

ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS

Established by Public Law 106-50

October 1, 2015

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Chairman

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Blue Star Families

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National SDVOSB Council

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Michael Zacchea

University of Connecticut

Connecticut

Dear Mr. President and Members of Congress;

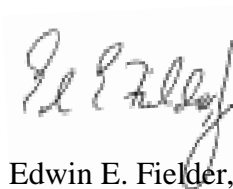
On behalf of my colleagues, I am pleased to present you the 11th Annual Report on Veterans Entrepreneurship from the Advisory Committee on Veterans Business Affairs (the Committee).

The Advisory Committee on Veterans Business Affairs, chartered by Congress to advise both the Executive and Legislative Branches of government seeks to ensure our Nation's efforts to help our Veterans are coordinated, integrated, and synchronized – and most of all effective.

America's Veterans continue to face challenges. Far too many are struggling to transition successfully back into meaningful employment and opportunities to create small and independent businesses. The Committee conducted four hearings in FY 2015 focusing on; capital access, participation in the Interagency Task Force, promotion of entrepreneur training and education, Department of VA Veteran Certification, SDV Mentor Protégé implementation, reinvigorate the Committee (to include complete staffing), mapping the landscape of state and federal programs and formal exchanges with key federal agencies, private sector industries and veteran support groups.

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 Veterans.

Respectfully,



Edwin E. Fielder, Jr.
Chairman

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EXECUTIVE SUMMARY

Pursuant to Public Law 106–50 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; 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 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.

In FY15 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 several existing and start-up veteran entrepreneurship programs from both institutional and federal agency executives. Based on the committee briefings and individual member efforts, the committee finds the following:

- Progress is being made by governmental and institutional organizations to provide programs for veterans who are interested in starting or improving their start-up business operations – but much work remains.
- Awareness and the accessibility of these programs to the veteran’s community needs to improve. Our Veterans are flooded with confusing options and the Veterans assistance community needs to provide more clarity on the available options.

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- Tracking and measuring the success of the programs is needed to ensure the programs meet the needs of the veteran's 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 PL 106-50 Sec 201(C). The 2016 agenda will follow up on key issues from 2015 as well as bring new issues to the forefront of the committee.

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 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 and 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 continue to follow up and keep abreast of the Mentor Protégé status and implementation of the new *Mentor Protégé legislation*.
- The committee will also 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*.

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- 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*.
- This year the committee will *advocate for Woman Veteran business owners* through legislation, education and Government program outreach.
- 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 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 will advocate 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 2015 – WHAT WE HEARD

In FY2015, the Committee scheduled four Committee meetings that were held in the SBA's Headquarters Offices in Washington, D.C. on December 17, 2014, March 11, 2015, June 10, 2015 and September 9, 2015. Prior to the first meeting the Committee members established eight priorities that set the Committee's focus and guided its actions for 2015. 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 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.

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- Promote and encourage entrepreneur training and education using Syracuse University and DOD TAP programs as examples.
- Advocate essential revisions of the Department of VA Veteran Certification process.
- Advocate SBA SDV Mentor Protégé status.
- Recruit new members to fill Committee vacancies and encourage timely approval of appointees.
- Mapping 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 2015 PUBLIC MEETING SUMMARIES

Public Meeting Summary: December 17, 2014

1. Sergio Rodriguera, Credit Junction.

Credit Junction provides for mid-market type of small and midsize businesses that are in need of working capital. Their loan range is from \$200,000/500,000 to 3 million dollars. They do a lot of work with businesses that have inventory and parts, receivables. They don't do factoring or purchase order finance, but if a small business owner were to show a contract that he has with the state, or DOD, or Department of Energy, they may assist. They are not a bank or a lender, but essentially a financial technology company. They are facilitating loans for small and midsize businesses. They do all the credit, underwriting and take a lot of the risk from the small business. They are an asset-based lender. They can assess a customer or a client within 24 to 48 hours and they don't ask for a lot of information. They use hedge funds, family funds and high-net worth individuals. They have a partnership with Street Shares, because they don't like to focus on loans sub \$100,000. They are not a broker-dealer. They are not a bank and they are not regulated - they are a facilitator. Rates are anywhere between 8 and 15 percent.

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2. Jim Mingey, Veteran Business Services.

They have a self-employment program, which is one of five tracks in the VRE vocational rehab program. What's unusual about the VRE program, less than one half of one percent of the 30,000 people that are in the VRE program actually get into self-employment. Veteran Business Services is a veteran-owned company. They also perform franchise acceleration programs. They use the Self-Employment Track 3. M28R Vocational Service Manual has a 12-page operations manual on how it's supposed to flow through that. If a VRE veteran, has 10 to 25 percent equity, they have a good chance of doing a \$100,000 transaction. How do they do that? There are programs available in New York, in Maryland, and in many other states that will provide a non-asset based primary loan for a small business. The business owner can come on top of that, and can take an SBA micro-loan and begin adding to that; and that can be anywhere from 15 to 20 percent.

