

To the Mayor and Members of the City Council**December 5, 2023**

Page 1 of 2

**SUBJECT: SMALL-BUSINESS PROGRAM FOR VETERANS AND SERVICE-DISABLED VETERANS**

City Council members have recently requested that we determine the feasibility of creating a small-business program for U.S. military veterans. While the City currently utilizes and can track Service Disabled Veteran firm participation for goods and services under \$50,000 who are certified as Texas State Historically Underutilized Businesses (HUBs), we have determined that existing resources in the Diversity and Inclusion Department's Business Equity Division will enable us this year to establish another full program in addition to the Business Equity Program that will support two additional small-business categories: Veteran-Owned Small Business (VOSB) and Service-Disabled Veteran-Owned Small Business (SDVOSB). This Veterans Program will serve qualified businesses in three ways:

1. Promoting, tracking and reporting full and equal opportunities in city contracting for VOSBs, and SDVOSBs
2. Encouraging and assisting Veterans and Service Disabled Veterans in acquiring certification through the U.S. Small Business Administration (SBA), Texas Small Business, and the Texas Comptroller of Public Accounts (CPA)
3. Increasing awareness of VOSB, SDVOSB capital access and capacity building opportunities through education, communication, training, and networking outreach efforts

In order to establish project specific goals for VOSBs and SDVOSBs, we recommend the City identify an experienced external consultant to conduct a thorough availability and utilization analysis (AUA) of existing VOSBs and SDVOSBs in the City's established marketplace. The timeframe to conduct an analysis and generate a final report is typically contingent on scope of the study, size of the jurisdiction, availability of valid data, and many other factors. Generally, it takes nine to eighteen months to properly conduct an AUA for goal setting.

Eligibility for the Veterans Program will be consistent with the U.S. Small Business Administration (SBA) VOSB/SDVOSB Program and the Texas Small Business and Disadvantaged Business requirements, including an active-status Veteran Small Business Certification (VetCert) through the SBA. To secure such certification, the firm must meet the following requirements:

- A veteran holds 51 percent ownership of the firm.
- The veteran owner(s) have full control over the day-to-day management, decision-making, and strategic policy of the business.
- The firm is registered in the System for Award Management (SAM.gov system), has been formed or organized in Texas, and is 100 percent owned by a natural person or persons, with the 51 percent owner being an honorably discharged veteran from a branch of the U.S. armed services.
- The firm is a small business according to SBA's small business size requirements.

The City will use the SBA business directory to verify the certification of veteran-owned firms.

For legal and practical reasons, the Veterans Program would be an additional program, separate from the Business Equity Ordinance and Business Equity Program. The Business Equity Program is a public-sector program that includes both race-neutral and race-conscious remedies to address specific racial and gender disparities in the utilization of firms for City contracts based upon availability. The race-conscious activities in the Business Equity Program are held to the highest level of judicial review and is supported by statistical evidence identified in the City's 2020 Disparity Study. Correspondingly, the Business Equity Program is narrowly tailored to specifically address racial disparities in the City marketplace.

To the Mayor and Members of the City Council**December 5, 2023**

Page 2 of 2

**SUBJECT: SMALL-BUSINESS PROGRAM FOR VETERANS AND SERVICE-DISABLED VETERANS**

VOSB/SDVOSB programs do not have the same U.S. Supreme Court strict scrutiny requirements.

The City can provide a high level of service and opportunity to VOSBs and SDVOSBs in a custom designed program specifically for Veterans. The City and its small-business development partners are committed to working with the Texas Comptroller's Office on the new Veteran-Owned Business and Texas Franchise Tax Initiative process and the Vets First Verification Program as an advocate. For the new Veteran-Owned Business and Texas Franchise Tax Initiative, qualifying new veteran-owned firms are not subject to franchise tax for their initial five-year period, but must file Form 05-163, Texas Franchise Tax No Tax Due Report (PDF) for each of those years. The Vets First Verification Program affords verified firms owned and controlled by veterans and service-disabled veterans the opportunity to compete for U.S. Department of Veterans Affairs set asides. During verification, the Center for Verification and Evaluation (CVE) verifies SDVOSB/VOSBs according to the tenets found in Title 38 of the Code of Federal Regulations (CFR) Part 74 and 13 CFR Part 125 that address veteran eligibility, ownership, and control. To qualify for participation in the Veterans First Contracting Program, eligible veteran-owned firms must first be verified.

The Diversity and Inclusion Department, in collaboration with other city departments and the Diversity and Inclusion Staff Committee, will continue honoring City elected officials and employees that are U.S. military veterans as part of the Diversity Matters Program annually in November, on or around the November 11 Veterans Day holiday.

If you have any questions about this information, please contact Christina Brooks, Director of Diversity and Inclusion, at 817-392-8988.

David Cooke
City Manager