

ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS

Established by Public Law 106-50

January 2018

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Virginia

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*Rebekah K. Stroman
U.S. Chamber of Commerce
Foundation*
Washington, DC

*Michael Zacchea
University of Connecticut*
Connecticut

Dear Mr. President, Members of Congress and Madam SBA Administrator:

On behalf of my colleagues, I am pleased to present you the 13th Annual Report on Veterans Entrepreneurship from the Advisory Committee on Veterans Business Affairs (the Committee or ACVBA).

The ACVBA, comprised of veteran small business owners and veteran service organizations, chartered by Congress to advise both the Executive and Legislative Branches of government, seeks to ensure our Nation's efforts to help our Veteran business owners are coordinated, integrated, and synchronized – and most of all, effective.

America's Veterans and their families continue to face challenges. Far too many are struggling to transition successfully back into meaningful employment and lack opportunities to create small and independent businesses or grow their existing businesses. Given the integral role performed by the spouses of service members and veterans, who themselves are often small business owners as well, the Committee also included opportunities to support veteran spouse and active duty spouse entrepreneurs.

The Committee conducted three hearings in Fiscal Year 2017 addressing issues such as: access to capital, legal issues, women veteran business outreach, Federal veterans' programs, veterans' business development, veteran business certification, veteran farmer advocacy, marketing activities and outreach activities.

On behalf of the entire Committee, and for those who have served our Nation honorably, we present this report and urge that our recommendations be considered and adopted. This work is critical to helping our veteran and military spouse business owners and their families.

Respectfully,

James T. O'Farrell, Jr.

Chairman

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EXECUTIVE SUMMARY

Pursuant to Public Law 106–50, as amended, 15 U.S.C. §657b note, the Advisory Committee on Veterans Business Affairs (ACVBA or Committee) serves as an independent source of advice and policy recommendations to the Administrator of the Small Business Administration (SBA), the Associate Administrator for Veterans Business Development of the Small Business Administration, the Congress, the President, and other United States policymakers. Further, the duties of the Committee include the following:

- Review, coordinate, and monitor plans and programs developed in the public and private sectors that affect the ability of small business concerns owned and controlled by veterans to obtain capital, credit, and to access markets.
- Promote the collection of business information and survey data as they relate to veterans and small business concerns owned and controlled by veterans.
- Monitor and promote plans, programs, and operations of the departments and agencies of the United States that may contribute to the formation and growth of small business concerns owned and controlled by veterans.
- Develop and promote initiatives, policies, programs, and plans designed to foster small business concerns owned and controlled by veterans.

The ACVBA is a Federal advisory committee chartered by the SBA and operationally supported by the SBA Office of Veterans Business Development (OVBD). Its members are appointed for 3-year terms by the SBA Administrator from outside the Federal Government and receive no compensation for service.

In Fiscal year 2017 (FY17), the Advisory Committee on Veterans Business Affairs (ACVBA) efforts were focused on expanding previous committee topics covered, introducing new veteran business verticals and introducing new topics that address key issues that are the most important to veteran business owners. The committee met three times (March 2017, June 2017, September 2017), and received briefings about existing and start-up veteran entrepreneurship programs from veteran community members and relevant experts, as well from commercial, institutional, and Federal agency executives. Based on the ACVBA briefings and individual ACVBA member efforts, the ACVBA finds the following:

- To improve the Committee’s operational efficiency, the SBA needs to ensure timely staffing of ACVBA members on the Committee.

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- Government organizations and other institutions are making progress in providing programs for veterans who are interested in starting or improving their start-up business operations – but much work remains. Some programs are legislatively encouraged but not mandated, and therefore can be easily defunded without legislative action.
- In pursuit of the many aspects of business challenges that Veteran businesses face, the Committee has organized topics and recommended measures to be taken to assist Veteran entrepreneurs in the following areas:
 - Access to Capital
 - Loan fee waivers and reductions
 - Investor tax exclusions
 - G.I. Bill Usage
 - U.S. Exports incentives
 - Legal Assistance
 - Legal training for Veteran entrepreneurs
 - Research into legal issues for Veteran entrepreneurs including: industry specific legal issues, access to capital and government contracting policy & legislation
 - Legal resources access
 - Federal Programs
 - Creation of a Veteran Business Development program for Service-Disabled Veteran-Owned Small Businesses
 - Expand Veteran programs to agencies that produce veterans
 - Veteran Certification
 - Mentor Protégé
 - Metrics
 - Women Veteran Entrepreneurs
 - Veteran Farmer Entrepreneurs
 - Veteran Farmer Boots to Business module
 - Farming Incubator
 - Promote Farming markets and technologies
 - Federal Certification
 - Veteran Business Development

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- The quantity of resources available to veteran owned businesses is vast, and spans the public sector, private sector, non-profits, and academia. Navigating those resources to match the proper resource to the need is a daunting task. Selecting effective resources based on a measured metric of success is virtually impossible. Currently there is no method in which an individual Veteran can move through this complex process effectively.
- Tracking and success measuring options are needed to ensure programs meet the needs of the veteran business community. Measurable metrics and accountability are required.

The Committee is committed to engaging in the process and supporting the agendas that promote and enhance Veterans' Entrepreneurship. We are enthusiastically dedicated to the duties as directed through Pub.L. 106-50 § 201(c). The FY2018 agenda will follow up on key issues from FY2017 as well as bring new issues to the forefront.

