

Military to Main Street: Serving Veteran Entrepreneurship

US House of Representatives Small Business Committee

flintlock

Joseph Shames  
Founder and General Partner  
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Chairwoman Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, my name is Joe Shames and I am the Founder and General Partner of Flintlock Capital. Flintlock is a veteran and woman led investment firm that focuses on propelling great entrepreneurs to lead the businesses of tomorrow, with specific set asides for veteran and woman led companies.

I served 11 years as an Air Force special operations pilot. I flew 168 combat missions in Afghanistan, the Middle East, and East Africa and was one of the first pilots to stand up operations in East Africa against Al Qaeda in the Arabian Peninsula. I am a graduate of the United States Air Force Academy and Auburn University, with a BS in Law and an MBA in finance.

I am a lifelong entrepreneur and investor, having started my first business when I was 15 years old. I've led companies through all phases of the business growth cycle, even a complete corporate turnaround and restructuring. As the Co-Founder and owner of Flags of Valor, I took the reins as CEO and led the veteran powered manufacturing company through the difficult trials of the COVID-19 pandemic. I am the Vice Chairman of the US Chamber of Commerce Small Business Council and a frequent speaker and writer on veteran entrepreneurship and business policy issues. In short, I am a veteran entrepreneur who has successfully transitioned from active duty military to main street and I cherish the opportunity to serve our nation economically after serving in our active military.

### **Current Small Business Outlook**

Many American small businesses are fighting a multi-front battle against inflation, a constrained supply chain and evolving workforce. Despite all of this, I find the American entrepreneur's resilience an inspiration. That resilience and "can do" attitude are fundamental characteristics of our nation's heritage of free enterprise. These traits are even more prevalent in the American veteran community.

Many of the current economics problems are directly related to policy decisions that were too broad, too expensive, and made worse by the lingering affects of the global pandemic. Regardless, we see once again that the small business community is trying to adapt to survive and innovate to thrive. In game theory, every time you change the rules of the game, the participants are forced to alter the way they play the game. In this case, we are talking about America's small businesses that account for more than 60% of net new jobs. They're wading through a seemingly never-ending debate of rule changes and shifting incentives that threaten their fundamental abilities to create, build, and grow the enterprises that will power our economy forward.

There is a tendency in government to try and fix every problem. This often means creating more programs, more compliance, and more spending. In my 2020 testimony before the US Senate Committee on Small Business and Entrepreneurship I wrote "It is important to explain that government resources and help have provided us with a lifeline. However, there is a lot more to economic survival than grants, loans, and other governmental assistance." This sentiment reminds me of the hippocratic oath's supreme idea of "First do no harm." Although most policies begin with the best intentions, future unintended consequences can often dramatically outweigh the initial benefits they were designed to create. The small business community is living through this phenomena in painful detail.

As we discuss the role veteran business owners play in our economy and explore ways to improve their transition, I challenge you to "first do no harm" and avoid policies that may erode the resilience of the entrepreneur by undermining the American spirit of free enterprise.

## **Veterans in business**

The qualities that often brought veterans into military service, coupled with their experience in uniform, are powerful catalysts for success in entrepreneurship. Additionally, core values of military experience like integrity, service, and excellence are carried into our communities long after a veteran leaves the uniform. After World War 2, over fifty percent of returning service members went on to start businesses. Unfortunately, today only five percent of post 9/11 veterans go on to start businesses. While today's economy is very different than that of the 1940s and veterans have more diverse opportunities for employment, their absence as business owners is felt. We need more veterans leading businesses in our communities.

This is important not just for economic reasons. It's essential to our national security and way of life that American's from all walks of life are exposed to the men and women who serve in uniform. This helps insure we can maintain the highly capable and motivated all-volunteer military we enjoy today. There is no better way to achieve this connectedness than through the relationships built on veteran small business ownership. We are all very aware of the impact small businesses play in our communities.

## **Veteran Business Acceleration Act**

According to the latest data, access to capital continues to be the top barrier facing new and existing veteran-owned businesses.<sup>1</sup> Despite the overwhelming success of veterans as entrepreneurs, nearly sixty percent of veteran led businesses are underinvested.<sup>2</sup> In the last Congress, I worked with Representative Tulsi Gabbard on the bi-partisan Post 9/11 Veteran Business Acceleration Act - H.R. 4991.

I encourage this committee to work in a bipartisan way to re-introduce this legislation and enact this pilot program. The Post 9/11 GI Bill is an earned benefit for our military men and women. Allowing it to be used for small business ownership isn't a new entitlement. Instead, it creates even more opportunity for economic upward mobility for our nation's warfighters. In many cases, the economic benefits of business ownership outweigh those of higher education in terms of building generational wealth and job creation. The earned benefit of the Post 9/11 GI Bill would go a long way to business ownership for veterans moving from the military to main street. I've included H.R. 4991 and Representative Gabbard's "Dear Colleague" for your reference.

