

**VETERAN ENTREPRENEURSHIP:
FROM SERVICE TO SMALL BUSINESS SUCCESS**

HEARING
BEFORE THE
**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP**
OF THE
UNITED STATES SENATE
ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

NOVEMBER 15, 2023

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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
ONE HUNDRED EIGHTEENTH CONGRESS

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**VETERAN ENTREPRENEURSHIP: FROM
SERVICE TO SMALL BUSINESS SUCCESS**
WEDNESDAY, NOVEMBER 15, 2023

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 2:38 p.m., in Room 428A, Russell Senate Office Building, Hon. Jeanne Shaheen, chairman of the committee, presiding.

Present: Senators Shaheen [presiding], Cardin, Hirono, Duckworth, Rosen, Hickenlooper, Ernst, Young, and Hawley.

OPENING STATEMENT OF SENATOR SHAHEEN

Chair SHAHEEN. Good afternoon. The Senate committee on Small Business and Entrepreneurship will come to order.

I am really honored to welcome everyone today. And of course, because it is Wednesday and we are having a hearing, we have votes. So, we have finished the first one, so I expect members to— Senator Hickenlooper hasn't voted yet.

Okay. So, as you can imagine, people will come and go while they finish this vote. Hopefully, we are only going to have one before the hearing ends, so we should be able to hear from all of you and have a chance for questions.

Today, the committee is going to conduct a hearing on the state of veteran entrepreneurship and how we can work together to support our nation's veterans and their small business goals. I want to welcome our witnesses.

Thank you for joining us today. I am really anxious to hear about your experiences and what you can share with us about what we need to do to better support veterans and their small business aspirations. I want to extend a special welcome to Chris Guerrette and the folks from New Hampshire who are here. I have been to Chris's shop, so I know what great candy he provides.

We are going to introduce all of our presenters in just a few minutes, but I want to begin just by making some brief points about veteran owned businesses and their impact on the U.S. economy. There are approximately 1.8 million veteran owned businesses in the United States. They produce an estimated \$1.2 trillion, with a T, in revenue.

They employ approximately 5.2 million people, and they support over \$232 billion in annual payroll. And through their military service, veterans often have the can do approach that makes them really good entrepreneurs.

Their discipline, tenacity, and leadership abilities may be the reason that veterans are more likely to pursue entrepreneurship

compared to their civilian counterparts. But of course, veterans are not immune to the struggles that face civilian small business owners. Access to capital, mentoring networks continue to be a challenge, regardless of military service.

I think there is more we can do to support our veterans, and that is part of what this hearing is about. I am committed to working with Ranking Member Ernst and my colleagues on the committee to provide the support, including access to capital, counseling, technical assistance to the tens of thousands of veterans who aspire to start their own businesses.

I have a longer statement that I will introduce for the record without opposition and look forward to the witness testimony. And now, I will yield to Ranking Member Ernst for her opening statement.

STATEMENT OF SENATOR ERNST

Senator ERNST. Oh, thank you. And good afternoon to our witnesses. Thank you very much for being here.

And thank you, Chair Shaheen. Coming out of our Veterans Day weekend, and I hope everybody was able to celebrate that day with their loved ones, I am grateful for the opportunity to examine how the Small Business Administration can better serve our 1.7 veteran owned small businesses.

As a combat veteran and a retired Lieutenant Colonel in the Iowa Army National Guard, I want to take a moment to thank our country's veterans for their selfless service. I also want to recognize the families of those who have served.

In the Senate, I focused on ensuring our veterans have access to critical mental health services, and I am committed to holding the VA and other agencies accountable for recent telework practices that have created major department failures and have left calls from our veterans unanswered.

As a Ranking Member of this committee, I am charged with ensuring our veterans' small businesses, especially in our rural areas, have access to the more than \$25 million in technical services and resources provided by the SBA's Veterans Business Development Office. Veteran entrepreneurs are found in every segment of our economy.

According to the U.S. Census Bureau's annual business survey, over 99 percent of all veteran owned businesses are small businesses. In 2019, my home State of Iowa had over 16,000 veteran owned businesses. It is critical rural and Midwestern veteran owned small businesses have a fair shot accessing SBA resources.

My bill with a fellow veteran, Senator Duckworth, to reauthorize the SBA's Boots to Business Program is pending Senate passage. It also includes language that will ensure every service member population, including the National Guard, is equally weighted when SBA determines where to place new veteran business outreach centers.

In addition, I have fought to reduce fraud and stop stolen valor in the SBA's service Disabled Veteran Owned Small Business Contracting Program by including in the National Defense Authorization Act a provision that encourages agencies to award more Fed-

eral contracts to certified veteran owned small businesses, discouraging awards made to self-certified firms.

Veteran entrepreneurs and small business owners are an important piece of our communities, and I am looking forward to hearing from all of you about the challenges faced by veteran small business owners and exploring how SBA can better meet your needs. So, thank you, Madam Chair. It is great to be with you again today.

Chair SHAHEEN. Thank you very much, Senator Ernst. And I will now introduce our five witnesses. First is retired Colonel Timothy Green. He is the Acting Associate Administrator of SBA's Office of Veterans Business Development, or OVBD.

We always love acronyms here in Washington. As Acting Associate Administrator, Colonel Green is responsible for leading the OVBD team. We like them because that way we can use them instead of the full name afterwards.

And formulating, implementing, promoting policies and programs that equip veterans, service members, and military spouse owned small businesses with counseling and training, access to capital, and contracting opportunities. Colonel Green retired from the U.S. Air Force in June of 2012 after serving on active duty for nearly 28 years.

He holds a BBA, an MBA, and a master's degree in National Security Strategy from the National War College. Thank you for being here. Next, we have Dr. Michael Haynie, who is the Vice Chancellor for Strategic Initiatives and Innovation and Founder and Executive Director of the Institute for Veterans and Military Families, or IVMF.

An Executive Director, Barnes Professor of Entrepreneurship at Syracuse University, Dr. Haynie is one of the foremost experts on veteran entrepreneurship in the U.S.. Prior to joining Syracuse University, Dr. Haynie served as an officer in the U.S. Air Force for 14 years.

Chris Guerrette is the owner of Lickee's & Chewy's Candies & Creamery, located in Dover, New Hampshire, which is also right next to where I live, so I know it well. He is an Air Force veteran who grew up with a love for candy, which has only increased as he has tried treats from around the world.

His candies and creamery store, Lickee's & Chewy's, is an homage to an old military slang term for sweets. Senator Ernst obviously knows that—yes. [Laughter.]

Chair SHAHEEN. Within months of retiring from the Air Force and taking a civilian consulting job with the military, the candy bar and creamery in his hometown was for sale.

Mr. Guerrette's wife bought the shop, added hundreds of items, and experienced over 50 percent year over year growth in the first four years.

Mr. Guerrette has utilized several SBA resources and products throughout his business development and expansion, and we look forward to hearing more about his firsthand experience.

I also want to welcome the two witnesses who have been called by the minority and we will yield to Ranking Member Ernst for the introduction.

Senator ERNST. Once again, thank you, Madam Chair. And welcome to Colonel Green, Dr. Haynie, and Mr. Guerrette. Thank you very much for joining us. I will now introduce my fellow Iowans who have joined us today.

And the first is Ms. Lisa Shimkat. And Lisa serves as the State Director for the Iowa Small Business Development Center. SBDC provides business counseling for entrepreneurs and small business owners at 15 centers across the State of Iowa.

Ms. Shimkat currently serves as the Board Chair of America's SBDC National Association Board and has served on the Iowa Economic Development Authority Board since 2019. Ms. Shimkat has also served on the Securities and Exchange Commission Advisory Committee on Small and Emerging Companies.

She has earned several awards and recognitions for her outstanding service to Iowa small businesses. Ms. Shimkat earned her Associates of Arts at Iowa Central Community College before going on to earn her bachelor's degree and MBA from the most excellent university in the universe, Iowa State University.

So, thank you very much for joining us, Lisa. Next, I will introduce Mr. Dustin Rhoades, and Dustin is the Founder and Owner of Ability Tech, which creates custom adaptive technology for individuals with disabilities. He founded Ability Tech after creating a device enabling his son to play baseball.

And I first met Dustin and his son a number of months ago up in Northwest Iowa, where I actually was able to play baseball. I was catching a baseball thrown by his son with this device that he created. It was just a truly wonderful evening, and Dustin, I am so glad to have you here.

So, Dustin also leads the Ability Tech Foundation, a nonprofit organization supporting families and caretakers of individuals with disabilities. A veteran of Operation Iraqi Freedom and Operation Enduring Freedom, Mr. Rhoades served four years in the United States Marine Corps. He earned a degree in Computer Science and Cybersecurity Engineering from Colorado Technical University.

Thank you to both of you for making the trip to Washington, D.C. to share with this committee how we can better support our veteran entrepreneurs and business owners in Iowa, as well as across the country. So, I yield back, Madam Chair. Thank you for convening this committee. I appreciate it.

Chair SHAHEEN. Thank you very much, Senator Ernst. Now we will turn to our witnesses. We ask each of you to try and keep your testimony within five minutes.

If you have longer that you would like to submit for the record, we would be happy to take those as well. And, Colonel Green, we are going to begin with you and go straight down the line.

STATEMENT OF COL. TIM GREEN, USAF (RET), ACTING ASSOCIATE ADMINISTRATOR, OFFICE OF VETERANS BUSINESS DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.

Colonel GREEN. Chair Shaheen, Ranking Member Ernst, members of the committee, thank you for the opportunity to testify today on SBA's efforts to empower veterans, service members, Na-

tional Guard and Reserve members, and military spouses with the tools to start, grow, and build resilience small businesses.

We are grateful for this committee's continued support of SBA programs that provide training and counseling, access to capital, and Federal contracting opportunities to our nation's heroes and job creators. In 2019, I joined the SBA as a Deputy Associate Administrator in the Office of Veterans Business Development.

Prior to SBA, I worked at the Department of Labor in their Veterans Employment Training Service, where we focused on military spouse and veteran employment issues. I retired from the Air Force in 2012 after serving active duty for about 28 years.

SBA is dedicated to serving and highlighting the impact of America's nearly 2 million veteran owned small businesses.

To honor them, we recently celebrated our 10th anniversary, National Veterans Small Business Week, where we hosted about 250 events across the nation. These events highlighted and empowered veteran and military spouse business owners in their local communities and connected them with local SBA resources.

Within our office, veteran business outreach centers, or VBOC, are the cornerstone of our service delivery model. Last year, VBOC served over 55,000 clients, and thanks to the support of this committee, our network has expanded from 22 to now 28 VBOCs. SBA is also charged with assisting transitioning service members as they prepare to leave military service.

SBA teaches the Boots to Business Program, which is an introduction to entrepreneurship, as part of the Department of Defense Transition Assistance Program. We teach it at 195 installations worldwide.

Last year, we had over 21,000 individuals attending to Boots to Business classes. And since that program was established in 2013, with the help of IVMF, we have trained over 196,000 service members, veterans, Guard and Reserve members, and military spouses.

We also have a version of Boots to Business called the Reboot, which is taught to veterans, and Guard and Reserve members that maybe have already separated in their local communities.

And we also recently launched a military spouse Pathway to Business Training Program to help military spouses looking to start their entrepreneurial journey. SBA facilitates access to capital for veterans and small businesses through three loan programs, the 7(a), 504 micro loans.

And thanks to this committee, the SBA is able to waive the 7(a) express loan upfront guarantee fee for veteran and military spouse owned small businesses. SBA also helps veteran firms gain access to contracting opportunities.

In Fiscal Year 2022, the Federal Government awarded 4.6 percent of its prime contracts to service disabled veterans owned small businesses, exceeding the 3 percent goal. In January, we implemented the Veterans Small Business Certification Program directed by Congress in the National Defense Authorization Act, transferred the responsibility from the Department of Veterans Affairs to SBA.

SBA Administrator Guzman refers to VetCert as the gold standard for veterans certification programs. We now have a streamlined process that makes it easier to apply and get your certification, and

it is just not easier, it is faster. To date, we have certified well over 8,500 new veteran owned and service disabled, veteran owned small businesses.

To ensure we are effectively serving veterans and small—small business community, we convened two Federal advisory committees, both of them looking at how we can improve services for our veteran clients.

I want to thank you today for the opportunity to testify and highlight our mission in SBA's Office of Veterans Business Development and our continuing efforts to empower veterans, service members, National Guard, Reserve members, military spouses.

We want to give them the tools to start, grow, and build resilient small businesses. Thank you very much.

[The prepared statement of Colonel Green follows.]



**Testimony of
COL. Timothy Green, USAF Ret.
Acting Associate Administrator
Office of Veterans Business Development (OVBD)
U.S. Small Business Administration**

**Before the
U.S. Senate Committee on Small Business and Entrepreneurship
Hearing on
Oversight Over the SBA's Office of Veterans
Business Development**

November 15, 2023

Chair Shaheen, Ranking Member Ernst, and distinguished members of the Committee, thank you for the opportunity to testify today on SBA's continuing efforts to empower veterans, service members, National Guard and Reserve members, and military spouses with the tools to start, grow, and build resilient small businesses.

We are grateful for this Committee's continued support of SBA's programs that provide training and counseling, access to capital, and federal contracting opportunities to our nation's heroes and job creators.

In 2019, I joined the SBA team as the Deputy Associate Administrator in the Office of Veterans Business Development (OVBD). Prior to SBA, I served at the Department of Labor as the Director of Strategic Outreach of the Veterans' Employment and Training Service (VETS), focused on veteran and military spouse employment issues. I retired from the U.S. Air Force in June 2012 after serving on active duty for nearly 28 years.

As small business owners, veterans continue to serve our country by creating critical employment opportunities and driving economic growth. They possess the skills, discipline, and leadership to start and operate successful businesses in their communities. SBA is dedicated to continuing to highlight the impact of America's nearly 2 million veteran-owned businesses. Veteran-owned businesses in the United States have combined annual sales of \$1 trillion and employ approximately 5 million workers. When our veteran entrepreneurs succeed, our nation succeeds.

To honor them, SBA recently celebrated its 10th Annual National Veterans Small Business Week (NVSBW) by hosting over 250 events across the nation. These events highlighted and empowered veteran and military-spouse business owners in their local communities and connected them with SBA resources. Located throughout the nation, the SBA ecosystem is comprised of grantees, resources partners, district offices, interagency organizations and veteran and military-service organizations.

SBA continually seeks to meet our veteran entrepreneurs wherever they are in their business journey with the right set of tools and resources. Veteran Business Outreach Centers (VBOCs) are the cornerstone of our service-delivery model. Last year, VBOCs served over 55,000 clients, and are responsible for coordinating the delivery of SBA's Boots to Business classes and its curriculum.

VBOCs serve as providers and navigators of business assistance programs and maintain expertise to directly serve and refer veterans to other SBA, federal, state, and community-based programs. VBOCs extend their services nationwide by serving as a gateway to all SBA programs and collaborating with SBA's network of resource partners which include Small Business Development Centers, Women's Business Centers, and SCORE. Thanks to increased funding from Congress and the support of this Committee, our network of VBOCs expanded from 22 to 28 in Fiscal Year 2023 helping serve new clients in Nebraska/Iowa, Alaska, Colorado, South Carolina, Southern California, and Nevada.

In addition to serving veterans, SBA is charged with assisting transitioning service members as they

prepare to separate from military service. SBA teaches the Boots to Business (B2B) program as part of the Department of Defense's Transition Assistance Program (TAP). It is taught on over 195 installations world-wide. B2B Reboot delivers the B2B curriculum to veterans and Guard and Reserve members in their local communities. SBA recently launched the Military Spouse Pathway to Business training program to help military spouses looking to start their entrepreneurial journey. Last year, over 21,000 individuals attended B2B classes. Since the B2B program was established in 2013, SBA has trained over 196,000 service members, veterans, Guard and Reserve members, and military spouses.

After completing the B2B programs, SBA offers follow-on training through the B2B Revenue Readiness course. This is a 6-week high-touch virtual course, which is designed to help participants take a business idea from a concept to an actionable plan.

Our collaboration produces success stories like Michael and Kerrie Stacks. While beginning his transition journey at the close of a long and successful career in Naval Special Operations, Michael attended a B2B class at the local VBOC in Norfolk, Virginia, located at Old Dominion University, as the first step in small business entrepreneurship. With the help of people like Cheryllyn Sagester, the VBOC Director and legal and financial experts, Michael and Kerrie opened the Bold Mariner Brewery in 2015, while he was still on active duty.

