

Advisory Committee on Veterans Business Affairs
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

December 19, 2019

Mr. President and Members of Congress:

On behalf of my colleagues, it is my professional privilege to submit the 14th annual report on the state of veteran businesses in our nation.

We are members of the Advisory Committee on Veterans Business Affairs, representative of the veteran-owned business community, organized under the Federal Advisory Committee Act. There are more than 2.5 million veteran-owned businesses, and producing more than \$1.1 trillion in GDP, and more than \$800 billion in payroll. 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 promote through effective policy and legislation the prosperity of veteran businesses. The Committee meets quarterly at the headquarters of the SBA.

For more information on the [Advisory Committee on Veterans Business Affairs](#), please visit our website at the hyperlink above.

Semper Fi,

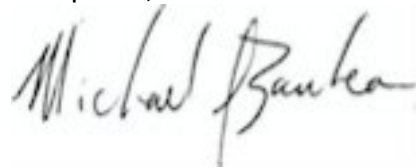
A handwritten signature in black ink that reads "Michael Baucke". The signature is written in a cursive style with a large, prominent "M" and "B".

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Executive Summary

Pursuant to Public Law 106–50 Sec 201(C), as amended, 15 U.S.C. §657b note the Advisory Committee on Veterans Business Affairs serves as an independent source of advice and policy recommendations to: the Administrator of the Small Business Administration; the Associate Administrator for Veterans Business Development of the Small Business Administration; the Congress; and ultimately the President of the United States. 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 and 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.

COMMITTEE FINDINGS 2018

In Calendar Year 2018 the Advisory Committee on Veterans Business Affairs (ACVBA) efforts were focused on examining the effectiveness of entrepreneurship programs for veterans and the level of collaboration between SBA, industry, government and the non-profit sector for the support of these programs. The Committee met four times and received briefings on existing and start-up veteran entrepreneurship programs from business, institutional and federal agency executives.

Based on the Committee briefings and individual member efforts, the Committee finds the following:

- Government and institutional organizations are making an effort to provide programs for veterans who are interested in starting or improving their start-up business operations. “For decades, military veterans have been a vital part of the nation’s business sector—leveraging the valuable skills they gained during their service to start businesses across the country. However, veteran entrepreneurship is facing a generational decline, with younger veterans owning businesses at lower rates compared to past generations. Furthermore, we are now beginning to see veterans owning businesses at lower rates compared to nonveterans,” per the NY Federal Reserve report *Financing Their Future: Veteran Entrepreneurs and Capital Access* (Nov 2018). Demand for entrepreneurship training programs is great and underserved; however, the data shows these efforts are failing.
- Awareness and the accessibility to training programs for veterans needs to improve. Veterans are flooded with confusing options. The veterans assistance community needs to provide more clarity on the available options.

- Access to capital remains a major concern for veteran business owners and remains a major barrier for veterans interested in starting a business. According to the NY Federal Reserve report, “Of particular concern for policy makers is whether veterans have a more difficult time accessing capital than nonveteran business owners. In order to substantiate policy intervention on behalf of veteran entrepreneurs, it is necessary to size the market and understand the needs and challenges. While anecdotal evidence points to capital access challenges, systematic data collection has been limited.”
- Tracking and measuring the success of the programs is needed to ensure the programs meet the needs of the veteran’s community. Development and collection of measurable metrics and accountability are required. A related and important category of veteran entrepreneurship is women veteran business ownership. A relevant report was published by the Women’s National Business Council titled *Veteran Women and Business: A Data Resource*. This report both demonstrates the efficacy of tracking data, and the need for data tracking.
- Government certification of veteran-owned businesses is failing the veteran business owner community in the millions.

2017 ANNUAL REPORT CONTINUING ITEMS FOR 2018

Committee issues from one year to the next must have continuity in order to ensure they are being properly addressed. The following are continuing agenda items that warrant a deeper dive for the coming year.

