

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Committee on Small Business
FROM: Nydia Velázquez, Chairwoman
DATE: June 8, 2022
RE: Committee Hearing: Military to Main Street: Serving Veteran Entrepreneurship

The Committee on Small Business will meet for a hybrid hearing titled, “Military to Main Street: Serving Veteran Entrepreneurship.” **The hearing is scheduled to begin at 10:00 A.M. on Wednesday, June 8, 2022, in Room 2360 of the Rayburn House Office Building, and virtually via the Zoon platform.** Veterans often gain skills such as discipline, work ethic, and leadership throughout their military service that naturally translate to successful entrepreneurship and small business ownership. However, transitioning from military service to civilian life presents unique challenges for aspiring entrepreneurs. The purpose of the hearing will be to discuss the role of veteran entrepreneurs in the economy and how the Small Business Administration (SBA) supports their transition to civilian life.

Witnesses

- Dr. Michael Haynie, Executive Director, Syracuse University Institute for Veterans and Military Families, Syracuse, NY.
- Mr. Brenton Peacock, Director, Florida Veterans Business Outreach Center at Gulf Coast State College, Panama City, FL.
- Ms. Laurie Sayles, President and CEO, Civility Management Solutions, Greenbelt, MD.
- Mr. Joe Shames, Founder and General Partner, Flintlock Capital, Great Falls, VA.

Background

Every year, more than 200,000 servicemembers make the transition from military to civilian life.¹ In 2021, 18.5 million men and women were veterans, accounting for approximately seven percent of the civilian noninstitutional population ages 18 and over.² Veterans own approximately 1.8 million businesses across the United States, most of which are considered small businesses.³

¹ Transition and Economic Development, Your VA Transition Assistance Program (TAP), U.S. Dept. of Vet. Affairs, <https://www.benefits.va.gov/transition/tap>.

² U.S. DEPT. OF LABOR, Bureau of Labor and Statistics, Employment Situation of Veterans—2021, (April 21, 2022), <https://www.bls.gov/news.release/pdf/vet.pdf> [hereafter, BLS].

³ U.S. SMALL BUS. ADMIN., FY 2023 Cong. Justification/FY 2021 Annual Performance Report (2022) [hereinafter, FY23 SBA Budget Justification], at 91.

Research shows that veterans are especially qualified to start and run their own businesses as they, throughout their service, learned how to make good decisions in chaotic environments and are natural leaders, confident, and driven. However, in a recent Syracuse University Institute for Veterans and Military Families (IVMF) survey, 44 percent of veterans expressed difficulty with transitioning to civilian life and 53 percent stated they did not know what they wanted to do as civilians.⁴

In 2021, the unemployment rate for all veterans (4.4 percent) was lower than the rate for nonveterans (5.3 percent) with the unemployment rate for both male (4.4 percent) and female (4.2 percent) veterans decreasing in 2021.⁵ However, unemployment rates remain above 2019 levels, prior to the onset of the pandemic.⁶ In addition, veteran rates of self-employment have declined from 16 percent in 1998 to 11 percent in 2018.⁷ Many veterans cite access to capital and being one of the largest hurdles to overcome as business owners.⁸ Compounding capital access issues are a lack of knowledge and experience on how to get started, raise money, and access technical assistance with 22 percent of IVMF respondents reporting trouble finding a mentor.⁹ The SBA offers a variety of programs to help veterans interested in starting or expanding their small business while addressing their unique skills and challenges.

SBA Entrepreneurial Development Programs for Veterans

It is imperative that military personnel returning to civilian life receive the training and assistance necessary to succeed in the civilian world. Entrepreneurship is one path veterans can pursue to make that transition a success. The SBA administers several programs that support small business owners and aspiring entrepreneurs. SBA's Office of Veterans Business Development (OVBD) is responsible for overseeing veteran related programs.

The Office of Veterans Business Development

In 1974, P.L. 93-237, was signed into law requiring the SBA to provide special consideration to veterans in all its programs.¹⁰ To meet this mandate, the SBA created OVBD to administer programs specifically designed to assist veteran-owned small businesses (VOSBs).¹¹ The Office was statutorily authorized by P.L. 106-50, the Veteran's Entrepreneurship and Small Business Development Act of 1999.¹²

OVBD's mission is to maximize the availability, applicability, and usability of small business programs for veterans, service-disabled veterans, reserve component members, and their

⁴ Blake Stilwell, [This Is the State of Military Entrepreneurship After 2020](https://www.military.com/veteran-jobs/state-of-military-entrepreneurship-after-2020.html), Military.com, <https://www.military.com/veteran-jobs/state-of-military-entrepreneurship-after-2020.html>.