And finally, the VA grant under the self-employment program can go anywhere from 15 percent to what's called a category 2 designation for a veteran for up to 75 percent and up \$100,000 to help somebody get involved in that business. That's grant money, but it's also equity. So if you do get that, you can walk over to the local bank and say, "I have more equity. I have my own 10 to 15 percent. Now I have a grant. So I could be walking in the bank's door with 30 to 40 percent equity, which makes it a lot easier to do. So why do this? I think that the best successes from this can benefit all the parties involved, not just the entrepreneur. We want to help the counselors get better at what they do. There's 1,000 counselors. If we can make 10 percent of them better at doing this, and if they did one a year, that's 100 businesses that they could get in place." The Veteran has a greater chance of success because he's got more concentrated support.

3. Annmarie Mehlum, Associate Administrator at the SBA for Capital Access and Linda Rusche, Director of the Office of Financial Assistance - Policy for 7A and 504 loans. Governmental perspective on Capital Access from an SBA perspective.

For the most part they're guaranteed programs, the loans are made by banks and credit unions all over the country. For this administration the SBA has facilitated over 300,000 loans, totaling over \$125 billion to American small businesses. \$1.8 billion of them have been under \$150,000. The SBA is focusing on helping lenders make the smaller loans. Loans are being declined because of regulation and more requirements so the SBA focused on lowering the cost for lenders so they can make small dollar loans. Veterans lending almost doubled between the periods of 2009 through 2011. There has been a down turn in Veteran lending in the last few years because of a decline in the 504 program. The 504 program is a real estate-related program, and that program has declined over the last couple years. The 7A program had a steady increase. Credit scoring system on loans under \$350,000, which makes the underwriting a little more streamlined and less costly.

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Attempting to reduce the cost to the lenders, make them more willing to make the smaller size loans.

SBA has enhanced their programs to let banks use business credit scoring, a model that SBA supports with its funding and receive a quicker, speedier and easier answer from SBA regarding the small loan requests. There are loan options available for low credit score.

Fee Relief – less than \$150k. Fee 1. Upfront fee. Fee borrower pays the SBA when loan is booked. Last year SBA provided a waiver of that fee upfront for veterans for loans of less than \$350,000 booked under the express program. Fee 2. Ongoing fee. Paid yearly by lender. Extended a particular fee relief to veterans. This year increased fee relief to our entire size population of loans. So the fee relief is one-half of the upfront fee on loans all the way up to \$5 million. The SBA generated a \$2 million savings of fees, fees the veterans did not need to pay because they received the benefit of this fee relief.

The SBA increased the eligibility of veteran loan products. Extended that benefit and definition for these fee relief issues to not only the veteran, but the veteran spouse, and dependents, and active-duty spouses and dependents.

If the spouse is the owner of the business, and the veteran has another job, this same benefit of the fee relief can be extended to that spouse who own the business, to a child dependent or to an individual who is dependent upon the veteran. There are also certain widow provisions or widower provisions that also apply.

Jaime Wood is the new Director of Policy and Engagement.

4. Geoff Orazem, Eastern Foundry.

Right now they have 21,000 square feet of space, 70 offices, and conference rooms. There are Tech-focused government contractors in their space and they offer formal training. They are able to bring in lawyers, and consultants to give an hour and a half class that they wouldn't be able to get so easily on the outside. They are pairing them off with the information they need that's largely being requested from their own community.

It's a fee for service model, and basically they are a rental arbitrage business. They rent space in bulk from a big property manager and partitioned that out into 70 small offices, and then rent those out in retail. So they make their revenue on the rent and taking minor equity in companies. Offices that range from 45 square feet that go for about \$500 a month, and that's all inclusive. Then they go all the way up to about 300 square foot office, six to eight people can sit in one of those, and those -- it's an interior or exterior office, right around 3,000 a month. They are going to be launching a government contractor certification process.

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5. John Shoraka, Associate Administrator for Government Contracting and Business Development SBA Office of Government Contracting.

Their area of responsibility includes: government contracting, business development, the HUBZone Program, the 8(a) program, SDV/VOSB, and WOSB programs falls under Mr. Shoraka's office. They have a procurement center representatives that sit at the buying activities. They do the protests on the WOSB and the SDV/VOSB programs, and establish the goals for the various agencies and report back on those to Congress on an annual basis. A major area that they work is size standards and revising the size standards for small businesses.

Mentor-Protégé Program, rolling that out to the other socioeconomic categories as well in accordance with the National Defense Authorization Act of 2013. With respect to the Mentor-Protégé Program, they were required by the Small Business Jobs Act of 2010 to roll that out to other socioeconomic categories. It's a mentor-protégé relationship for benefits flowing from the mentor to the protégé, but under that scenario, the mentor benefits in being able to pursue set aside contracts.

About to release that rule for first interagency clearance and then public comment, the National Defense Authorization Act of 2013 requires the SBA to pull it back and expand it to all small businesses. In other words, not just specified for each of the categories, but open to all small businesses.

NDA 2013, National Defense Authorization Act of 2013, gave SBA the authority to write a rule around similarly situated firms teaming. In other words, you're a prime, SDV/VOSB, a number of your subs are sub-SDV/VOSBs. Together you can account for that 51 percent. This gives a huge incentive for teaming amongst socio-economic categories. These rules are not yet in the FAR. SBA is working with the FAR counsel to incorporate it into the FAR. It will take about nine months.

