



**STATEMENT OF
DAVY LEGHORN, ASSISTANT DIRECTOR
NATIONAL VETERANS EMPLOYMENT AND EDUCATION DIVISION
THE AMERICAN LEGION**

BEFORE THE

**SMALL BUSINESS COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

ON

“CONTINUING TO SERVE: FROM MILITARY TO ENTREPRENEUR”

JULY 10, 2019

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Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, on behalf of our National Commander, Brett P. Reistad and our 2 million members, we thank you for inviting The American Legion to testify today. We are privileged to present our position on matters of 1) Boots to Business codification 2) the expansion of the Military Reservist Economic Injury Disaster Loan program, and 3) Small Business Administration’s assumption of the functions of the Department of Veterans Affairs Center for Verification and Evaluation.

The American Legion is directed by millions of active Legionnaires who dedicate their time and resources to the continued service of veterans and their families. As a resolution-based organization, our positions are guided by nearly 100 years of advocacy and resolutions that originate at the grassroots level of our organization. Every time The American Legion testifies, we offer a direct voice from the veteran community to congress.

Draft Legislation – Veteran Entrepreneurship Training Act of 2019

*To amend the Small Business Act to codify the Boots to Business Program,
and for other purposes.*

The *Veterans Opportunity to Work and Hire Heroes Act of 2011* was landmark legislation that redesigned and made mandatory the Department of Defense Transition Assistance Program (TAP). TAP is intended to provide information, tools, and training to ensure servicemembers and their spouses are prepared for the next step in civilian life whether pursuing additional education, finding a job, or starting their own business. The TAP curriculum, known as Transition GPS (Goals, Plans, Success), now includes a 'core curriculum' and individually chosen modules on education, career technical training, and entrepreneurship, the so-called capstone courses. The entrepreneurship module is offered by the Small Business Administration (SBA) Boots to Business (B2B) program.

SBA developed the program by regulation. The *Veteran Entrepreneurship Training Act of 2019* would codify the program and require periodic reports on it. The American Legion Resolution No.

100: *Accountability of the Department of Defense's Transition Assistance Program* calls on Congress to support and mandate capstone modules.¹ Since its implementation in 2012, The American Legion has monitored the B2B capstone course and believes it has been very successful. We believe it is imperative that B2B be made a permanent fixture of a servicemember's transition and that the right metrics are in place to capture the programmatic successes.

B2B is unlike any of SBAs other entrepreneurial development (ED) programs. B2B is administered to servicemembers leaving the service and transitioning back to civilian life. Many of them have no relevant work experience or connections in the industries they desire to be a part of. SBA's ED programs normally see more experienced business owners, who are better situated in circumstances conducive to entrepreneurship. As such, B2B cannot be solely graded on the number of businesses or jobs created. The metrics must also capture the programmatic successes of when B2B training leads a transitioning servicemember NOT to start a business if they realize it's not the right course for them after taking the course, rather than discovering that only after they have already invested time and resources in a business. Finally, we note that SBA will require additional resources to properly support the program given the above.

The American Legion supports this draft legislation *as currently written*.

Draft Legislation – National Guard and Reserve Entrepreneurship Support Act

To support entrepreneurs serving in the National Guard and Reserve, and for other purposes.

The Small Business Administration (SBA) disaster loan program provides direct loans to people and small businesses; including those that suffered substantial economic injury because essential employees, including the owner, were ordered to active duty during a military conflict as part of their National Guard or Reservist duties. This draft legislation would permit loan assistance when such a deployment is not part of a military conflict. The bill would also expand eligibility for an SBA program that allows loan recipients to defer the repayment of principal and interest on disaster loans to include certain small businesses and borrowers who are ordered to active service for more than 30 consecutive days.

Currently, these important programs are underutilized because their eligibility restrictions do not fully reflect current deployment practices. Both the Guard and Reserve have transitioned from a strategic reserve into an operational force to meet the exigencies of an all-volunteer force in an era of persistent conflict in which all soldiers, active-duty and reserve-component alike, are expected to regularly deploy. Earlier this year, Army leadership testified before the Senate Armed Services Committee that the op-tempo for some reserve components will need to increase as threats from near-peer adversaries grow.² The American Legion Resolution No. 17: *Position on the Operational Reserve* urges Congress to reform the laws and policies governing the reserve components to provide them programmable sustainability as an operational force.³ The National

¹ <https://archive.legion.org/handle/20.500.12203/9880>

² https://www.army.mil/article/219351/selected_guard_units_to_increase_optempo_in_fy20

³ <https://archive.legion.org/handle/20.500.12203/5500>

Guard and Reserve Entrepreneurship Support Act is very much in line with this resolution. National Guard members and military reservists are an integral part of our armed forces and national defense and this nation should do everything we can to support their service.

The American Legion supports this draft legislation *as currently written*.

**H.R. 1615 – “Verification Alignment and Service-disabled Business Adjustment Act” or the
“VA-SBA Act”**

To transfer the responsibility of verifying small business concerns owned and controlled by veterans or service-disabled veterans to the Small Business Administration, and for other purposes.