The VBOC helped Michael create a business plan, provided pathways to obtaining capital, and other aspects of opening a new business. As the business grew, the VBOC maintained a relationship with Michael and Kerrie, assisting with plans for growth, and navigating through the challenges of the COVID pandemic with funding from the Paycheck Protection Program and COVID-19 Economic Injury Disaster Loan (EIDL) loan program. Today, the business is experiencing 30% growth per year, exploring international export opportunities, and looking to expand operations to meet the incredible demand. Kerrie said it best: "The VBOC was there when we started the business, are with us now, and will be there for us in the future."

SBA facilitates access to capital for veteran-owned small businesses through three loan programs. The 7(a) program provides financing through commercial lenders, the 504 program provides financing for fixed assets (such as buildings or machinery), and the Microloan program provides financing up to \$50,000 and technical assistance. Veteran-owned small businesses received about 2-5% of all loans in the three programs in Fiscal Years 2016-2021. SBA waives the 7(a) Express Loan upfront guaranty fee to veteran or military spouse-owned small businesses for loans up to \$500,000.

In addition to capital, SBA works to connect our veteran-owned small businesses with the largest purchaser of goods and services in the world: the U.S. Government. In Fiscal Year 2022, the Federal Government awarded 4.6% of prime contract to Service-Disabled Veteran Owned Small Businesses (SDVOSB), exceeding the 3% goal for the eleventh straight year.

SBA works to help more veteran firms gain access to contracting opportunities. In January 2023, SBA implemented the Veteran Small Business Certification (VetCert) program as Congress required in the National Defense Authorization Act for Fiscal Year 2021 (NDAA 2021) which transferred this responsibility from the Department of Veterans Affairs (VA) to SBA. The transfer provides veterans with a

central support point for their small business certification needs and provides SDVOSBs with the opportunity to compete for federal sole-source and set-aside contracts across the federal government. SBA Administrator Isabel Guzman refers to VetCert as the “gold standard” for SBA certification because veterans have a streamlined process that makes it easier to apply and receive their certification. It’s not just easier, but it’s also faster. To date, SBA has certified over 8,500 new veteran-owned and SDVOSBs, maintaining a faster processing time than the 35 days that the VA required.

In addition to certification, SBA provides funding to the Veterans Institute for Procurement (VIP) to deliver entrepreneurship training to veteran-owned and SDVOSBs. Participants learn how to best position their business to win and retain government contracts. Over \$17 billion has been awarded in Federal prime contracts to VIP grads since 2010, and graduates in the VIP program have increased their revenue by an average of 56% in the first year after graduation and 180% after two years.

A great example of this success is U.S. Army veteran Doug Craft, who is the owner of Crystal Clear Maintenance, a building maintenance and landscaping service. A few years after starting his business, he connected with the SBA New Mexico District Office. They not only helped Doug file for his veteran benefits, but they helped him obtain two certifications as both a certified SDVOSB as well as an 8(a) certified business. These certifications opened the door to more federal contracting opportunities: With SBA’s support, Crystal Clear Maintenance grew from \$80,000 in annual revenue to more than \$25 million .

SBA’s Office of Veterans Business Development also works to help service-disabled and women veterans. The Service-Disabled Veteran Entrepreneurship Training Program supports a network of partners focused on delivering entrepreneurial training and education about the tools and resources available to SDVOSBs. The Women Veteran Entrepreneurship Training Program is focused on delivering small business development support to women service members, veterans, and military spouses. The programs are offered in a variety of formats from online workshops to hands-on mentoring.

When veterinarian Terra Stines Smith decided to launch a mobile-only veterinary clinic to reach rural clients in North Carolina, she wasn’t sure how to raise the funds to outfit a 24-foot, old church transport van with all the necessary medical equipment. Her husband, a Marine veteran, knew of the many benefits available to military families and suggested she explore business resources for military spouses. Terra’s search led to the local VBOC at Fayetteville University. The VBOC helped her develop a business plan, obtain an SBA-backed loan, and access ongoing support as her business grew. Today, Terra’s mobile veterinary clinic, DocTerra, serves clients spanning 30 miles and has a waiting list for new clients.

To ensure SBA is effectively serving the veteran small business community, we convene two Federal Advisory Committees each quarter, the Advisory Committee on Veterans Business Affairs (ACVBA) and the Interagency Task Force on Veterans Business Development.

The ACVBA is made up of veteran business owners and veteran service organization representatives who serve as an independent source of advice and policy recommendations to the SBA Administrator,

Congress, the President, and other U.S. policymakers on issues of interest to small businesses owned and operated by veterans.

The Interagency Task Force on Veterans Business Development consists of Federal agency representatives and four representatives from veteran service organizations. SBA is proud to participate alongside our partners in the VA; Departments of Defense, Labor and Treasury; General Services Administration (GSA) and the Office of Management and Budget to coordinate federal efforts to improve capital access, business development opportunities, and Federal contracting goals for veteran-owned and SDVOSBs. This Task Force meets quarterly and our next meeting will be in December.

Thank you for the opportunity to testify today and highlight our mission in SBA's Office of Veterans Business Development and our continuing efforts to empower veterans, service members, National Guard and Reserve members, and military spouses with the tools to start, grow and build resilient small businesses.

Chair SHAHEEN. Thank you, Colonel Green. Dr. Haynie.

STATEMENT OF MIKE HAYNIE, VICE CHANCELLOR, SYRACUSE UNIVERSITY, DIRECTOR, INSTITUTE FOR VETERANS AND MILITARY FAMILIES (IVMF), SYRACUSE, NEW YORK

Dr. HAYNIE. Chairwoman Shaheen, Ranking Member Ernst, members of committee, thank you very much for the opportunity to be here today. I have worked to advance the cause of military spouse and veteran home business ownership for now close to 20 years.

And over that period, I deeply appreciated this committee's commitment to supporting entrepreneurial opportunity for our service members, our veterans, and our military families. Your past actions have directly served to empower those who have served to meaningfully leverage business ownership as a strategy to successfully transition from military to civilian life.

And as an example, I would like to commend Chairwoman Shaheen's bill, the Heroes Business Opportunity Act of 2023. Access to capital is consistently year over year the top barrier to venture creation and growth that is identified by both research and by veterans directly.

And I think this bill is positioned to enhance access to capital, and both growth and startup capital by waiving the SBA guarantee fee for 7(a) loans made to veteran small business businesses.

It is a commendable step, and I think if may law, will have an enduring impact on the community that I serve. It is important context, I think, for any discussion about veteran business ownership to acknowledge the challenges associated with navigating that transition from military to civilian life.

And given that challenge, research also clearly demonstrates that multiple pathways to post service jobs and careers are critically important for our transitioning service members. And for a great many veterans driven by an entrepreneurial spirit that I think is cultivated through military service, the path they choose as business ownership.

And demand for business ownership training and resources in this community is strong and is increasing. You know, you heard Tim mentioned, you know, my number was 194,000, but I just learned 196,000 transitioning service members, veterans, and spouses now through the Boots to Business Program, and that is tremendous.

And while the SBA does stand at the forefront of our public sector efforts to empower veteran entrepreneurs through funding programs, mentorship opportunities, it is also true that the SBA can't do this alone.

I think public, private partnerships really have evolved to become central to serving veterans via what is a proactive and really needs driven ecosystem to ensure that the tailored solutions to the many and diverse challenges that transitioning service members and veterans face in the pursuit of entrepreneur opportunity are addressed.

And, you know, as an example, the organization that I am here to represent today, the D'Aniello Institute for Veterans and Military Families at Syracuse University, we have been a longtime and

close partner to the SBA and currently operate a portfolio of business ownership initiatives that include 11 different national training programs and 3 tailored information hubs, each of those designed to meet veteran entrepreneurs where they are in the venture creation and growth lifecycle, and all offered at no cost to veterans and military families.

And like for the SBA, demand for these training opportunities and navigation services is strong and continues to grow.

Over the past decade, the Institute for Veterans and Military Families has provided entrepreneurship training to just over 70,000 transitioning service members, veterans, and spouses, and just over 35,000 of that community have leverage the navigation services that we offered—that we offer to help them identify resource partners in their own communities to get them to help they need when they need it.

You know, importantly, I am an academic and I would be remiss if I didn't mention that we also each year conduct a national survey of military affiliated entrepreneurs, which is the largest data collection outside of Government of the veteran business ownership community. And that research really does help us identify opportunities to do better.

And I think one of those, back to this issue of capital access, there is an opportunity for us to do more and better. If you look at our findings, what we realize is veteran military connected entrepreneurs are about 3.5 times more likely to encounter access to capital barriers than their non-veteran counterparts pursuing business ownership.

So, on this front, we do need to do more. And I think hopefully our discussion will tease out some of those opportunities. I will close just very quickly by stating something that I think everyone in this room recognizes. The value proposition for doing this work is very, very high. Chairwoman Shaheen, you mentioned the economic contribution that this community makes in terms of sales, and revenue, and employees.

I think there is also this idea of this community contributing now that they have taken the uniform off to the economic freedom of this country is clear and compelling, and it serves the values of citizenship that really are the underpinnings of our all-volunteer military. With that, I will close.

[The prepared statement of Dr. Haynie follows.]

WRITTEN TESTIMONY OF

Dr. J. Michael Haynie
Vice Chancellor, Syracuse University
Executive Director, D'Aniello Institute for Veterans & Military Families
Syracuse, NY

BEFORE THE

Senate Committee on Small Business and Entrepreneurship

November 15, 2023

Chairwoman Shaheen, Ranking Member Ernst, and members of the Committee, I extend my sincere gratitude for the invitation to testify before this committee about military-connected business ownership. As someone who has worked to advance the cause of veteran and military-spouse business ownership for almost twenty years, I appreciate uniquely the Committee's role and longstanding commitment with regard to supporting opportunities for servicemembers, veterans, and their families to leverage business ownership as a strategy to transition from military to civilian life. To that end, I am grateful for the opportunity to contribute to the dialogue on veteran and military-connected business ownership, recognizing the significant contribution that military-connected entrepreneurship has on both individuals and society.

Further, I'd like to highlight and commend Chairwoman Shaheen's bill, *The Heroes Business Opportunity Act of 2023*. Based on the D'Aniello Institute for Veterans and Military Families' National Survey of Military-Affiliated Entrepreneurs (NSMAE), access to capital is the number-one cited barrier to venture creation and growth identified by veteran business owners. *The Heroes Business Opportunity Act of 2023* is positioned to enhance access to much needed start-up and growth capital, by waiving the SBA Guaranty Fee for 7(a) loans made to veteran-owned small businesses. This measure not only encourages increased lending, but also fosters a more supportive environment for veteran entrepreneurs. I look forward to discussing how this bill can contribute to the success of veteran-owned businesses and enhance the impact of military-connected business ownership on families and the broader economy.

Thank you for the opportunity to be a part of this important conversation.

The Landscape

Contrary to the perception of a rigid military environment, our servicemembers are inherently entrepreneurial, innovative, and trained to create opportunity in the face of dynamic and resource-constrained environments. This explains, in part, why research has demonstrated that veterans are more likely to own businesses and persist as business owners at a rate higher than their non-veteran counterparts. The extent of that entrepreneurial activity varies based on factors like age, gender, race/ethnicity, and length of service. The landscape of veteran entrepreneurship is a dynamic tapestry, highlighting the resilience and innovation of military-connected individuals. While there are various motivations that drive veterans to entrepreneurship (limited employment opportunities, ability to make their own decisions, maintain personal freedom, and the opportunity to be financially independent), 93% attributed their success to skills acquired during military service.

All that said, navigating the transition from military to civilian life can be undeniably challenging. Drawing upon my own experience leading Syracuse University's D'Aniello Institute for Veterans and Military Families (IVMF), I have witnessed the critical importance of diverse pathways to post-service careers. Veterans, driven by an entrepreneurial spirit cultivated during military training, often choose business ownership. For example, since its inception in 2013, the SBA's Boots to Business program has served over 194,000 transitioning service members, veterans, and military spouses. Similarly, the IVMF's portfolio of business ownership programs have provided entrepreneurship training to more than 70,000 service members, veterans, and military spouses over the past 12 years. These programs represent just some of the robust landscape of supportive services and resources positioned to advance the entrepreneurial journey of the military-connected population.

Highlight SBA's Impact on Veteran Entrepreneurship

The SBA stands at the forefront of empowering veteran entrepreneurs by offering funding programs, mentorship opportunities, and educational resources. Beyond the Office of Veterans Business Development (OVBD) programs, the SBA's impactful contributions extend across various portfolios. These include initiatives such as the 7(a) fee relief within the Office of Capital Access, the invaluable resource partnerships of the Office of Entrepreneurial Development, the innovative Community Navigator Pilot Program, and the successful implementation of VetCert within the Office of Government Contracting and Business Development. These efforts collectively play a crucial role in fostering the creation and growth of businesses owned by veterans.

It is important, however, to acknowledge that the veteran entrepreneurship ecosystem is complex and navigating local resources poses challenges. While many veteran entrepreneurs report receiving the most help from SBA or private-sector resources, over 46% find it challenging to navigate resources in their local communities. Rural business owners prefer in-person assistance, revealing a disparity in resource availability. Navigational challenges disproportionately impact women and veterans of color, fostering feelings of being unsupported.

Importance of Public-Private Partnership

Recognizing that the SBA cannot address all challenges alone, a symbiotic relationship between the public and private sectors becomes crucial. Public-private partnerships, exemplified by SBA collaboration with the non-governmental partners, create a responsive ecosystem. This collaboration ensures tailored solutions to diverse challenges faced by transitioning veterans, fostering an environment where they can thrive.

Public-private partnerships create a proactive and 'needs-driven' ecosystem, ensuring tailored solutions to diverse challenges faced by transitioning veterans. An example is the IVMF's VetSource program, a partnership to support and connect those military-connected business owners seeking their first, second, or third contract with a Fortune 500 corporation or prime government contract. These types of government-industry collaborations are instrumental in fostering an environment where veterans can thrive as business owners and leaders. Further, the return on investment of these type of collaborations is clear.

Since World War II, veteran-business owners have played a pivotal role in the nation's economy. Each year, veteran-owned businesses make significant contributions to the U.S. economy, employing over five million Americans and generating \$1.3 trillion in total sales. Beyond economic considerations, empowering veterans as business owners aligns with ideals of service and citizenship. Veterans, who

defended freedom, can now contribute to economic freedom through business ownership. Expanding access to business ownership via public-private partnerships is not just economically sensible; it is a recognition of the deserving pursuit of the American Dream by those who pledged to defend it in uniform.

Syracuse University's D'Aniello Institute for Veterans and Military Families (IVMF) Programs

The D'Aniello Institute for Veterans and Military Families (IVMF) actively contributes to the military-connected business ownership mission and landscape. Specifically, the IVMF designs and operates a portfolio of transformative initiatives that include eleven national training programs and three tailored information hubs, each designed to meet veteran entrepreneurs where they are in their business lifecycle. Across this portfolio, the IVMF has provided business ownership training to more than 70,000 military-connected entrepreneurs over the past decade and navigation services to 35,000 individuals – all at no cost to the veteran. One programmatic example is the IVMF's *VeteranEdge* initiative.

The *VeteranEDGE* Conference is an annual, four-day training and networking event designed to connect veteran business owners with subject matter experts and each other, all with the objectives of maximizing venture growth and finding solutions to business ownership challenges. We have numerous success stories illustrating the positive impact of IVMF programs on veteran entrepreneurs. One veteran business owner impacted specifically by *VeteranEdge* is Jackson Dalton – founder of Black Box Safety. Jackson indicated that *"I'm grateful for the services and connection that IVMF has provided to me. By attending the Veteran EDGE Conference, I met decisionmakers bringing in \$2.5M in revenue during their first year as a customer. Since then, I have participated in additional IVMF entrepreneurship programs to grow and scale my business, learning critical management skills from top business minds."*

Jackson has graduated from multiple IVMF entrepreneurship programs. Last year, he reported that 20% of his 13.5-million-dollar revenue was attributed to connections he made while attending our programs. This year, Jackson's Black Box Safety is ranked on the annual [Vet100 list](#), in partnership with Inc. Business Media. This list highlights the fastest-growing veteran businesses in the country. This recently released list of veteran companies features 25 IVMF alumni, exemplifying the enduring success of these programs.

We must raise broader awareness of the supportive resources that already exist and one that really helps with capital readiness. This awareness is vital as it ensures that veteran entrepreneurs are well-equipped with the knowledge and tools needed to secure and effectively utilize capital, ultimately fostering their success in the competitive business landscape. One crucial dimension of this work is to ensure that veterans are capital-ready when they approach the SBA or other lending platforms. The SBA resource partner programs and IVMF programs have a similar impact on capital, preventing businesses from spending money on quality technical assistance, training, and networks that they would otherwise pay substantially more to acquire.