From one year to the next, the ACVBA's focus issues must have continuity to ensure they are being properly addressed. With the wide breadth of topics, the Committee has already addressed, we will start to dig deeper into past agenda items to further identify issues and recommended solutions for veteran-owned small businesses. The following are continuing agenda items that warrant a deeper dive for FY18:

- The Committee will continue to address concerns regarding ***Access to Capital*** solutions and expand that area of interest by addressing access to capital by stage of a business maturity and by business type.
- The Committee will continue to expand the ***mapping of state and federal resources*** to a broader view of how Veteran Entrepreneurs can locate resources and match them to their specific needs.
- The committee will also continue to conduct ***outreach*** by extending formal invitations to heads of key Federal agencies, private-sector entities and Veterans' Service Organizations (VSOs) to remain abreast of current trends and issues sharing Committee concerns.
- The Committee will continue to advocate for ***additional Veteran business certification alternatives*** and continue to advocate for reform of the Department of Veterans Affairs (VA) Veteran-Owned and Service-Disabled Veteran-Owned Small Business (VOSB and SDVOSB) Certification processes.
- The Committee will continue laying out the legal issues surrounding Veteran-owned businesses and ***encourage legal education and training for Veteran Entrepreneurs***.
- The Committee will ***advocate for Women Veteran business owners*** through legislation, education and Government program outreach.

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- As part of this agenda, the Committee will address Veteran Business owners ***access to the commercial supplier base*** through commercial entities' Supplier Diversity Programs (or like programs) to advocate for Veteran business, to include SDVOSBs and VOSBs, outreach, initiatives, and collaboration with large business and Veteran Service Organizations (VSOs).
- Farming and agriculture has been an excellent area for Veteran Entrepreneur growth. To bring more attention to this area, the Committee will promote and encourage entrepreneur training and education for Veteran and Service Disabled Veteran companies regarding ***Veteran Farmer businesses***.
- An important way for Veteran Businesses to stay in business is to ensure they have a robust customer base. Therefore, the committee will advocate for methodologies and practices supporting good ***business development and marketing skills for Veteran business owners*** to include Service Disabled Veteran and Veteran Owned businesses. For government contracting continue to promote for a Service Disabled Veteran Owned Small Business, legislatively back business development program.
- To ensure the Committee has a solid baseline with which to measure changes as we follow long term issues, the Committee will ***advocate for performance metrics and other measurable data regarding government programs, organizations supporting Veteran Entrepreneurship***, and all overall agenda topics. This will allow the Committee to evaluate the quality and effectiveness of support available to Veteran businesses.
- Supporting small business resources and entrepreneurship for the spouses of veterans and the spouses of active duty service members presents a significant opportunity to support veteran entrepreneurship. Transitions out of the military are proven to be easier when one's spouse is employed, and research shows a significant number of military spouses are interested in entrepreneurship. ***Expansion of veteran entrepreneur support initiatives to include veteran spouses and active duty spouses should be considered*** where possible. For the rest of this report the term military spouse shall include veteran spouses and active duty spouses.

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Recommendations

To formulate Committee recommendations during FY17, the Committee members took a more hands-on approach. Key to this approach was having Committee members visit several Veterans Business Outreach Centers (VBOCs) during FY17 for a first-hand view of the VBOC operations. Committee members reported that these VBOC visits provided valuable insights and feedback that has informed the Committee recommendations for FY17.

Detailed below are the Committee's Recommendations and each Committee hearing can be found at the following link: <https://www.sba.gov/offices/headquarters/ovbd/resources/14397>

Finance - Access to Capital Recommendations

1. Pursue Access to Capital legislative changes that would benefit veteran-owned small businesses, including:
 - a. SBA should identify and publicize those non-traditional sources of Capital being used by post-9/11 veterans. StreetShares, Inc. is one example of this type of non-traditional lender.
 - b. SBA Community Advantage Program – SBA should make this pilot 7(a) product that provides guarantees to non-profit intermediaries a permanent part of SBA's Office of Economic Opportunity (OEO).
 - c. SBA should vet the non-traditional lending resources currently in the marketplace to ensure they're well-funded and trustworthy.
 - d. SBA should add the vetted list of non-traditional, trustworthy resources to the SBA website/resource list.
 - e. The SBA should set standards and guidelines for non-traditional lending sources that veteran owned businesses can use for evaluation purposes.
 - f. The SBA should make a template, based on established standards and guidelines, for these organizations to publicly and voluntarily rate themselves as non-traditional lenders.
 - g. The SBA should make the public aware of predatory lending practices and organizations that are repeat offenders in engaging in nefarious lending practices.
 - h. SBA should explore the potential of adding non-traditional lending resources to LenderMatch (formerly LINC).
 - i. SBA should share the full data set on loan performance of veteran entrepreneurs. To facilitate the gathering of vetpreneur loan performance, the loan application form should include a mandatory check box for veteran status.

