

**Statement of Allegra McCullough  
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**Federal Efforts to Contract with Service-Disabled Veteran-owned Small Businesses**

**Before the House Small Business Subcommittee on Workforce, Empowerment and  
Government Programs and the House Veterans Benefits Subcommittee**

**July 15, 2004**

Good afternoon Mr. Chairmen, Ranking Members Udall and Rodriguez, and other distinguished members of the committees. My name is Allegra McCullough, Associate Deputy Administrator for Government Contracting and Business Development at the U.S. Small Business Administration (SBA). Thank you for inviting me to appear before you today to speak about our efforts to reach out to Service-Disabled Veteran-Owned Small Businesses and achieve the 3% statutory Federal procurement goal.

Mr. Chairmen, as you are aware, the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50, signed into law on August 17, 1999) created a Government-wide goal that 3% of the total value of all Federal prime and subcontract dollars be awarded to Service-Disabled Veteran-Owned Small Business Concerns (SDVOSBs). Unfortunately, the Federal Government has consistently fallen well short of the 3% statutory goal.

Based on reported government data, in FY 2001, the Federal government awarded over \$554 million in prime contracts to SDVOSBs, or 0.25% of all prime contracting dollars. In FY 2002, this number fell to \$298.9 million, or 0.13%. In FY 2003, the number rose to over \$510 million, or approximately 0.2%.

In FY 2003, only 3 agencies met or exceeded the 3% goal: the National Endowment for the Arts (25.27%); the Consumer Products Safety Commission (4.35%) and the Railroad Retirement Board (3.44%). Of the large agencies, the Department of Housing and Urban Development has

been the most successful in making progress towards the 3% goal, with 1.37% of prime contract dollars being awarded to SDVOSBs. On June 10, 2004, SBA's Office of Advocacy issued a report indicating achievements in this area were low, but also indicating that actual agency accomplishments may be underreported.

Congress and the President provided Federal procurement officials with a valuable tool, the Veterans Benefits Act of 2003 (P.L. 108-183). The Act was signed by the President on December 18, 2003 that authorized both a procurement set-aside for SDVOSBs and sole source contracting authority where only one SDVOSB is identified that can meet the Government's requirements. On May 5, 2004, the SBA and the Federal Acquisition Regulatory (FAR) Council concurrently published interim final rules implementing the procurement provisions of the Veterans Benefits Act of 2003, while still providing the public with a 60 day comment period. Both SBA and the FAR Council worked hard to expedite these regulations.

The new regulations permit contracting officers to either restrict competition on contracts or issue sole source contracts to SDVOSBs within specified dollar thresholds in accordance with statutory requirements. Our regulation also establishes procedures for protesting the status of an SDVOSB.

There are some common misconceptions out there that hinder the Government's ability to reach the statutory 3% goal. Since these procurements are based on a premise other than socio-economic status, educating the Federal and private sector contracting communities is very important. Also, some SBCs are reluctant to identify themselves as Service-Disabled just to gain the status/designation as an SDV. This hinders our outreach efforts since we are unable to identify our clients. So, educating SDVOSBs to recognize the value added in securing or self identifying as service disabled is very important.

#### SBA's efforts at reaching SDVOSBs

SBA has not achieved its annual procurement goal for SDVOSBs since the inception of the requirement. However, as a result of the recently enacted legislation and published regulations,

SBA is designing an integrated effort that includes specific steps to be taken among our various program areas to utilize the set-aside and sole source authorities for the purpose of meeting the 3% goal. As a part of SBA's annual acquisition planning process, the Agency will include all socio-economic goaling, including SDVOSBs, in our source selection strategies. SBA's Office of Administration will also work closely with our Office of Veteran Business Development to identify potential SDVOSBs to meet SBA's contracting needs. Where feasible, contracting opportunities will be posted on our homepage as well as highlighted in our VETGAZETT electronic newsletter, which reaches thousands of SDVOSBs and Veteran Owned Businesses. The SDVOSB procurement goals will be communicated to all program areas and each area will be encouraged to consider these Agency goals when developing its procurement strategies for each planned acquisition.

SBA's outreach efforts over the last three years, combined with the efforts of others, have contributed to the increase in veteran participation between 40% and 100% in most Federal agency programs. We have, and will continue to, coordinate these efforts internally and with other Federal agencies.

SBA will work with the Department of Defense, Department of Labor, Veterans Administration and the General Service Administration, and others to conduct outreach, training and other policy/program initiatives specifically for SDVOSBs and Veteran Owned Businesses.

This effort will include educating Federal procurement officers of the new program, as well as educating service disabled veteran entrepreneurs on SDV status, size standards, marketing to Federal officials, information requirements in the event of a procurement challenge, and tools for partnering with other SDVOSBs, other veteran-owned businesses and other agency procurement program participants. Registration in the Central Contractor Registration (CCR) and the use of the dynamic Small Business Search engine contained in CCR as a source of market research along with other Federal databases will be highlighted. Further, non-SDVOSB prime contractors should also be made aware of subcontracting opportunities and responsibilities for SDVOSB and Veteran Owned Businesses.

### Recommendations

To fully accomplish the objectives of this legislation, SDVOSBs must be prepared to conduct business in a manner consistent with current federal procurement trends.

Today, a large portion of the annual Federal procurement dollars are spent through contracting actions under the GSA Federal Supply Schedule. While not the only way to provide SDVs with more contracting dollars, the ability of SDVOSBs to be placed on and market their companies on the GSA Federal Supply Schedule will be a critical portion of their success in the Federal market. Through SBA procurement assistance programs, its business development counseling and training programs, and in partnership with other Federal agencies like the ones here today, SBA will continue to identify and work with SDVOSBs to ensure that they have the necessary tools in place to enhance participation on GSA schedules.

Additionally, SDVOSBs must be educated on Federal procurement trends, including using Federal purchase cards to make purchases under \$2,500 with out competitive quotes. These purchases amounted to approximately \$16 billion in purchases last fiscal year.

Mr. Chairmen, the SBA would be happy to work with the Committee and other Federal agencies in any efforts to promote programs and contracting opportunities for SDVOSBs. This concludes my testimony and I would be happy to answer any questions you may have.