

U.S. House of Representatives

**Committee on Small Business
Subcommittee on Contracting and
Infrastructure**

**Committee on Veterans Affairs
Subcommittee on Economic Opportunity**

**Joint Subcommittee Hearing: “Leveling the Playing Field: Examining the Landscape of
Veteran Owned Small Businesses”**

Testimony of William J. Belknap, Sr.

July 23, 2024



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Chairman LaLota, Chairman Van Orden, Ranking Members Scholten and Levin, Subcommittee Members, thank you for holding today’s hearing on the experiences of veteran entrepreneurs. My name is Bill Belknap, and I am President of AEONRG LLC., a VA-certified SDVOSB in the federal contracting space, providing construction services for federal clients. I am grateful to be here today on behalf of the National Small Business Association testifying on an issue that is vitally important to our economy, and national security, as well as to me personally.

Before my work in the private sector, I completed a 20-year Army career. I graduated from the United States Military Academy, West Point and the Army’s Ranger and Airborne Schools before serving my first 10 years in various command and staff positions with Armor combat units domestically and overseas. Subsequently, for my next 10 years, I was assigned to the Army’s Acquisition Corps. There, I served in positions such as Construction Contracting Officer, Deputy Army Installation Commander overseeing construction projects, M1A2 Abrams Tank (Army’s first digital major weapon systems platform) Project Office, again both domestically and abroad. I culminated my career as Director, Army Science Board (ASB), in The Pentagon. At that time, the ASB’s focus was to develop studies and recommend actions the Army to transform from being Cold-War-based to Information-Age-based. After leaving the service, I spent 10 years with

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a large pharmaceutical company as a site General Manager where I also filled the lead facilities and operations role during four corporate acquisitions.

My “dream” job was starting and growing my own company. The training, assignments and experiences I received in the military were a catalyst for becoming a veteran entrepreneur. The military taught me leadership, how to organize and lead teams. The military taught me how to obtain resources and execute a plan for success—all skill sets directly applicable to starting, leading and growing my company. While in the military, I learned federal government contracting to become a construction contracting officer. I learned how to manage construction projects in another assignment. These skill sets and my entrepreneurship passion were a natural “fit” toward starting and owning a construction business and providing construction services to federal government clients.

To prepare, I took federal government contracting refresher courses and tapped into numerous other federally sponsored organizations (SBA, SBDC, VOBC, SCORE, NVSBC and VIP) to vet my business plan and receive ongoing training. I then contracted with numerous state and federal government entities before finding my “best fit” for AEONRG LLC to provide construction services primarily to Veterans Affairs Medical Centers. As a veteran myself, and now an entrepreneur whose business is designed to continue the spirit of service, veterans’ issues are central to my life and work. Moreover, having worked in both internal government procurement and operational roles as well as external private sector contracting roles, I have been fortunate to experience both sides of the federal contracting and procurement process.

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Veterans make up a substantial portion of the small business community, with recent SBA data revealing that veterans own roughly two million businesses nationwide, employing nearly five-and-a-half million Americans, with payrolls exceeding a quarter of a billion dollars annually.¹ In addition, according to the National Veteran Small Business Coalition, there are 47,000 veteran small business government contractors throughout our country. This substantial footprint illustrates the appeal of entrepreneurship to veterans and their families. Despite the allure, however, veteran business owners face unique and persistent challenges. As a result, the Congressional Research Service (CRS) has recently noted that "... some data suggest that younger veterans are not undertaking entrepreneurship at the same rates as prior cohorts, which could signal fewer veteran business owners in the future."² Even more alarming, in a 2023 article in Forbes Magazine, author Andrew Glaze states, "After WWII, nearly 50% of veterans went on to start businesses. [However,] in 2016.... only 4.5% of post-9/11 vets had gone on to become entrepreneurs or build businesses. This represents a roughly 90% drop."³ To ensure that veterans continue to open and operate the small businesses that form the backbone of America's Main Streets, we need to invest time and energy in developing both tailored and broad-based solutions to support veterans eager to start and grow their businesses. Moreover, during the Nation's next crisis, federal agencies will need high quality, procurement-ready-trained veteran entrepreneurs to support successful and critical agency operations.