- The Committee continues to address concerns regarding **Access to Capital** solutions and expand that area of interest by addressing access to capital by stage of a business and business type. The paper *Financing Their Future* states, “Fortunately, the Federal Reserve Banks’ Small Business Credit Survey (SBCS) tracks veteran status, so we are able to analyze the credit experiences for both veteran and nonveteran business owners. This survey data is the most substantial data comparing veteran and nonveteran business borrowers to date and, for the first time, provides considerable evidence that veteran business owners face more difficulty in accessing capital than nonveteran business owners.”
- The Committee continues to support **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 continue to follow up and keep abreast of the Mentor Protégé status and implementation of the **Mentor Protégé legislation**.
- The Committee will continue **outreach** by extending formal invitations to heads of key federal agencies, private-sector entities and veterans’ support groups 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 with Department of VA veteran and service-disabled veteran certification processes.

The Committee will address new agenda items in order to assist veteran-owned and service-disabled veteran-owned businesses start and expand their businesses around the country and around the world.

- The Committee will start laying out the legal issues surrounding veteran-owned businesses and **encourage legal education and training for veteran entrepreneurs.**
- In an effort to utilize the international skill sets many veterans have gained during their time in service the Committee will advocate for veteran businesses and business programs that **promote US exports.**
- The Committee **advocates for woman veteran business owners** through legislation, education and government program outreach.
- The Committee will continue to address veteran business owners **access to the commercial supplier base** through corporate supplier diversity programs (or like programs) to advocate for veteran business, to include service-disabled veteran and veteran-owned small business, outreach, initiatives and collaboration with large business and veteran service organizations.
- An excellent area for veteran entrepreneur growth has been farming. In an effort to bring more attention to this area the Committee will promote and encourage entrepreneur training and education to veteran and service-disabled veteran companies regarding **veteran farmer businesses.**
- An important issue 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 of good **business development and marketing skills for veteran business owners** to include service-disabled veteran and veteran-owned businesses.
- To ensure the Committee has a solid base line with which to measure changes as we follow long term issues, the Committee advocates for performance metrics and other measurable data on 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.

LOOKING BACK AT 2018

In FY2018, the Committee scheduled four Committee meetings that were held in the SBA's Headquarters Offices in Washington, D.C. on March 8, 2018; June 6, 2018; September 6, 2018; and December 8, 2018. Prior to the first meeting the Committee members established the following priorities for 2018 based on its 2017 Annual Report. These were:

- Advance the Committee's urgent concern of capital access to key agencies and members of Congress.
- Attend all meetings of Interagency Task Force for Veteran Small Business Development, addressing the group on key ACVBA initiatives at all opportunities; increase outreach to ITF through official correspondence following each Committee meeting and note upon any significant activities worthy of notification.
- Promote and encourage entrepreneur training and education.
- Advocate essential revisions of the Department of Veterans Affairs veteran business certification process.
- Advocate for the SBA SDV Mentor Protégé status.
- Recruit new members to fill Committee vacancies and encourage timely approval of appointees.
- Map the landscape of state and federal programs and services for veteran entrepreneurs.
- Extend formal invitations to heads of key federal agencies, private-sector industries engaged in federal contracting and veterans' support groups to remain abreast of current trends, issues and share Committee concerns.

Summaries of each of the Committee's four meetings follows. For complete transcripts of Committee meetings go to:

<https://www.sba.gov/offices/headquarters/ovbd/resources/14397>.

FY 2018 PUBLIC MEETING SUMMARIES

Public Meeting Summary: March 8, 2018

Barbara Carson, Associate Administrator, OVBD

Michael Zacchea, Chair

Natalie Duncan, Deputy National Ombudsman, SBA

Kenneth Dodds, Acting Deputy Associate Administrator, SBA

Derrick Brown, Principal Senior Business Analyst, Small Mentor Protégé Program, SBA

Public Meeting Summary: June 7, 2018

Larry Stubblefield – Acting Associate Administrator

Michael Zacchea - Chair

Jim O’Farrell, ACVBA Chair 2017, veteran business owner, AMMSG Corp

Judge Chris Holleman, Administrative Judge, Office of Hearings and Appeals, SBA

Stan Kurtz, Director, Veterans Business Outreach Centers program, OVBD, SBA

Dena Moglia, Programs Director, OVBD, SBA

Mark Williams, Program Manager, Boots to Business program, OVBD, SBA

Kenneth Dodds, Acting Deputy Associate Administrator, SBA

Derrick Brown, Principal Senior Business Analyst, Small Mentor Protégé Program, SBA

