



**Opening Statement of Chairman Richard Hanna
Subcommittee on Contracting and Workforce
Joint Hearing with Subcommittee on Oversight and Investigations (O&I) Committee on
Veterans Affairs: “Consistently Inconsistent: Challenges for Service-Disabled Veteran-
Owned Small Businesses.”
March 19, 2013**

Good afternoon. I call this hearing to order. I want to thank Chairman Coffman for working with me on this joint hearing, and thank you all for being with us today. Additionally, several of our witnesses today are Veterans themselves, and I thank you both for your service and for taking the time out of your busy schedules to testify.

The federal government has a goal of awarding 3% of all prime contract dollars to service-disabled veteran-owned small businesses. Last year, this meant that over \$12 billion in prime contracts went to these firms. To help agencies meet the 3% goal, Congress created two contracting programs – one specifically for the Department of Veterans Affairs and a government wide program run by the Small Business Administration.

Whenever we have a small business contracting program, the government faces a certain tension. First, we have an obligation to ensure that only qualifying firms are receiving and performing on contracts. Second, we must ensure that the programs themselves do not become so burdensome that they keep small businesses from participating. The contracting programs for service-disabled veteran-owned small businesses highlight this tension, as the SBA program has not done enough to discourage fraud, while the VA program has itself become the problem for some of these firms. In some cases, the differences between the two programs has itself led to opportunities for fraud and for bureaucratic impediments to small business success.

For example, the surviving spouses of service-disabled veterans are allowed to maintain the business’s status for a period of time at VA, but not under the SBA. In contrast, under the VA regulations, a service-disabled veteran in a community property state must convince their spouse to renounce any interest in the business in order to prove that the veteran controls the firm. SBA does not apply this restriction, instead simply requiring that a firm update its status when its ownership changes. The bottom line here is that a legitimate firm may qualify under one program but not the other. If we really want to help these firms, we need to give them one clear set of rules to live by.

Recent GAO reports have highlighted problems with both the VA and SBA systems, and many believe that legislation is required to create programs that have clear requirements, efficient processes, and transparent appellate processes. Over this course of this Congress, I plan to work alongside my colleagues on the Veterans’ Affairs Committee and with representatives of

service-disabled veterans on a solution that improves the current process between both agencies. Small businesses have enough on their plates, and I hope today's hearing provides some great insight on how to best aid service-disabled veteran-owned small businesses dealing with this additional burden.

Again, I thank each of our witnesses for being here today and look forward to your testimony. I now yield to the Chairman of the Subcommittee on Oversight and Investigations for Veterans Affairs, Mr. Coffman, for his opening remarks.