¹ U.S. Small Business Administration Office of Advocacy. "Facts About Small Business: Veteran Ownership Statistics." <https://advocacy.sba.gov/2023/11/07/facts-about-small-business-veteran-ownership-statistics-2/>.

² Congressional Research Service. "Federal Contracting by Veteran-Owned Small Businesses: An Overview and Analysis of Contemporary Issues." <https://crsreports.congress.gov/product/pdf/R/R47226>.

³ Glaze, Andrew. "What Happens When Veteran Entrepreneurs Get the Funding and Support They Need." Forbes. <https://www.forbes.com/sites/forbesfinancecouncil/2023/01/04/what-happens-when-veteran-entrepreneurs-get-the-funding-and-support-they-need/>.

Some good news is that with recent initiatives, Veteran entrepreneur spirit and interest is expanding as it is now a suggested opportunity track for veterans leaving the service—introduced at TAP (Transition Assistance Programs) and now among Service Academies' Association of Graduate programs. In addition, the NDAA signed into law in December 2023 increases veteran set aside goals across all federal agencies from 3% to 5% and will open tens of billions of dollars of new federal contracting opportunities for veterans. The law also mandates that veteran business certification is now required at all 24 federal agencies that participate in the SBA set-aside program. Former veteran business "self-certification" for veteran prime contracts ended 12/31/2023 and for veteran sub-contracts ends 10/1/2024. These measures strengthen both the opportunities for- and integrity of veteran federal government contractors. However, despite these victories, the work is far from over.

Given that federal agencies are in competition with commercial organizations for quality vendors, the federal government must act to make it more attractive and more efficient for veteran entrepreneurs to become federal government contractors.

Actions needed include:

1. Simplification of government solicitations/contracts. The first impression is a lasting impression for veterans departing the Service, choosing entrepreneurship and choosing whether to pursue commercial or federal government venues and business opportunities. Typical federal government solicitation/contracts may have 100-150 pages compared to corporate solicitations which tend to be one-tenth of the page count. Many veterans lament federal government contracting as too "complicated." One possible solution is for many of the FAR and agency-specific clauses (that sometimes take up

50% of the number of pages in a solicitation) to be migrated to periodic one-time registration entities such as SAM.GOV (yearly) or SDVOSB renewal (every 3 years) etc. Counselors at SBA and/or SBDC should be readily available during the registration process to review/explain FAR and other federal government clauses during contractor recertification. This relatively simple change would cut the paperwork associated with federal contracts in half. The federal government should also review corporate/industry best practices and incorporate more of these in federal government contracting.

2. Ensure that agencies recognize and incorporate that Military experience “counts” toward proposal past performance/experience. Too often federal agencies mandate in their solicitations that prior government contracting experience is required. It’s a “Catch-22.” A veteran entering the federal government contracting space and proposing on a solicitation may not have prior government contract experience. Commercial industry values prior military experience and skills. The federal government must mandate that each agency has a policy to ensure that their military experience and qualifications count toward acceptability and competitiveness upon evaluating proposals and selecting contract awards.
3. Accountability of federal agencies meeting and facilitating set aside goals. It is too easy for agencies to “lump” services together into one very large solicitation that only large businesses could legitimately propose and win. Our country needs substantially more procurement-ready small businesses to encourage innovation, new idea generation, and the ability for federal agencies to competitively choose from numerous quality vendors. “Lumping” services together stifles small businesses, limits competition and ultimately puts our Nation at risk during the next crises by limiting the vendor pool. The federal government should develop a “carrot and stick” approach to incentivize agencies

meeting their various small business set-aside goals to include veteran set-asides. Hold them accountable.