## **Government Accountability Office**

As I transitioned from active duty, I remember sitting in the requisite TAPS (Transition Assistance Program) class with dozens of others. We sat through briefing after briefing describing ways to prepare for life after the military. I knew I was going to return to entrepreneurship and the program offered little insight into resources or programs that may benefit me on the entrepreneurial journey. It wasn't until years later that I realized how many programs already exist and the disconnect between the Department of Defense from these efforts. From Small Business Development Centers (SBDCs), SBA, SCORE, VA, DARPA, and more, the transitioning veteran has very little awareness of these resources or how to access them.

We know that SBA's existing partnerships serve veterans. In 2021 nine percent of SCORE clients were veterans, totaling 14,000. That led SCORE to create a veteran entrepreneurs hub. Similarly, the SBDC network averages nine percent veteran owned businesses. Resources go far beyond SBA's partnerships when including 501C3s and corporate partners.

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<sup>1</sup> *2021 National Survey of Military-Affiliated Entrepreneurs*, Syracuse University D'Aniello Institute for Veterans & Military Families, Rosalinda Maury, Mirza Tihic, Adam Pritchard, Alexander McKelvie, Linda Euto, (April 2022).

<sup>2</sup> *Financing Their Future: Veteran Entrepreneurs and Capital Access*, U.S. Small Business Administration and the Federal Reserve Bank of New York, Sid Sankaran, Jessica Battisto, (November 8, 2018), page 11.

There are an abundance of programs designed to help veterans succeed as entrepreneurs. I believe we should look for ways those resources can work together. A positive example of how programs can work together is Louisiana's PAVE (Pathway to Assist Veteran Entrepreneurs) program, which is a partnership of the Louisiana Department of Veterans Affairs, Louisiana Economic Development, the Louisiana National Guard, and the Louisiana Small Business Development Network.

I recommend that this Committee task the Government Accountability Office (GAO) with mapping out a comprehensive list of programs designed to assist aspiring veteran entrepreneurs. Once done, we should look for ways the programs can cross pollinate and be integrated into TAPS programs. With this type of information, and a regularly updated list of programs that are working together more effectively, TAPS programs around the country can give our nation's warfighters a head start in their preparations. This doesn't require spending more money or building new programs. There are abundant resources that simply need to be better communicated and understood.

116TH CONGRESS  
1ST SESSION

# H. R. 4991

To amend title 38, United States Code, to establish a pilot program under which eligible individuals may elect to receive financial assistance in lieu of educational assistance under the Post-9/11 Educational Assistance Program to establish and operate a qualified business enterprise, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 8, 2019

Ms. GABBARD (for herself, Mr. SPANO, and Mr. LAWSON of Florida) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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## A BILL

To amend title 38, United States Code, to establish a pilot program under which eligible individuals may elect to receive financial assistance in lieu of educational assistance under the Post-9/11 Educational Assistance Program to establish and operate a qualified business enterprise, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Post-9/11 Veteran  
5 Business Acceleration Act”.

1 **SEC. 2. PILOT PROGRAM TO ALLOW ELIGIBLE INDIVIDUALS**  
2 **TO ELECT TO RECEIVE FINANCIAL ASSIST-**  
3 **ANCE IN LIEU OF POST-9/11 EDUCATIONAL**  
4 **ASSISTANCE TO ESTABLISH AND OPERATE A**  
5 **QUALIFIED BUSINESS ENTERPRISE.**

6 (a) ESTABLISHMENT OF PILOT PROGRAM.—Sub-  
7 chapter III of chapter 33 of title 38, United States Code,  
8 is amended by adding at the end the following new section:  
9 **“§ 3328. Pilot program to allow election to receive fi-**  
10 **nancial assistance to establish and oper-**  
11 **ate a small business**

12 “(a) ESTABLISHMENT.—(1) Not later than January  
13 1, 2021, the Secretary, in collaboration with the Adminis-  
14 trator of the Small Business Administration, shall estab-  
15 lish a pilot program under which an eligible individual may  
16 elect to receive financial assistance, in lieu of educational  
17 assistance under this chapter, for a three-year period—

18 “(A) to establish and operate a new qualified  
19 business enterprise; or

20 “(B) to operate an existing qualified business  
21 enterprise.

