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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

May 15, 2007

The Honorable Robert Gates
U.S. Department of Defense
The Pentagon
Room 3E880
Washington, DC 20301-1000

Dear Secretary Gates:

I am writing concerning the Department of Defense's policy with respect to contracting with service-disabled veteran owned businesses (SDVOBs). Although Congress enacted a government-wide procurement goal of three percent for service-disabled veteran owned businesses, every year since that law has been in place the Department of Defense has failed to meet that contracting goal. In light of the honorable sacrifices that service-disabled veterans have made for our country, I urge you to do everything in your power to meet and exceed the three percent goal required by law.

As you know, in 1999, Congress enacted Public Law 106-50 which set the government-wide procurement goal of three percent with SDVOBs. The law also called on each agency to determine the "maximum practicable opportunity" for these firms (Title 15 Chapter 14A section 644 (g) (1)).

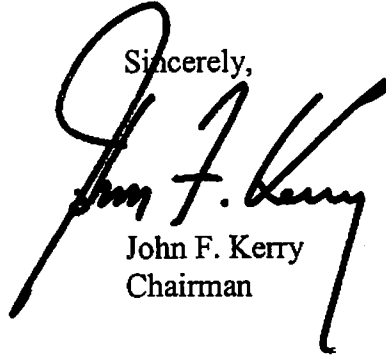
The Department of Defense accounts for nearly 70 percent of all federal procurement spending, totaling an estimated \$219 billion in FY2005. Given that reality, it is virtually impossible for the entire federal government to meet the law's three percent goal for SDVOBs without the Department of Defense. However, in 2005, the Department of Defense awarded a mere .499 percent of contracts to service-disabled owned firms. It is hard to believe that less than one half of one percent of all defense contracts is the "maximum practicable opportunity" for the Defense Department to do business with SDVOBs.

I am especially disturbed by reports that Department of Defense personnel are telling veterans that the agency is not bound by the three percent goal for contracting with SDVOBs. Given these reports and the lack of progress in meeting the SDVOB goal, I would like an immediate explanation of the Department's policy for contracting with SDVOBs. Please provide a clear statement as to whether the agency intends to meet the three percent contracting goal. If the Department of Defense is not attempting to meet the three percent contracting goal, has the agency formally established its own contracting goal for service-disabled veterans? And if so, what is that goal? Specifically, what is the Department of Defense doing to improve its record on contracting with service-disabled veteran owned businesses?

In another matter, on January 31, the Committee on Small Business and Entrepreneurship held a hearing entitled, "Assessing Federal Small Business Assistance Programs for Veterans and Reservists." One of the witnesses at that hearing was Ms. Linda Oliver, Interim Acting Director of the Office of Small Business. A number of Senators submitted questions to Ms. Oliver to answer in writing for the record, but it has been over three months, and we still have not received her responses. Enclosed, please find a copy of those questions. I respectfully request responses to them within one week of the receipt of this letter.

Please provide me with all other information requested by June 1, 2007. Thank you for your attention to this matter of critical importance to me as a veteran, and to the millions of service-disabled veterans who continue to honorably serve their country by contributing to the economy as successful entrepreneurs. If you have any questions please do not hesitate to contact me or have a member of your staff contact Gregory Willis or Karen Radermacher at 202-224-5175. I look forward to hearing from you soon.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Kerry". The signature is written in a cursive style with a large initial "J" and "K".

John F. Kerry
Chairman

Enclosure

Questions for Linda Oliver, Acting Director of the Office of Small Business Programs,
Department of Defense

Senator Kerry's Questions for the Record

1. The Department of Defense deploys our men and women to protect our country and has an obligation to support veterans, especially service-disabled veterans, after they return home. About two-thirds of Federal procurement is DOD purchasing. Therefore, DOD plays a critical role in providing contracting opportunities to small businesses. However, the overall Department of Defense numbers for contracting with SDVOBs remain dismal.

Federal Government

FY 04: 0.383%

FY 05: 0.605%

DoD

FY 04: 0.327%

FY 05: 0.499%

- Why hasn't your agency met your goal? What is preventing your agency from attaining this goal? What specific actions will your agency take this year to meet this goal?
2. More small businesses are turning to subcontracting as a way to participate in the Federal government's procurement program. Some small businesses have complained that the subcontracting plans are not adequately enforced. For instance, businesses will list SDVOB on their subcontracting plan but not necessarily use them.
 - What can DOD do to enforce these subcontracting plans?
 - Are there any changes in the law that are necessary to increase enforcement?
 3. Both SBA and VA believe that they attained the 3 percent goal for contracting with SDVOB. The SBA went from 0.50% contracting with SDVOB in 2005 to over 3% in 2006. I would love to see the Department of Defense show similar results.
 - What changes can we make to help you meet your goals? Specifically, what legislation or resources do you need to improve subcontracting opportunities for SDVOBs?
 4. In 1990, the Comprehensive Subcontracting Test Program began, yet the DOD has not established metrics to evaluate the program's results and effectiveness. As a result, there is no systematic way of determining whether the program is meeting its intended objectives and whether further changes need to be made.
 - Can you tell me whether the Test Program is effectively increasing procurement opportunities with small businesses, including SDVOBs?
 - Can you tell the Committee how many SDVOBs have received subcontracting opportunities under the plan or, alternatively, how many dollars have gone to SDVOBs under the plan?
 - How many procurement dollars do the 16 firms who are a part of the Comprehensive Test Plan represent?