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- j. SBA should study the impact of reductions in loan fee relief on the willingness of veterans to participate in SBA loan programs.
 - k. SBA should develop plans and/or programs to increase the number of small-dollar loans.
 - l. SBA should work with lenders to facilitate the gathering of data to provide the Committee information on why veterans are disapproved for loans.
 - m. Recent SBA loan fee waivers, such as the fee reductions enacted by SBA in 2014, should apply to any veteran loan amount and become permanent. Broadly expand the use of Government-sponsored grants & microloans. Making Federal grants available for veteran and military spouse businesses and expanding or establishing veteran- and spouse-specific microloans will help entrepreneurs who otherwise may have difficulty getting funds using traditional means.
 - n. Increase investment by changing tax legislation and bank regulations so private funding providers can dedicate more funding to veteran and military spouse entrepreneurs. This recommendation encourages the SBA to influence tax legislation to provide angel investors and venture capitalists with incentives such as short-term tax exclusion for non-capital gains and other incentives when they invest in veteran entrepreneurs.
 - o. The SBA should track and follow up on the proposed pilot to study alternative GI Bill usage for business funding to determine if it is feasible and sufficiently drives sustainable assistance to veteran owned small businesses. This should include renewed efforts to establish the proposed GI Bill business development usage from the Veterans Entrepreneurial Transition (VET) Act of 2015, S. 1870, reported favorably by the U.S. Senate Committee on Small Business and Entrepreneurship in December 2016. Based on the outcome of this pilot, additional recommendations should be derived.
 - p. The SBA should collaborate with government agencies that focus on exports, such as the U.S. Department of Commerce, U.S. Export-Import (EXIM) bank, and others. Collaboration encourages loan fee reductions and promotes other financial aid for veteran small businesses that export which increases business development opportunities, export funding opportunities, and helps them export their goods or services outside the United States.
2. **Access to capital awareness and training.** Create a two or three-day extensive training program as a follow-on to *Boots to Business* training curriculum focused exclusively on financing options, pros, cons, and pitfalls, and other related capital issues, targeting those who have completed *Boots to Business* or have made the decision to pursue business ownership as their path ahead. Include in this program through education and outreach: access to private funding, financial institution sources, education on government financial options, and export financing to educate veteran entrepreneurs on access to capital issues.

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Legal-Area Recommendations

3. Create a two or three-day extensive training program as a follow-on to *Boots to Business* focused exclusively on legal specific training classes. This training should include outreach to legal resources and encourage legal assistance to veteran owned small businesses from government programs and commercial legal resources. Different versions of this training program should be considered to address different sized and types of veteran businesses.
4. Conduct research into legal issues that address causes and possible solutions to legal problems, financial impact of legal issues, and other legal issues veteran owned small businesses experience in business. This research should focus on what industry specific legal issues are most prevalent per different business areas of operations. As an example, what legal issues are most important for a veteran manufacturer when it comes to finance/access to capital, partners, resellers, suppliers, exporting, customers, marketing, etc. This research should include specific legislation (legal issues) that are problematic or hinder veteran owned small business operations and growth. The outcome of this research should be used to further assist VOSB's in SBA training programs and other available resources. Additional outcomes should include recommendations for small business regulatory reform that could simplify encumbering legal issues.
 - a. Include in the study government contracting policy / legislation and the impacts on veteran owned small businesses per the below topics:
 - i. The negative effects of Lowest Price Technically Acceptable (LPTA) and reverse auction contracting tactics on veteran owned small businesses.
 - ii. How can contracting officers be incentivized to award contracts based on best value judgment, not on Lowest Priced Technically Acceptable contracts for veteran owned small businesses.
 - iii. The negative effects of bundling, prohibited consolidation, and similar practices, and how to develop negative incentives for contracting officers who bundle products and services.
 - iv. Encourage contracting officers, through training, to utilize veteran owned small business legislation.
5. Provide a simple portal or information point where lawyers, law firms, and providers of legal services such as nonprofits, State Attorney General offices, or State Bar organizations can post their willingness to provide discounted or pro bono legal services for veteran and military spouse-owned small businesses.

Resources (2017) & Federal Programs (2016) & Outreach / Business Development Recommendations

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6. Create a government wide Veteran Business Development program for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) in Federal Contracting.

Establish a formal Veteran Business Development Program for Service Disabled Veteran Owned Small Businesses to assist with government contracting and subcontracting, financing, technical and regulatory assistance. This reform would include revision of Executive Order 13360, revision of existing SBA and FAR Council regulations, and/or new legislation.

In the 1999 and the 2003 legislation, Congress gave the SBA and other Federal agencies broad business development authority to help veterans. The SBA and the FAR Council, however, announced in 2005 rulemaking that the government-wide SDVOSB Program is only for “established” businesses and is not meant to help veteran business development. Congress should encourage the SBA and the FAR Council to carry out its business development authority and establish a statutory Veteran Business Development program similar but separate from the 8(a) program.

Program objectives pay special attention to the below topics.

- a. The language used for federal agency SDVOSB sole-source authority should be amended to allow for greater use.
- b. Ensure a small number of firms don’t exclusively benefit from the program. Encourage the program to measure success based on the number of firms successfully completing contracts.
- c. Study the fact that although federal agencies are mostly meeting their small business goals, the number of contract awards is decreasing. Conduct research to understand exactly why this is happening. The Committee’s hypothesis is that due to consolidation of the marketplace, fewer and fewer small businesses are being awarded contracts.
- d. Education/training and outreach for procurement officials and contracting officers is imperative. This recommendation encourages the SBA to assist contracting officers with making more SDVOSB set asides under the current set aside language and by promoting a new Veteran Business Development program, through outreach, education and publicly available examples on how to legally achieve an SDVOSB set aside with limited protests.

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7. Create a “Veterans First” contracting set-aside/preference for Veteran-Owned Small Businesses (VOSBs) and Service Disabled Veteran Owned Small Businesses (SDVOSB’s) at the Department of Defense and the Department of Homeland Security.