4. Promote Veteran entrepreneur mentorships. Leaving the military service and entering commercial business to many veterans is a “cultural shock.” In the military, service men and women are “told” where they will serve their country, what they will wear, how they will address their superiors etc. A veteran leaving the service and desiring to become an entrepreneur or federal government contractor will greatly benefit from mentoring by another veteran that has successfully transitioned. Veteran mentorship programs should be researched in more depth for their most effective parameters. Then, they should be creatively incorporated into veterans’ programs and literature, such as utilization of the GI Bill, and information offered to veterans during their visits to VA Medical Centers. The government should also be actively partnering with numerous well-known veteran organization such as the American Legion, Veterans of Foreign Wars etc., to help reach veterans where they live. Congress should mandate the SBA or VA organize a special Task Force comprised of veteran entrepreneurs and industry experts on ideas and recommendations for developing veteran entrepreneur mentorships.
5. Self-reporting performance. All Agencies must incorporate modern, most efficient acquisition best practices. During the execution of federal contracts, agencies should emphasize contractors’ self-reporting of their own performance. Agencies should adopt a best practice that when a challenge in the execution of a contract occurs, the contractor immediately notifies the agency administrator so that the agency and contractor work together to resolve the issue. Most companies take great pride in their performance and want to earn the agencies’ trust and confidence. This is in contrast to the methodology of the agency “inspecting every hour” and “micro managing.” Instead, agencies should

conduct periodic time-and-place audits, to review vendor progress. Similar methodology already exists in many Private/Public Partnerships—an efficient manner of conducting business and executing statements of work in contracts.

6. Agency Acquisition Training. Robust standardization and incorporation of modern acquisition best practices and similar contracting and contract management methods among all agency acquisition officials will promote the liquidity of veteran entrepreneurs to serve different agencies and increase and spread the flow of talent among them.
7. Increase Maximum SDVOSB Sole-Source Thresholds and use 8A Sole Source regulations in SDVOSB Sole Source Contract Awards. The federal government should incorporate the same rules that are used in 8a contracting into SDVOSB Sole-Source Contracts. Increasing the threshold without changing the rules by which sole-source can be used for SDVOSB set-asides is not effective nor meaningful. Sole-source isn't used by the contracting force for SDVOSB contracts – not because of the limit but because of the rule's requirements. Change the rules to match those of the 8a sole-source requirements and you will see sole-source become a tool that is more effective for SDVOSB. For reference, the rules for SDVOSB in the FARS are about a paragraph long. For 8a they are multiple pages. Offering to increase the threshold is a way of placating the SDVOSBs without really doing something that has an effect. Of course, we would always support a threshold increase – but we don't want that to be seen as a golden ticket when it simply isn't without rules changes.

In addition to these suggestions, NSBA would also encourage the Committees to look into:

1. Development of VOSB Set-Asides. One possible area for improvement would be the development of specific set-asides for veteran-owned small businesses (VOSBs),

separate from existing opportunities for service-disabled veteran-owned small businesses (SDVOSBs). By increasing the total pool of set-asides, we help ensure that veterans—regardless of injury status—are able to actively participate in the federal contracting marketplace, and, importantly, we would not dilute, disadvantage, or reduce opportunities for participants in the existing SDVOSB program.

2. Increase the Maximum Sole-Source Contract Award Thresholds. Congress could also take action to increase the maximum sole-source contract award thresholds for which SDVOSBs are eligible, or increase the regularity of inflationary adjustments. Currently, these thresholds are \$4 million for non-manufacturing contracts and \$7 million for manufacturing contracts. While these may seem like big numbers, especially for small businesses, these thresholds have not been updated significantly in years. These limits were initially enacted as a part of the Veterans Benefits Act of 2003, when the figures were set at \$3 million for non-manufacturing and \$5 million for manufacturing contracts. While set up to update for inflation on a five-year schedule, that term length creates limitations on which small businesses are able to pursue these contracts, as small businesses are more sensitive to inflationary pressures than corporate giants. For example, adjusted for inflation since passage, those initial figures would equate to over \$5.1 million for non-manufacturing and \$8.5 million for manufacturing contracts as of June 2024. At a minimum, this means that a sole-source contract awarded in 2024 may be worth more than \$1.5 million less than if the contract were awarded after October 1, 2025, when the thresholds will next be updated. That is more than a 21% difference. Recognizing the downward pressure these limitations place on SDVOSBs, Senator Cardin added an amendment to the initial Senate-passed National Defense Authorization Act of 2024 (NDAA) which would have increased the defense contracting

thresholds to \$8 million for non-manufacturing and \$10 million for manufacturing contracts. While this amendment did not make it into law, we urge support for similar actions in the future, as well as any that hasten the speed of inflation adjustments.

In conclusion, on behalf of the National Small Business Association, I'd like to reiterate the small business community's thanks to the Committee for its attention to these issues, and I look forward to answering any questions.

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