⁵ BLS, *supra* note 2.

⁶ *Id.*

⁷ [Infographic: Veteran-owned Small Business Trends](https://www.score.org/resource/infographic-veteran-owned-small-business-trends), SCORE, (Nov. 4, 2020), <https://www.score.org/resource/infographic-veteran-owned-small-business-trends>.

⁸ *Id.*

⁹ Blake Stilwell, [This Is the State of Military Entrepreneurship After 2020](https://www.military.com/veteran-jobs/state-of-military-entrepreneurship-after-2020.html), Military.com, <https://www.military.com/veteran-jobs/state-of-military-entrepreneurship-after-2020.html>.

¹⁰ P.L. 93-237.

¹¹ Robert Jay Dilger, CONG. RSRCH. SERV., R42695, *SBA Veterans Assistance Programs: An Analysis of Contemporary Issues* (2022) [hereinafter CRS].

¹² P.L. 106-50.

dependents or survivors.¹³ The Office, which is SBA's liaison with the veteran's business community, provides policy analysis and reporting, and is an Ombudsman for veteran entrepreneurs.¹⁴ The Office has several programs that provide counseling and training services to aspiring and existing veteran entrepreneurs and has oversight over federal procurement programs for veteran-owned and service-disabled veteran-owned small businesses (SDVOSB). The Office promotes federal procurement opportunities for veterans by working to ensure three percent of federal prime contracts and subcontracts go to SDVOSBs.

In FY 2022, SBA received \$16 million for Veteran's Outreach and the Administration requests \$19 million for FY 2023 to administer the Boots to Business program, Veteran's Business Outreach Center (VBOC) program, the Women Veteran Entrepreneurship Training Program (WVETP), the Service-Disabled Veteran Entrepreneurship Training Program (SDVETP), and the Veteran Federal Procurement Entrepreneurship Training Program.

Veterans Business Outreach Centers

The VBOC program, through their 22 centers across the country, provides free counseling, training, and Resource Partner referrals to eligible service members, veterans, National Guard and Reserve members, and military spouses. The VBOC program is particularly cognizant of the unique skills veterans develop during their service in the military and their relevance to owning a small business. In FY 2021, VBOCs provided counseling and training to almost 59,000 veteran small business owners and entrepreneurs, an almost 28 percent increase from FY 2020 levels.¹⁵

Boots to Business Program

The Boots to Business program is a two day, in person entrepreneurship program offered by the SBA as part of the Department of Defense's (DOD) Transition Assistance Program (TAP). Initially launched in 2012, the Boots to Business program offers transitioning service members and military spouses information about self-employment and business ownership. VBOCs deliver these services at approximately 180 military installations.

The Boots to Business program is specifically designed to instill the knowledge necessary to take a business from concept to execution and facilitate the road to entrepreneurship for our nation's veterans. The curriculum focuses on the key steps for evaluating business concepts and developing business plans. In addition, participants are connected with SBA resources, including access to capital, counseling and training, and contracting opportunities. In FY 2021, more than 20,000 veterans, service-members, and military spouses stationed at military installations nationwide participated in the two-day course.¹⁶

Service-Disabled Veterans Entrepreneurship Training Program

The SDVETP provides service-disabled veterans, military spouses, and caregivers with entrepreneurial training, business development assistance, counseling, and management

¹³ Office of Veterans Business Development, U.S. Small Bus. Admin., <https://www.sba.gov/about-sba/sba-locations/headquarters-offices/office-veterans-business-development>.

¹⁴ *Id.*

¹⁵ FY23 SBA Budget Justification, *supra* note 3, at 93.

¹⁶ CRS, *supra* note 11, at 13.

assistance.¹⁷ There are currently four grantees fulfilling the SDVETP grant. The grants, between \$50,000 to \$150,000, are provided to support organizations that deliver entrepreneurship training programs to service-disabled veterans, military spouses, and caregivers who aspire to be, or are currently, small business owners.¹⁸

Women Igniting the Spirit of Entrepreneurship Program

Housed at Syracuse University's D'Aniello Institute for Veterans and Military Families (IVMF), the Veteran Women Igniting the Spirit of Entrepreneurship (V-WISE) program is a premier entrepreneurship and small business management training program that helps women veterans and female military spouses/partners learn the business skills necessary to start or grow a small business. V-WISE is a three-phase program that includes a 15-day online intensive (Phase I), a 3-day residency experience (Phase II), and 12-months of ongoing support focused on small business creation and growth (Phase III). As of 2020, there were more than 3,300 V-WISE participants with 95 percent of those still in business.¹⁹ In addition, V-WISE graduates report an annual average revenue of \$78 million.²⁰

