opportunity**

**House Committee on Veterans' Affairs**

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Chairwoman Herseth-Sandlin, Ranking Member Boozman, and members of the Subcommittee, thank you for inviting the Small Business Administration to testify this morning.

With the understanding that Veterans play an important role in our economy, SBA Administrator Karen Mills has sent three representatives from the agency to participate in today's hearing. The three of us represent different areas within the SBA and demonstrate the SBA's commitment to serving Veteran small business owners.

We know that thousands of troops have been returning from overseas. We also know that 18% of Veterans are still unemployed one to three years after they return. The good news is that Veterans have a higher-than-average rate of self-employment. They have the leadership, the know-how, and the drive to succeed as entrepreneurs.

The President and the U.S. Small Business Administration recognize this and have made Veterans a priority across all levels and programs of the Federal Government. SBA is pleased to highlight overall Veteran and service-disabled Veteran participation levels in Agency financial, management and technical assistance, and procurement programs. Though the SBA does have an office dedicated to serving Veterans (the Office of Veterans Business Development), it is important to note that Veterans are supported throughout every component of SBA programming, which covers capital, counseling, contracting, and disaster relief and preparedness.

## **Capital**

SBA is committed to assisting veteran-owned small businesses access the capital they need. All of SBA's loan programs are available to veterans. In FY 2009, veteran-owned small businesses received 8.00 percent of all 7(a) loans, totaling approximately \$523 million, and 4.56 percent of all 504 development company loans, or \$176 million. Additionally, Veteran-owned small businesses received 4.33 percent of all microloans, totaling approximately \$1.9 million. In total, SBA has supported more than \$2 billion in Recovery lending to Veteran-owned small businesses.

SBA also has a loan program dedicated to the military community —Patriot Express. This program is available not only to our Veterans but also to Reserve component members, TAP eligible service members and their spouses and widows. By making this loan program available to the larger military community, it reflects the current composition of our military forces which includes a significant reliance on Reserve components and supports their families when they are called to Active Duty.

It features our lowest interest rates and fastest turnaround times, often within days. These loans have also benefited from the enhancements under the Recovery Act. In FY 2009, we approved more than 2,300 Patriot Express loans and are on track to increase those numbers in FY 2010.

Patriot Express Loans are available up to \$500,000 and qualify for SBA's maximum guaranty of up to 85 percent for loans of \$150,000 or less and up to 75 percent for loans over \$150,000 up to \$500,000. (All Patriot Express loans made under the Recovery Act are guaranteed at 90 percent.) For loans above \$350,000, lenders are required to take all available collateral.

The Patriot Express loan can be used for most business purposes, including start-up, expansion, equipment purchases, working capital, inventory or business-occupied real estate purchases. Patriot Express loans feature SBA's lowest interest rates for business loans, generally 2.25 percent to 4.75 percent over prime depending upon the size and maturity of the loan. Local SBA district offices work in their communities to promote the availability of capital to veterans.

Finally, SBA also provides loans to small businesses who need additional capital due to the fact that the owner or an essential employee has been called to active duty in their role as a military reservist. Last year, SBA provided 25 Military Reservist Economic Injury Disaster Loans, totaling approximately \$2.4 million.

## **Counseling**

SBA's counseling services are helping Veteran small business owners every day. Each of our 68 field offices has a designated staff member for Veteran's business development. They are engaged with hundreds of external Veterans serving organizations and reach thousands of Veterans and reservists each year.

In FY 2009, SBA's resource partners—including about 900 Small Business Development Centers, over 100 Women's Business Centers, and 350 chapters of our mentoring program, SCORE—trained or counseled about 150,000 Veterans and over 21,000 reservists and guard members, as well as 1,000 active duty clients.

In addition, we are very proud that since 2008, we have expanded the number of Veteran's Business Outreach Centers (VBOCs) from 5 to 15. These centers help with business plans, feasibility studies, mentoring and more.