Daniel Upham, Chief of Micro-enterprise Development Division, SBA

Public Meeting Summary: September 6, 2018

Larry Stubblefield – Associate Administrator

Michael Zacchea - Chair

Lynn Boccio, Vice President, Strategic and Business Diversity, Avis Budget

Barbara Ashe, Director, Veteran Institute for Procurement

Bill Ashton, Program Manager, Military and Veterans Agriculture Liaison, US Dept of Agriculture

Peter Gibbs, Director, Office of Surety Guarantees, SBA

Dena Moglia, Programs Director, OVBD

Kenneth Dodds, Director, Office of Policy and Planning, SBA

Public Meeting Summary: December 6, 2018

Larry Stubblefield – Associate Administrator

Michael Zacchea - Chair

Alyssa Hook, Data Analyst, Boots to Business Program, OVBD, SBA

Tom Leney, Director Office of Small and Disabled Business Utilization, Dept of Veterans Affairs

John Miller, Associate Director of SBA Office of Capital Access and Daniel Upham, Chief of Micro-enterprise Development Division, SBA

Public Comment:

Michael Hitchcock, veteran business owner, Charles Atwater Group, Virginia

David Paschane, veteran business owner, NextVeterans, Washington DC

In executive session, the Committee elected Elizabeth O'Brien, US Chamber of Commerce, to be the Chair for 2019.

2019 RECOMMENDATIONS

RECOMMENDATION 1

Background: The Committee has examined veteran business performance. Given the foundational thesis that veteran-owned businesses are an important contributor to the overall US economy, a lack of business metrics is foundational to making good policy and regulation recommendations. The Committee agrees this is our top priority for adoption. The Committee advocates creating performance metrics and other measurable data on government programs, organizations supporting veteran entrepreneurship, and veteran business ownership.

Recommendation:

We recommend the creation of a Veteran Business Index, measurable by Federal Agencies and State Agencies. We recommend the SBA puts forth the metrics to the ACVBA for comment and recommendation.

Items:

1. The SBA should update veteran business performance metrics for publication quarterly.
2. The veteran business performance metrics should be published annually.

RECOMMENDATION 2

Background: The Committee took testimony and received presentations from various business and government entities throughout the year. We looked at several innovative approaches to include newly developed financial options. The Committee remains committed to presenting these issues to the legislative and executive branches.

Although progress is being made on veteran access to capital, this remains a critical need for veteran entrepreneurship. The NY Federal Bank paper *Financing the Future* is an important paper relevant to this issue which should prompt a policy response.

Recommendation:

Advance the Committee's urgent concern of capital access to key agencies and members of Congress.

Items:

1. Advance the Committee's urgent concern of capital access to key agencies and members of Congress and other government agencies and programs including the CDFI program.
2. The SBA should take measures to continue to push for reduced fee loan programs for veteran-owned businesses in all loan programs.
3. Increase investment by promoting tax legislation change so private funding providers can dedicate more funding to veteran and military spouse entrepreneurs (i.e., short term tax exclusion for non-capital gains).

4. Increase access to capital training and resources in SBA controlled veteran entrepreneurship programs. Address the disadvantage veterans may have to traditional business due to bad credit ratings while on active duty.
5. The SBA should actively address an alternative GI Bill usage for business funding. The SBA should form with Committee input a way forward to allow veterans to use the GI Bill for entrepreneurship purposes. This path should include past legislation that has been put forward while addressing hurdles it encountered and way to overcome those issues.
6. The SBA should increase their reporting requirements for SBA backed loans to require more metrics from the banks in order to understand the veteran business community's issues with access to capital.

RECOMMENDATION 3

Background: The Committee and ITF meetings have been scheduled through the past year on consecutive days, which has allowed Committee members to attend IATF meetings. We recommend every federal agency send a representative to each meeting.

Recommendation:

Attend all meetings of Interagency Task Force for Veteran Small Business Development, addressing the group on key ACVBA initiatives at all opportunities; increase outreach to IATF through official correspondence following each Committee meeting and upon any significant activities worthy of notification.

Item:

1. The SBA should promote a deeper collaboration between the IATF and the ACVBA in order to inform and promote mutual action, when appropriate, on veteran business issues between the Committees. Both the ACVBA and the IATF charters should include dedicated time during each of their meetings to be briefed on the other Committee's progress and agenda. Where agenda items or goals are aligned a closer collaboration and sharing of information should occur to work towards common goals.

