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BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

APRIL 30, 2003

Mr. Chairman and Members of the Subcommittee, thank you for providing me the opportunity to testify before you this morning on three measures affecting Department of Veterans Affairs education and vocational rehabilitation programs and small-business opportunities for veterans. The three bills on today's hearing agenda include: H.R. 1460, the "Veterans Entrepreneurship Act of 2003"; H.R. 1716, the "Veterans Earn and Learn Act"; and H.R. 1712, the "Veterans Federal Procurement Opportunity Act of 2003."

Before I discuss the bills the Subcommittee is considering today, I would like to note that, although the Budget Enforcements Act's pay-as-you-go requirements and discretionary spending caps expired on September 30, 2002, the Administration supports the extension of these budget enforcement mechanisms in a manner that ensures fiscal discipline and is consistent with the President's budget. As you know, these measures would affect direct spending and receipts and, therefore, the support VA expresses for most of the provisions of the bills is contingent on accommodating the provisions within the overall budget submitted by the President.

I note also that, as the number of laudable acquisition preference programs increase, the Government must ensure that it uses insofar as possible open competition among qualified firms, to ensure that the Government acquires through our free market system with taxpayer dollars the best possible goods and services at the lowest possible price.

H.R. 1460 – “Veterans Entrepreneurship Act of 2003”

Mr. Chairman, section 2 of H.R. 1460 would amend provisions of title 38, United States Code, to permit veterans to use VA educational assistance benefits to enroll in non-degree, non-credit business “entrepreneurship” courses offered by small business development centers or offered by the National Veterans Small Business Development Corporation. Specifically, section 2 of the bill would provide that State approving agencies may approve non-credit courses of business education that enable or assist persons to start or enhance small business enterprises. “Qualified providers” of such entrepreneurship courses would include small business development centers, as defined by section 21 of the Small Business Act, and the National Veterans Business Development Corporation. A person would not be considered by VA as already qualified for the objective of a program of education offered by a qualified provider of an entrepreneurship course solely because he or she is the owner or operator of a business. These amendments apply to courses approved by State approval agencies after the date of enactment of the Act.

Veterans would receive several benefits from such courses. Some veterans are not willing or able to complete a degree program. This program offers a viable alternative to a complete degree program for those wishing to start a small business. Moreover, veterans who take advantage of these courses are more likely to succeed as small-business entrepreneurs. The potential for positive effects on the economy, with enhanced competition and creativity within the marketplace, is significant. The bill's provision for oversight of these courses by State Approving Agencies should ensure program quality. While we support the goals of this provision, it is not included in the President's Budget and an offset would have to be found. We will be pleased to work with the Subcommittee to find an offset for this important provision.

Enactment of this section would result in an estimated cost of \$1.5 million in fiscal year 2004 and a ten-year total cost of \$32 million.

Section 3 of H.R. 1460 would amend 38 U.S.C. § 3104 to provide that, for purposes of pursuing a program of vocational rehabilitation under chapter 31 of title 38, United States Code, a disabled veteran may establish "self-employment" in a small business enterprise as a vocational goal without regard to any requirement of unemployability.

Current law permits us to serve veterans with serious service-connected disabilities who require self employment and/or homebound training in order to

achieve an acceptable level of vocational rehabilitation. We are also able to provide limited assistance to other veterans with employment handicaps.

Mr. Chairman, last month the Department established a new advisory committee, the Vocational Rehabilitation and Employment (VR&E) Task Force, and charged it with conducting an independent review of the VR&E program. Among other responsibilities, it will evaluate eligibility criteria for vocational rehabilitation services under VA's program, and report its recommendations to the Secretary. We are asking the Task Force to evaluate the change in law proposed by section 3 of H.R. 1460, and will be furnishing you our official views once we have the benefit of that advice.

Enactment of this section would result in a cost of \$750,000 in fiscal year 2004 and a ten-year total cost of \$101 million.

Section 4 of H.R. 1460 would authorize a contracting officer to make sole source awards to small business concerns owned and controlled by service-disabled veterans (SDVBs) if such business is determined to be capable of performing the contract, award can be made at a fair price, there is no reasonable expectation that two or more SDVBs would submit offers, and certain dollar thresholds are not exceeded. It would also authorize contracting officers to restrict competition to SDVBs if there is a reasonable expectation that at least two SDVBs will submit offers and award can be made at a fair market price. The

Administrator of the Small Business Administration would have the authority to appeal contracting officers' decisions not to award a contract opportunity to SDVBs to the Secretary of the department or agency head. This law would not supercede any other preference under law for prison-made (Federal Prison Industries) products or products made by the blind or disabled (JWOD).

The provision of a set-aside is an unusually strong measure that inhibits open market functioning. It is only appropriate in this instance due to the singular worthiness of service-disabled veterans for preferential treatment. Its use here would not be meant to establish a general precedent.

VA supports section 4 of H.R. 1460. Providing these veterans business opportunities is altogether consistent with VA's mission to serve our Nation's veterans and will help VA and the Nation honor its commitment to them.

We estimate the total cost associated with enactment of H.R. 1460 to be \$2.25 million for fiscal year 2004 and \$133 million over ten years.

H.R. 1716 – “Veterans Earn and Learn Act”

Mr. Chairman, H.R. 1716 would amend title 38, United States Code, to improve VA educational assistance programs for apprenticeship and other on-job training.