DOD-SBA and DHS-SBA interagency set-aside agreements per 15 U.S.C. §644(a) on a pilot basis or otherwise, revisions of DFARS, and/or new legislation relying on language approved by the U.S. Supreme Court in *Kingdomware*.

It is the committee’s belief that the federal agencies that produce veterans and service-disabled veterans should also share the VA's fiduciary responsibility. Agencies such as the Department of Defense and Homeland Security should have not only a moral imperative, but a statutory mandate to enforce veterans’ preference in their purchases. The Veterans First contracting program within VA should be legislatively extended to the veteran producing agencies and should require the same percentage goals and the same set-aside authorities.

Woman Veterans Business Outreach Recommendations

8. Commission research into the topic of women veteran owned businesses to better:
 - a. Understand the factors leading to the increase in participating women veteran owned businesses and how that might affect current and future participation.
 - b. Help identify how to best service the unique needs of women veteran owned business owners.
 - c. Continuously study programs that support woman owned and women veteran owned small businesses to better understand what the most effective tools are to support established women veteran owned small businesses in various phases of their business lifecycle and encourage women veteran entrepreneurs to start businesses.
 - d. Identify data that should be collected, allowing the SBA to study and break down veteran business ownership by NAICS code category to understand the gaps in performance of women-owned small businesses across all NAICS categories.
 - e. The federal government should look at tax incentives that might incentivize a woman veteran owned small business to hire employee number two, employee number three, etc.
 - f. The federal government should look at tax incentives for industries served predominantly by male veteran owned small businesses to incentivize women to join these male-dominated industries.
 - g. The federal government should expand the Women Veteran Entrepreneurship Training Program (currently in a pilot program) nationwide.

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Veteran Farmer Advocacy / Outreach, Training, Business Development) Recommendations

9. Develop a Veteran Farmer Boots to Business module focused exclusively on Veteran Farming businesses. As part of this program consider incorporating the following:
 - a. Promoting collaboration among veteran non-profits and veteran farming organizations.
 - b. Involve veteran food organizations, such as Farmer Veteran Coalition, to assist with program development.
 - c. Incubator programs per state could be used to consolidate training, access to land and funding, and provide a benchmark for success. This is a supply side solution.
 - d. Farm markets / transportation hubs and possible markets for exports could be used to aggregate demand for products, while reducing the burden on emerging businesses to provide markets for the crops they sell. This reduces risk for the emerging farmer. This is a demand side solution.
 - e. Assistance in promoting “Farm in a box” or “greenhouse in a box” solutions where everything a veteran business could need is provided in a kit.

Veteran Business Certification

10. The SBA should continue to advocate for legislation that would provide for a single, government-wide verification process, and authority for veteran owned businesses seeking eligibility to contract with any federal government agency. Like prior legislative proposals (e.g., HR 2882 and S. 2334, both introduced in the 113th Congress), legislative changes would likely be required to both Titles 15 and 38 of the United States Code. The following issues should be taken into consideration when the SBA is addressing veteran verification:
 - a) Controlling legislation and implementing regulations should conform to verification standards and processes for women owned small businesses.
 - b) Explore, possibly through pilot programs, alternative approaches to administering the verification process, with a goal of identifying the most cost effective, streamlined and timely methodology for executing verification. Models to be considered could include: (1) traditional government programs operated through appropriated funding; (2) use of third party, non-profit verification entity(s) like the National Women Business Owners Corporation (NWBOC); (3) others, such as a fee for service programs that could be administered by public, private or non-profit entities.

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Business Development (Government Contracting) - Mentor – Protégé

11. The Committee's recommendation is that SBA act aggressively to ensure a fully implemented Service Disabled Veteran (SDV) Mentor Protégé Program that is easily accessibility with reasonable ease of application, review and approval. This program should incorporate:
 - a. A protégé can have multiple mentors for the life of the program.
 - b. Allow large businesses to have more than one protégé at a time. Large businesses have the capacity to have multiple protégés at time. Limiting mentors to one protégé is detrimental to the veteran small business community.

Business Development – Marketing

12. Establish a uniform standard of resources for each Office of Small and Disadvantaged Business Utilization (OSDBU) office. This recommendation encourages the SBA to work with agency OSDBU offices to standardize the publicly available information from the Federal OSDBU Office of Small Business Programs (OSBP) offices of veteran owned business. While each agency OSDBU should be permitted to reflect its mission and priorities, its website should be informational and educational. For example, certain minimum elements should be universal, such as: staff contacts; contact information for agency small business specialists; links to agency procurement forecast; description of agency small business programs and initiatives; a guide for doing business with the agency; links to the SBA, the VA, and other relevant agencies, event calendars and technical assistance providers; the types of products and services the agency procures; and small business procurement performance.