Selected Highlights from Our Research and Opportunities:

The IVMF also conducts the National Survey of Military-Affiliated Entrepreneurs (NSMAE), the largest data collection effort representing veteran business ownership outside the federal government. This research program is the first private-sector initiative designed to apply a data-driven research focus on military-affiliated entrepreneurship. This effort seeks to gain better insights and understanding of military-affiliated entrepreneurs and identify the economic, political, and socio-cultural factors that serve as barriers to entrepreneurship for military-affiliated individuals. The efforts published by this

initiative offer a variety of compelling and actionable findings. For the purpose of this hearing, I would like to emphasize our focus on financial barriers and capital readiness, recognizing their paramount importance in supporting veteran small business owners.

Financial Barriers and Capital Readiness

In the intricate landscape of veteran entrepreneurship, a myriad of obstacles shape the journey to business ownership. Recent study findings reveal challenges in the search for capital, common to all potential entrepreneurs regardless of veteran status. Veterans, nearly 3.5 times more likely than nonveterans, often encounter issues with personal credit history. Attempts to address this through various programs and funding initiatives, while helpful to some, may not be universally suitable. Research should further explore nuances in access to capital and the concept of capital readiness to design solutions tailored to better prepare veteran entrepreneurs. Innovative funding models are crucial in recognizing and overcoming the unique financial challenges veterans face when launching and sustaining businesses.

Navigating the complexities of capital readiness for veteran entrepreneurs extends beyond financial considerations alone. It involves addressing challenges related to resource navigation, access to knowledge, and the presence of a robust support mechanism. Enhancing capital readiness for veteran entrepreneurs involves a multifaceted approach. Community-based instruction, training, and support are pivotal elements in this strategy, providing veterans the opportunity to grow, network, and develop entrepreneurial passion alongside their peers. This collaborative training not only fosters skills but significantly improves the probability of success, creating a more interconnected and supportive business environment.

Additionally, effective collaboration between various service organizations plays a crucial role in elevating capital readiness. By enhancing cooperation across various service organizations, veterans gain access to suitable support, resources, and networks, ensuring they are well-prepared to navigate the complexities of securing capital for their ventures. Advocacy for entrepreneur-friendly policies aligned with community values is essential for positively influencing capital readiness in entrepreneurial ecosystems. These policies encourage entrepreneurial activity and contribute to the overall development of the ecosystem, indirectly supporting the capital readiness of veteran entrepreneurs.

Lastly, streamlined access to educational resources is critical. Veterans, facing challenges in navigating vast information, benefit from a well-organized approach, enabling them to identify resources tailored to enhance their capital readiness. This concerted effort reduces redundancy and optimizes the use of available resources, contributing to the development of a stronger and more supportive entrepreneurial ecosystem focused on effective capital utilization. This underscores the significance of SBA lending for veteran business owners. In such cases, the entrepreneur might fall just below the approval threshold of the bank's standard commercial product. However, the bank can pivot to the assurance provided by a loan backed by the SBA guaranty.

Conclusion

In conclusion, I express my sincere gratitude for the opportunity to address this esteemed committee. Over my long involvement in the veteran business ownership community, I've witnessed the profound impact of entrepreneurship on the lives of servicemembers, veterans, and their families transitioning to civilian life. Chairwoman Shaheen's bill is commendable, reflecting a commitment to advancing

opportunities and support for veteran entrepreneurs. Today's discussion has emphasized the crucial role of the SBA and the need for collaborative efforts between the public and private sectors. Syracuse University's D'Aniello Institute for Veterans and Military Families programs exemplify successful initiatives that enhance capital readiness and support veteran business owners. As we navigate the multifaceted landscape of veteran entrepreneurship, it is evident that a comprehensive approach, encompassing financial support, educational resources, and collaborative partnerships, is essential. This legislation is a significant stride towards fostering an environment where veteran entrepreneurs can thrive, contributing not only to economic growth but also honoring the ideals of service and citizenship.

Thank you for the opportunity to contribute to this important conversation.

Chair SHAHEEN. Thank you. Very well said. Ms. Shimkat.

**STATEMENT OF LISA SHIMKAT, STATE DIRECTOR,
AMERICA'S SBDC IOWA, AMES, IOWA**

Ms. SHIMKAT. Chairwoman Shaheen, Ranking Member Ernst, and distinguished members of the committee, thank you for this opportunity to testify today on the topic of veteran entrepreneurship.

I want to speak to the opportunities and the challenges faced by veterans when starting their own business, particularly in Iowa, the Midwest. As you already know about America's Small Business Development centers, we are continually trying to work with each of our 15 regional centers, and we are an outreach program of Iowa State University, Ivy College of Business, and the Office of Economic Development and Industry Relations.

The State of Iowa is committed to serving and empowering veterans in their post-military career pursuits. We work closely with Home Base Iowa, HBI, to enhance employment opportunities for veterans, service members, and their spouses. The HBI program has made significant strides in assisting veterans.

The collaboration spans 29 certified higher academic military partners, the Champs Program, 129 designated communities, and over 2,000 HBI businesses statewide. One of the programs to assist veterans that we have started is the annual Iowa Veterans Entrepreneurship Conference.

These are commendable and successful initiatives. They are critically important as veterans encounter unique challenges when attempting to transition into entrepreneurship. There is certainly more work that needs to be done, though. Another challenge for veterans is a lack of adequate resources.

It is imperative to understand and to address the resource disparities faced by veterans in rural areas. The SBA data reveals a shortage of resources impacting the ability of veterans to access essential support for their entrepreneurial endeavors. Veterans who live in rural areas often lack access to resources, broadband challenges, etcetera.

While the vitality of rural communities is a priority, serving those rural areas costs more due to travel and time. Increased funding for programs performing significant rural outreach will translate to expanded coverage in rural areas.

But I want to also note, sometimes it is not always more money, but it is about encouraging different Federal agencies to work together and utilize the existing resources on the ground to extend their own efforts at minimal cost to the taxpayers.

Veteran businesses employ more than 70,000 people and generate over \$3 billion in annual sales in Iowa alone. Iowa's thriving veteran owned businesses underscore the resilience of veterans who pursue entrepreneurial ventures. Despite the challenges, the success rate of veteran owned businesses demonstrates the significant contributions they make to economic growth and impact.

We are committed to maintaining this positive trajectory and increasing the number of successes for our veteran entrepreneurs. To do so, we do offer several considerations. Access to comprehensive data.

Mirroring the U.S. Army Soldier for Life Initiative. Occupational licensure reciprocity. Seek DOL approval to serve additional populations through the Jobs for Veterans State Grant Program. Early access to entrepreneurship resources to get in front of servicemen and women before they are on their way back home—to get in front of them so we can talk about those resources earlier.

Streamline information organization. And the biggest one that I wanted to point out specifically today was streamlining SBA programs and leveraging the SBDC network that is already on the ground and has been a proven resource for small businesses.

To maximize the impact of SBA programs and reduce duplication of services, there is a critical need for closer alignment and collaboration among the initiatives. The SBDC network, with its extensive reach and expertise, can serve as a robust base for various resources and programs. Leverage the strength that is there.

Now, these suggestions aim to enhance the efficiency of existing programs and partners. We partner with the APEX Program, which is a DOD initiative that has been crucial for the success, and it is about working together with those partners to help those entrepreneurs and see them thrive more quickly and have a stronger business moving forward.

Ultimately, we want to create a more favorable environment for veteran owned businesses to thrive. While Iowa and other States have made substantial strides in supporting veteran entrepreneurs, challenges do still persist, exacerbated by resource disparities.

By addressing these challenges, we can create an environment where more veterans thrive as successful entrepreneurs. Thank you for the opportunity today.

[The prepared statement of Ms. Shimkat follows.]

Testimony of Lisa Shimkat *State Director, America's SBDC Iowa*

Chairwoman Shaheen, Ranking Member Ernst, and distinguished members of the committee, thank you for the opportunity to testify today on the topic of veteran entrepreneurship. My name is Lisa Shimkat and I serve as State Director, America's SBDC Iowa. Today, I will speak to the opportunities and the challenges faced by veterans when starting their own businesses, particularly in Iowa and the Midwest.

America's SBDC Iowa Program Overview

The America's SBDC Iowa program plays a pivotal role in supporting small businesses across the state, including those led by veterans. Our State Office coordinates operations of the 15 regional centers around Iowa. The America's SBDC Iowa is an outreach program of Iowa State University's Ivy College of Business and the Office of Economic Development and Industry Relations. We are located in the Economic Development Core Facility of the Iowa State University Research Park.

Iowa State University boasts a robust network of businesses, resources, networking opportunities, and connections for veterans who are business owners. In fact, Iowa State University has the highest population of military-affiliated students and the highest Iowa National Guard population of any Iowa institution. Iowa State University recently received a Gold ranking from the Military Friendly Schools survey and was named a Military Friendly School for 2023-24.

The state of Iowa is committed to serving and empowering veterans in their post-military career pursuits. We work closely with Home Base Iowa (HBI) to enhance employment opportunities for veterans, service members, and their spouses. The HBI program has made significant strides in assisting veterans, with 262 veterans securing employment in 2022 and, through October 2023, an additional 237 this year. The collaboration spans 29 Certified Higher Academic Military Partners (CHAMPs) programs, 129 designated HBI communities, and over 2,000 HBI businesses statewide.

Opportunities for Veterans in Entrepreneurship

One of our programs to assist veterans is an annual Iowa Veterans Entrepreneurship Conference. The inaugural statewide conference was held in the summer of 2022, when Iowa veterans, military personnel, their families and business partners came together in Ames for a two-day conference focused on entrepreneurship. The conference was hosted by the Pappajohn Center for Entrepreneurship at Iowa State University, America's SBDC Iowa, and Home Base Iowa. This past June we hosted the second annual Iowa Veterans Entrepreneurship Conference.

The Iowa Veterans Entrepreneurship Conference is just that — an opportunity explicitly developed for Iowa's veteran community. The conference offers educational sessions, resource exhibits, and networking opportunities. This year, a veteran's pitch competition was added, with \$11,000 in cash prizes awarded to the winning entrepreneurial ideas presented by veterans. A second pitch competition was offered by the 11/11 Veteran Project founders, resulting in one Iowa veteran's business logo being placed on a NASCAR race car driven by Collin Garrett.

Challenges Faced by Veterans in Entrepreneurship

These are commendable and successful initiatives. They also are critically important, as veterans encounter unique challenges when attempting to transition into entrepreneurship. Data from the Jobs For Veterans State Grant (JVSG) program indicate that while 1,179 participants were served in the 2022-2023 period, the employment rates met goals at 62.0% in the 2nd quarter and 57.5% in the 4th quarter after exit, with a median earning of \$9,187. There certainly is more work to be done.

Resource Disparities in the Midwest

Another challenge for veterans is a lack of adequate resources. It is imperative to understand and to address the resource disparities faced by veterans in the Midwest. The Small Business Administration (SBA) data reveal a shortage of resources, impacting the ability of veterans to access essential support for their entrepreneurial endeavors.

According to the 2019 Annual Survey of Entrepreneurs from the U.S. Census Bureau, there were 15,582 veteran-owned businesses in Iowa. Veterans who live in rural areas often lack access to resources. While the vitality of rural communities is a priority, serving those rural areas costs more due to travel and time. Increased funding for programs performing significant rural outreach will translate to expanded coverage in rural areas.

Iowa's Initiatives and Recommendations

Despite these challenges, the state of Iowa has been proactive in supporting veteran entrepreneurship. With Home Base Iowa serving as a beacon for veteran entrepreneurs, Iowa had more than 15,000 veteran-owned businesses in 2021, employing more than 77,000 people and generating \$3 billion in annual sales. These businesses make up 9.2% of all businesses in Iowa, contributing significantly to the state's economic landscape. Overall, the state of Iowa ranks 16th nationally in total number of veteran-owned businesses, with an 8.5% growth rate from 2014 to 2018.

Iowa's thriving veteran-owned businesses underscore the resilience of veterans who pursue entrepreneurial ventures. Despite the challenges, the success rate of veteran-owned businesses demonstrates the significant contributions they make to economic growth and impact.

We are committed to maintaining this positive trajectory and increasing the number of successes for our veteran entrepreneurs. To do so, we offer several considerations:

- **Access to Comprehensive Data**
 - *Improve access to statistical data across all branches regarding Transitioning Service Members, mirroring the U.S. Army Soldier For Life initiative.*
- **Occupational Licensure Reciprocity**
 - *Enhance occupational licensure reciprocity for military training and experience to facilitate smoother transitions.*
- **DOL Approval Expansion**
 - *Seek Department of Labor (DOL) approval to serve additional populations through the Jobs For Veterans State Grant (JVSG) program.*
- **Early Access to Entrepreneurship Resources**
 - *Provide earlier access to entrepreneurship information and resources for transitioning service members to facilitate seamless integration into the business landscape.*
- **Streamlined Information Organization**
 - *Develop mechanisms to better organize information on various veteran programs, ensuring easier access for veterans seeking information and services.*
- **Streamlining SBA Programs and Leveraging the SBDC Network**
 - *To maximize the impact of SBA programs and reduce duplication of services, there is a critical need for closer alignment and collaboration among these initiatives. The Small Business Development Center (SBDC) network, with its extensive reach and expertise, can serve as a robust base for various programs.*
 - *By leveraging the strength and size of the SBDC network, we can streamline resources, enhance coordination, and provide a more cohesive and efficient support system for veteran entrepreneurs. This approach would amplify the effectiveness of SBA initiatives and ensure a unified front in addressing the diverse needs of veterans in business. Several*

resources that we work with extensively are the APEX accelerators (PTACs), who are funded through the Department of Defense. Shared positions, streamlined goals, and additional opportunities to partner should be a focal point to maximize the impact of investments and meet our goals.

These suggestions aim to enhance the efficiency of existing programs and introduce innovative financial incentives, ultimately creating a more favorable environment for veteran-owned businesses to thrive.

In summary, while Iowa and other states have made substantial strides in supporting veteran entrepreneurs, challenges persist, exacerbated by resource disparities. By addressing these challenges, we can create an environment where more veterans thrive as successful entrepreneurs.

Additional Charts and Website Links:

Overview of the HBI Program: www.homebaseiowa.com

Home Base Iowa Career Planners: <https://livability.com/this-is-iowa/>

Community Support: <https://livability.com/ia/love-where-you-live/building-strong-communities/>

IowaWORKS for Veterans Portal: <https://iowaworksforveterans.gov/vosnet/default.aspx>

Veterans Employment Services: <https://workforce.iowa.gov/jobs/worker-programs/veterans>

America's SBDC Iowa: www.iowasbdc.org



Chair SHAHEEN. Thank you very much. Mr. Guerrette.

**STATEMENT OF CHRIS GUERRETTE, OWNER AND CEO,
LICKEE'S & CHEWY'S CANDIES & CREAMERY, DOVER, NEW
HAMPSHIRE**

Mr. GUERRETTE. Chairwoman Shaheen, Ranking Member Ernst, committee members, thank you for inviting me to testify today. It is an honor to provide testimony on veteran entrepreneurship and the Small Business Administration's role in assisting veteran small business owners.

I am a retired Air Force officer and the owner and creator of Lickee's & Chewy's Candies & Creamery in Dover, New Hampshire. It is a 5,000 square foot candy, ice cream, and chocolate shop that hosts an average of 40,000 guests per year, employs 20 people, 6 of which I am proud to say are full time, and we currently are expanding into an additional 5,000 square feet of space to build a chocolate factory and warehouse as well.

None of this would have been possible without the support of the SBA, the Small Business Development Center, my mentor, and the programs that support veteran small business owners such as the Boots to Business Program.

My journey began shortly after I retired from the Air Force in 2014, when a small shop in the town I lived in came up for sale. Seeing as I love candy and because I always wanted to work for myself, I decided to meet with the current owner just to see if there was any reason not to buy the shop.

Needless to say, it was an easy choice, and in late 2014, my wife and I took ownership of a small 500 square foot candy shop. At the time, I was also working full time as a GS-13 Government employee at Hanscom Air Force Base.

So, my wife ran the shop during the day, and at night I would come in and place orders, make chocolate, and work till midnight taking care of things and putting out new displays. Long story short, our sales grew and grew, and in September of 2016, I was able to leave my Government job, which, you know, was a pretty big surprise to everybody I worked with, and go full time candy, as I like to call it, with grand plans to build a new, much larger store.

My plan was to expand and build a new 5,000 square foot shop that would become a destination. And thankfully, I was working with an advisor from the New Hampshire's SBA Small Business Development Center, and we worked for months on the business plan, funding options, and business design.