Veteran Access to Capital

While veterans often have the skillset and mindset to succeed as entrepreneurs, they often struggle to access the necessary capital to start and grow their businesses in comparison to their nonveteran counterparts. In a 2018 report, the New York Federal Reserve reported that veteran-owned businesses submitted more applications for loans, lines of credit, and cash advances than their nonveteran counterparts.²¹ Yet, 60 percent of veteran-owned businesses reported obtaining less financing than requested and experienced lower approval rates across the top three sources of credit; large banks, small banks, and online lenders.²² Some reasons veterans may face greater difficulties accessing capital are that they seek lower amounts, lender mismatch, lower credit score or insufficient credit history, and unpreparedness for the loan application process.²³

SBA Loan Programs for Veterans

The SBA administers several loan guaranty programs, including the 7(a) and 504/CDC programs to encourage lenders to provide loans to small businesses that might not otherwise obtain financing on reasonable terms and conditions.

7(a) program

The 7(a) program is the premier lending program of the SBA, assisting small businesses who cannot obtain affordable credit elsewhere. ²⁴ As of May 6, 2022, 7(a) lenders made over 25,000 loans through the program totaling over \$13.4 billion, with an average loan size of approximately

¹⁷ FY23 SBA Budget Justification, *supra* note 3, at 92.

¹⁸ Office of Veterans Business Development Resources, U.S. Small Bus. Admin., <https://www.sba.gov/offices/headquarters/ovbd/resources/1526572>.

¹⁹ Syracuse University Institute for Veterans and Military Families, Annual Report, at 5, (2020).

²⁰ Veteran Women Igniting the Spirit of Entrepreneurship, Syracuse University IVMF, <https://ivmf.syracuse.edu/programs/entrepreneurship/start-up/v-wise/>.

²¹ Sid Sankaran & Jessica Battisto, Financing Their Future: Veteran Entrepreneurs and Capital Access, NY Fed. Rsrve. and U.S. Small Bus. Admin., at 10, (Nov. 2018).

²² *Id.* At 11 & 12.

²³ CRS, *supra* note 11, at 15.

²⁴ *Id.* at 16

\$527,000.²⁵ Of that amount, almost over 1,200 (5 percent) loans were made to veterans (4.2 percent) totaling more than \$132 million (2 percent).²⁶ The 7(a) program has several specialized programs that offer streamlined and expedited loan procedures for particular groups of borrowers, including the SBA Express program (for loans of \$350,000 or less), the Export Express program (for loans of up to \$500,000 for entering or expanding an existing export market), and the Community Advantage Pilot Loan Program (for loans of \$350,000 or less), which is designed to target mission-based lenders and small businesses in traditionally underserved communities, including veterans.

- *7(a) Express* — From 2007-2013 the SBA administered the Patriot Express program that encouraged lenders to provide loans to veterans and their spouses up to \$500,000 (with a guaranty of up to 85 percent of loans of \$150,000 or less and up to 75 percent of loans over \$150,000). In 2014, the SBA implemented a new, streamlined application process for 7(a) loans of \$350,000 or less and eliminated the Patriot Express program. In anticipation of the program ending, the SBA waived the up-front, one-time loan guaranty fee for loans to a veteran or veteran’s spouse under the SBAExpress program. P.L. 114-38, the Veterans Entrepreneurship Act of 2015 made permanent this practice except during any upcoming fiscal year for which the President’s budget includes a credit subsidy cost for the 7(a) program that is above zero. The CARES Act eliminated the zero-subsidy requirement, waiving SBAExpress loan fees for veterans.
- *Community Advantage Pilot Loan Program* — In 2011, SBA established the Community Advantage Pilot Loan Program (CA) as a three-year pilot program within the 7(a) program to meet the credit, management, and technical assistance needs of small businesses in underserved markets primarily through loans up to \$350,000 from nonprofit financial intermediaries focused on economic development.²⁷ The CA Pilot has been extended numerous times, most recently through September 30, 2024.²⁸ Specifically, the organizations that may participate in the CA program are limited to SBA-authorized CDCs, SBA-authorized Microloan intermediaries, SBA-authorized Intermediary Lending Pilot Program intermediaries, and non-federally regulated Community Development Financial Institutions (CDFIs).²⁹ The CA program increases access points for 7(a) loans which helps address capital shortfalls for small businesses that often struggle to be approved for other loans, such as veteran entrepreneurs.