6. Barb Carson, Associate Administrator, SBA Office of Veterans Business Development.

National Veteran Small Business Week, which took place the first week of November this past year. Over 100 events held by district offices and our resource officers all over the nation. In DC the SBA had Vets in Tech join with Street Shares, and had everything from Angel Investing Venture Capital, Standard Bank, SBA guaranteed lending and online lending platforms address veteran access to capital. Jaime Wood helped along with VetFran. Event with Marriott on supply chain diversity with a focus on bringing veteran small businesses into the supply chain. Most likely not going to see increasing dollars in federal procurement opportunities. There is a lot of interest right now from large companies that want to focus specifically on veterans and spouse-owned business, veteran spouses have a great desire to be self-employed. There is a distinction

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between self-employed and the business because there is relocation that happens as one follows a military spouse, and it is hard to have a growing, thriving multi-person business. But self-employment is absolutely an opportunity that SBA wants to encourage through policies, through our lending.

USDA, who has money and grants, to give these vet farmers and some of the programs that are emerging there. Through the Farmers Coalition, which is a nonprofit for farming are finding that veterans are realizing farming is healing process and they just feel better when farming. Food security is actually the hook of this.

Highlight on the Boots to Business and the team from Syracuse by Dan Cohen, Mike Schenic and Laura Rachel. The team went through a whole yearlong process bringing in Boots to Business instructors to look at the curriculum being offered. Approximately 15,000 people went through the two-day program in fiscal 2014, fiscal 2013 was somewhere around 6,000, and didn't start until January. Between 22 - 25 percent of attendees were female. Not everybody reports accurately on spouse participation. So in total they're just under 20,000 total. The VetFran program has been in existence since Desert Storm, they have over 650 franchise member companies involved in the VetFran program.

The Department of Education got an A in its scorecard. But in veteran-owned business, out of a score of 100 for prime contracts, they got 28 percent.

7. Tom Leney, Executive Director, VA Office of Veterans and Small Business Programs.

The application time for CVE is now under 40 days. Request for reconsideration time two years ago was 120 days. Now it's about 21 days. The VA does not support the move of verification to the SBA. It certainly does not support if the VA is going to continue to pay for verification and have some other way to do it. The VA has experience major issues with document uploads and document management. It's the VA's biggest challenge right now. VA lost 15 months when they did a contract through T4 and it failed. Last year VA audited 1,200 firms out of 7,200 in the system. Focused audits on those firms that had business with the VA. Ninety-eight percent of the firms had no-notice audits.

The VA does have a subcontracting monitoring program where they go out and they do checks to see if folks are meeting their subcontracting goals. The biggest problem is the VA can't track and measure. Seventy percent of the subcontracting done in the VA is done by big businesses. They don't report until after the fiscal year is over. They get 90 days after the end of the fiscal year to report.

8. Administrator Contreras-Sweet Comments.

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SBA has a three-prong strategy, three different lines of effort. Where can people get loans to start their business? Engaging the credit unions to become important partners with SBA at providing the \$50,000 and under loans just to help people get started. The second is the cost structure. Zeroed out fees on loans under \$150,000 for regular small businesses, for vets it's up to \$350,000.

Streamlining, which allows the credit box to be bigger that's already in place, and the other is going to be launched Q2 of next year, where they are actually going to change the entire interface that they use with the financial institutions. It will be dynamic and interactive, and it only populates certain questions when you say yes. It disappears others when you say no. Mrs. Contreras Sweet attended V-WISE programs, the Veteran Women Inspiring Entrepreneurship.

Public Meeting Summary: March 11, 2015

1. Barb Carson, Associate Administrator, SBA.

OVBD Update. The Veteran Institute for Procurement run by the Montgomery County Chamber Foundation – nationwide program briefed May / June 2014 information. Entrepreneurship Boot Camp Veterans with Disabilities is also going on right now at Syracuse University. Boots to Business is all over the world now 151 military installations in the United States.

Selah Rhodes is doing analysis for OVBD statistics and access to capital. Now SBA can see procurement by NAICS code (not public) but OVBD is working with GCBD to see what can be made public. OVBD now participates in the Small Business Procurement Advisory Council meetings. Military Reservist Economic Injury Loan from SBA for Guard or Reserve member that's deployed by providing economic injury relief through working capital.

Tyrena Tolbert in Boots to Business overview. Discussed Processes and procedures of the B2B program. SBA signed MOU signed with Blue Star Families and is working with the American Legion. SBA is also doing events with Marriott.

2. Sam Lee, Legal Counsel, SBA – Ethics Brief.

Sam spoke as legal counsel for the SBA, the primary lawyer is Larry Webb. AC members have a statutory role provided for in the statute in 15 USC. If there's an emergency circumstance where you cannot attend a committee meeting, there is a process in the standard operating procedure for the approval of a substitute. The member must notify the designated federal officer. A discussion about Ethics and committee members was presented.

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3. Selah Rhodes, OVBD Analyst, SBA.

A presentation on access to capital and surrounding issues was given. Discussion and update about the SBA's access to capital statistics. Discussion about the statistics of loans and reasons for increases, decreases, subgroups, etc. Loan drop off in 2011 due to regulatory changes.

4. Lloyd Calderon, SBA.

Lloyd Calderon 8(a) Business Development Program gave an overview of the 8a program. SDVOSB's may qualify for the 8a program under the rules. Not known the number of VOSBs applying for and in the 8(a) program.

5. Keith King, National Veterans Business Development Council.

They created certification programs outside of government used by industry. The Committee asked for a list of companies that use his certification. Commercial entities want non-government certification for VSOB's, according to the NVBDC.