He helped to match me with banks in the area, apply for and secure SBA loans to provide the capital necessary to get things going that I needed to borrow. It turns out I borrowed about \$250,000 for construction expenses, equipment purchases, and inventory. Now, granted, the 250,000 was a best guess-estimate, and as you can imagine, there are often several unexpected expenses that come up during the early stages of starting and growing a business, and our actual startup costs ended up being closer to \$350,000.

We paid for that with our own cash and credit, and those extra expenses included construction costs, higher equipment costs, and several other items, including an SBA loan fee. It can be frus-

trating and challenging to pay for fees and expenses for items that do not directly result in creating profits for a small business when they are starting.

It is one thing to pay for tangible items such as equipment or construction that can lead directly to a result in increased business, or at least in creating smoother business operations. But those fees tend to deplete the capital and put a new business further behind the eight ball, or further in the hole, before they even open their front door.

Thankfully, our business took off and we were able to pay back our loans and continue to grow. As a matter of fact, we have borrowed other amounts from the SBA, another \$55,000 a couple of years ago to purchase more equipment, and that was done using the SBA Express loan, where thankfully the fee was waived because cash flow is tight.

That was right in the middle of the COVID pandemic. The frequent and multiple unexplained expenses when starting or growing a business can be high and can definitely create barriers to starting a business or even create a financial hardship under which a new business will not succeed.

And in the event that is a veteran with perhaps 4, 6, or maybe 10 years of service who is relying on their new business to be successful in order to make ends meet, then they will need all the help they can get.

And I believe it is legislation such as the Heroes Business Opportunity Act that will waive the SBA guarantee fee for loans made to veterans, that creates another tool to make it easier for veteran owned businesses to access capital, and it will quietly but powerfully help veteran owned small businesses succeed. Thank you.

[The prepared statement of Mr. Guerrette follows.]

Chris Guerrette, Maj USAF (Ret)
Owner/CEO, Lickee's & Chewy's Candies & Creamery, Dover NH

Senator Shaheen and committee members, thank you for inviting me to testify today. It is an honor to provide testimony on veteran entrepreneurship and the Small Business Administration's role in assisting veteran small business owners.

I am a retired Air Force officer and the owner and creator of Lickee's & Chewy's Candies & Creamery in Dover, NH. It is a 5000sf candy, ice cream and chocolate shop that hosts an average of 40,000 guests per year, employs 20 people (6 full time) and we are currently expanding into an additional 5000sf of space to build a chocolate factory and warehouse. None of this would have been possible without the support of the SBA, the Small Business Development Center and the programs that support veteran small business owners such as the Boots to Business program.

My journey began shortly after I retired from the Air Force in 2014 when a small candy shop in the town I lived in came up for sale. Seeing as I love candy and because I had always wanted to work for myself, I decided to meet with the current owner, just to see if there was any reason not to buy it. It was an easy choice, and in late 2014 I took ownership of the small 500sf shop. At the time, I was also working full time as a GS-13 at Hanscom Air Force Base so my wife ran the shop during the day and at night I would come in and make chocolates, order products, and put out new displays. Long story short, our sales grew and grew and in Sept 2016 I left my government job to go "full time candy" with grand plans to build a newer much larger store. My plan was to expand and build a new 5000sf shop that would become a destination. Thankfully, I was working with an advisor from the New Hampshire SBA Small Business Development Center and we worked for months on the business plan, funding options and business design. He helped to match me with banks in the area to apply for and secure SBA loans to provide the capital necessary to get things going. I needed to borrow about \$250,000 for construction expenses, equipment purchases and inventory.

Granted, the \$250K was a best guess estimate and as you can imagine there are often several unexpected expenses that come up during the early stages of starting and/or growing a business. Our actual start-up/build out costs ended up closer to \$350K, which we paid for with our own cash and credit. The extra expenses included construction costs, higher equipment costs, and several other items including loan fees. It can be frustrating and a challenge to pay fees and expenses for items that do not directly result in creating profits for a small business. It is one thing to pay for tangible items such as new equipment or construction that can

directly result in increased business or at least in creating smoother business operating conditions but fees tend to deplete starting capital and put a new business “further behind the eight ball” or further in the hole before they have even opened their doors. Thankfully, our business took off and we were able to pay back our loans and continue to grow. As a matter of fact, we also borrowed another \$55k a couple years ago to purchase more equipment using an SBA Express loan where thankfully the fee was waived because cashflow was tight at that time due to the COVID pandemic.

The frequent and multiple unplanned expenses when starting or growing a business can be high and create barriers to starting a business or even create a financial hardship under which a new business will not succeed and in the event that is a veteran with 4, 6 or 10 years of service who is relying on their new business to be successful in order to make ends meet then they will need all the help they can get. It is legislation such as the Heroes Business Opportunity Act waiving the SBA Guaranty Fee for loans made to veteran that creates another tool making it easier for veteran owned businesses to access capital and will “quietly” but powerfully help veteran owned small businesses succeed.

Chair SHAHEEN. Thank you very much. Mr. Rhoades.

**STATEMENT OF DUSTIN RHOADES, CEO AND OWNER, ABILITY
TECH, SIOUX CITY, IOWA**

Mr. RHOADES. Chair Shaheen, Ranking Member Ernst, and members of the committee good afternoon and thank you for the opportunity to testify today about the challenges and opportunities facing veteran owned small businesses.

With profound gratitude, I stand before you as the CEO of Ability Tech, a company committed to revolutionizing accessibility through innovative technology solutions. Our journey is deeply personal and began with my son, who was born missing 97 percent of his brain.

In 2019, I created a piece of adaptive technology to enable him to play baseball. That inspired us to start Ability Tech and created adaptable technology for individuals from all walks of life. This, coupled with a sincere aspiration to impact the lives of individuals with disabilities, is what got us here today.

On our mission at Ability Tech is both simple and profound, to serve each unique individual, to support the disabled community, and importantly, to alleviate the financial burdens faced by families dealing with disabilities. We understand that fixed income limits that many of these families confront.

We believe that families and caregivers shouldn't have to choose between medical treatments, bills, therapies, or quality of life interventions that could transform their world. At Ability Tech, we do our best to build affordable, adaptive tech, and work with families on a budget to ensure they can get the technology that they need. Pursuing entrepreneurship as a veteran has its unique challenges.

To transition from military service to the unpredictable nature of business world was a constant challenge. During the early days of our venture, access to capital emerged as a hurdle, compounded by our rural location and our niche nature of the adaptive technology industry.

Convincing traditional lenders of the societal impact of our business model became a mission in itself. Given the smaller percentage of the population composing our demographic, our journey has been enriched by local resources, such as the Chamber of Commerce, the Small Business Development Centers, and the Iowa State University Pappajohn Center for Entrepreneurship.

These entities have played a pivotal role in our growth, providing essential guidance, networking opportunities, and resources. Yet challenges persist, particularly in accessing capital and navigating the intricate landscape of Government contracting. Government contracting emerged as a pivotal part of our growth strategy.

Events like Senator Ernst's Entrepreneur Expo in Iowa and Iowa State University Pappajohn Center for Entrepreneurship, Iowa Veterans Entrepreneurship Conference, opened our eyes to the possibilities within the Government contracting. However, the bureaucratic landscape, particularly dealing with the language and the time commitment involved, demanded a steep learning curve.

We commend the efforts made to ensure that the taxpayer funds are allocated to American companies, but the process requires fur-

ther simplification and support, especially for smaller businesses. The current economic inflation has impacted our business.

Rising costs across the board have led us to adapt our strategies to navigate these economic challenges. Our operational costs, encompassing everything from raw materials to utilities, have increased and directly impacted our bottom line, prompting a review of our budgeting and expenditure strategies.

We have had to explore cost effective alternatives without compromising the quality of our products or our services. Our engagement with the Small Business Development Center has been positive, facilitated by strong relationship with our local SBDC director. However, we emphasize the need for more local tailored resources for veteran owned businesses.

Initiatives like the Pappajohn Center Veteran Entrepreneurship Conference have started addressing this gap, but at a State level, but require further support and expansion. Our journey has been enriched by the guidance and mentorship of other small business owners who have walked a similar path.

Entities like the Siouxland Chamber of Commerce has played a pivotal role in holding networking events and local business forms, fostering connections within the business community.

Again, Senator Ernst's Entrepreneurship Expo and the Pappajohn Center Veterans Entrepreneurship Conference provided invaluable opportunities for engagement, sharing experiences, and receiving advice.

However, the ongoing challenges lies in finding seasoned mentors who are more experienced or established business leaders who understand the need for support. Looking ahead, our biggest priority is access to funding.

As an early stage small business operating out of our garage, still the demand for our products outpace our capacity. In conclusion, I urge the State—or the State—the Senate committee on Small Businesses and Entrepreneurship to explore opportunities for better supporting veteran entrepreneurs.

Strengthening small business, particularly those led by veterans, require multiple approach, streamlined communication, tailored training programs, flexible funding options. I hope, as we collectively work together towards these goals, we pave the way for more vibrant and resilient entrepreneurial landscape.

Thank you for your time and consideration.

[The prepared statement of Mr. Rhoades follows.]

Mr. Dustin Rhoades
CEO and Owner, Ability Tech

Chair Shaheen, Ranking Member Ernst, and Members of the Committee: Good afternoon and thank you for the opportunity to testify today about the challenges and opportunities facing veteran owned small businesses.

With profound gratitude, I stand before you as the CEO of Ability Tech, a company committed to revolutionizing accessibility through innovative technological solutions. Our journey is deeply personal and began with my son, who was born missing 97% of his brain. In 2019, I created a piece of adaptable technology to enable him to play baseball. That inspired us to found Ability Tech and create adaptable technology for individuals from all walks of life. This, coupled with a sincere aspiration to impact the lives of individuals with disabilities, is what got us here today.

Our mission at Ability Tech is both simple and profound: to serve each unique individual, to support the disabled community, and, importantly, to alleviate the financial burdens faced by families dealing with disabilities. We understand the fixed-income limits that many of these families confront. We believe that families and caregivers shouldn't have to choose between medical treatments, bills, therapies, or the quality-of-life inventions that could transform their world. At Ability Tech, we do our best to build affordable adaptive tech and work with families on a budget to ensure they can get the technology they need.

Additionally, we established the Ability Tech Foundation. This nonprofit organization allows compassionate individuals and organizations to sponsor families, lightening the load of financial strain and providing life-changing solutions. Our Blessing Bag project was born out of the simple belief that parents and caregivers, often stranded in hospital rooms far from home, should have one less worry on their minds.

Pursuing entrepreneurship as a veteran has unique challenges. The transition from military service to the unpredictable nature of the business world was a constant challenge during the early days of our venture. Access to capital emerged as a formidable hurdle, compounded by our rural location and the niche nature of the adaptive technology industry. Convincing traditional lenders of the societal impact of our business model became a mission in itself, given the smaller percentage of the population composing our demographic.

Our journey has been enriched by local resources such as the Chamber of Commerce, the Small Business Development Center (SBDC), and the Iowa State University Pappajohn Center for Entrepreneurship. These entities have played a pivotal role in our growth, providing essential guidance, networking opportunities, and resources. Yet, challenges persist, particularly in accessing capital and navigating the intricate landscape of government contracting.

Government contracting emerged as a pivotal part of our growth strategy. Events like Senator Ernst's Entrepreneur Expo in Iowa and the Iowa State University Pappajohn Center for Entrepreneurship's Iowa Veterans Entrepreneurship Conference opened our eyes to the possibilities within government contracting. However, the bureaucratic landscape, particularly dealing with language and the time commitment involved, demanded a steep learning curve. We

commend the efforts made to ensure taxpayer funds are allocated to American companies, but the process requires further simplification and support, especially for small businesses.

The current economic inflation has impacted our business. Rising costs across the board have led us to adapt our strategies to navigate these economic challenges. Our operational costs, encompassing everything from raw materials to utilities, have increased. This directly impacts our bottom line, prompting a review of our budgeting and expenditure strategies. We've had to explore cost-effective alternatives without compromising the quality of our products and services. For example, the costs of raw materials such as aluminum have seen a significant increase of 50%, impacting our product pricing and profit margins.

While we acknowledge the role of the SBA in supporting small businesses, our awareness of its programs, especially those dedicated to veterans, has been limited. The need for streamlined communication and enhanced outreach cannot be overstated. Clear and efficient communication channels, specifically targeted at veteran entrepreneurs, are crucial to ensuring that the resources and programs available are effectively disseminated. Tailored training programs, flexible funding options, and increased networking opportunities would contribute significantly to the success of veteran-owned businesses.

Our engagement with the Small Business Development Center (SBDC) has been positive, facilitated by a strong relationship with our local SBDC Director. However, we emphasize the need for more local tailored resources for veteran-owned businesses. Initiatives like the Papajohn Center's Veteran Entrepreneurship Conference have started addressing this gap on a state level but require further support and expansion.

Our journey has been enriched by the guidance and mentorship of other small business owners who have walked similar paths. Entities like the Siouxland Chamber of Commerce have played a pivotal role in holding networking events and local business forums, fostering connections within the business community. Senator Ernst's Entrepreneurship Expo and the Papajohn Center's Veteran Entrepreneurship Conference provided invaluable opportunities for engagement, sharing experiences, and receiving advice. However, the ongoing challenge lies in finding seasoned mentors who are more experienced or established business leaders who understand the need for support.

Looking ahead, our biggest priority is access to funding. As an early-stage small business operating out of our garage, the demand for our products has outpaced our capacity. Our current pace has put our current orders over one year out, and our requests for inventions have stretched our timeline to 30 years. Our unique business structure demands innovative solutions, and federal programs that back veteran-owned businesses to a certain percentage could significantly aid our initial growth, particularly in securing funding to bring manufacturing to Iowa.

In conclusion, I urge the Senate Committee on Small Business and Entrepreneurship to explore opportunities for better supporting veteran entrepreneurs and small business owners. Strengthening small businesses, particularly those led by veterans, requires a multifaceted approach. Streamlined communication, tailored training programs, flexible funding options, increased networking opportunities, and mentorship initiatives are pivotal in fostering a

supportive ecosystem. As we collectively work towards these goals, we pave the way for a more vibrant and resilient entrepreneurial landscape.

Thank you for your time and your consideration. I look forward to working with you to support veteran entrepreneurs and small business owners.

Chair SHAHEEN. Thank you all very much for your very compelling testimony. We will now have a round of five-minute questions each. And Mr. Guerrette, I am going to start with you, since you are from New Hampshire.

And you and Dr. Haynie did such a nice job of providing a commercial on my legislation, the Heroes Business Opportunity Act. I have to ask you about that.

You talked a little bit about this in your testimony, but talk about why waiving the fees up front for 7(a) loans are really important for entrepreneurs just starting out?

Mr. GUERRETTE. Yes. When I started the company, it was a kind of a dream, and it was very much amounting to we are just going to make it happen.

But at the same time, I did have kids still in high school and we had to consider the fact that, you know, they were going to be things to pay for down the road like college, and we didn't know how that was going to work out.

So, when I had to pay for fees and things that I just didn't even know existed—I will be honest, I didn't know until a couple of weeks ago when I did a little bit of research and found out I had actually paid those fees.

You know, that is just more capital that went away. That fee was almost \$3,000. And when you are already borrowing \$250,000 on a hope or a dream, then that extra cost really made it, you know, risky because, like I said, those are fees that are just being paid to someone. They are not paying for a piece of equipment or inventory that I can sell.

And in my business, when I am selling something that is \$2, I am keeping about \$0.15 out of it. So, it is really tough to make up that \$3,000. That is a lot of things that have to be sold to make up that—you know, that profit difference there.

So, I think if they were waived, especially if you are a smaller company—and I would like to focus on the fact that a lot of veterans owned businesses are folks that are not retired. I had the lux—I say the luxury, you know, but I did do 25 years of military service, of being somebody who had a retirement to back up my personal expenses and use a little extra capital if necessary.

But if you are coming out of four, six years, you don't have an income and you are going to jump into a business, the last thing you need is to have another \$3,000 bill or \$2,000 bill that doesn't go directly to getting that business off the ground.

Chair SHAHEEN. Thank you. We will use that endorsement as we are moving the legislation. Colonel Green, virtually everybody who has spoken has talked about the need to be aware of what resources are available if they are thinking about starting a business.

You talked about the 100—and I think 196,000 people who had been through the Boots to Business Program. Can you talk about what percentage of people that is who were eligible for the program? And how do we get the word out to more veterans about what is available to them?

Colonel GREEN. Chair Shaheen, that is a great question. Thank you very much for the opportunity. So, in our office, we want to make sure that all of our customers are aware and make informed decisions about entrepreneurship.

So, what really, we really try to do is make sure there is an awareness of programs available, and—first of all, and then accessibility of those programs, whether it be virtual or in person, and then the ability to navigate those resources.