22 “(2) For purposes of paragraph (1), an eligible indi-  
23 vidual is an individual who—

24 “(A) is entitled to 36 months of educational as-  
25 sistance under this chapter;

1           “(B) is not in bankruptcy proceedings at the  
2           time of application; and

3           “(C) has a credit score equal to or greater than  
4           the minimum credit score required by the Adminis-  
5           trator to receive a loan under section 7(a) of the  
6           Small Business Act (15 U.S.C. 636(a)).

7           “(b) APPLICATION PROCESS.—The Secretary shall  
8           establish an application process to select individuals to  
9           participate in the pilot program.

10          “(c) ALLOWABLE EXPENSES.—An individual may  
11          use financial assistance under the pilot program for the  
12          following expenses in connection with the establishment or  
13          operation of a qualified business enterprise:

14                 “(1) Payment of a mortgage or lease with re-  
15                 spect to property used regularly and exclusively to  
16                 operate the qualified business enterprise.

17                 “(2) Utilities, phone, and computer expenses.

18                 “(3) Equipment, furniture, and machinery.

19                 “(4) Vehicles and travel expenses.

20                 “(5) Property maintenance costs.

21                 “(6) Insurance.

22                 “(7) Wages, salaries, payroll taxes, and bene-  
23                 fits.

24                 “(8) Supplies and other office expenses.

1           “(9) Professional fees, including legal and ac-  
2           counting services.

3           “(10) Advertising and marketing costs.

4           “(11) Such other expenses as the Secretary de-  
5           termines appropriate.

6           “(d) AMOUNT AND PAYMENT OF FINANCIAL ASSIST-  
7           ANCE.—(1) The Secretary shall make available to an indi-  
8           vidual under the pilot program financial assistance in the  
9           following amounts:

10           “(A) In the first year of the pilot program, an  
11           amount equal to the sum of—

12                   “(i) \$20,000; and

13                   “(ii) the monthly amount of the basic al-  
14           lowance for housing payable under section 403  
15           of title 37 for a member with dependents in pay  
16           grade E–5 residing in the military housing area  
17           that encompasses all or the majority portion of  
18           the ZIP code area in which is located the pri-  
19           mary residence of the individual, multiplied by  
20           12.

21           “(B) In the second year of the pilot program,  
22           \$20,000.

23           “(C) In the third year of the pilot program,  
24           \$20,000.



1       “(2) The Secretary shall make payments under this  
2 section as follows:

3               “(A) In the first year of the pilot program, and  
4 as requested by an individual under the program—

5                       “(i) for—

6                               “(I) the first month, in a lump sum  
7 equal to 60 percent of the total amount  
8 under subsection (d)(1)(A); and

9                               “(II) each subsequent month, in an  
10 amount equal to 40 percent of the total  
11 amount under such subsection divided by  
12 11; or

13                               “(ii) on a monthly basis.

14               “(B) In the second and third year of the pilot  
15 program, on a monthly basis.

16       “(e) EXPENDITURE REPORTING AND TRACKING SYS-  
17 TEM.—The Secretary, in collaboration with the Adminis-  
18 trator, shall establish and operate a secure electronic re-  
19 porting system through which—

20               “(1) an individual participating in the pilot pro-  
21 gram may report—

22                       “(A) expenditures of a qualified business  
23 enterprise established or operated under the  
24 pilot program; and

1                   “(B) such other information as the Sec-  
2                   retary may require; and

3                   “(2) the Secretary may track expenditures and  
4                   other information reported under paragraph (1).

5                   “(f) REVIEW OF EXPENDITURES; IMPROPER USE OF  
6 FUNDS.—The Secretary shall—

7                   “(1) at least once every two months, review the  
8                   system established under subsection (e) to determine  
9                   whether an individual participating in the pilot pro-  
10                  gram is using financial assistance under the pilot  
11                  program for allowable expenses described in sub-  
12                  section (c); and

13                  “(2) require an individual who uses financial  
14                  assistance for a nonallowable expense to remit to the  
15                  Secretary an amount equal to the amount used for  
16                  the nonallowable expense.

17                  “(g) COMBINATION OF BENEFITS.—The Secretary  
18                  may allow multiple individuals to use financial assistance  
19                  under the pilot program to establish or operate a single  
20                  qualified business enterprise.

21                  “(h) TRAINING.—The Secretary, in collaboration  
22                  with the Administrator, shall provide training to individ-  
23                  uals participating in the pilot program with respect to the  
24                  establishment and operation of a business, including how  
25                  to avoid becoming a victim of predatory lending.

1       “(i) WITHDRAWAL FROM PILOT PROGRAM.—(1) An  
2 individual, upon notice to the Secretary, may withdraw  
3 from participation in the pilot program at any time prior  
4 to the completion of the three-year period of the program.