RECOMMENDATION 4

Background: The Committee examined various reputable and proven programs both supported by government and veteran support organizations. The Committee encourages the creation of programs to provide universal access to entrepreneur training through additional outreach and collaboration with education institutions.

Recommendation:

Restructure the Boots to Business program based upon an SBA analysis of the current program and the numerous, reputable, proven programs that exist in the Non-Profit and private sectors, to be more effective and informative. The SBA and/or ACVBA should undertake a census of university, non-profit, and government veteran entrepreneurship programs for purposes of evaluating effectiveness and efficiency of:

- 1) Access to entrepreneurship opportunities
- 2) What training programs are available to veterans
- 3) Effectiveness and efficiency of delivery of entrepreneurship training through working groups, valid statistics and other methods.

RECOMMENDATION 5

Background: The federal government should get out of the veteran business certification business. The Department of Veterans Affairs Office of Small and Disadvantaged Business Utilization (OSDBU) suffered a catastrophic failure of its new certification platform. The Office's function and budget, focused solely on veteran-business contracting with the Department of Veterans Affairs, has erected a process that even under the best of circumstances is unwieldy and onerous. The Committee believes the Office has outlived its usefulness. OSDBU should be dismantled in its entirety, and its budget zeroed out. There are several reputable, able non-government organizations that can certify veteran-owned businesses, nationally.

The certification issue is closely related to veteran business supplier diversity programs for corporate America. Indeed, the lack of effective certification programs remains a barrier to veterans accessing corporate supplier diversity opportunities and creates incentives for veterans to identify as some other minority business entity (MBE) category.

We therefore believe that federal government estimates of veteran-owned businesses (2.52 million) is both inaccurate and incomplete, and likely under-counted. The Committee makes its recommendation but offers several alternative recommendations that have surfaced in our work.

Recommendation:

The certification of veteran-owned businesses should be privatized to independent third-party non-government organizations entirely.

Alternative 1: The certification of veteran-owned businesses should have a privatized option for independent third-party non-government organizations. The SBA should promote and suggest to the White House and Congress that, like the woman-owned business certification, SBA certified private entities should be able to certify veteran-owned and service-disabled veteran-owned businesses.

Alternative 2: The VA's certification of veteran-owned businesses should be overhauled with specific reporting metrics derived by the SBA, with input from the ACVBA. An internal third-party audit team should be put in place to report on all issues and metrics. Current performance and the results of these reports should be made public.

Alternative 3: The certification of veteran-owned businesses should be fully funded by Congress and taken over by the SBA.

RECOMMENDATION 6

Background: A Committee member's term is 3 years. Members are limited to two, 3-year terms. Timely management of Committee membership is crucial to accomplishing the Committee's mission and fulfilling its charter. The Committee suggests balance between geography, veteran/civilian, types of organization is important to the veteran business community.

Recommendation:

Recruit new members to fill Committee vacancies and encourage timely approval of appointees. Committee membership dipped dramatically in March 2018. The Committee recovered its membership, and now has 13 members. Two vacancies remain open. We recommend this process be left to Committee members to manage. We recommend that every member of the Committee, nominate their own replacement. The Chairman is responsible for maintaining a full pipeline for replacements. We further recommend that turnover should be staggered as each term is a 3-year term.

Item:

1. SBA should brief the Committee on its current process, how members are nominated, vetted, and confirmed so the Committee has a better understanding of membership fluctuation.

RECOMMENDATION 7

Background: The Committee is concerned that many veteran entrepreneurship programs are either not readily identifiable or are not effective. Many of these programs are not independently evaluated for their ability to provide meaningful assistance to veterans. The National Resource Directory is a useful platform for organizing effective national veterans' programs. The Committee will continue to search for effective veteran entrepreneurship training programs.

Recommendation:

Mapping the landscape of state and federal programs and services for veteran entrepreneurs. Mapping is a first, basic step to organizing and improving access to entrepreneurship training programs for veterans. The Committee recommends an interactive map or method be developed for connecting veterans to entrepreneurship programs and to the community of resources including VBOCs, SBDCs, and WOBCs, other federal resources, commercial resources and state and municipal programs. In addition, include how veteran entrepreneurs can locate resources and match them to their specific needs.