And the resources we are talking about, we are part of a network, an ecosystem I could say, which includes small business development centers, our veteran business outreach centers, women business centers, and SCORE chapters. That is just part of the SBA connected ecosystem.

We also have organizations like the Institute for Veteran and Military Families that actually helped us develop the Boots to Business curriculum back in 2013. Now, the Boots to Business Program for active duty is pretty well laid out in the Department of Defense's Transition Assistance Program.

They are very aware of it as they go through. You know, it is an optional, two-day course, but they are supposed to be providing them opportunity to take that. The Reboot Program, where we teach in the communities, that is where we really need the help of our SBDCs, because we only have 28 VBOCs.

We need help of our resource partners to get the word out of those opportunities of the, you know, taking that Boots to Business Reboot. And then the military spouses, that Pathway to Business Program I mentioned, that is a program that was rewritten to focus—military spouses weren't really feeling like Boots to Business was for them, the naming convention, the graphics.

So, we redesigned that course to make it feel more military spouse centric. And then, we just started teaching those classes in August. And now, we have probably had 10 or 12 classes so far with a few hundred military spouses signing up.

So, we are looking to slow rollout, but we are reaching out for every opportunity to get the word out.

Chair SHAHEEN. Thank you. I know the timer says I have more time, but I think I got additional time. So, I am going to stop and turn it over to Senator—[technical problems].

Senator ERNST. Thank you, Madam Chair. And a big thanks to all of our witnesses that are here today. We really appreciate your testimony.

Mr. Rhoades, we will go ahead and start with you. Thanks for joining us again. I really appreciate your testimony and thanks for sharing your experience with Federal contracting as well. And you mentioned a couple of times how the Entrepreneurship Expo and the Pappajohn Center's Veterans Entrepreneurship Conference were helpful.

But what are the main deterrents or barriers to entry facing small businesses seeking to break into Federal contracting, in your experience?

Mr. RHOADES. Ranking Member Ernst, thank you for that question. From my experience, it is the process to get started is very—for small businesses, our biggest resources is our time.

And when you have to sit there and understand the language, and what is needed, and gather those resources to apply, it is very hard on our time. And that is where we have benefited a little bit with the APEX accelerator.

We had somebody that was able to eventually sit down with us and walk us through that process. But to be honest, if I did not have that person, I believe that I would have probably given up on the Government contracting side at that time. So, I think that is the biggest barrier.

And then the other one is, once you get into it, is the bidding process. It is very unfamiliar what happens next, what the steps are to do next. And if you are awarded a contract, where to go from there and things like that.

So clear direction or somebody to kind of—to point you in the right direction.

Senator ERNST. That is really good. And it is probably not surprising to you that I have maybe heard those same comments before, so. And I know I saw Colonel Green nodding his head as well. And Tim, if you have additional comments that might build upon what Dustin had shared as well.

Colonel GREEN. Thank you, Ranking Member Ernst, and thank you for your service. Federal contracting is really, you know, challenging, I can say. One of the things that were written up in Institute for Veterans and Military families report was the challenge with certification.

We took that one ahead on. We simplified the VetCert Program to make it easier, faster. So that is one small piece. The other thing is training. We do have a little bit of a cumbersome. It is a learning curve that, you know, is a challenge.

And we do provide some funding to the Veteran Institute for Procurement. And Mr. Cardin, or Senator Cardin is very aware of this program, but they do have training for those that are looking to, you know—existing businesses that are looking to grow into Federal contracting, increase their businesses.

And I know after the first year of their program, they are looking at about a 50 percent—56 percent growth after one year in the Veterans Institute for Procurement. So, I think that program has been very successful for us, and we have been investing in promoting that program across the country, and I know they have had attendees from every State participate in that.

Senator ERNST. Great, great. No, thank you. We need more of that. And for Ms. Shimkat as well, thanks again for being with us.

And in your testimony, you had highlighted the resource disparities impacting veterans, small business owners, and entrepreneurs in Iowa and across the Midwest. So, two part question.

What can SBA do to better provide outreach and support our veterans? And would you be supportive of enabling SBDCs to host veterans business outreach centers? Because you mentioned the sharing of capabilities.

Ms. SHIMKAT. So, let me answer the second part first. Having an SBDC host VBOC, absolutely. And for many reasons, we spend a lot of money on databases, for example, to be able to get information.

So, when somebody does start their business, we are minimizing that risk. We are helping them figure out, is there a market? Is there somebody that is going to buy it after my family and friends buy it?

Will there be somebody else? And that is what—we already have access to those databases. We are already paying for it. And so, to be able to start right there, that is saving some money on that aspect. Another one is we are already out in the communities. And for anyone who has lived in a rural area or from a real estate, it is trust.

And in the rural areas, having somebody, that local person, because you could have like a VBOC where they come in, they work with them, and then they go back to where they are housed. But the SBDC and other resource partners are living in that community, and that is crucial.

For SBA, for better outreach, a couple of things that we could look at is, and Colonel Green, retired Colonel Green spoke earlier, and I offered to speak with him after this so we could talk about let's pull some of these resources together instead of having so many programs in silos. We do this and here is our metrics. Guess what? We are doing the same thing.

Now, there are many entrepreneurs out there that we need to still get to. We can't do it all in small business development centers. They can't do it all as VBOCs. But working together, we can have a larger impact and really reach more of those. So, I hope that answers your question.

Senator ERNST. It does. Thanks so much, and I yield back. Thank you.

Chair SHAHEEN. Thank you. Senator Cardin.

Senator CARDIN. Thank you, Madam Chair. Let me thank all five of our witnesses. Ms. Shimkat, I am going to follow up on the SBDC and the VBOC.

Maryland is one of the newer veterans business outreach centers, and it is co-located at College Park where the SBDC is located and thank goodness they were co-located because they needed—the new VBOC needed help and the SBDC was there to help.

And is that type of shared resources that I think give us the best value for the dollars, so I just really want to underscore that. Colonel Green I want to follow up on the point that you said. I am concerned that we have under-resourced our services to our veterans. 28 centers in the nation to me is not enough, just—with the number of veterans we have, the geographies of our nation, we need more resources.

So, one of my concerns is how do we get more resources into the program? And thank you for mentioning the Veterans Institute for Procurement. For the members of our committee, this was a program started in maybe 15 years ago by the Montgomery County, Maryland Chamber of Commerce. No public funds, private funds.

And this is a Montgomery County local chamber, they set up an institute to help veterans with procurement and accepted veterans throughout the entire country. So, it was a commitment to give back to the community for those who have served our nation.

And it was a very successful model, and I thank the SBA for picking it up, and becoming a partner, and providing some help. And in this past cycle, Senator Van Hollen and I—it is helpful to have the chairman of the subcommittee that has the SBA.

With Senator Van Hollen, we were able to get some help to the program. And you are right, they are now going to double their ca-

capacity as a result of it, and the waiting lists are there, the needs are there.

So, I guess my question to you is, how do we get more resources into these programs? Don't throw back on me you need more money. But how do we—we need to do a more effective job. You talked about how you handle certification in a more efficient way.

In the women's business center legislation that I authored, we set up standards to improve quality through the process. Do we need to do that with the VBOCs also? Or how do we expand the capacity of the veterans centers to help our veteran community?

Colonel GREEN. Senator Cardin, that is a great question. We are, you know, we are extremely proud of the work that the V-B-O-Cs, or the VBOCs, are doing across the country, but there are 28 of them.

If I had 54 of them, it would take a little pressure off, obviously. But they—I think the key to that is really collaboration and partnerships. Many of the veteran business outreach centers have to serve multiple States, so we have to figure out technology solutions to make sure we are reaching our customers, especially our rural customers, underserved.

But I think we do that through partnerships, leveraging the resources of the Small Business Development Center. We have 68 district offices, and within those district offices at SBA, we have veteran business development officers that coordinate directly with our veteran business outreach staff.

So, we leverage them, as well as other partners. We provide some grant funding. Again, the Institute for Veteran and Military Families has the entrepreneurial boot camp for veterans. We have—they help us teach our Boots to Business overseas. So, collaboration, partnership is crucial. We do have a really strong relationship with the American Legion.

We have a working agreement with them. The American Legion helps us reach some of the rural communities, because if you drive around any small town, you will see an American Legion post.

We partner with VFW, Disabled American Vets, anybody that will help us get the word out. So, we try to leverage other organizations and—so we can get the word out about our VBOC Program.

Senator CARDIN. And I think you are doing a very effective job with the resources that you have. But there are underserved communities that it is very difficult to reach if they don't have a partner that you can partner with.

It makes it challenging for those communities, for veterans in those communities to get the services they need. I think we need to work together to figure out how we can fill up those gaps. Thank you, Madam Chair.

Chair Shaheen. Thank you, Senator Cardin. Senator Hirono.

Senator HIRONO. Thank you, Madam Chair. Thank you all for testifying. Colonel Green, I am glad that you noted how important it is to leverage the resources of the SBA and partner with a lot of other community resources, especially probably in some of the rural areas where access to the kind of support that a veteran needs to start his or her own business might be more challenging.

So, that is a good thing. I did want to ask you. Recently, the West Maui town of Lahaina burned to the ground, and I know that

there were veterans there. The SBA administrator, Guzman, who came very shortly after the horrendous wildfire there, said that there were about 700 or so small businesses registered, I suppose, there that she was aware of.

Some of them had to be veteran owned. Do you—after disasters like that, is there a way that SBA tracks the veterans in that area who may have small businesses?

Colonel GREEN. Senator, that is a great question. We have been—at SBA, we have been spending a lot of time focused on the tragedy that took place in Hawaii.

We do have a veteran business outreach center in Honolulu, and they have an extensive database that—they actually know all the businesses that they have worked with, all the business that they currently work with, and they are sharing that information through—I guess they call it a BRAC, a disaster recovery assistance center.

And so, there is participation there. SBA, they have taken a whole of SBA approach. All of our offices meet on a regular basis. We meet daily for a while now, on a weekly basis, to figure out how we can really support those businesses as they recover from the tragedy that took place.

Senator HIRONO. And I think that as we are experiencing more of these kinds of natural disasters, and wildfires, and hurricanes, there are a lot of these kinds of events that happen. That there are probably lessons learned and ways that SBA can, you know, make sure that you know which businesses are veteran owned, and to have that in your database before a horrendous event like the Maui wildfires occur.

And so, good. We noted that you have recently streamlined your business certification process. Can you just give me an example of something that was more complicated than necessary and how you streamlined that? And what—I would like to hear a description of what you consider streamlining.

Colonel GREEN. Yes. So, they did reduce the amount of forms you had to fill out. And what is really exciting is under the Administrator, she has gone with my SBA program, which includes a loan portal, as well as our certification program so far, and she is going to add more.

So, as you go through other certification programs within SBA, you will be able to use the same information. You won't have to fill it out each time you go through. Recently, we had a roundtable of business owners hosted by the SBA Administrator, and we talked about the certification program.

We went around and around. And the lesson they learned that they told us they learned from that was the communication and the marketing and the information provided to all the business owners was outstanding.

So, they hadn't seen that before in a lot of rollouts for Federal Government, and they were able to—they knew what was going on with the certification. They knew when it was going to take place and when they had to recertify, so.

Senator HIRONO. For any of the panelists, are there some unique differences when you are dealing with a woman veteran versus a male veteran? Are there any unique elements that, for example,

women veterans need? And are you meeting those needs? Anybody? Yes, Ms. Shimkat.

Ms. SHIMKAT. Thank you for that question. The answer is it depends, truthfully. There could be additional needs when it comes to transportation, childcare. We could have different needs when it comes to just the form of communication as well.

And the biggest thing that we do is focus on that communication, figure out what is the root of what we need to work on first, put a clear plan together, and then step by step working with veterans of, you know, both genders so that we can figure out what do you need.

Because sometimes coming into a conversation, here is what I think I need, but in actuality, this is where we need to be. And I think for us, having veterans on our staff is step number one. And that has been huge for us to really take a step forward in the right direction.

Senator HIRONO. And when you noted that, I think that for women, since childcare still falls mainly on the woman, to have specific ways that you are going to assist female veteran with childcare. I just want to mention, Mr. Guerrette, I really love hearing your candy story. My best to you. Thank you, Madam Chair.

Chair SHAHEEN. Yes. Imagine Willy Wonka and you have got Lickee's & Chewy's. Senator Hickenlooper was here earlier, so we will go to him next.

Senator HICKENLOOPER. I am ready. Thank you all for being here. Madam Chair, thank you for calling this. And, Chris, why don't we start with you? When I opened my first business, which was a restaurant that brews its own beer.

I was a geologist, had been kicked to the curb. We had to explain our business to banks that had never seen it before. And as is often the case with a good idea for—an entrepreneur might have, it is hard to put just in words what something—something people haven't experienced yet.

And that is why it is a good economic opportunity because no one else is doing it. I think in a funny way, veterans face a similar challenge in communicating to banks how their past military experience is going to translate to a successful business, right?

I spent a fair amount my time trying to describe in words what the brewpub was and why a geologist would be especially suited for that. So, what obstacles did you face when securing capital to start the candy shop?

Mr. GUERRETTE. Thank you for that question, sir. We were a little bit lucky, and that is because the first shop that we opened was very small and we were able to purchase it with cash.

And when we continued to grow that, and thankfully my wife worked there for a year while I was still a Government employee, we were able to see growth there. And because of that growth and the financial data we were able to show the banks from the growth at the first store, they were happy to move forward with a small loan.

Thankfully, the next location I was going to build wasn't in the millions of dollars. And, you know, so the \$250,000 we needed to borrow was reasonable relative to our current sales at our tiny location.

That being said, I did have to go to a couple of banks and provide extensive amount of data on not only what we had for cash, but collateral as well. And thankfully we had accumulated a little bit of equipment.

But at the end of the day, probably the scariest thing was when I had to sign on the bottom line saying I was personally responsible for that \$250,000 if things didn't go well. So, that was the scariest part for sure.

Senator HICKENLOOPER. Yes. No, I did—I mean, I got turned down by 33 banks and we had a commitment from the city and county of Denver to give \$125,000 if we could get \$50,000 from a bank.

And I got turned down by 33 banks, and we offered them—we signed our houses. They tied the deeds to our house. They had about 120—the stock, when I got laid off, I had some company—my retirement benefits were in stock, and I had a partner who had some stock. We had like \$250,000 plus they got first right of all the brewing equipment, the kitchen. They still wouldn't, you know.

Mr. GUERRETTE. Exactly. Sure, I had the same situation. They had—you know, I had to sign over basically everything I owned.

Senator HICKENLOOPER. Yes, exactly.

Mr. GUERRETTE. My wife, she was really scared about the house.

Senator HICKENLOOPER. Yes.

Mr. GUERRETTE. Well, I am retired, so we still have some income, you know. They can't take that.

Senator HICKENLOOPER. Yes. Exactly.

Mr. GUERRETTE. It was a little scary, but thankfully, the banks were very helpful, and it all worked out.

Senator HICKENLOOPER. Dr. Haynie, upon leaving military service, veterans with security clearances are sometimes led to believe that their clearance is a sure ticket to success.

However, if prospective contracting opportunities that require security clearances are not advertised well, then veteran entrepreneurs new to the contracting world may not know about the opportunity, even though they would qualify for it.

So, can you share your thoughts on ways that we could better connect recently, newly become veterans, newly separated from the military that still hold a—how can they still hold a security clearance with classified contracting opportunities to put their qualifications to work?

Dr. HAYNIE. Thank you, Senator, for the question. It brings back in listening to Mr. Rhoades' response earlier.

I was an Air Force contracting officer while I was in service, so I understand the pain uniquely. And if I am being very candid here, I don't recommend—you know, 70,000 veterans or so through the programs that we run to help them become small business owners, and I don't recommend that they start with Government contracting.

I would instead, and as a way to answer your question—that security clearance, however, is valuable. And, you know, my counsel, my mentorship in a situation like that would be actually leverage that clearance in the context of a firm that already has Government contracts.

Build some experience such that you can leverage that past experience to then subsequently launch a business. But I wouldn't recommend they start there, candidly.

Senator HICKENLOOPER. That is good advice. All right. I am out of time somehow. It is impossible, but I have—

[Laughter.]

Senator HICKENLOOPER [continuing]. I have other questions I will submit in writing, and you will get them some time and hopefully you can answer them—more at your leisure, right. Yield back to the chair. Thank you.

Chair SHAHEEN. Thank you. We will do a second round of questions for anybody who was able to stay. Senator Duckworth.

Senator DUCKWORTH. Thank you, Chair Shaheen and Ranking Member Ernst for holding this hearing today. Dr. Haynie, I would like to direct my questions to you. Given your role in overseeing the Institute for Veterans and Military Families at Syracuse University, and its work administering the Boots to Business Program.

