

- SUBJECT:** Qualifying disabled veterans as HUB contractors
- COMMITTEE:** Defense and Veterans' Affairs — favorable, without amendment
- VOTE:** 9 ayes — Menéndez, Sheffield, Collier, Farias, Frank, Miller, Moody, Schaefer, Zedler
- 0 nays
- WITNESSES:** For — James Brennan, Texas Coalition of Veterans Organizations; Philip Lindner, National Guard Association of Texas; (*Registered, but did not testify*: James Cunningham, Texas Coalition of Veterans Organizations and Military Officers Association of America; Brian East, Disability Rights Texas; Deborah Giles and Patrick Hogan, Texas Technology Consortium; Carlos Higgins, Austin Military Officers Association; Morgan Little and John Miterko, Texas Coalition of Veterans Organizations)
- Against — Peter Aguirre; Karen Box, Southwest Minority Supplier Development Council; Carmen Garcia, MBE Institute for Public Policy; Margo Posey, Dallas Fort Worth Minority Supplier Development Council, Houston Minority Supplier Development, Austin and San Antonio Southwest Minority Council; Jim Wyatt, Texas Association of African Chambers Commerce
- On — Thomas Palladino, Texas Veterans Commission
- BACKGROUND:** To participate in the state's historically underutilized business (HUB) contracting program as defined by Government Code 2161.001 (3), at least 51 percent of a business must be owned by one or more economically disadvantaged persons. An economically disadvantaged person is defined as someone who is economically disadvantaged as a result of discrimination caused by that person's identification as a member of a certain group, including African Americans, Hispanic Americans, women, Asian Pacific Americans, and Native Americans.
- DIGEST:** HB 194 would allow service-disabled veterans to participate in the state's HUB contracting program. The bill also would require the state comptroller, for reporting purposes, to add service-disabled veterans as

defined by federal statute to the categories of groups included in the program.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

Adding service-disabled veterans to the historically underutilized business contracting program would provide economic opportunities to a highly skilled group of individuals who have honored their country through military service. Their inclusion would strengthen the visibility and sustainability of the HUB program in ways that benefit the state as well as other contractors.

By expanding the definition of a HUB owner, the bill would allow service-disabled veterans greater access to contracts with the state and other public entities. States such as California and Florida have allowed service-disabled veterans this kind of access to state procurement programs.

Enlarging the pool of available vendors could help drive down state contracting costs. At the same time, the state would benefit from the excellent training and skills these veterans would bring to their duties.

The program would incentivize entrepreneurship for veterans, who, as a group, have a higher-than-average unemployment rate. HB 194 would allow disabled veterans to join other groups of individuals who have sometimes suffered the effects of discriminatory practices. In addition, service-disabled veterans would spur attention in the media and boost support for a program some participants say does not receive a sustainable level of contracts.

Nearly 17,000 businesses were classified as Texas-certified HUBs in fiscal 2012, according to a report by the Texas Comptroller of Public Accounts. The U.S. Small Business Administration estimates that about 1,000 businesses are owned by service-disabled veterans in Texas, so adding this group would not greatly impact the HUB program.

**OPPONENTS
SAY:**

Widening the definition of what qualifies as a historically underutilized business, as proposed by HB 194, would dilute an important program that ensures that businesses owned by minorities and women have a fair chance of procuring contracts with government agencies and public entities. Instead, lawmakers should seek to establish a similar but separate

job procurement program tailored to serving businesses owned by service-disabled veterans.

The HUB program in Texas is struggling to meet its goals of increasing the number of contracts available to underutilized businesses and growing the number of jobs provided by those operations. The state's spending with HUBs dropped by \$88.3 million in fiscal 2012, when HUB-related state expenditures comprised 13.8 percent of total expenditures, according to a study by the Texas Comptroller of Public Accounts. Enlarging the pool of businesses that could procure contracts through the HUB program when expenditures are shrinking would not make sense and would harm businesses for which the program was created.

Much like Veterans Administration hospitals are tailored to provide health care to the military and former service members, a separate program should promote contract procurement in a way that suits service-disabled veterans and honors the commitment they made to their country.