



# **U.S. Small Business Administration**

**TESTIMONY of**

**JOSEPH LODDO**

Chief Operating Officer  
U.S. Small Business Administration

**House Small Business Committee**

Wednesday, June 14, 2017

Chairman Chabot, Ranking Member Velazquez, and other distinguished members of this Committee. Thank you for inviting me here to speak with you today. My name is Joe Loddo. I am the Chief Operating Officer of the US Small Business Administration (SBA). I am here today to talk about SBA's 2014 Agency restructuring plan under the Voluntary Early Retirement Authority (VERA)/Voluntary Separation Incentive Program (VSIP). VERA provides agencies the option to offer voluntary early retirement. VSIP, often combined with VERA, allows agencies to offer lump-sum payments to employees as an incentive to separate. Both VERA and VSIP require OPM approval, and are used along with careful strategic workforce planning to reshape an agency's workforce when undergoing substantial organizational changes, such as restructuring or reorganization.

In SBA's case, there were a large percentage of retirement eligible employees at the time of the 2014 VERA/VSIP: 25% of current employees were eligible to retire immediately, including 50% of those in the occupation series that covers most of the Field Office positions. Over 1,000 SBA employees were eligible for VERA/VSIP; at the time of approval, the average SBA employee's age was 51, compared to the average age of 47 for the rest of the Federal Government. Because of the large number of employees eligible for the VERA/VSIP offering, there was a risk of putting SBA in a vulnerable position, and therefore it was important to prepare for and manage these impending departures.

SBA's VERA/VSIP program was approved by OPM on August 12, 2014, and announced to Agency employees on August 19, 2014. All employees accepting VERA/VSIP were required

to separate from the Agency by September 30, 2014. SBA management approved 300 positions as eligible for VERA/VSIP; 149 employees took the VERA/VSIP.

As the Inspector General's audit report indicates, SBA did not carry out the 2014 VERA/VSIP properly. As a result, SBA did not achieve the goals of the program. We agree with the OIG's recommendations in the audit report dated May 30, 2017 and are conducting an analysis of the program. We will document the lessons learned, including in the areas of planning, implementation, results and recommended improvements. We will include all stakeholders in the process.

Since I joined the Office of the Chief Operating Officer – first as the Deputy COO, and now as the COO – a little over a year ago, I have worked to ensure that all personnel and hiring decisions are made on a sound basis. To begin to remedy some of the mistakes made with VERA/VSIP, I have issued guidance that all remaining 2014 VERA/VSIP vacancies must be modified to conform to OPM guidelines.

Under Administrator McMahon, SBA has created the Resource Management Board. The mission of the board is ensure the best use of SBA's limited resources by reviewing FTE allotments and determining the best use of resources to accomplish the Agency's mission. The board meets on a bi-weekly basis (more often as needed) and is comprised of SES-Level personnel.

Further, SBA has determined that there is no need for a VERA/VSIP program during FY2017 and, consequently, will not be offering the program to employees this fiscal year.

Administrator McMahon has been very clear that the SBA must operate efficiently and effectively. She is holding every senior manager accountable for results and expects to see them. I fully support and share her view. Thank you very much for the invitation to testify and I welcome your questions.