In its Congressional Budget Justification for FY 2020, SBA recognized that the CA program “reached significantly more women and minorities than the traditional 7(a) loan

²⁵ U.S. Small Bus. Admin., Weekly Approvals Report with data as of 5/6 for each FY, (May 6, 2022), Weekly Approvals Report (sba.gov).

²⁶ *Id.*

²⁷ U.S. Small Bus. Admin., *Community Advantage Participant Guide*, Version 6.0 (2020), <https://www.sba.gov/sites/default/files/2020-06/CA%20Guide%20Version%206%20FINAL%20508%2006-01-20.pdf> [hereinafter CA Guide].

²⁸ U.S. Small Bus. Admin., *Biden-Harris Administration Expands SBA Pilot Program Targeting Access to Capital for Underserved Entrepreneurs*, Press Release No. 22-27, (Mar. 30, 2022), <https://www.sba.gov/article/2022/mar/30/biden-harris-administration-expands-sba-pilot-program-targeting-access-capital-underserved>.

²⁹ CA Guide, *supra* note 27.

program.”³⁰ Furthermore, organizations approved to participate as CA Lenders are required to make at least 60 percent of their CA loans in underserved markets, which includes veteran-owned businesses.³¹ CA lenders may also optionally provide borrowers and potential borrowers with technical assistance but are not required to do so.

Last Congress, the House passed by a voice vote H.R. 7903,³² a bill that codified the CA program under the Small Business Act and authorized it for five years. The bill would have increased the portion of a lender’s portfolio that must be made in underserved markets from 60 to 75 percent and expanded the pool of businesses designated as being in an “underserved” market to explicitly include those owned by women and minorities, as well as those located in disaster areas.

SBA Contracting Program for Veterans

Congress has designated service-disabled veteran-owned small businesses as a key group that can benefit from contract assistance. Through federal contracts, these small businesses can expand their capabilities and capacity, thereby improving their competitiveness. In turn, the Federal Government benefits from the innovation, agility, and the quality goods and services these small businesses offer.

Service-Disabled Veteran-Owned Small Business Program

The SBA’s Service-Disabled Veteran-Owned Small Business (SDVOSB) Program provides procuring agencies with the authority to set aside contracts for exclusive competition among eligible participants as well as the authority to make sole-source awards. The program is designed to help agencies meet the statutory goal of awarding 3% of all prime contracts to SDVOSBs. In FY 2020, the federal government surpassed this goal by awarding 4.28% to SDVOSBs.

To be eligible for this program, small businesses must meet the SBA’s size standard for being small within its industry, be at least 51 percent owned and controlled by one or more service-disabled veterans, and eligible veterans must have a service-connected disability.³³ Currently, SDVOSBs self-certify eligibility. However, due to fraud concerns, Congress recently enacted legislation in the FY 2021 NDAA that will institute a formal certification process for the program starting in 2023.³⁴

Committee Actions

The Committee on Small Business remains committed to supporting veteran entrepreneurs and small business owners and recently passed through the House H.R. 3469, the Veteran Entrepreneurship Training Act of 2021.³⁵ H.R. 3469 was introduced by Representative Bradley Schneider (D-IL) and Representative Roger Williams (R-TX). The bill amends the Small Business Act to codify for five years the Boots to Business program. H.R. 3469, passed the House on a

³⁰ U.S. SMALL BUS. ADMIN., FY 2020 Cong. Justification/FY 2018 Annual Performance Report (2019).

³¹ CA Guide, *supra* note 27.

³² H.R. 7903, 116th Cong. (2020).

³³ 13 CFR §125.12-§125.16.

³⁴ William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, §862, 134 Stat. 3388 (2021).

³⁵ H.R. 3469, 117th Cong. (2021).

motion to suspend the rules by the Yeas and Nays 418-2 on November 2, 2021. It was received in the Senate and referred to the Senate Committee on Small Business and Entrepreneurship on November 3, 2021. On February 2, 2022, the Senate introduced an identical bill, S. 3564.³⁶ The Committee reported S. 3564, as amended, favorably to the Senate by voice vote on May 18, 2022.

Conclusion

Veterans possess the capabilities and characteristics to succeed as entrepreneurs and small business owners. The SBA provides a variety of counseling, training, and lending options tailored to the needs of veterans and their families. Addressing the concerns and supporting veteran entrepreneurs and small business owners will remain a top priority for the Committee.

³⁶ S. 3564, 117th Cong. (2022).