6. Ken Dodds, Director of Policy at SBA.

Mr. Dodds office deals with Government contracting regulations that SBA puts out implementing legislation and creating policies. Rules going out are National Defense Authorization Act of 2013 – changes limitations in contracting. Currently based on cost incurred for personnel and services, in the future it will be based on the dollar amount paid from the contract. Also the legislation allows subcontracts for agencies to meet their performance goals. HUB Zone and SDVOSBs can use subs to meet requirements, 8(a) and WOSB cannot. There is a proposed rule change for JV size standards to not have revenue of two small business be aggregated for size standard determination. Mentor-Protégé proposed rule to open up 8(a) rules to all small businesses. Also discussed was counting lower tier subs to count toward small business goals. DoD Mentor Protégé is not part of any new changes. New Woman Owned Small Business Rules to come out. Set aside same as Veteran Owned and Hub Zone businesses. Certification will be required.

7. Peter Ford, PilieroMazzo.

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Peter covered the Kingdomware decision. New Mentor Protégé rules and programs for all small businesses. After 1 year the Department of Defense (DOD) has to apply to the SBA Mentor Protégé program. The rule will do away with populated JVs. Joint Venture discussion and limitations in subcontracting 13 CFR 125.6 discussed.

8. Janet Harris-Lange, National Women Business Owners.

In order for certification a woman owned company must be 51% controlled by a woman. They do veteran owned certifications as well. Their organization is a nonprofit. Certification cost is limited to \$300. They are recognized by the SBA, have a national footprint and certified companies in 50 states.

9. Lara Hodgson, NOWaccount Network Corporation.

Discussion of peer-to-peer loan model, receivables financing, credit card debt. Main point is the majority of US transactions are funded by small businesses. NowAccount 60-85% approval. They buy the receivable for 2.5% and take the payment made out to you from your customer.

Public Meeting Summary: June 10, 2015

1. Opening Remarks. Acting Associate Administrator for Veterans Business Development, Barbara Carson.

Ms. Carson announced updates to the Veteran Business Outreach Center (VBOC) program, including appointment of the new program manager, Ray Milano, and awards made in April for VBOCs. She briefly described ongoing training program activities, highlighting B2B, the Montgomery County CoC procurement program and the Entrepreneurship Boot Camp for Veterans. She briefly discussed the topic of capital access and explained the SBA funded gap analysis research study her office is conducting regarding veteran lending. Lastly, she provided OVBD program activity updates including their engagements with DOD and other partnerships and enhanced marketing activities in support of their multiple programs.

2. Ken Dodds; Director, SBA Office of Policy, Planning and Liaison.

Mr. Dodds provided updates on rule-making activities managed by his office and provided explanations of the operational aspects of federal agencies' small business goaling activities.

Update on Rule-making Actions Underway:

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- a. Changes to rules controlling limitations on sub-contracting calculations. Normalizes treatment for all categories of small businesses, enabling set-aside primes to use like subcontractor classes to meet minimum cost of personnel requirements.
- b. Changes to rules controlling small business joint ventures so as to reverse current practice of creating affiliations among joint ventures by combing revenues and employees, thus threatening size standards.
- c. Changes to recertification rules to incorporate case law changes regarding creation of affiliations.
- d. Changes to clarify rules around how the non-manufacture rule applies to software.
- e. Issuance of rules around the Mentor-Protégé for *all* small business categories. Ken segued from this into certification needs, the resource challenges this poses for SBA, and alternate means to how these needs may be met.
- f. Rule related to use of a PTAC or SBDC to get advisory size position ruling to relieve SBA of resource burden.
- g. Rule permitting inclusion of lower tier subcontracting for goaling and goaling accounting.
- h. New rule covering sole sourcing for Women Owned Small Businesses, again seguing into certification management discussions.

Small Business Goaling.

Mr. Dobbs provided descriptions of the time tables involved in managing small business goaling for federal agencies, including looking back to the past year performance, implementing current year targets agency by agency, and establishing future year goals at both the agency and administration levels. He also discussed data sources used for scorekeeping (exclusively FPDS) and discussed agency motivations and accountability, e.g., Senior Executive performance standards and plans, as well as how to incentivize agencies for future performance. Under the umbrella of incentivizing agencies for future performance, we had a robust dialog on our Committee and its report might be used for this purpose.

3. Kelly A. Holder, Demographer, US Census Bureau.

Ms. Holder opened her presentation with a description of the two basic types of relevant data collected by the Census Bureau, Economic data and Demographic data, and then discussed data sources. The American Community Survey is the primary survey source of demographic data, and it has been in use since the late 1990's as part of the Decennial Census Program, having replaced the Census Long Form. It is administered to a sample of 295,000 addresses each year.

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Data are aggregated on a 5 year basis which provides a basis for all communities nation-wide and 1 year estimates are available for large communities.

Economic data is obtained through two primary sources; the Economic Census and one of its component surveys, the Survey of Business Owners, which are administered every 5 years in years ending in 2 and 7. Ms. Holder then described the types of data obtained through these instruments, how tabulated data can be looked at in combination with demographic data, and what tools Census has developed and made available for citizens to make use of these data, including Factfinder, Quick fact and Easy Stats. Much of the rest of her presentation focused on demonstrating how these data and tools, all available on their publicly facing website, can be used for research and analyses by businesses.