Questions for Linda Oliver, Acting Director of the Office of Small Business Programs,
Department of Defense

Senator Pryor's Questions for the Record

Mrs. Oliver, I am pleased to see the adoption of a five-year strategic plan by the DoD Office of Small Business Programs to facilitate the federal procurement goals outlined in PL- 106-50. Though the Department of Defense has historically lagged behind many agencies in reaching the 3% target, it is becoming more obvious that the Department takes these goals seriously and is working hard to achieve their targets.

- 1) Objective 5 of this plan seeks to address the issues of surety bonding for service-disabled veteran-owned small businesses. You mention in your testimony that the DoD is discussing this matter with a number of entities inside and outside of the government. Through the course of these meetings, are there any problems that have been highlighted or ideas proposed that could better facilitate the attainment of surety bonds for these small businesses?
- 2) In your own opinion, have you noticed any areas of need where the Congress could provide assistance to these small businesses?

The strategic plan adopted by the DoD Office of Small Business Programs also includes an objective to enhance the use of teaming and joint venture agreements. No doubt, these agreements and the mentor-protégé program you mention provide valuable assistance and guidance for these small businesses. However, I was wondering if you might elaborate on some of the features of these programs.

- 1) In your opinion, how effective have the mentor-protégé program and the Procurement Technical Assistance Centers (PTACs) been at achieving the goals they intend to accomplish?
- 2) Have your yearly reviews highlighted any areas where these initiatives could improve or where Congress could provide assistance?
- 3) In your opinion, what are the greatest obstacles for service-disabled veteran-owned small businesses in participating in these initiatives?
- 4) Would you mind highlighting how the DoD accounts for the teaming and joint venture agreements when computing its federal procurement percentages for purposes of PL 106-50?

**Senator Joseph I. Lieberman
Questions for the Record
Small Business Committee hearing
January 31, 2007**

Mr. Elmore, Ms. Oliver, and Mr. Denniston: Can you each outline a plan for your respective agencies to improve outreach efforts to veterans about small business programs and loans? What steps can be taken immediately to improve the process of informing veterans about these programs? Have you begun to work on coordinating a plan between the SBA, Department of Defense, and Department of Veterans Affairs to implement these improvements?

Ms. Oliver and Mr. Elmore: According to Mr. Elmore's responses to Senator Kerry's questions, veteran owned businesses are encountering difficulties winning defense contracts. Why are veteran and service-disabled veteran owned businesses not winning these contracts at a higher rate? We need a solution to this problem. How can we start moving in the right direction?

Mr. Elmore: I am concerned about the status of the Advisory Committee on Veterans Business Affairs, which was established in Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act. This law created an advisory body within the Small Business Administration that could actively participate in relevant policymaking that concerns veteran-owned small businesses. I am dismayed by reports that the SBA has not utilized the resources of this committee—comprised currently of ten veterans—to its fullest capacity. I would like some clarification about the role of the committee.

- What is the SBA's strategic short-term and long-term plan for the Advisory Committee on Veterans Affairs?
- Does the SBA consult the Advisory Committee prior to developing initiatives designed to promote small businesses owned by veterans?
- How will the SBA implement the recommendations of the committee's most recent 2006 report?

Questions for Linda Oliver, Acting Director of the Office of Small Business Programs,
Department of Defense

Senator Thune's Questions for the Record

- 1) I know in my state, local economic development boards are always looking for economic development opportunities to expand a small town's tax and employment base. I know they'd like nothing more than to help local veterans establish businesses in their small towns. Are there any initiatives out there to encourage a town's economic development boards to reach out to veterans in the community to inform them of the opportunities that are available to them through federal contracting, or at least informing people who walk in the door of an economic development corporation with a business idea that, if they're a veteran, these tremendous federal contracting opportunities are out there for them?
- 2) I represent a state with a large number of Native American veterans, many of whom live on the reservation. Many of our reservation communities in South Dakota are in dire need of more economic activity. I know there are certain programs the SBA has established to help Native American small businesses. Do you see any Native American veterans taking advantage of the contracting opportunities available to them?
- 3) Since the three percent contracting goal is a government-wide initiative, it seems likely that there would be a lot of duplicate activity across the federal government with regard to this program, and a commensurate amount of difficulty for a veteran to gather all the useful information that may be out there. Are you observing anything to indicate that veterans are having difficulty due to the vast amount of information out there that is spread across the federal government? Is there an interagency cooperation initiative that serves as a center for veterans to be able to gather all the information that they need to start and sustain a small business based on contracting with the federal government?