As you may know, for the past two Congresses, I have introduced bipartisan legislation with Ranking Member Ernst called the Veteran Entrepreneurship Training Act, which would codify the Boots to Business Program into law.

I have long supported this program because of its successful track record helping service members, veterans, and military spouses to build critical small business development skills and prepare them for professional success after military service.

Dr. Haynie, from your experience administering the Boots to Business Program, how has the program contributed to the entrepreneurial journey of the more than 194,000 veterans, servicemembers, and spouses that have gone through the program since 2013?

And can you share any positive outcomes you have witnessed in your work?

Dr. HAYNIE. I can—

Senator DUCKWORTH. There is no better softball than that. And that is like slow pitch—coming in off plate—

[Laughter.]

Dr. HAYNIE. And Senator, I will say if there is— there are few people on the planet that are bigger evangelists for your legislation than me. And it is a good way to start answering your question, because when I started doing this work all the way back in 2006, 2007, there was no pathway out of the military for business ownership.

As a matter of fact, service members transitioning from military to civilian life were discouraged on a regular basis from pursue— for pursuing entrepreneurship. And you know, so much has changed since then.

And I think Boot to Business, what it does is it makes for an informed consumer, is how I like to describe it. I think that is the power in Boots to Business. And not just an informed consumer for those that eventually go on to pursue business ownership, but an informed consumer of those who, through Boots to Business, learn that business ownership maybe isn't a good fit for them, for their families.

Those are metrics we don't collect, and I wish we did, because I think that there is real power in the program in helping individuals also see that this isn't a good fit for me, my family situation. And because business ownership is not like going out and getting a traditional job, if it doesn't work out, you leave that job and find another one.

You are putting, as you heard these stories, you are putting personal capital at risk, and you do want to be an informed consumer of making that choice. That said, when you look at what has come from Boots to Business, it is beyond powerful.

You know, about six years ago, my institute partnered with Inc. Business Media and in the Inc. 5000 to create something called the VET 100. This is an annual listing of the 100 fastest growing veteran owned businesses in America.

The 2023, that 100 just came out, and there are—of those 100, there are 25 veterans this year that are—that went through this ecosystem. That their businesses were birthed through this Boots to Business to partners, whether that is in procurement or programs at the IMF.

You know, and they are now running four, five, six years later, the fastest growing, privately held veteran owned businesses in America. You know, I think that is the power of the program and the model and making informed consumers of those leaving military service.

Senator DUCKWORTH. Thank you. Do you believe cementing the program into statute would bring increased ability to program administrators and future participants? And what more can SBA and Congress do to expand opportunities for veterans, servicemembers, and their spouses who are interested in small business entrepreneurship?

Dr. HAYNIE. So, I absolutely do. I couldn't even wait for you to finish asking me the question to say that I think the stability that you describe is critical.

I think it also, you know, a question that Colonel Green was asked earlier about getting the word out. I think one of the challenges, and it is not fair for me to say this, DOD isn't in the room, but it really is for DOD and, you know, the sergeants and captains to make sure that folks transitioning are aware of the—that is the first point of contact and first point of awareness.

And regularizing, if you will, Boots to Business will signal to DOD that this is not something that year in and year out could go away. It is a commitment of the country to the program, and I think that would make all the difference.

Senator DUCKWORTH. Thank you. Thank you, Chairman.

Chair SHAHEEN. Thank you, Senator Duckworth. Senator Rosen.

Senator ROSEN. Well, thank you, Chair Shaheen, Ranking Member Ernst. Thank you all for being here. I am going to submit a question for the record building on this. If you are seeing trends in particular sectors in your top 100, maybe that is something that veterans should know about, too.

So, we will submit that for the record, because I want to talk about something near and dear to my heart, which is the Veterans Business Outreach Center. Obviously, we can maybe talk about those trends and what sectors, as we are getting the first ones in

Nevada. Because we are home to more than 200,000 veterans, over 23,000 veteran own small businesses.

That is actually one in eight small businesses in our State, which 99 percent of businesses are small businesses. So, despite this, we have been without a dedicated in-state veterans business outreach center that is just for Nevada.

And so, the absence of an in-state VBOC, a one stop shop providing small business support to veterans, transitioning servicemembers, and their families has really meant limited information and resources for Nevada veterans looking to start or grow a business.

And so, earlier this year, I called on the SBA to establish a VBOC in Nevada to ensure that tailored support is provided to our veterans and transitioning service members to address their unique needs and concerns.

And I am so thrilled to report to the committee here today that in April, the SBA authorized the establishment of a VBOC in Nevada. There will be multiple locations, one Northern Nevada, one Southern Nevada.

So, Colonel Green, can you speak to the importance of the veterans business outreach centers and helping to ease the transition from active duty to civilian life for veterans who want to start a small business? And how can the VBOCs support the existing veterans businesses and help them grow?

Colonel GREEN. Yes. Senator, thank you for the question. I know we are excited about the Nevada VBOC. We did open one in Colorado as well, so we are excited about those opportunities.

They were chosen because of data. When we looked at areas where there was, you know, a lot of installations or there was a lot of tap classes. There was—you know, we historically Boost to Business.

So, there was a very thorough, data driven decision there to put one in Nevada. And because there are a lot of veterans and veteran owned small businesses, it will make a big impact in there.

Again, I think we have one in Nevada office with a satellite office in Reno, and they are going to be able to expand their reach into some of the rural areas. But again, you know, they are going to be providing training and counseling, and partnerships is going to be critical for them with the small business development centers.

Our district offices are already there. So, they have a great opportunity. And their primary role for a VBOC there, number one role is teaching the Boots to Business Program at the installations, at the National Guard and Reserve bases, and in other areas.

So, we are really excited to have one there. I think the Administrator is excited about it. She will be out as well.

Senator ROSEN. Yes, I am very excited. We are going to be doing that soon. And you kind of led me into my next question, which I will kind of shorten up a little bit because a lot of our businesses, just like I see Colorado and Indiana, in our rural areas, and a third of all of the veterans owned businesses in Nevada are in our rural communities.

So, they are extremely frontier. They are very mountainous. They face unique challenges, and they have much less access to in-person resources. So, to Dr. Haynie and then Ms. Shimkat, what

is your experience reaching the veterans owned small businesses in the rural areas? What can Congress do to help you fill in any of those gaps so those folks who can't just get to the city easily, how do we support them?

Dr. HAYNIE. Just very briefly, it is again, from the research we do, it is a significant challenge. Veterans looking to start and grow a business in rural areas are significantly under resourced from the perspective of those supportive services.

One of the things that we have done is create partnerships with community colleges. Community colleges in many instances are in those rural areas. They are great partners to us.

So, we took a program that we have been running for a long time called the Entrepreneurship Bootcamp for Veterans Program, and created a version of that that we are now offering through a consortium of community colleges around the country.

Ms. SHIMKAT. I will start by echoing my colleague with the community colleges. We utilize the community college network for training. That takes it off of our plate so then we can focus on the direct one to one counseling.

We have 15 centers across the State. What we do, though, is we also have 50 satellite offices that we have in partnership with the Main Street Iowa Program, with the Chambers of Commerce. And a struggle that we have, as you had mentioned, broadband. You know, people say, well, you go to the rural areas, just do it online.

That doesn't work. And so that is why we have to get out there. We have to have that windshield time for our advisors to be one on one with them. That is the biggest impact for us, is just being able to utilize other partners and other resources, and that is probably the biggest answer I can give you.

Senator ROSEN. Well, thank you. We love our community colleges, and I can tell you we have been investing in broadband and we are going to get it to every single home and every single community because we can't function as a nation without it. So, thank you—to Madam Chair—

Chair SHAHEEN. Thank you, Senator Rosen. Senator Young.

Senator YOUNG. I thank our Chair and Ranking Member for holding this important hearing, and thank you all, for our witnesses, for serving our veterans in important ways. I have a limited amount of time, so I am going to try and focus on one distinct barrier that many of our veterans are facing today. It is called a contracting cliff.

Some of you may be familiar with this dynamic. If you look at the current rules for Federal contractors, there is this clear challenge, when small businesses grow into mid-sized companies. They suddenly find themselves ineligible for crucial set aside contracts, and instead they face competition from major global firms.

This is the contracting cliff. It is not just a hurdle, it is a barrier that is stopping small businesses from growing, and it is reducing the diversity of our Federal marketplace at the same time.

So, Colonel Green, I ask you that, you know, based on your experience, given your understanding of veteran owned businesses, can you discuss the specific challenges that the firms have identified, encounter in retaining current Government contracts, and scaling their operations for larger contracts?

And then additionally, how is the SBA currently equipped to help these businesses navigate and overcome these obstacles?

Colonel GREEN. Senator, it is a great question. Federal contracting is complicated. And I think you are referring to probably to the 8(a) program that runs about—

Senator YOUNG. That is right. Yes, I am.

Colonel GREEN [continuing]. Nine years. We do have—we do run across a lot of businesses that after they get to a certain size or they run out of time, they do have challenges with getting other contracts. That is a lot of the reason we refer them to like programs like the Veteran Institute for Procurement to help them grow and expand to the next level. So, we know it is a challenge and we will be taking—take it back and take even more of a look at it.

Senator YOUNG. Well, I appreciate that. We see these sorts of cliffs in other areas of public policy, and they always seem to lead to various distortions, and they oftentimes lead to the opposite of what you want to happen.

So, you know, you see them with respect to benefits cliffs. People stop working so they can be eligible for certain Federal benefits. The vast majority of my colleagues don't want people to stop working. In this case, you don't want people who establish a small veterans owned business to be disincentivized from growing that business. It is just sort of asinine.

And I suspect all of you agree. And I know you didn't develop all those provisions, but I am not coming to offer a mere lamentation, though I have done that. I introduced a piece of legislation that I think would fix this perverse anomaly.

It is called the Success Act. Senator Hickenlooper has also joined me on this, and our aim is to tackle this contracting cliff dynamic. To be brief, my bill would create a seven year off ramp to allow growing businesses in the construction and engineering sectors to keep competing for set aside contracts during their transition to mid-size status. I am open to other solutions.

I think this one does the trick and is worth a try. And I want to see, Mr. Green, though you may not be familiar with the specifics of the Success Act, I respect that, could you give us your thoughts on how policies like an off ramp program could influence growth in Federal contracting opportunities?

Colonel GREEN. Yes. Thank you again for the question. It does seem like a reasonable approach to getting them off the program. I know the program was designed to be a certain length of time, to give them an opportunity to grow into their next level.

So, I—sir, I respectfully would have to take this back with my Government contracting business development office. And that is, the individual that runs that used to run our office, so he is very familiar with veterans and veteran programs, and he is taking a lot of these challenges head on.

So, we will take that back and give you a better answer.

Senator YOUNG. Please do. Thank you for that. Offer your constructive feedback, your critical feedback, whatever. And I am hoping that together, perhaps, if you if you think there are deficiencies in our approach, you can offer another approach, and maybe we could tackle this issue.

So, thank you again to all of our witnesses for your service. And Madam Chair, I yield back my two seconds, I think.

Chair SHAHEEN. Thank you. We will make good use of your two seconds. Dr. Haynie, virtually everybody there has testified to the challenge of accessing capital for veteran owned businesses. Are there additional policy recommendations you have for the committee to help address access to capital?

Dr. HAYNIE. You know, so, yes. You know, I think, one, we need to study the problem more than we have. We need to truly understand the barriers from not just the perspective of veterans and servicemember, but, you know, for lenders.

We need to understand this from the perspective of lenders. We need to understand—and I think maybe more actionable in the near term. You know, one of the big barriers we identify is the credit history or lack of, of those leaving the service.

And, you know, a lot of folks like to jump to it is bad credit history, therefore they can't get a loan. It is not always bad credit. A lot of times it is just no credit history. You know, so the extent to which on the DOD side, we can continue and emphasize financial readiness and programs designed to support a credit history when someone transitions from military service.

You know, the stories that have been shared by my fellow panel members about, you know, background and experience. The reality is when someone puts on the uniform, they put the rest of their life on hold to serve.

And their peers are out there gaining relevant experience and in industries where they are looking to start a business, therefore, they can tell a different story to a lender than someone coming out of the service that doesn't have that same experience.

So that also speaks to, you know, programs like DOD Skill Bridge and continuing the opportunity for folks that do apprenticeships, if you will, as part of their transition so they can gain that experience.

But it is a very complex problem, this problem of access to capital, for veterans and servicemembers.

Chair SHAHEEN. Well, your point about more study, I think is a really important one. And this committee ought to look at that and see how we can be helpful.

And, but one of the things that veterans do have are skills that you have learned in the military, that you bring to a business, if you start it. So, I don't know, I thought Mr. Guerrette, Mr. Rhoades, both of you talked about some of the challenges of getting into business.

But can you talk about what skills you brought from the military that you think were helpful as you were starting up your business? Can start—

Mr. RHOADES. Yes, ma'am. Actually, I can speak to two things. What I did bring—what I am actually missing.

So, leadership and management, definitely. As an officer, I had been trained in multiple ways and I have been able to actually transfer some of that leadership and management training to my managers and teach them about leadership and management.

And so, that as well as just kind of the discipline that you get after being in the military for 25 years about kind of that work

ethic and knowing that sometimes you are going to work 12, 14, 16 hours and that is just the way it is.

And so, it is like they say, you quit your 40-hour job, start your own business so you can work 100 hours a week. And so, that happens sometimes, whether it is because I have to cover a shift or just because that is the amount of work we have to do.

What I am missing and what I think I would like to go and search out is marketing, you know, business management, some of that. I have actually considered hiring somebody with a business management degree because sometimes you get to the point, yes, you are running this little business, but it has gotten a little bigger than just a little business.

You know, it is a seven-figure business all of a sudden and you are like, what should I really be doing right now? What should I be focusing on?

And so, I think I would like to find avenues where I could learn a little bit about marketing. I have taken classes at college on finances. But, you know, marketing and business management are a couple of things I would like to search out in the future.

Chair SHAHEEN. So, Ms. Shimkat, can't the SBDCs help with that? Yes, I want Mr. Rhoades to answer, too, but I just thought—

Ms. SHIMKAT. Absolutely. That is one of the things that especially—you know, we have 15 directors plus counselors out there that have a lot of knowledge.

And one of the things that we have really tried to do internally also is I have a director that is really focused on marketing, another one that has the finance depth. Another one who is an attorney, a CPA.

And guess what? They can work together. Similar to what I have been talking about with some of the SBA programs. So yes, that is definitely something we can help you out with. And I know for a fact the folks in New Hampshire can do it as well.

Chair SHAHEEN. Yes, I know you know the SBDC at UNH. So, I am sure you are familiar with that. Mr. Rhoades, do you want to answer the other question?

Mr. RHOADES. Yes, I agree a lot here. You know, one of the skills that wasn't mentioned that I believe that I came out with was, you know, the ability to adapt to change.

Because in the business world you may be thinking you are going one way, then all of a sudden something happens and you got to pivot, which I think is huge. But one of the biggest things, like I was mentioned before, I don't remember who said it was, when I was getting out of the military, it was pretty frowned upon to want to start your own business. And I hope that is starting to change.

And then, the other aspect of it is, is having somebody help you translate the skills that you may have, that you just don't know that you have or gained in your military service, and how those can help you outside, I think would be very beneficial as well.

Chair SHAHEEN. Yes, really important. Thank you both. I want to—with the Ranking Member's tolerance, I will ask a final question of Colonel Green, because Senator Ernst and I both serve on the Armed Services committee and one of the things that we hear

a lot about are the challenges that spouses of members in the military have as they are supporting their spouse in their service.

And talk about, if you will, some of the ways in which SBA is thinking about helping families and the spouses of veterans as they are transitioning to civilian life.

Colonel GREEN. Chair Shaheen, this is probably one of the most important subjects in my mind for us. With military spouses—[technical problems]. My daughter, I will never forgive her because she married a Marine. [Laughter.]

Colonel GREEN. She was a contractor for Ernst & Young in—[technical problems]. Like, it was great money. So, she married and—[technical problems].

So, what she did—part of the reason she is doing successful now—[technical problems]—telework. She does financial stuff and it kind of made sense. So, her story is good. Seven months on the job. I told—before, I was 28 years in the military—[technical problems]—my wife was a teacher.

[Technical problems]—so all of those challenges hit home to me. So, what we did recently was all about the military spouses. The Halfway to Business Program I talked about earlier. The curriculum is on spouses—[technical problems]. Partnerships are critical. We partner with the Department of Defense, the Military Spouse Education and Career Opportunity Office.