4. Dr. Michael Zacchea, Department of the Treasury, State Small Business Credit Initiative (SSBCI).

Dr. Zacchea first provided background on the historic reasons why small business loans and small transactions are less attractive to lenders, factors which have been exacerbated by the financial climate that began with the 2008 event and by system changes introduced since then, primarily Dodd Frank. Recognizing these needs, states have traditionally been more proactive than the federal government in trying to develop and operate programs to fill credit voids. As states became more challenged post-2008, the Small Business Jobs Act was passed in 2010, creating SSBCI to help increase credit availability to small businesses.

Through a statutory formula, SSBCI were awarded \$1.5B with specific business targets (<750 employees) and guidance to states that they target at least \$10 in private lending or investment for each \$1 of federal money. States were given and exercised flexibility with how they administered their own program, whether through state run agencies, community development financial programs, sponsored non-profits or through contracted investment funds.

Through 2014, every SSBCI \$1 spurred \$7.40 in private lending or investment or a total of \$6.4B financing through 12,400 transactions. An estimated 48,000 new jobs were created and 93,000 jobs retained. While all funds have been allocated to states, not all have been expended and the program's authority continues through 2017.

5. Two brief introductions to attending representatives from separate military spouse supportive programs.

Sheila Stevens, Blue Star Families.

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Blue Star Families is a non-profit working to strengthen military families. Their survey information shows that over the past 3 years, military spouse employment remains the highest concern. They have developed a program, Blue Star Careers, with the help of private funding to provide education and support (networking, resume development, etc.) to spouses seeking employment. They are also very interesting in transitional programs involvement and would like to be connected to B2B.

Jennifer Harrington, US Chamber of Commerce Foundation, Hiring our Heroes program.

Ms. Harrington briefly described this program of helping transitioning service members and spouses find meaningful employment. Over four years they have conducted over 900 hiring fairs resulting in over 27,000 hires. They work with government partners such as DOD, VA and SBA in early transitional programs and are now partnered with the Coalition for Veteran Owned Businesses (see James Schmeling presentation).

6. Three Separate Presentations on Different Capital Access Issues.

a. Kristin Granchelli, Nation Association of Government Guaranteed Lenders (NAGGL).

Ms. Granchelli represents NAGGL, which is the largest trade association, with over 800 private financial institutions, involved in the SBA 7(a) loan program. She went on to describe her organization's commitment to SBA's pledge to increase veteran business lending by 5 percent annually over 5 years. In 2013 they launched their Operation Vet Access program to support the pledge, and the initiative has become a permanent subcommittee connected to their leadership's Public Policy Committee. As of May 2015, they achieved an 88% increase in lending to veterans over the past three years. However, she did admit this only serves to offset decreases in the prior 2-3 years. There was considerable discussion during the rest of her presentation about significant data gaps impeding good analyses of factors impacting veteran business lending. Questions arose about whether this Committee could recommend study(s) to fill gaps.

b. John Miller, SBA Deputy Associate Administrator for Office of Capital Access.

Mr. Miller's presentation followed Ms. Granchelli and complemented her presentation. He opened with discussion on small business lending trends from 2009 to 2014 and an acknowledgment that while SBA's portfolio increased during this period, veteran business borrowing did not keep pace. He offered thoughts about the Recovery Jobs Act period impact and possible other loan impact factors, such as Dodd Frank, lender behavior trends (increased caution), many of which seemed to

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adversely impact veteran business lending trends. On a positive note, year-end 2014 stats and 2015 year to date appear to be reversing these downward trends for veteran loans. He attributes this in large part to fee waivers and changes to guarantees. Lastly Mr. Miller newly introduced lending tools, including LINC, through which veteran businesses can submit loan need. That will be disseminated among lenders who can then bid for loaning to the veteran's business, much like Lending Tree, thus introducing an element of competition for veterans' business.

c. Willa Stockwell, KivaZip lending program.

KivaZip, a subsidiary to Kiva, is a 3 year old microloan program and lending platform for peer-to-peer lending offering 0% interest loans to small US businesses or individuals for business purposes. KivaZip underwriting is reliant on the use of "social capital," defined as standing within community, endorsements, etc., rather than traditional financial wherewithal to evaluate loan worthiness. She defined lenders as "the people," i.e., anyone interested in participating by going online, looking at application, and putting up small amounts towards a loan, e.g., \$5, \$10, \$25, with their payments made through PayPal or a credit card. A borrower must have 20-25 people from their "network" vouch for them before loan application is put up on site; they have a loan goal of \$X, and once they reach this goal, they can withdraw funds via PayPal, but if not enough funds are offered by the crowd sourced lenders to meet the loan goal, no funds can be withdrawn. Activity stats to date:

- a. Trustees (organizations in their network): 500
- b. Borrowers serviced: 1,000
- c. Lenders: 50,000; Average lenders to loans: 196
- d. Amount loaned: \$6M, Average loan request: \$4,800
- e. Repayment rate: 89%

7. James Schmeling, Institute for Veterans and Military Families (IVMF).

IVMF was founded in 2011 at Syracuse University with a mission of fully leveraging the intellectual, human and social capital of higher education, in service to America's veterans and their families. The institute develops education and employment-focused programs in collaboration with industry, government, NGOs and the veteran community, to address the primary economic and public policy concerns of our nation's servicemen and women, and their families. The IVMF team today is made up of around 50 university professionals and 20 students.