Veteran Owned Business Performance/Metrics

13. Conduct research and/or support existing research such as that being performed by the National Association of Veteran-Serving Organizations (NAVSO) to determine why such a large percentage of veterans are successful business owners. With less than 1% of our country actively serving in the military since the Vietnam era, and only 3.5% of them in the workforce, why are 9% of today's businesses veteran-owned and led? Specifically, data from the U.S. Census Bureau as depicted by the Institute for Veterans and Military Families at Syracuse University, shows 2.5 million veteran-owned businesses in the U.S. with payrolls of nearly \$200 billion, with 5.5 million employees and cash receipts of \$1.1 trillion. Identify specific traits and practices that contribute to the statistics above, and incorporate them into SBA veteran training curriculums and when providing assistance to veteran owned entrepreneurs.
14. Conduct research and/or support existing research such as that being performed by the Institute for Veterans and Military Families at Syracuse University, National Association of Veteran-

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Serving Organizations (NAVSO) and data collected by Bunker Labs nationwide from veteran entrepreneurs to better understand trends in military veteran business ownership. For example:

- 49.7% of World War II veterans owned and operated a business after leaving military service
- 40.1% of Korean War veterans became entrepreneurs
- 4.5% of post-9/11 veterans have started their own business
- Veterans made up 12.3% of new entrepreneurs in 1996 but only 5.6% of new entrepreneurs by 2014
- Young veterans are significantly less likely to become entrepreneurs than veterans from previous generations: In 2007, 75.1% of veteran business owners were age 55 and over and only 2.8% of veteran business owners were under the age of 35, compared to 12.7% of all entrepreneurs.
- About 22-25% of veterans are interested in starting a business

Veterans are 1.2 times more likely to be self-employed than non-veterans, but 88% of self-employed veterans are 46 or older

Use the data from this research and from the research in recommendation 13 to further evaluate the downward trend in veteran entrepreneurship and how the data from recommendation 13 above will be affected in the coming years. The outcome of this research should identify possible causes in decreased veteran entrepreneurship as compared with previous generations. These causes should be evaluated and addressed to devise next steps to improve the methods and tactics to engage the new generations of veteran entrepreneurs by the SBA.

15. Continue to improve the metrics gathered on Veteran Owned Businesses. Several areas of focus:
 - a. Review and enhance the U.S. Census Bureau's five-year report on small business by including questions related to veteran's business ownership.
 - b. SBA should conduct research into the amount of revenue being generated by the VBOC clients nationwide. What impact are VBOC clients having on the communities in which they serve? Which VBOCs are producing the best results? Use the answers to these and other questions to improve and expand the VBOC services to veteran entrepreneurs.
 - c. SBA needs to track participation in Boots to Business to determine how many veterans start a business after participating in the Boots to Business program.

Administrative Recommendations for Improved Committee Performance

16. The committee recommends that the ACVBA meet quarterly and these meetings continue to be held in-person at SBA Headquarters.
17. The committee recommends that funding for the ACVBA should continue to be provided to reimburse travel expenses for those committee members who reside outside the Washington, DC Metropolitan area to travel to quarterly committee meetings.
18. The committee recommends that funding for the SBA Office of Veteran Business Development be increased by a minimum of \$60,000.00 in order to adequately fund and

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staff the office to support the significant requirements associated with providing support nationally to our country's veteran business owners.

19. The committee recommends that the SBA Office of Veteran Business Development should continue to be headed by an SBA Associate Administrator and report directly to the SBA Administrator.
20. The committee recommends that the Interagency Task Force on Veterans Small Business Development (IATF) become statutory and continue with its mission of coordinating the efforts of Federal agencies to improve capital, business development opportunities and pre-established Federal contracting goals for small business concerns owned and controlled by veterans and service-disabled veterans.
21. The committee recommends that the SBA create a pool of applicants for membership on the ACVBA to ensure the committee is staffed to the maximum levels permitted by law. ACVBA members serve on an all-volunteer basis, and when the committee is not at full strength it loses effectiveness and continuity. This was made clear when the Committee was unable to meet in December 2016 due to a shortage of Committee members. The SBA should not let the committee membership fall below the public law numbers for veteran small businesses and veteran service organizations.

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Appendix A:

FY 2017 PUBLIC MEETING SUMMARIES

Public Meeting Summary: March 9, 2017

1. Linda McMahon, Administrator, U.S. Small Business Administration

Ms. McMahon opened the ACVBA meeting by discussing her background and she emphasized the important mission of the ACVBA Committee. She said she looked forward to forming a tremendous partnership with the ACVBA Committee, "...you have my full commitment to be cooperative with and welcoming your ideas and your advice, and I just want this to be a tremendous partnership."

2. Barbara Carson, Associate Administrator, SBA Veteran Business Development

Ms. Carson provided an update on the Veteran Business Outreach Centers and the Boots to Business program.

3. Natalie Duncan, National Ombudsman (Acting), SBA

Ms. Duncan provided an overview/update on the SBA Ombudsman's roles and responsibilities. So, we fulfill our mission by listening to small businesses and learning about their regulatory concerns through hearings that are public and forums and round tables across ten regions in the country, as well as with trade associations and other entities in Washington, D.C.

4. Linda Reilly, SBA 504 Loan Program Chief and Robert Carpenter, SBA 7(A) Loan Program Chief (acting)

Ms. Reilly and Mr. Duncan provided an overview of the status of their respective loan programs. Mr. Reilly said 504 lending activity has been steadily increasing over the past four years. However, loan industry is in a state of flux, waiting to see if deregulation will occur under the new Administration.

5. Mike Zacchea, U.S. Veterans Chamber of Commerce

Mr. Zacchea provided an overview of a new initiative he is championing called the United States Veterans Chamber of Commerce. Mr. Zacchea provided information on the Mission, Charter, non-profit status, Corporate partnerships, corporate structure, certification process and next steps for nationwide launch of the Veterans Chamber of Commerce.

6. Ken Dodds, SBA Government Contracting and Business Development Office

Mr. Dodds updated the Committee on government contracting and business development initiatives. He reported that the Mentor-Protégé Program for all small businesses started this Fiscal Year. So far, the program has about 104 approved mentor-protégé relationships. About 40 of them are with SDVOs, meaning SDVOs are the biggest group so far taking part in that program.