Items:

1. Identify (by Committee standards), the top 5 programs in each state, all programs tied to any top 500 university, then our chosen top 25 national programs. The main barrier with these types of directories is the inability to scale and move at the speed of business.
2. Publish as an appendix to the ACVBA annual report, the top 5 veteran entrepreneurship programs in each state.

RECOMMENDATION 8

Background: The Federal Advisory Committee Act (FACA) imposes considerable restrictions on the work of the Committee and is itself inefficient and not cost-effective. One major inefficiency in representation of veteran-owned businesses, is the inability to meet on the record, via tele-conference. Given the time constraints for business owners, this prohibition geographically precludes veteran business owners from the western states, and Hawaii and Alaska. Indeed, because of budgetary constraints, the tendency is to nominate veterans from within driving distance or from the east coast. In addition, distance and budgetary constraints often preclude non-east coast veterans from providing testimony to the Committee. The FACA can be improved overall so that the ACVBA can better represent the veteran business community and deliver outcomes for all the stakeholders.

Recommendation:

We recommend that the subject act, under which the ACVBA is organized, should be re-examined. We consider this crucial to providing the geographic, organizational, and expertise balance essential to the ACVBA's mission and charter.

Item:

1. The SBA should provide clear written direction on the differences between on the record meetings and activities ACVBA members perform in-between official meetings. The Committee members want to perform Committee support activities via phone or in person meetings, perform research and have subCommittees and subCommittee meetings in-between on the record ACVBA meetings.

RECOMMENDATION 9

Background: The Committee meets in a basement of the Small Business Administration offices in Washington DC. The technology available to the Committee for its meetings in many cases does not work properly preventing Committee members and the public that would like to join from viewing presentations and communicating via the conference line. There are numerous commercial, off-the-shelf options available. There is no reason, and no excuse at the end of the 2nd decade of the 21st century to not have working telecommunications in a federal building in Washington DC. It is unacceptable.

Recommendation:

The SBA should provide working state-of-the-art, digital telecommunications and information technology equipment and operations for the Committee hearings. Such an investment would send a message about the importance of veteran business to our nation's economy. It would also enable the geographic, organizational, and expertise balance essential to the Committee's mission and charter.

FORWARD LOOKING STATEMENT

Veteran business owners are a major component of the nation's economy. As the need for veteran's business ownership grows for a generation of post 9-11 combat veterans, the need for the Advisory Committee on Veterans Business Affairs continues to grow. Business ownership plays a vital role in helping veterans reintegrate into post-combat, post-military, civilian society. According to the report published by the NY Federal Reserve Bank *Financing their Future: Veterans Entrepreneurs and Capital Access*, data shows both "lower rates of veteran entrepreneurship, and lower business performance by veteran business owners." This generation of combat veterans is significantly underperforming previous generations of veterans in business start-ups. Our Committee plays a vital role in remediating this national, generational problem through policy advocacy.

The Committee will continue to seek ways to improve access on behalf of veterans. We will also continue to seek ways to interact with the veteran business community, and to engage the public and to communicate with all stakeholders at the local, state, regional, and national levels.

The Committee is committed to engaging in the policy process and supporting policies that promote and enhance veterans' entrepreneurship. We are enthusiastically dedicated to the duties as directed through PL 106-50 Sec 201(C). The 2019 agenda will follow up on key issues from 2018 as well as bring new issues to the forefront of the Committee.

Acronyms

ACVBA – Advisory Committee on Veterans Business Affairs

CapEx – Capital Access

FACA – Federal Advisory Committee Act

MBE – Minority Business Entity

OVBD – Office of Veterans Business Development

OSDBU – Office of Small and Disabled Business Utilization

SBDC – Small Business Development Center

VBOC – Veterans Business Outreach Center

WBOC – Women Business Outreach Center

REFERENCES

- Batisto, Jessica, and Sid Sankaran. *Financing their Future: Veteran Entrepreneurs and Capital Access*. Nov 2018.
- Caramela, Sammi. *14 Inspiring Veterans Who Became Entrepreneurs*. Business News Daily. Nov 6th, 2017.
- Rowen, Dolores. *Veteran Women & Business: A Data Resource*. National Women's Business Council. Nov 2017.
- Wentling, Nikki. *VA Process to Certify Veteran-owned Businesses Fraught with Errors, Delays*. Stars and Stripes. Sept 12th, 2018.