Key Programs developed and operated by IVMF today are:

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1. Together with SBA, B2B and B2B Reboot
2. V-WISE – Veteran Women Igniting the Spirit of Entrepreneurship
3. EBV – Entrepreneurship Bootcamp for Veterans with Disabilities
4. VCTP – Veterans Career Transition Program (for post 9/11 veterans and spouses)

To date, they have educated around 28,000 veterans and families. Some key statistics are as follows:

1. B2B – together w/SBA, for 2014, they have been to 8 countries with 700 training sessions
2. Flagship program EBV – started in 2007, \$200M revenue by grads; 65% of grads started businesses; 93% of those operating now are serial business owners; employ over 1,420 with 42% either vets or spouses
3. V-WISE – delivered 13 programs with 1,800 grads; 65% of grads started businesses with 93% still operating and 25% grossing >\$100k/yr; total revenue in 3.5 years since begun is >\$41m
4. B2B – IVMF operates the business structure; over 25,000 participants thus far; 431 CONUS workshops in 2014 and 65 overseas with over 13,000 participants
5. B2B Reboot (for any veteran) – newer program to be offered around 50-75 times per year around the country

Mr. Schmeling closed with a description of a new program launched this year, Coalition for Veteran-Owned Businesses, which, in collaboration with leading private industry partners, is promoting veteran business supply chain engagement. Founding members are: First Data, American Express, BP America, Enterprise Holdings, Inc., FleishmanHillard, KKR & Co. L.P. (KKR), Lockheed Martin Corporation, SunTrust Banks, Inc., USAA, the U.S. Small Business Administration (SBA), the U.S. Chamber of Commerce Foundation, Verizon Communications Inc., Walmart and Sam's Club, and the Walt Disney Company.

Public Meeting Summary: September 9, 2015

1. Craig Heilman, Director of Programs, OVBD, SBA

Prelim Findings: SBA Commissioned Report on Veteran Entrepreneurship Landscape.

In June 2015, Small Business Administration (SBA) Office of Veteran Business Development (OVBD) realized they had numerous strategic partnerships and new programs. In order to find data that would help direct SBA's efforts, SBA commissioned a third-party report on the current state of small business in the US and certain recommendations for the SBA. The report has not

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been finalized at this point, however, the office presented the summary of the report and some excerpts from the gap analysis.

Since the report has not been finalized, the summary and recommendations were provided at a very high level, without delving into the methodology and analysis. The report yielded six primary recommendations. This Committee has been the first group that preliminary findings from this report has been socialized with. A more complete briefing discussing the analysis that derived these six recommendations and numerous sub-recommendations will be presented at a later date when the information is released publicly.

- 1) Reduce barriers to lending for veteran entrepreneurs
- 2) Federal Acquisition Regulations amended to strengthen set-aside and sole-source for veteran small businesses
- 3) Establish baseline of resource standards for Offices of Small and Disadvantaged Business Utilization (OSDBU) in all federal agencies
- 4) Develop alternative Veteran Owned Small Business verification standard
- 5) Expand government relationship with entrepreneurship organizations
- 6) Create an extensive resource library with resource, selection, evaluation tool and case management for VOSBs

SBA has not had the chance to vet all of the information they've received from the commissioned report. The next steps for the SBA is to decide which recommendations can be accepted, which recommendations can be implemented and which recommendation will have to be tabled for further study.

2. Barb Carson, Acting Associate Administrator OVBD, SBA SBA Veterans Lending Analysis.

The Acting Associate Administrator briefed the Committee on an overview and update of SBA's internal tracking of lending trends to veterans up to June 30, 2015.

With the December 31, 2013 sun-setting of the Patriot Express Loan Pilot, a permanent Veterans Advantage program began on January 1, 2014. The primary difference aside from the permanency of this program was the fee relief for 7(a) loans that was under \$350,000 and below. For \$350,000 to \$5 million loans only half of the fees would apply. To quantify that – on a loan of \$5 million, eligible veterans and spouses save \$69,000 in fees.

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Despite the new program, the share of SBA loan products for veterans was trending downward on a yearly basis until FY15. Since then utilization has rebounded 110 percent over the previous year. To quantify the percentage in actual numbers, that is equivalent to \$500 million in the third quarter of FY15. SBA does caution that this is too early to say that the utilization of SBA lending products in the veteran's community is back on track and trending upwards. The safe characterization is that there is substantial growth in comparison to the previous years. FY 15's first through third quarter statistics shows that the veteran's loan size diversity is currently consistent with the SBA's overall lending diversity. However, SBA loan product utilization by the veteran's community is still not at FY09 numbers.

3. Kenneth Dodds, Director of Contracting and Business Development, SBA SBA FY14 Small Business Scorecard.

Director of Contracting and Business Development briefed the Committee on SBA's annual small business procurement scorecard which evaluates the efforts the various federal agencies made to adhere to aspirational small business utilization goals. The Committee was briefed on the methodology used to calculate each agency's score as well as the highlight and explain some discrepancies in agency spending from the released FY14 scorecard. Overall, the federal government has met the SDVOSB goal for FY14 prime awards at 3.68 percent; an increase over FY13 figures at 3.38 percent. However, the government has not met its aspirational goal of 3 percent in SDVOSB subcontracting with only 1.70 percent for FY14.