7. Scott Denniston, National Veteran Small Business Coalition

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Mr. Denniston provided an update on the NVCBC's efforts to advocate on behalf of veteran and service disabled veteran owned businesses. He discussed the concern that there is a trend toward fewer opportunities for SDVOSB/VOSB, even though goals are being met across government. The reason for fewer opportunities, while still making the goal, is the consolidation and bundling of opportunities.

8. Mark Rockefeller, StreetShares

Mr. Rockefeller provided an overview of the work that his non-traditional lender (StreetShares) is doing and a set of recommendations for SBA to consider for improvement. Specifically, the recommendations were as follows:

- a. SBA should identify and publicize those non-traditional sources of Capital being used by post-9/11 veterans. StreetShares, Inc. is one example of this type of non-traditional lender.
- b. SBA should vet the non-traditional lending resources currently in the marketplace to ensure they're well-funded and trustworthy.
- c. SBA should add the vetted list of non-traditional, trustworthy resources to the SBA website/resource list.
- d. SBA should explore the potential of adding non-traditional lending resources to LenderMatch (formerly LINC).
- e. SBA should share the full data set on vetpreneurs' loan performance.

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FY 2017 PUBLIC MEETING SUMMARIES

Public Meeting Summary: June 8, 2017

1. Barbara Carson, Associate Administrator, SBA Veteran Business Development

Ms. Carson called the meeting to order and turned the floor over to Mr. O'Farrell, ACVBA Chairman.

2. Jim O'Farrell, Chairman, ACVBA

Mr. O'Farrell reviewed the meeting agenda and then began the meeting with a discussion of the recent visits to Veteran Business Outreach Centers (VBOCs) that had been completed by several ACVBA members since the previous meeting in March 2017. Committee members provided feedback on their visits to VBOCs in Virginia, Connecticut, Georgia and Alabama (the Alabama VBOC leader traveled to Huntsville and provided an overview. Key takeaways from these visits/presentations were the following:

- VBOCs need a Customer Relationship Management (CRM) type of capability so that a veteran's data can be entered once and then be accessible across the VBOC/SBA enterprise.
- VBOCs appear to be more high functioning when they are co-located with other entrepreneurship programs. For example, the VBOC in Springfield, VA is co-located within the Community Business Partnership (CBP) and includes other programs including: Business Finance Center, Business Incubation Center, Women's Business Center.

3. William Manger, Associate Administrator, Office of Capital Access, SBA

Mr. Manger provided an update on the various loan programs (7(a), 504, Community Advantage and Microloan) offered by SBA to the veteran community. Each of these loan programs was experiencing increases and Mr. Manger attributed the increased use to the improving economy coupled with the potential for the Federal Reserve to raise interest rates. For example, the 504 Loan Program had increased 13 percent, and this was due to lenders using a fixed rate on the 504 loans, at the same time the country was beginning to see increasing interest rates.

When asked where Mr. Manger thinks improvements could be made in access to capital, he said they do see a difficulty in getting out smaller loans. According to Mr. Manger, a lot of the banks like to make big loans because it's easy for them to sell big loans in the secondary market and it's quite profitable. But the smaller loans are more challenging, especially in more rural areas. Need to try and encourage more small-dollar loans. This topic led to a discussion on why veterans are rejected for loans. The Committee members requested that the SBA report back on loan rejection statistics and the reasons given for rejections.

4. Ken Dodds, SBA Government Contracting and Business Development Office

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Mr. Dodds updated the Committee on government contracting and business development initiatives. He reviewed the recently scorecard (completed May 2017) in which SBA received a grade of “A”. Mr. Dodds showed the data for each of the small business categories and discussed that each one of the categories saw a dip in 2016 performance. He said this was primarily due to the SBA including international contracts in the data for the first time. Since most small businesses don’t have international operations, the numbers were lower. However, SDVOSBs were the only category to see an increase.

Mr. Dodds presented information on changes that are being made to the grading system with the intention of fine-tuning and ensuring that federal agencies are not only meeting the goals for small business awards, but also encouraging more small businesses to participate in the federal marketplace. For example, Mr. Dodds expressed concern that even though agencies are mostly meeting their small business goals, the number of contract awards is decreasing.

5. Joseph Sobota, SBA Office of Advocacy, Assistant Chief Counsel

Mr. Sobota presented the U.S. Census Bureau report that is completed every five years for years ending in 2 and 7. This report is for results of the 2012 Census they completed. The sample size is 1.75 million small businesses. Because the data comes from tax filings, the next edition of this report covering 2017 will be in late 2020 or early 2021.

The data presented by Mr. Sobota included several interesting facts. First, Mr. Sobota reported that according to the Census Bureau report, there are 2.5 million veteran owned small businesses as of 2012 and this represents 9.5 % of all U.S. small businesses. Second, these 2.5 million businesses employed 5 million employees and had an annual payroll of \$195 billion and annual sales were over \$1.14 trillion. Third, 24 percent of veteran owned small businesses need no capital to start operating. Fourth, twice as many veteran owned firms are working with state and local governments as are working with the federal government.

6. Cherylynn Sagester, Hampton Roads Virginia VBOC Director

Ms. Sagester provided an overview of the work that she and her colleagues at the Hampton Roads, VA VBOC are doing. Currently, they are spending a significant amount of their efforts on traveling across their geographic territory and delivering Boots to Business classes. During the Q&A section of her presentation, the Committee asked

Ms. Sagester share specific metrics on her VBOC operation: During the last four years: 2907 counseling sessions; 212 small businesses launched; 191 training workshops; and \$20 million in revenue generated by the small businesses the VBOC has mentored.