And they have a great network of military spouses that can either mentor, and you can go there for employment, or—[technical problems]—includes entrepreneurship. We also partner—we are trying to get the word out on all of our programs.

So, we try to partner with the Chamber of Commerce, has an Amplify Program. Department of Labor has a transition program for military spouses called Teams. We got our curriculum in there.

So, it is really important, I think. Military spouses are hard to reach, and we are doing everything we can to reach them. And when we do reach them, try to make it as effective as possible. But it is still, it is a big challenge and will be a big challenge for the future.

Chair SHAHEEN. Thank you very much. Senator Ernst.

Senator ERNST. Thank you. And if I could go back to you, Mr. Rhoades, I really again, appreciate it. You mentioned the importance of networking and in-person connections, as well as the need for seasoned mentors.

And, in your view, would you find it helpful to get mentorship from just anyone? Or is it better for that veteran, small business owner who understands the landscape you are navigating be a little more helpful than just anyone?

Mr. RHOADES. Ranking Member, thank you. It is somebody that has gone through it. Because I have done a lot of networking and my problem that I have ran into is from being in a small rural area, you have amazing business leaders, but all of them may not know the landscape of—a veteran's owned business may need. So, it is finding that right mentor for your business structure, I would say.

Senator ERNST. Thank you. I appreciate that. I do believe in having someone that has walked in your boots, provide that counseling

and mentorship. I think if you can relate with someone that has been there, done that, I do think it is important.

And that is whether it is veterans owned business or women owned small business, whatever it might happen to be. Yes, so thank you. I appreciate it.

And Colonel Green as well, and this has been tricky, and I have heard it mentioned a little bit from some of the others here, but I have been concerned about the Administration stripping our States of the SBA district office support, but they are growing staff here in Washington, D.C. headquarters.

And in Iowa alone, we have gone from 12 personnel down to 4 in a very big rural State, and that was 12 in 2015 and 4 today. The ongoing remote work policies at headquarters further reduces the SBA's ability to serve small business owners.

So, we have seen this in many States. How does the Administration justify stripping Iowa, New Hampshire, and other States of district office support while moving the positions to Washington, D.C., and further complicating this, having folks here in D.C. often-times teleworking, so they are not even in the office. Then, how does that help our rural areas?

Colonel GREEN. Ranking Member Ernst, I appreciate the concern you have with—I am really focused on serving veterans through our programs. I can't really speak to the district offices and how they are managed.

We do have—we do get extremely strong support from the administrator and for our programs serving veterans, and for the VBOCs, and for the Boots to Business Program. So, I really can't comment, but I can take that question back for our Congressional staff.

Senator ERNST. Yes, I appreciate that. Let's—I will submit that for the record. I just want to voice the concerns because we have heard many times over from so many of us that are in rural areas and how we have lost staffing in rural communities.

It is not just going to impact, you know, everyday Joe on the street, but it is most certainly going to impact our veterans as well. States like New Hampshire, States like Iowa. A lot of our veterans members are also National Guardsmen and Reservists.

And oftentimes those numbers are not rolled up into the metrics that SBA is looking for when they are placing VBOCs.

So, we do need to make sure that we are adequately representing veterans, regardless of whether they were an active duty service member or whether they are a veteran that is coming home from a deployment and needing to start a new experience—whether that is owning their own business or starting into a new job.

I know that many of the soldiers I served with had those complications, coming home from those rapid deployments through the global war on terrorism. So, we do need to make sure we are representing all veterans to the best of our ability.

So, Madam Chair, I appreciate this panel. Wonderful service. Thank you all so much for what you have done, and for being with us today. And I am so glad that we have been able to focus really on our veterans community.

And thanks for everything that you do for our veterans, and congratulations to our business owners as well. Thank you for joining us.

Chair SHAHEEN. Well, thank you very much, Senator Ernst. And just for the record, let me point out that I share those concerns about a reduction in staff in district offices, because our district offices, our SBDC, our VBOCs, all of those centers that serve small businesses are really critical and it is critical to be there in person to have somebody that people can talk to.

To all of you, thank you so much for being here today, and for the work that you do on behalf of our nation's small businesses and on behalf of the veterans community. We look forward to staying in touch as we try and take some of the ideas that you have given us today and think about how to translate those into legislation or into better service for our veterans.

The record will remain open for two weeks because of the holiday, for additional questions and statements. And with that, the committee stands adjourned. Thank you.

[Whereupon, at 4:15 p.m., the hearing was adjourned.]



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National Association of Federally-Insured Credit Unions

November 14, 2023

The Honorable Jeanne Shaheen
Chair
Committee on Small Business
& Entrepreneurship
United States Senate
Washington, DC 20510

The Honorable Joni Ernst
Ranking Member
Committee on Small Business
& Entrepreneurship
United States Senate
Washington, DC 20510

Re: Tomorrow's Committee Hearing: "Veteran Entrepreneurship: From Service to Small Business Success"

Dear Chair Shaheen and Ranking Member Ernst:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "Veteran Entrepreneurship: From Service to Small Business Success". NAFCU advocates for all federally-insured credit unions that, in turn, serve over 138 million consumers with personal and small business financial service products. NAFCU's members, in particular defense credit unions, take special pride in serving veterans and supporting veteran entrepreneurs.

Credit unions are an important resource for our nation's veterans in their small business and entrepreneurial endeavors. Service members develop broad expertise across many disciplines while in the military, learning skills that can provide tremendous value to the economy. After great personal sacrifice, these Americans deserve every opportunity for success in their transition back to civilian life. One way Congress can help is to support legislation that would provide relief to barriers that stand in the way of veterans accessing credit for small businesses. This includes the arbitrary credit union member business lending (MBL) cap that constrains our credit union members' ability to help small businesses.

NAFCU supports S. 539, the Veterans Member Business Loan Act, introduced in the Senate by Sens. Dan Sullivan, R-Alaska, and Mazie Hirono, D-Hawaii, which would exempt loans made to veterans from the MBL cap. This bill would improve veterans' access to necessary capital by removing statutory barriers that hinder credit unions' ability to meet the financial needs of our nation's veterans. As a result of the close relationships credit unions maintain with their members, credit unions are often willing to assist members when other lenders refuse. Unfortunately, credit unions face a statutory MBL cap that hinders their ability to fully serve the needs of small businesses. Enacting this legislation will help ensure that credit unions can continue supporting veteran-owned businesses. We urge the Committee to support this

The Honorable Jeanne Shaheen
The Honorable Joni Ernst
November 14, 2023
Page 2 of 2

important legislation and request that the Senate consider this bill to ensure our veteran-owned businesses receive the necessary capital and financial support to attain their financial goals.

We thank you for the opportunity to share our thoughts on the importance of improving veteran entrepreneurship and access to credit for our nation's veterans. Should you have any questions or require any additional information, please contact me or Amber Milenkevich, NAFCU's Senior Associate Director of Legislative Affairs, at amilenkevich@nafcu.org.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Small Business & Entrepreneurship

Opening Statement by Chair Jeanne Shaheen
"Veteran Entrepreneurship: From Service to Small Business Success"
Senate Committee on Small Business and Entrepreneurship
November 15, 2023

Good afternoon, the Senate Committee on Small Business and Entrepreneurship will come to order. It is an honor to welcome you all today.

Today, the Committee will conduct a hearing on the state of veteran entrepreneurship and how we can work together to support our nation's veterans and their small business goals.

I would like to welcome our witnesses. Thank you for joining us today. I am eager to learn about your experiences as either veteran entrepreneurs or as part of the ecosystem that supports veterans.

I would like to extend a special welcome to Chris Guerrette and the folks from New Hampshire who traveled to DC for this hearing. Thank you very much for being here.

We will introduce all of the presenters in a few minutes, but I want to begin by talking about veteran-owned businesses and their impact to the U.S. economy.

There are approximately 1.8 million veteran-owned businesses in the United States.

These businesses produce an estimated \$1.2 trillion in revenue, employ approximately 5.2 million people and support over \$232 billion in annual payroll.

Through their military service, veterans often have the can-do approach that makes them successful entrepreneurs.

Their discipline, tenacity and leadership abilities may be the reason veterans are more likely to pursue entrepreneurship compared to their civilian counterparts.

However, veterans are not immune to the struggles that face civilian small business owners. Access to capital and mentoring networks remain a challenge regardless of military service.

In addition, veteran entrepreneurs face specific challenges their civilian counterparts do not, including difficulty adapting to civilian life, experiencing a loss of purpose, grappling with financial difficulties and feeling disconnected from the military community.

I want to highlight that the SBA provides a range of services to help veterans and their families throughout their transition to civilian life and entrepreneurship.

Specifically, SBA's 28 Veterans Business Outreach Centers (VBOCs) located across the country provide free counseling, training and Resource Partner referrals to eligible service members, veterans, National Guard and Reserve members and military spouses.

VBOCs are the primary providers of SBA's Boots to Business program, providing a two day, in person entrepreneurship program offered by the SBA as part of the Department of Defense's Transition Assistance Program.

In FY 2022, VBOCs helped start over 300 new businesses, served over 58,000 clients and trained almost 24,000 Boots to Business participants.

Despite these impressive numbers, I believe we can do more to help America's veteran entrepreneurs.

Yesterday, I introduced, the "Heroes Business Opportunity Act of 2023" or "HBO Act" to provide greater access to capital,

The HBO Act would waive the SBA Guaranty Fee for 7(a) loans made to veteran-owned small businesses, up to \$1 million.

This legislation would codify and make permanent, for veteran-owned small businesses, SBA's current waiver for FY 2024 Upfront Fees on loans up to \$1 million.

In other words, the HBO Act helps veterans access credit to start and grow their small businesses.

The brave men and women of our armed forces do not fail our nation when called to serve, and our nation must not fail them when they return home and need help transitioning to civilian life.

So, I am committed to working with Ranking Member Ernst and my colleagues on Committee to provide generous support — including access to capital, counseling and technical assistance — to tens of thousands of veterans who aspire to start their own businesses.

I look forward to the witness testimony today and to learning what more SBA and this Committee can do to inspire and support the entrepreneurial aspirations of veterans.

I'd like to yield to Ranking Member Ernst for her opening statement.

Senate Committee on Small Business and Entrepreneurship Hearing
November 15, 2023
Follow-Up Questions for the Record

Questions for Col. Tim Green

Questions from:

Senator Booker

Veterans face unique challenges associated with their service, which makes accessing capital, competing for federal contracts, and finding the right support system particularly challenging. This has been particularly true for justice-involved veterans, whose contributions to our nation were widely erased at SBA under the “good character” rule. The “good character” rule allowed lenders to deny loans to veterans because of their encounters with the justice system, and forbade these veterans from receiving the certification that gives veterans a competitive edge in federal contracts. In August 2022, I wrote to the Small Business Administration along with some of my colleagues on this Committee urging them to strip the “good character” language as they brought the certification program for Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Small Businesses to the SBA from DOD. I am grateful that SBA ultimately removed the “good character” standard from its rule certifying veteran-owned businesses, and has eliminated that language from lending programs, which are significant steps towards reducing the barriers that justice-involved veterans face when reentering their communities, working to better their lives, and starting a business. Thank you and Administrator Guzman for this important change.

QUESTION 1:

Can you speak to what these changes will mean for veterans?

These changes will allow more veteran owned small business owners to compete for federal contracts and access the capital needed to start and grow their businesses.

Veterans Business Outreach Center and SBA District Office teams regularly provide training and counseling to justice-impacted veterans during and after incarceration. These trainings provide the veterans with information on programs and resources available to them if they’re interested in exploring self-employment. Removing ambiguous and subjective language from the regulations removes a potential barrier and will allow more veterans to explore the option of self-employment.

Veterans from underserved, low-income, and minority communities face acute challenges and are less likely to access capital through SBA and engage in the federal contracting resources.

QUESTION 2:

How can we better serve these veterans?

Having a trusted presence in underserved, low-income, and minority communities is key to ensuring awareness, access, and navigation of all SBA resources and small business opportunities. SBA remains focused on ensuring that our veterans have access to capital, counseling, and federal contracting opportunities to start and grow their businesses.

SBA's successful incorporation of virtual counseling and training programs has enabled the agency to expand its reach and better support small businesses across the Nation. SBA also provides robust in-person support through the agency's District Offices and Resource Partner network. SBA utilizes these tools to provide ongoing communication and collaboration with local community partners, veteran service organizations, military installations, and lending institutions to ensure that they're familiar and comfortable with the SBA team and resources so their clients are getting the most timely, relevant, and accurate information on how to best take advantage of SBA programs and small business opportunities.

Some of the current partner and grantee-provided trainings supported under SBA's Veterans Outreach programs include:

- Community and Industry Targeted [Reboot Trainings](#)
- [ONABEN](#) – Indianpreneurship Program
- [LiftFund](#) – Women Veterans Entrepreneurship Training
- [Military Spouse Pathway to Business](#)

We're continuously looking to identify new partners and work with existing local partners to enhance successful community-based training programs and relationships.

Over the last three years, Congress has passed and President Biden has signed into law historic investments into our economy—from the American Rescue Plan’s investments in broadband and our local economies, to the bipartisan Infrastructure Investment and Jobs Act for dollars in our roads and bridges, to the Inflation Reduction Act’s investment in our future green economy. These critical investments will expand access to tens of billions of dollars’ worth of federal, state, and local government contracts for small businesses, including veteran-owned firms.

QUESTION 3:

How can we help ensure that veterans, and particularly Service-Disabled Veteran-Owned Small Businesses, are able to compete for these projects?

Increasing awareness through training and information sessions is key to ensuring greater access for veteran-owned firms. SBA works to ensure that veteran-owned small businesses have guidance related to government contracting certification programs, bid processes, surety bonding, access to capital, and business/growth plan counseling. SBA’s technical assistance and trainings helps veteran-owned firms compete and win contract opportunities as they become available.

Our team works to connect veterans with specialized training and counseling programs such as the Apex Accelerators (formally Procurement Technical Assistance Centers), Veterans Institute for Procurement and SBA’s Office of Government Contracting.

Data from the Federal Reserve found that veterans reported lower credit scores on average and a greater rate of credit denial due to insufficient credit history—associated with frequent moves and overseas travel required of military life that hinders veterans’ opportunities for building credit.

The data also showed that veteran small business owners reported 10% lower loan approval rates than non-veteran small business owners. Further, even at the Small Business Administration, whose lending facilities are targeted at small business owners who are unable to find credit elsewhere, veterans submitted more loan applications and had lower approval ratings than non-veterans.

QUESTION 4:

What additional steps can the SBA take to reduce the barriers that justice-involved veterans face when embarking on entrepreneurship and starting a business?

In SBA’s experience, applicants can be more successful in obtaining capital when they work with a business advisor prior to approaching a lender.

SBA and its Resource Partner network connect veterans with SBA programs/advisors before they apply for financing, which helps veteran-owned small business to prepare for meeting with lenders by understanding following topics:

- How to write a Business Plan
- Credit Score
- Collateral requirements
- Contribution – “Skin in the Game”
- Assisting with determining how much capital is needed and financial projections
- Identifying the appropriate lending programs and financial institutions based on industry, risk profile of borrower, amount of funding required, stage of business, and demographics
- Communicating how the capital will be used, how it will increase cash flow/benefit the business, and how it will be paid back.

Questions from:

Senator Risch

Resource access

Col. Green, lack of access to resources for veteran-owned small businesses is prevalent in Idaho and other rural states. The nearest Veterans Business Outreach Center, for example, is hundreds of miles from my constituents and serves three states.

QUESTION 1:

What is the SBA doing to ensure resources are easily accessible for rural veteran-owned small businesses?

Increasing awareness, access, and navigation of SBA programs and resources in rural areas is a priority for all SBA program offices, including the Office of Veterans Business Development.

SBA's successful incorporation of virtual counseling and training programs has enabled the agency to expand its reach and better support small businesses across the Nation. SBA also provides robust in-person support through the agency's District Offices and Resource Partner network. The SBA's Office of Veterans Business Development strives to ensure our grantees are located, or have the flexibility to have presence, in these communities. Each SBA District Office has a team member designated as the Veterans Business Development Officer (VBDO). The VBDO works to ensure all SBA resource partners are communicating and collaborating to support the local veteran and military spouse communities.

We also regularly conduct information sessions with local military institutions, community partners, veteran service organizations and lending institutions to ensure that they're familiar and comfortable with the SBA team and resources so their clients are getting the most timely, relevant, and accurate information on how to best take advantage of SBA programs.