The annual scorecard measures specifically 1) how well federal agencies reach their small business and socio-economic prime contracting and subcontracting goals, and 2) agency specific progress in meeting those goals.

Each agency's grade consists of achievements in three areas:

- 1) 80 percent - Prime Contracts
- 2) 10 percent – Subcontracting
- 3) 10 percent – Plan Progress Report Performance

SBA uses certified data that agencies enter into the Federal Procurement Data System (FPDS) and Electronic Subcontracting Reporting System (eSRS) to determine the agency's grade for the scorecard. The methodology drew criticism from the Committee considering recent scrutiny from congress regarding the Department of Veterans Affairs' purchase card abuse. Purchases made outside of regular contracting vehicles and through purchase cards are not captured by FPDS, so there are suspected billions of dollars in expenditures that are not accounted for. Purchase cards are almost always used for purchases that fall under the federally mandated

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acquisition threshold that are set aside for small business. By not reporting the total cost of expenditures to FPDS there is no way to accurately calculate the actual portion of the agency's annual budget that was set-aside for small businesses.

When questioned, SBA responded that they do create an anomaly report and send it to the agencies in question, however, there is nothing SBA can do to make the agency respond to the anomaly report and SBA cannot change an agency's data in FPDS regardless if an anomaly was found.

4. Vivian Greentree, Senior Vice President, Head of Military and Veteran Affairs at First Data Corporation Coalition for Veteran Owned Small Businesses (CVOB).

Compared to federal procurement, purchasing in the private sector by large businesses close to ten times larger. CVOB was formed to promote the inclusion of veteran owned small businesses in the private sector supplier diversity programs. COVB was launched in May 2015 aimed at providing training and education so that veterans and spouses would excel in their business ventures. On the other end the Coalition will leverage the private sector to provide business product, solutions, opportunity for commerce in both the business to business and business to consumer models as well as an on-ramp to the private sector supply chain.

CVOB will be hosting their first summit meeting in Dallas, Texas at SMU's Cox College of Business. It will be a multi tracked event with industry experts teaching veteran entrepreneurs how to build a brand, franchise, gain access to capital, etc. This event is free for all attendees.

5. Caroline Prosch, Senator Jerry Moran's (R. KS) Military Legislative Assistant Veterans Entrepreneurial Transition Act of 2015.

The motivation behind the proposed legislation is to assist veterans as they transition from active duty. Veterans face a daunting mission when they separate from service and transition into civilian life – career development and the threat of unemployment. With nearly 550 service members transitioning from the military every day and around 1 million veterans settling into American communities in the next three to five years. Senator Moran is trying to find innovative ways to support veterans in their professional development. While many utilize the Post 9/11 educational benefits and pursue higher education, more often than not, veterans are directly entering into the workforce.

Education plays an integral role in readjusting to civilian life, but it does not monopolize a service members' transition. The reason the 1944 GI Bill was so successful is because of its

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comprehensive nature. With the closing of each war period, a new GI Bill was drafted. With each bill, the focal point narrowed to the educational benefits. While others narrowly associate the GI Bill with educational benefits, the *Servicemen's Readjustment Act of 1944* was aimed at transition, re-integration and accelerating the lives of a generation of Americans who were forcibly torn from civilian lives in service of the nation.

As times change, GI Bill benefits must evolve. Access to education is no longer as prevalent an issue as it was in the 1940s and 50s. It is safe to say that these days there are an abundance of accredited institutions that are willing to enroll veterans into education and training programs. Instead, there is increasing demand from the veteran entrepreneurs and financial institutions to address the issue of a veteran's lack of assets, equity and collateral upon exiting the service. There has always been a demand for an entrepreneurship component beyond just education in the GI Bill.

According to the SBA, veterans are 45 percent more likely to start their own business compared to their civilian counterpart and statistically, one out of nine veterans, is a business owner. Entrepreneurial benefits for veterans have periodically surfaced in wartime benefits; they take the shape of land grants and preferences in the 1700s and 1800s, to GI Bill small business and farm loans in the 1900s. In the 1944 GI Bill's entrepreneurial insurance and loan guaranty program, 229,245 loans were made to start small businesses and an additional 71,158 loans were made to start farms. Cross-referencing 1944 entrepreneurial programs to Census SBO Data and SBA Research in this century, a correlation is seen in the nation's investment in entrepreneurial programs for veterans leading to a sustained and unparalleled expansion of the American economy.

The *Veterans Entrepreneurial Transition (VET) Act of 2015* (S. 1870), would allow veterans the opportunity to pursue their small business and entrepreneurial aspirations by giving them access to resources through the Small Business Administration and their GI Bill benefit. The key components of the VET Act are:

- The establishment of a 3-year pilot program overseen by the Administrator of the Small Business Administration (SBA), in consultation with the Advisory Committee on Veterans Business Affairs (15 U.S.C. 657b), that will enable up to 250 GI Bill benefit-eligible veterans to pursue an educational entrepreneurial training program, business plan development assistance and to start a new business or purchase an existing business or franchise.