Ms. Sagester said the greatest need at her VBOC is for additional funding to add more VBOC staff. The staff are currently heavily devoted to providing Boots to Business training across a multi-state geographic and have very little time to do the critical small business counseling that is needed by her clients.

During the Q&A, Ms. Sagester was asked by the Committee about the \$20 million in revenue

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generated in four years by the companies that her VBOC has helped to start/mentor. Ms. Sagester said the number could be much higher than \$20 million. The problem she has is getting veteran business owners to respond to the surveys, emails and phone calls she and her staff send to them to ask for revenue numbers. This should be researched by the SBA.

7. Ms. Arizone Hollins Brown, Veteran Business Owner Perspective

Ms. Hollins Brown is President & CEO of ASJ IT Services, a veteran owned small business provided an overview of her experience with starting her business and support received from the Hampton Roads VBOC.

8. Mr. Lynn Lowder, CEO, 1 Vet at a Time

Mr. Lowder is CEO of 1 Vet at a Time, a veteran service organization (VSO). Mr. Lowder described how he came to found 1 Vet at a Time and their mission. Currently, he is heavily engaged in helping create legislation that would create a pilot program to provide a small percentage of GI Bill funding for use by military veterans for entrepreneurship training. At a high level, the pilot program would be the following:

- Limited to no more than 250
- honorably discharged;
- take an approved Boots to Business curriculum;
- Develop a business plan
- Shark Tank the Business Plan to a committee of three

9. Mr. William Hubbard, Vice President, Student Veterans of America; Mr. Patrick Murray, Associate Director, Veterans of Foreign Wars

Mr. Hubbard and Mr. Murray gave a joint presentation on their positions related to using GI Bill benefits for entrepreneurship training. They are not in favor of this approach. They would prefer to see a small business loan for entrepreneurs. They believe that education combined with access to capital is better than using education benefits for entrepreneurship training. According to Mr. Murray, a loan is not training, a grant is not training and giving them cash for a business is not training.

10. John Kamin, Assistant Director, The American Legion

Mr. Kamin provided an overview of the congressional bills they are currently tracking. Following, this, Mr. Kamin described the American Legion's view of the possible use of GI Bill funds for entrepreneurship. According to Mr. Kamin, "the Legion has always viewed the GI Bill as a means

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to establish economic wellness, to reach economic employment, and...that's why we were initially a lot more receptive about the idea of using the GI Bill for entrepreneurship, and the more we learned about it, the more we appreciated the idea..."

11. Dr. Nick Armstrong, Senior Director, Institute for Veterans and Military Families

Dr. Armstrong provided an overview of the IVMF and the services it provides. Much of Dr. Armstrong's presentation focused on Operation Vetpreneurship, an IVMF project to gather data on veterans who are starting businesses.

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FY 2017 PUBLIC MEETING SUMMARIES

Public Meeting Summary: September 7, 2017

1. Barbara Carson, Associate Administrator, SBA Veteran Business Development

Ms. Carson called the meeting to order and turned the floor over to Mr. O'Farrell, ACVBA Chairman.

2. Jim O'Farrell, Chairman, ACVBA

Mr. O'Farrell began the meeting with a roll call of ACVBA Committee members and then reviewed the meeting agenda.

3. Barbara Carson, Associate Administrator, SBA Veteran Business Development

Ms. Carson provided an update on the Veteran Business Outreach Centers and the Boots to Business program. Ms. Carson announced that since the last meeting of the ACVBA, Mr. Ray Milano had been appointed Deputy Associate Administrator for the Office of Veteran Business Development.

Ms. Carson also discussed the fact that the grants for the VBOCs across the country will be ending in April 2018 and there will be a procurement to award new grants. Next, she discussed the National Veterans Small Business week being held Oct 30th-Nov 3rd. Regarding Boots to Business, Ms. Carson reported that the SBA team has been working on a curriculum refresh to incorporate feedback received by SBA. Next, Ms. Carson mentioned that the United States Department of Agriculture (USDA) has financial resources set up in rural areas of our country. She mentioned the fact that veterans can get better terms on certain loans depending on the location – rural sometimes equals better loan terms.

Ms. Carson gave an update on the Boots to Business program. This led to questions about the metrics used to track the Boots to Business Program's performance/outcomes. The ACVBA members strongly recommended that SBA track Boots to Business participants to find out how many of them start a business after participating in Boots to Business.

4. Major Clark, Acting Chief Counsel, SBA Office of Advocacy

Mr. Clark discussed the regulation reform (Presidential Executive Order 13771 and 13777). According to Mr. Clark, both executive orders are designed to get agencies to revise, amend or eliminate regulations that are negatively impacting businesses. And the SBA's concern in the Office of Advocacy is making sure that these regulations are not negatively impacting small business and, thus, veteran businesses as well. SBA is traveling around the country, holding

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regulatory hearings. Mr. Clark said that the regulatory hearings that have been held to date, participation from the veteran's community, has not been great. He said that interested veteran business owners should visit www/sba.gov/advocacy for more information on the dates and times of upcoming regulatory hearings.