5       “(2) In the event that an individual withdraws from  
6 the pilot program under paragraph (1), the Secretary  
7 shall—

8               “(A) determine the remaining educational as-  
9 sistance to which the individual is entitled under this  
10 chapter; and

11               “(B) allow the individual to use such remaining  
12 educational assistance in accordance with this chap-  
13 ter.

14       “(j) DURATION.—The Secretary shall carry out the  
15 pilot program for a period of seven years.

16       “(k) QUALIFIED BUSINESS ENTERPRISE DE-  
17 FINED.—In this section, the term ‘qualified business en-  
18 terprise’ means a business enterprise engaged in lawful  
19 activities under—

20               “(1) Federal law; or

21               “(2) the law of the State in which the business  
22 enterprise is located.”.

23       “(b) CONFORMING AMENDMENT.—Section 3301 of  
24 such title is amended by adding at the end the following  
25 new paragraph:



**Cosponsors in the 116<sup>th</sup> Congress:** *Spano\**, Lawson\*

**Organizational Support in the 116<sup>th</sup> Congress:** Reserve Officers Association, Jewish War Veterans of the USA, Naval Enlisted Reserve Association

Dear Colleague,

Please join me as a cosponsor on [H.R.4991 - Post-9/11 Veteran Business Acceleration Act](#) in the 116th Congress, which would establish a pilot program allowing veterans to use their post-9/11 GI benefits to start and run their own businesses. While 61% of veterans reported having some college education<sup>1</sup>, there are no good statistics on how many of them use their GI Bill benefits to complete a college degree. For those veterans who already have advanced degrees, or do not otherwise wish to use their educational benefits, the post-9/11 GI Bill provides no tangible benefits to improve their lives.

This bill would change that, by allowing veterans to use the benefits they've earned to open a new business in an industry they enjoy. To see the power of the Post 9/11 GI Bill in dollars and cents, let's use an average public tuition/fees rate of \$410 per credit with a course load of 12 credits per semester. For a veteran student at the 100% Post 9/11 GI Bill tier level, the VA would pay all of the tuition/fees of \$4,920 per semester – \$9,840 per two-semester academic year. Combined with the average monthly \$1,300 housing stipend for nine months and a \$1,000 yearly book stipend, the Post-9/11 GI Bill is paying \$22,500 in educational benefits per year. Over the course of a four-year degree, it pays out almost \$90,000. This money would go a long way to helping a veteran get a new business off the ground, providing stability at a perilous time for new businesses.

Considering the damage the ongoing pandemic has caused to our economy, it is essential that we look at new solutions to help restart the economy, and to replace the estimated 66,000 small businesses that have been closed since March of this year.<sup>3</sup> This bill is more important than ever, and will help our veterans transition from service, and rebuild the economy at the same time.

[1] NSV Statistics on the student veteran population and their educational attainment level - <https://studentveterans.org/media-news/156-majority-of-student-veterans-graduate#:~:text=%E2%80%9CAccording%20to%20the%20NSV%2C%20approximately.attending%20some%20college%20or%20higher>

[2] \*Qualified Veteran – Veterans with three years or more of eligible service out of the military with 36 months of Post 9/11 GI Bill entitlement as well as: no history of bankruptcy, clear and concise business plan, VA approved business structure (same as if applying for a VA business loan).

[3] 'I Can't Keep Doing This:' Small-Business Owners Are Giving Up - <https://www.nytimes.com/2020/07/13/business/small-businesses-coronavirus.html>

Below are key items that our bill addresses:

- A qualified veteran can utilize their Post 9/11 GI Bill benefits towards a startup business.
- Creates a five-year pilot program to analyze the usage of veterans who use their Post 9/11 GI Bill benefits towards opening a business.
- The allotted amount will resemble the same as if the veteran was attending College (Not to exceed the tuition rate and amount).<sup>1</sup>
- The “Qualified” veteran will have twelve months of BAH awarded to them in order to help establish the business.
- A group of Veterans can use their benefits collectively to open a single business.

If you have questions or would like to become an original cosponsor, contact [colin.finn@mail.house.gov](mailto:colin.finn@mail.house.gov) in Rep. Gabbard’s office.

Sincerely,

Tulsi Gabbard

Member of Congress

[1] \$4,920 per semester – \$9,840 per two-semester academic year, with the average monthly \$1,300 housing stipend for nine months and a \$1,000 yearly book stipend, the Post-9/11 GI Bill is paying \$22,500 in educational benefits per year. Over the course of a four-year degree, it pays out almost \$90,000.