Veterans are heavy users of online tools such as our Small Business Training Network. In fact, about 62,000 Veterans used this tool in 2009. Last summer, SBA launched an online training course for Veteran small business owners to learn how to become government contractors. We will continue to strengthen our IT tools that Veterans use and value.

SBA's Office of Veterans Business Development (OVBD) provided 61,087 SBA Veteran/Reservist Business Information Kits to 81 requesting organizations and individual Veterans.

Finally, In November, 2009, we entered into a partnership agreement to support the Entrepreneurship Bootcamp for Veterans with Disabilities consortium operating at Syracuse University, the University of Connecticut, Florida State University, Texas A & M University, the University of California at Los Angeles, and Purdue University. This is a 14-month entrepreneurial development program for service-disabled Veterans who were injured in Iraq or Afghanistan since 2001.

## **Contracting**

The SBA works hard to ensure that Veteran- and Service Disabled Veteran-owned small businesses have access to much needed opportunities in Federal contracting. Using tools provided by the SDVOSB, 8(a), and HUBZone programs, SBA works with all federal agencies towards the goal of awarding at least 3% of federal contracting dollars to SDVOSBs. In FY2008 SDVOSBs received \$6.5 Billion and 1.5% of federal prime contracts. Preliminary FY2009 data indicates that both the dollars and percentage of prime contracts going to SDVOSBs have increased. Efforts we have made in collaboration with the contracting agencies through the Recovery Act have already shown tangible progress. Through April 23rd, 6.3% of Recovery Act prime contracting dollars, or almost \$1.6 billion, has gone to Veteran-owned businesses. Over that same period, 4.3%, or almost \$1.1 billion, has gone to service-disabled Veteran-owned small businesses (SDVOSBs).

Veteran and Service-Disabled Veteran Owned small businesses also participate in other SBA government contracting and business development programs. In FY 2009, 1,257 Veteran-owned and 597 Service-Disabled Veteran-Owned Small Businesses participated in the Section 8(a) Business Development Program, and 786 Veteran-owned firms and 636 SDVOSBs participated in the Historically Underutilized Business Zone (HUBZone) program.

Separately, an important issue has come up in the past few weeks that I'd like to bring to the Committee's attention. The SBA and the White House support the Congressional intent of parity – or equal treatment – among our contracting programs: 8(a), HUBZone, service-disabled Veteran and, soon, women-owned small businesses. However, in light of a recent court decision [Mission Critical v. U.S., (09-864 C, Ct. of Fed Claims, Feb. 26, 2010)], it would be useful to clarify and reiterate Congress's original intent that there be parity among the programs. The Administration supports legislative efforts to confirm Congress's original intent to provide for parity.

### **Executive Order – Veteran-Owned Small Businesses**

On April 26<sup>th</sup>, the President's signed an Executive Order to once again demonstrate the high priority that Veteran-owned small businesses have in this Administration by establishing an Interagency Task Force on Veterans Small Business Development.

The task force, which Administrator Karen Mills will lead, includes seven agencies (Department of Treasury, Department of Defense, Department of Labor, Department of Veterans Affairs, Office of Management and Budget, Small Business Administration, and General Services Administration) and 4 members from a veteran's service or military organization or association to be chosen by the Administrator. This task force will focus on the needs of our Veteran-owned small businesses.

This task force recognizes that among our Veteran community many have chosen or will choose to step out and start their own small business. It will provide recommendations to the Administration in several key areas, including access to capital, expanding federal contracting opportunities and more robust entrepreneurial education.

An additional Executive Order to create a Task Force on small business contracting – as a whole – will help amplify this effort. The Interagency Task Force on Federal Contracting Opportunities for Small Businesses will further support our goals for government contracts going to small businesses. Through these taskforces we will continue to expand our outreach to small businesses to make sure we are increasing their opportunities to compete for and win federal contracts.

We look forward to the recommendations that will come out of these task forces as we recommit ourselves to meeting the needs of our Veteran entrepreneurs and small business owners.

I'm happy to take your questions.