5. Ken Dodds, SBA Government Contracting and Business Development Office

Mr. Dodds updated the Committee on government contracting and business development initiatives. He discussed an update to the NAICS codes that is done every five years. Next, Mr. Dodds discussed the SBA's work with federal agencies to establish their FY18 prime contracting and subcontracting goals. The SB will be sending out goals to federal agencies in September 2017 and they expect to have them in place at the beginning of October 2017.

Mr. Dodds discussed the Federal Agency contractor scorecard. The score card has changed based on NDAA 2017. The scorecard made prime contracting, instead of 80 percent of an agency's grade, it's now 50%. For subcontracting, the SBA raised the percentage from 10 percent of a grade to 20 percent. The SBA expects to publish the FY 17 scorecard in Spring of 2018.

6. Manny Hidalgo, Director, SBA Office of Economic Opportunity

Mr. Hidalgo provided an overview of financial and loan programs that can serve as a bridge between the time a veteran starts a business and has enough collateral for a 7(a) or 504 loan. The Office of Economic Opportunity (OEO) has several programs:

- Community Advantage Program – A new program that is a pilot 7(a) product that provides guarantees to non-profit intermediaries.
- Microloan Program – These are direct loans up to \$50,000.00 with technical assistance grants.
- Intermediary Lending Pilot Program – This was a pilot program that did not continue, but OEO is still managing these loans.
- Prime Grant Program – Grants from \$150,000 to \$250,000.

7. Ms. Esther Morales, Executive Director, National Women's Business Council

Ms. Morales provided an overview of the National Women's Business Council and discuss the following topics:

- History, structure and membership of the Council.
- Census Bureau data as of 2012 on women business owners. Women veteran business

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owners generate \$17.9 billion in receipts – an increase of 13.6% since 2007.

- Although women veterans represent 15.2 percent of all veteran-owned firms, they have only 1.6 percent of the receipts. This is a significant proportionality disparity.
- Only 3% of women veteran owned firms have employees; 97% of women veterans owned firms have no other employee except the military veteran owner.

Ms. Morales made several recommendations for the ACVBA to consider:

- Identify data that should be collected allowing SBA to study and break down veteran business ownership by NAICS code category and understand the gaps in what businesses are bringing in and what they need to bring in to reach the ceiling of a women-owned small business category.
- The federal government should look at tax incentives that might incentivize a woman veteran owned small business to hire employee number two, employee number three, etc.
- The federal government should look at tax incentives for industries served predominantly by male veteran owned small businesses to incentivize women to join these male-dominated industries.

8. Mr. Todd Connor, Executive Director, CEO, Bunker Labs

Mr. Connor provided an overview of the Mission of Bunker Labs, it's four stage process and how it is evolving to respond to its customers' (veteran business owners) needs.

Mr. Connor described the partnership they have with SBA and the SBA grant from the Women's Veteran Entrepreneurship Training Program. He described the current success Bunker Labs is having (although it's early in the grant life-cycle) recruiting women into their Women Veteran Entrepreneurship Training.

9. Ms. Lisa Bryant, LiftFund

Ms. Briant provided an overview of LiftFund, its Mission and specifically LiftFund's work with women veterans via a grant from the SBA's Women Veteran Entrepreneurship Training Program.

One of the recommendations discussed during this part of the meeting was to have the Women Veteran Entrepreneurship Training Program (currently in a pilot program) be expanded nationwide. This could also serve to assist the VBOC centers that are spending a significant time traveling to deliver Boots to Business classes.

10. Ms. Maureen Casey, Institute for Veterans and Military Families

Ms. Carson provided an overview of the Mission and program of IVMF. A key part of Ms.

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Casey's presentation was a description of IVMF's VWISE program. The program has three phases:

- Phase 1: 15-day online program, very high-level introductory program around the fundamentals of small business ownership
- Phase 2: A three-day in-person training event, very intensive, from morning to night, has two learning pathways. One is for start-up early stage; the second is a growth learning track.
- Phase 3: A period of post-program support. An opportunity to leverage a vast network of IVMF partners (legal, access to capital, marketing, website design).

Ms. Casey also provided some facts on the program participants:

- Just over 2,500 program graduates
- Primarily E-4s, E-5s and O-3s
- Average age is 35 to 54. Most of our program
- Participants are either in the ideation or early start-up phases
- Many -- over half of our program graduates are diverse minority representation.
- Most significantly, 65 percent of our program graduates start a business, and after three years, 93 percent of them are still in business.
- They've generated over \$41 million in revenue and 20 percent of them have grossed over \$100,000 a year.

11. Mr. Sean Gwinner, Philadelphia Program Director, Bunker Labs

Mr. Gwinner provided the Committee information on Bunker Labs and its programs. Mr. Gwinner described the elements of Bunker Labs' programs such as Bunker Brews and Bunker Musters which are intended to help veteran entrepreneurs build community, share information and get exposure to other entrepreneurs, investors, legal support, etc. He described the EPIC program which consists of 12 start-up firms in a cohort for a 12-week program. Mr. Gwinner talked about their not necessarily being a lack of capital for veteran entrepreneurs, rather it's a lack of a guide to help the veteran find the appropriate source of capital.

The individual Bunker Labs chapters rely on corporate sponsorships for the capital needed to provide the programs they are providing.

12. Mr. Lynn Lowder, CEO, 1 Vet at a Time

Mr. Lowder provided an overview of 1 Vet at a Time's history and Mission and provided a historical perspective on the GI Bill since the end of World War II. Mr. Lowder is a proponent of a pilot program that would provide a certain amount of funding to veterans who don't want to attend college but would rather start a business.