The National Defense Authorization Act for Fiscal Year 2017 included §1832 and §1833, mandating the federal government adopt streamlined definitions for a service-disabled veteran owned small business (SDVOSB) along with mandating the Small Business Administration (SBA) take regulatory responsibility for matters of certification.⁴ Further, President Trump’s Administration also signaled the desire to streamline all certification processes by providing a “one-stop shop” within SBA.⁵ The president’s proposal follows The House Small Business Committee’s work to reconcile the language in 38 CFR §74 and 13 CFR §125 to protect the integrity of the SDVOSB program. The regulations are now aligned, but the processes for veteran small business certification differ between the Department of Veterans Affairs (VA) and the rest of the agencies across the federal government. This is creating confusion for veteran business owners hoping to work with federal agencies.

Over the last few years, SBA and the VA outlined similar rules and regulations for businesses to qualify for certification as a SDVOSB. Despite maintaining similar regulations, discrepancies arise as VA requires businesses applying for certification to address existing issues relating to meeting SDVOSB status before issuing their certification. In contrast, SBA allows businesses to self-represent their business to the federal government as being owned by a service-disabled veteran by simply updating their socio-economic status section in their business profile in the System for Award Management (SAM). They are then required to provide evidence of their status to the contracting officer prior to contract award. This process then permits the business to qualify for contracts from agencies across the federal government with the exception of VA. Unfortunately,

⁴ In 2017, SBA wrote in the Federal Register, “In response to the NDAA 2017 changes, SBA is proposing to amend the definitions in §125.11 by incorporating language from VA’s regulations and also from SBA’s 8(a) Business Development (BD) program regulations.” Currently, the SDVOSB program is a set-aside program and not a BD program. In comparison, 8(a) is a business development program where SBA assists small businesses by ensuring they maintain program eligibility. Comparatively, Vets First takes the form of a certification program, where CVE’s role is the gatekeeper, determining who is eligible. The two programs may serve similar purposes, but they have different goals. The alignment of the regulations now hold the veteran small business set-aside program to the same standards as the BD programs. As such, veteran small businesses will be subject to that same standard and rigor, but receive none of the benefits and assistance of the BD programs. The American Legion believes that if the standards are the same across the board, then SDVOSBs should receive the same type of assistance as the BD programs. The incorporation of BD elements into the SDVOSB programs is the logical next step and is consistent with regulation alignment with 8(a) language and moving verification to SBA.

⁵ Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations

no process exists for SBA to verify a business' claim to be a SDVOSB prior to contract award, but rather only addresses the protest if other small businesses, or contracting officials, raise concerns on the legitimacy of the business. This challenge may happen sometimes after a contract has been awarded. The American Legion, "endorses VA's efforts to ensure that contracts...are awarded to companies that truly are entitled to receive these contracting benefits" and urges SBA to adopt similar protections rather than policing after a contract has been awarded. The stringent protocol and certification process implemented by VA permits other government agencies to safely award contracts to SDVOSBs with the assurance the businesses are legitimate.

With the streamlining of the regulatory definition and standards for SDVOSBs, The American Legion agrees that SBA should absorb the respective responsibilities of the VA's CVE. The American Legion Resolution No. 155: *Support Verification Improvements for Veterans' Business*, supports legislation that calls for VA and SBA to share responsibilities for the verification of service-disabled veteran-owned businesses and veteran-owned small businesses, and this responsibility should be divided accordingly to each agency's expertise and record of past performance.⁶ The two agencies should work together to provide each other pertinent information, such as VA providing veteran and disability status to SBA. The rollout of the Veterans Entrepreneur Management System (VEMS) by VA has been plagued by constant problems; including several delayed rollouts. In contrast, SBA successfully rolled out certify.sba.gov, performing the same functions as VEMS, but with a smooth integrated migration of information for those previously registered.

The American Legion understands the need and supports verification for VOSBs and SDVOSBs. We urge this committee to finish what they started in aligning the federal regulatory definitions for SDVOSBs and consolidate all certification processes within a singular agency, the SBA. The move of VA verification functions to SBA will end the current form of self-certification at SBA. This is beneficial in that risk-averse contracting officers will take the certification more seriously and will be less hesitant to utilize certified businesses, knowing that certifications are backed by SBA and VA.

Lastly, The American Legion believes SBA already possesses the capabilities to have businesses apply for certification through certify.sba.gov. The rollout of VA's VEMS system was plagued with multiple issues, such as a failure of having information transferred from the previous CRMS system to the updated VEMS system. Search capabilities within the system failed and because documentation failed to transfer, many SDVOSBs risked losing their certification. Rather than developing a new system or attempting to overhaul a botched system at the cost of millions of dollars to the taxpayer, The American Legion suggests that Congress should look towards utilizing SBA's existing system. As the federal government streamlines the certification process and considers transferring CVE's responsibilities from VA to SBA, it should also adopt the existing system utilized by SBA.

The American Legion supports H.R. 1615.

⁶ <https://archive.legion.org/handle/20.500.12203/5497>

Conclusion

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, The American Legion thanks you for your leadership on these matters and for allowing us the opportunity to explain the position of our two million members. Questions concerning this testimony can be directed to Mr. Jeffrey Steele, Senior Legislative Associate, in The American Legion's Legislative Division at (202) 861-2700, or jsteele@legion.org