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- The pilot program includes a thorough application process and requires participation in an approved entrepreneurial training program, such as the SBA's Small Business Development Centers, SCORE, Veterans Business Outreach Program, Boots to Business, Syracuse's Institute for Veterans and Military Families Entrepreneurship Bootcamp for Veterans with Disabilities, additional SBA or the Department of Veterans Affairs (VA) approved training programs as well as program approved by the Administrator and Advisory Committee.
- Through the entrepreneurial training program, veterans are required to develop a business plan to be approved by their training program advisor and the SBA's Associate Administrator for Veterans Business Development.
- Once a veteran completes the entrepreneurial training and business plan development requirements, the veteran may receive their GI Bill benefit in the form of a grant in order to implement their business plan and start their small business enterprise.
- The grant may be provided through installments determined by the milestones a veteran may be required to meet within their approved business plan.
- The grant available to veterans participating in this pilot program may be equivalent to the GI Bill maximum amount of 36 months of educational assistance at the rate in effect for each veteran through the GI Bill benefit program.

RECOMMENDATIONS

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

The Committee heard from various commercial and government agencies throughout the year. We looked at several innovative approaches to include newly developed financial options. Various SBA funding sources have been enhanced and / or extended specifically to help Veterans. One interesting development is the possible use of VA Education Benefits.

Although progress is being made on Veteran access to capital, this remains a critical need to enhance and move forward Veteran entrepreneurship. Additional study and analysis is needed in

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order to examine the various approaches to access to capital and determine which solutions are the most efficient during different phases of the Veteran entrepreneurial life cycle.

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

The ITF is going through a period revitalization which the Committee encourages and fully supports. The Committee and ITF meetings have been scheduled through the past year on consecutive days, which has allowed Committee members to attend ITF meetings. Going into the FY 2016 Davy Leghorn a Committee member is officially a member of the ITF.

- 3. Promote and encourage entrepreneur training and education using Syracuse University and DOD TAP programs as examples.**

The committee looked at various programs both supported by government and veteran support organizations. The programs sponsored by Syracuse University and SBA Boots to Business are very successful and growing. The Committee feels that they are a model for other like programs. The Committee encourages the creation of similar programs to provide universal access to entrepreneur training through additional outreach and collaboration with education institutions.

- 4. Advocate essential revisions of the Department of VA Veteran Certification process.**

The VA Veteran Certification program has made substantial improvements. Currently, the SBA position for all other agencies is self-certification. The Committee looked at the possibility of independent certifications, similar to WOBE, specifically to support commercial Veteran set asides. There are some non-profit organizations that are capable and willing to do these certifications. The Committee also heard some evidence that commercial businesses were looking for non-governmental certification programs for veteran businesses doing business with commercial entities. As certification requirements greatly affect veteran businesses, the Committee will continue to track the VA Veteran Certification program and any other governmental or commercial efforts to make sure they are valid, effective and necessary.

- 5. Advocate SBA SDV Mentor Protégé status.**

The committee looked at the status of the Service Disabled Veteran mentor Protégé programs first authorized by NDAA 2011 and then expanded by NDAA 2013. Although the process is

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well on the way this program has yet to be implemented. The Committee feels that this program will be of great assistance for growing SDV businesses and must be fully and expeditiously implemented.

6. Recruit new members to fill Committee vacancies and encourage timely approval of appointees.

The Committee is now fully staffed and moving forward enthusiastically on its assigned mission. Processes are in place to maintain full membership of the committee.

7. Mapping the landscape of state and federal programs and services for veteran entrepreneurs.

There exist many programs available to Veteran entrepreneurs. The Committee still remains concerned that many are not readily identifiable. Additionally, many of these programs are not independently evaluated for their ability to provide meaningful assistance to Veterans. The committee will continue to look at this in FY 2016 and recommends that SBA catalog available programs.

LOOKING FORWARD TO 2016

1. Finance – Access to Capital.

Expand the Committee's Access to Capital concerns by expanding Access to Capital available solutions by stage of business and business type.

2. Legal.

Promote and encourage legal education and training for Veteran Entrepreneurs. Legal issues to address are commercial and government contracting.

3. Exports - Entrepreneur Training / Outreach.

Advocate for Veteran businesses and business programs that promote US exports.

4. Woman Veteran Business Outreach.

Advocate for Woman Veteran business owners through legislation, education and Government program outreach.

5. Entrepreneur Resources.

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Expand mapping of state and federal resources to a broader view of how Veteran Entrepreneurs can locate resources and match them to their specific needs.

6. Outreach – Business Development.

Access to commercial supplier base through their 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.

7. Certification.

Advocate for additional Veteran business certification alternatives and continue to advocate for reform with Department of VA Veteran and Service Disabled Veteran Certification process.

8. Veteran Farmer Advocacy (Outreach Training, Business Development).

Promote and encourage entrepreneur training and education to Veteran and Service Disabled regarding the Veteran Farmers act in order to promote and expand Veteran Farmer businesses

9. Business Development (Government Contracting) - Mentor – Protégé.

Advocate for continued Mentor Protégé status and implementation upon new Mentor Protégé legislation.

10. Business Development – Marketing.

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.

11. Outreach.

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.

12. Metrics

Advocate for performance metrics and other measurable data on government programs, organizations supporting Veteran Entrepreneurship and all overall agenda topics that allow the Committee to evaluate the quality and effectiveness of support available to Veteran businesses.