Section 2 of the bill would modify the computation of on-job training and apprenticeship benefit entitlements under chapters 34 and 35 of title 38, United States Code, to be the same as the entitlement charged under chapters 30 and 32, of that title, as well as under the chapter 1606, title 10 U.S.C. program. This would provide needed uniformity in calculating use of entitlement for such training regardless of the benefit chapter under which a student is eligible, resulting in greater equity for veterans.

Section 3 of the bill would establish an incentive payment for program participants who finish their apprenticeship training early by requiring VA to pay the trainee a lump-sum payment for the months of VA entitlement remaining that would have ordinarily been needed to complete the apprenticeship.

Section 4 of the bill would increase the monthly VA benefit for trainees who simultaneously pursue apprenticeships or on-job training and related classroom instruction (whether or not the trainee was pursuing the academic instruction as a requirement of the apprenticeship or voluntarily under the trainee's own initiative). Currently, education benefits for apprenticeship and on-the-job training start at 75 percent of the benefit rate payable for full-time institutional training and these job training benefits decrease in stages as the individual progresses through the training program. This section would pay the full-time institutional rate for periods when the individual is in required classroom courses while also in the job training program. It will also allow individuals who

voluntarily enroll in related courses to receive an increase based on the combined training, but not to exceed the full-time institutional rate.

Section 5 of the bill would codify VA's authority to pay benefits for competency-based apprenticeships. It would require VA to take into consideration the approximate term of the program recommended in registered apprenticeship program standards recognized by the Secretary of Labor. Apprenticeships offered in industries that choose not to register with the Secretary of Labor, and that are approved for veterans' training by a state approving agency, would continue to be available. It would also authorize VA to use up to \$3 million to develop the computer systems and procedures needed to carry out the above provisions of the bill. Current law permits approval of only time-based, fixed length apprenticeships. The 1990's saw a steady move away from time-based apprenticeships toward competency-based apprenticeships. This change would bring approval of apprenticeships into the 21st century.

Section 6 of the bill would require VA to establish a pilot program to furnish on-the-job benefits to claims adjudicators training in its disability compensation, dependency and indemnity (DIC), and pension programs. The pilot program would permit on-the-job training programs of up to 3 years to be approved for claims adjudicators who handle VA's Compensation and Pension programs. VA supports this program for claims adjudicators. Based on our past

experience, the duration of this type of training would be approximately two years.

Section 7 of the bill would require coordination of information among the Departments of Veterans Affairs, Defense, and Labor with respect to on-job training. The Secretary of Defense would be required to furnish to the Secretary of Veterans Affairs information concerning each registered apprenticeship pursued by the servicemember during his or her active duty service. It would also require the Secretary of Veterans Affairs, in conjunction with the Secretary of Labor, to encourage and assist states and private organizations to accord credit to servicemembers for skills in any related apprenticeship the servicemember may pursue in civilian life. We believe such level of coordination would be beneficial so that veterans can receive full credit for their military training and not have to unnecessarily repeat training they received while on active duty.

We estimate the cost associated with enactment of H.R. 1716 to be \$47.7 million for fiscal year 2004 and \$548.4 million over ten years. Unless an offset is found, VA cannot support this legislation.

H.R. 1712 – “Veterans Federal Procurement Opportunity Act of 2003”

Mr. Chairman, H.R. 1712 would require the Administrator of the Small Business Administration (SBA) to establish a development program for small business concerns owned and controlled by service disabled veterans similar to the Section 8(a) program for small business in general, where SBA executes a contract with an agency and subcontracts the work to the small business. The bill reauthorizes the National Veterans Business Development Corporation, first created in 1999, and adds reporting and planning requirements such as 5 year strategic and financial plans. The Corporation was created to expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans.

The bill sets a Government-wide goal of 28 percent for prime contracts awarded to small business concerns. It further breaks that goal down to 3 percent for veteran-owned, 3 percent for service-disabled-veteran-owned, 3 percent for HUBZone, 5 percent for socially and economically disadvantaged, and 5 percent for women-owned. Double counting of small businesses that meet more than one criterion is prohibited. Beginning in Fiscal Year 2004, for any agency that failed to meet the goals, funding would be restricted in the following fiscal year for awards solely to the specific subcategories of small businesses (whether prime contracts or approved subcontracting plans). This would be phased in for the various categories of small businesses between FY's 2004 and 2008.

The bill would allow an agency to restrict competition to specific categories of small businesses to meet the procurement goals. The bill would require in negotiated procurements that agencies include evaluation factors regarding small business subcontracting plans.

VA supports the provisions of section 4 of H.R. 1712 that would establish a goal of 3 percent for award of contracts to veteran-owned small businesses. As you may be aware, VA has established its own higher internal goal for award to veterans. However, I am concerned with other provisions of section 4 and section 5 that would raise the small business goal, prohibit double counting of acquisitions, restrict the use of appropriations, and mandate the use of certain evaluation factors in negotiated acquisitions. The Government is already struggling to meet its current goals, and raising those goals would not be beneficial. Prohibiting double counting would have the effect of raising the thresholds further and making it that much more difficult for agencies to meet their goals. Furthermore, the provisions of section 4 that place restrictions on the use of funds in the case of agency failure to meet goals could create a de facto quota system for award of contracts to socioeconomic groups. In implementing the various provisions of the legislation that make classifications based on race and gender, the Government would afford equal protection of the laws as required by the Due Process Clause of the Fifth Amendment to the Constitution. The appropriation restrictions, and the evaluation factor mandate, remove the flexibility agencies need to be able to successfully carry out their missions.

Mr. Chairman, that concludes my testimony.