Some of the current partner and grantee-provided trainings supported under SBA's Veterans Outreach programs include:

- Community and Industry Targeted [Reboot Trainings](#)
- [ONABEN](#) – Indianpreneurship Program
- [LiftFund](#) – Women Veterans Entrepreneurship Training
- [Military Spouse Pathway to Business](#)

Specific to Idaho, Business Impact NW is the host organization for the Northwest VBOC. Prior to the 2023 expansion, the coverage area for the Northwest VBOC was Alaska, Washington, Oregon and Idaho. In May 2023, we added a new VBOC in Alaska which provided the Northwest VBOC additional resources and allowing them to have an increased in Idaho.

We're continuously looking to identify new partners and work with existing local partners to enhance successful community-based training programs and relationships.

What measures are in place to ensure VBOCs adequately serve their clients across various states?

The Office of Veterans Business Development maintains weekly communication with the VBOC teams to ensure they have the information, resources, and flexibility to carry out their mission across all states within their coverage areas. This communication includes information on SBA and other federal agency (Commerce, DOL, VA, DoD, etc.) programs/initiatives and sharing best practices.

VBOCs serve as gateways to all SBA programs and provide navigation and referrals to local resources. VBOC teams maintain regular communication and collaboration with local SBA District Offices, Resource Partners (SBDC, SCORE, WBC) and community partners to ensure clients are connected with the proper resource and guidance based on their needs.

Outreach

Col. Green, I am also concerned with the SBA's outreach to new veteran small businesses. The transition to civilian life can be daunting, especially when also starting a business. Many of these veteran entrepreneurs are not aware of the counseling, training, and other resources available to them that are invaluable in the early stages of their business.

QUESTION 2:

What is the SBA doing to improve outreach to veterans starting new businesses?

Connecting with transitioning or recently transitioned service members and military spouses is a priority of the SBA's Office of Veterans Business Development (OVBD) and it remains the primary mission of the Veterans Business Outreach Center (VBOC) Program.

In FY23 the VBOCs provided training to over eighteen thousand transitioning service members or recently transitioned veterans and military spouses through participation in over 900 Boots to Business/Reboot classes at over 170 military installations and across the United States.

The goal of OVBD is to ensure all transitioning service members and spouses have awareness and access to information and resources related to starting a small business.

Some of the other ways OVBD is connecting with transitioning service members and military spouses include:

- Boots to Business classes military installations, including those outside of the Continental US (OCONUS)
- Participation in National Guard and Reserve Yellow Ribbon Program pre and post mobilization
- Partnership with the Department of Veterans Affairs' Office of Veterans Readiness & Employment to connect self-employment track clients with local SBA programs and resources
- Partnership with the Department of Labor's Veterans' Employment and Training Service and American Job Centers to provide training and guidance on self-employment programs and resources
- Partnerships with state veteran service workforce development agencies to provide training to staff and transitioning service members on local self-employment programs and resources
- Partnerships with veteran service organizations and advocacy groups such as the American Legion, Student Veterans of America, U.S. Chamber of Commerce/Hiring our

Heroes, Veterans of Foreign Wars to provide training to their members and staff on self-employment programs and resources

- Grants and strategic alliances with veteran focused entrepreneurship programs and organizations such as the Institute for Veterans & Military Families, Bunker Labs, The Rosie Network, VetsinTech, National Veteran Small Business Coalition, Hesperus, Warrior Rising, Oklahoma State University, St. Joseph's University, Onaben and LiftFund.

Connecting with transitioning service members through their spouses is also part of our strategy. We've recently launched the Military Spouse Pathway to Business training program, are members of DoD's Military Spouse Employment Partnership and regularly coordinate and partner with DoD's Military One Source and Spouse Education and Career Opportunities team.

Finally, we recently entered into a data sharing agreement with the Department of Defense which will provide OVBD with contact info for all transitioning service members. This will allow us to be proactive in reaching out to provide information and guidance on SBA programs and services.

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November 15, 2023
Follow-Up Questions for the Record

Questions for Mr. Chris Guerrette

Questions from:

Senator Booker

Over the last three years, Congress has passed and President Biden has signed into law historic investments into our economy—from the American Rescue Plan’s investments in broadband and our local economies, to the bipartisan Infrastructure Investment and Jobs Act for dollars in our roads and bridges, to the Inflation Reduction Act’s investment in our future green economy. These critical investments will expand access to tens of billions of dollars’ worth of federal, state, and local government contracts for small businesses.

QUESTION 1:

How can we help ensure that veterans, and particularly Service-Disabled Veteran-Owned Small Businesses, are able to compete for these projects?

- **RESPONSE:** I have limited experience in this area due to the nature of my business but it is my understanding that the process and paperwork required to qualify for government contracts can be overwhelming for small businesses and put them at a disadvantage as compared to large businesses that have employees and even entire departments dedicated to handling the paperwork and processing; if the SBA was able to bridge the gap with personnel dedicated to supporting small businesses complete the necessary paperwork then veteran owned small businesses would be in a better position to secure these contracts.

Data from the Federal Reserve found that veterans reported lower credit scores on average and a greater rate of credit denial due to insufficient credit history—associated with frequent moves and overseas travel required of military life that hinders veterans’ opportunities for building credit. The data also showed that veteran small business owners reported 10% lower loan approval rates than non-veteran small business owners. Further, even at the Small Business Administration, whose lending facilities are targeted at small business owners who are unable to find credit elsewhere, veterans submitted more loan applications and had lower approval ratings than non-veterans.

QUESTION 2:

What additional steps can the SBA take to reduce the barriers that justice-involved veterans face when embarking on entrepreneurship and starting a business?

- **RESPONSE:** While I do not have direct experience in this area, I did have plenty of experience during my time as an Air Force officer dealing with and mentoring airman who made decisions that resulted in situations where they violated either military or civilian laws. In all of these situations, the most successful course of action was direct involvement of senior NCOs and senior leadership providing formal and strict 1-on-1 supervision and mentorship. If possible, the SBA would need to require prospective justice-involved veterans to attend 1-on-1 mentorship sessions, briefings or training in preparation for and in order to qualify for SBA support to start a business.

QUESTION 3:

Could you speak to the barriers you faced when accessing capital for your business, and opportunities you see exist to create equal access to lending opportunities?

- **RESPONSE:** The toughest challenges I faced included creating a quality business plan (which was solved by working closely for months with my SBDC advisor) and understanding/overcoming the reality that a business loan will only cover about 70-80% of the funds needed to open a business and that the remaining 20-30% of the funds need to be in the form of cash or existing investments in FFE (furniture, fixtures, and equipment). While I did have both cash saved and some equipment from a smaller business, I was forced to use my personal credit cards to buy tens of thousands of dollars' worth of supplies and inventory to open the business. This put my family's personal financial safety at risk, especially when combined with accepting personal liability for the several hundred-thousand-dollar SBA loan I had just accepted. I was able to accept this situation because I was receiving military retirement pay and working another full-time job but a veteran who has left the service before 20 years and without a retirement income need to be aware that a loan will not solve everything.
- A couple suggestions I have would be 1) Offer military personnel the opportunity to attend the Boots to Business program much earlier in their career than just during their last few months in service so that veterans who are considering leaving military service to open a business have a better understanding of the challenges they will face when trying to secure a loan and thus have the opportunity to start building credit as well as saving more money in preparation for applying for a loan. 2) Pair veterans who plan to apply for an SBA loan with SBDC advisors while they are still in service so they can receive advice and make educated decisions about business ownership before leaving the service. 3) Provide credit counseling and perhaps a "credit remediation" course for veterans with low or no credit to attend in order to "boost" their chance to qualify for an SBA loan that they may not have qualified for with just a direct application (similar to the programs that insurance companies provide where an individual can attend a driving course to qualify for discounts on their insurance premiums).

Senate Committee on Small Business and Entrepreneurship Hearing*November 15, 2023***Follow-Up Questions for the Record: Dr. Mike Haynie****Questions from Senator Booker****QUESTION 1:**

Veterans from underserved, low-income, and minority communities face acute challenges and are less likely to access capital through SBA and engage in the federal contracting resources. How can we better serve these veterans?

Response:

To better serve veterans from underserved, low-income, and minority communities, a two-pronged approach is essential. First, it is important to enhance and extend the visibility and accessibility of capital resources through initiatives like the SBA's Community Navigator Pilot Program (CNPP). This program has demonstrated effectiveness in connecting veterans with a network of experts and resources, thereby bridging the gap between them and available capital. Through CNPP, 35,000 veteran owned small businesses were served by IVMF Spokes, 13,000 hours of training and counseling and over \$3 million in financial assistance secured. Another program of note, the Department of Commerce Minority Business Development Agency's "Capital Readiness Program" which is poised to support entrepreneurs ahead of their pursuit of capital through technical assistance in optimizing cash flow, identifying the right type and source of capital, and getting feedback on business financials. Secondly, policy measures that incentivize lending institutions to lower entry barriers, offer flexible repayment terms, and re-evaluate lending criteria are vital. These incentives could greatly aid in making capital more accessible, but more research is needed to understand the impacts and risks associated with such changes.

Additionally, strengthening mentorship and support networks is key, particularly those that specifically target these veterans. This involves fostering public-private partnerships to provide comprehensive support, ensuring veterans are not only ready to access capital but also effectively engage with federal contracting resources. The integration of mentorship with support systems, as highlighted in the testimony, is crucial in preparing veterans for the challenges of entrepreneurship and federal contracting. Such an approach ensures that veterans receive the necessary guidance and tools to successfully navigate the complexities of the business and contracting landscape.

QUESTION 2:

Over the last three years, Congress has passed and President Biden has signed into law historic investments into our economy—from the American Rescue Plan's investments in broadband and our local economies, to the bipartisan Infrastructure Investment and Jobs Act for dollars in our roads and bridges, to the Inflation Reduction Act's investment in our future green economy. These critical investments will expand access to tens of billions of dollars' worth of federal, state, and local government contracts for small businesses.

Data from the Federal Reserve found that veterans reported lower credit scores on average and a greater rate of credit denial due to insufficient credit history—associated with frequent moves and overseas travel required of military life that hinders veterans’ opportunities for building credit. The data also showed that veteran small business owners reported 10% lower loan approval rates than non-veteran small business owners. Further, even at the Small Business Administration, whose lending facilities are targeted at small business owners who are unable to find credit elsewhere, veterans submitted more loan applications and had lower approval ratings than non-veterans.

How can we help ensure that veterans, and particularly Service-Disabled Veteran-Owned Small Businesses, are able to compete for these projects?

Response:

To ensure that veterans, particularly Service-Disabled Veteran-Owned Small Businesses, are effectively positioned to compete for government projects, a collaborative approach is essential. This approach should encompass specialized training in government contracting procedures, bid preparation, and certification processes. Facilitating mentorship opportunities with established contractors and streamlining the certification process will provide a significant competitive advantage to these businesses. Enhancing their visibility to government agencies and simplifying access to bidding opportunities are crucial steps. Additionally, collaboration in public-private partnerships is essential, leveraging the strengths and resources of both sectors to offer more robust support and opportunities for these veteran-owned businesses.

Addressing the credit challenges and lower loan approval rates faced by veteran small business owners requires further research. Acknowledging both the Federal Reserve's findings and our own research, we need to focus on identifying suitable financial services and support mechanisms that cater to the unique needs and circumstances of veterans. This research should inform the development or expansion of targeted support mechanisms and resources that are appropriately tailored to these businesses. It should also provide insights into the challenges and barriers faced in loan applications and loan acquisition. Clearer eligibility criteria and more effective utilization of resources to prepare businesses for government contracting will significantly contribute to their success. Expanding educational resources and mentorship programs is crucial to building creditworthiness among veterans and aligning them with contracting opportunities created by recent economic investments. This comprehensive approach is vital to ensure that these businesses are not only competitive but also successful in their contracting endeavors. It aims to overcome barriers to participation in government projects and ensure equitable opportunities for all veteran entrepreneurs.

QUESTION 3:

What additional steps can the SBA take to reduce the barriers that justice-involved veterans face when embarking on entrepreneurship and starting a business?

Response:

To effectively assist justice-involved veterans in entrepreneurship, more research is needed to identify their unique circumstances. Assessing the landscape of existing programs is essential to understand the current support structures and gaps. The SBA can play a pivotal role in reducing

barriers for these veterans by enhancing collaboration with existing reentry programs. By tapping into the expertise and resources of organizations specializing in supporting justice-involved individuals, the SBA can integrate entrepreneurship training and resources into these established programs. This strategy would create a more cohesive and comprehensive support network.

The approach should focus on providing tailored business guidance, legal support, and mentorship, aligning with the critical needs of justice-involved veterans. Drawing from the experience at the D'Aniello Institute for Veterans and Military Families (IVMF), we recognize the significant impact of such partnerships to improve the accessibility and effectiveness of entrepreneurial support for this distinct group of veterans. By understanding and addressing their specific challenges, the SBA can facilitate a smoother transition into business ownership for justice-involved veterans, ultimately contributing to their successful reintegration and economic empowerment.

Questions from Senator Hirono

Like many other members of the committee, I consistently hear from small businesses concerned about a lack of access to capital. Veteran businesses are no different. They share this concern. That is one reason why Sen. Sullivan and I recently reintroduced the Veterans Member Business Loan Act, which would make it easier for veteran businesses to receive commercial loans through credit unions. The bill has been endorsed by the National Association of Federally-Insured Credit Unions ("NAFCU"). I have a letter of support for the bill that I would like to submit for the record.

QUESTION 1:

Can you elaborate on the importance of expanding access to capital for veteran businesses?

Response:

Expanding access to capital for veteran businesses is crucial, as research clearly highlights capital access as the primary barrier to start-up and success rates for this community. The Veterans Member Business Loan Act is a pivotal step in this direction, making commercial loans through credit unions more accessible to veterans. This increased access to capital is essential not only for start-ups but also for the growth and sustainability of existing veteran-owned businesses. Streamlining and adapting financial services to be more veteran-friendly ensures veterans can effectively utilize these resources.

The importance of capital readiness and support throughout the business lifecycle cannot be overstated. Accessible and tailored financial solutions are key to fostering the success of veteran enterprises. It's not just about providing capital but also about equipping veterans with the knowledge and skills to manage it effectively, ensuring their business ventures are sustainable and prosperous. More research is needed to understand the specific capital needs of veteran businesses at different stages. This research should focus on developing targeted solutions that support capital readiness, from enhancing financial literacy to navigating complex lending processes. By deepening our understanding of these needs, we can enhance the effectiveness of programs like the Veterans Member Business Loan Act, ensuring they meet the diverse and evolving needs of veteran entrepreneurs.

QUESTION 2:

In your view, what changes should we in Congress consider to make sure veterans have access to capital?

Response:

To ensure veterans have access to capital, Congress should consider evaluating current policies to determine if they provide direct and simplified pathways to funding. This involves streamlining the application process and minimizing bureaucratic challenges to reduce barriers to capital access. Secondly, initiating or expanding programs that offer financial literacy and business planning education tailored to veterans is essential. These programs would enable veterans to effectively understand and navigate complex financial instruments.

Furthermore, Congress should support additional research and data collection positioned to better understand the specific needs of veterans. This research should focus on the diverse requirements of various types of businesses, such as startups versus growth-focused enterprises, and employer versus non-employer firms. It should also consider different demographics, including women, rural, minority veterans, and others. Such research could illuminate unique financial challenges and opportunities within these demographics, leading to more targeted support measures. Additionally, exploring innovative funding models beyond traditional debt capital, like grants, equity investments, or revenue-based financing, could offer alternative and potentially more suitable financing avenues for veteran entrepreneurs.

Overall, a multipronged approach that combines simplified access to traditional capital, educational support, and innovative funding models will effectively address the diverse needs of veteran business owners. This comprehensive strategy will ensure that veteran entrepreneurs receive the necessary support and resources to succeed in their business endeavors.

Questions from Senator Risch**QUESTION 1:**

Doctor Haynie, the effectiveness of programs and policies designed to assist veteran entrepreneurs is complicated by inconsistent, incomplete, and inaccurate data. What steps do you believe can be taken to improve the effectiveness of research and data strategies into veteran entrepreneurship?

Response:

To improve the effectiveness of research and data strategies in veteran entrepreneurship, a multi-dimensional approach is essential. Enhancing data collection methods to capture more nuanced information about veteran entrepreneurs is crucial, focusing on their service history, demographic information, and specific business challenges. Moreover, there should be a mechanism to gain insights at an individual level, while ensuring the security and privacy of such data.

Establishing collaborations between government agencies, academic institutions, and private sector entities is critical for enriching the data accessible to policymakers and others. This approach

leads to a more comprehensive understanding of the veteran entrepreneurship landscape. Regularly updating and publicizing this data is key to informing policy decisions and program development, making them responsive to the evolving needs of veteran entrepreneurs. By adopting this comprehensive approach, we can develop more targeted and effective support mechanisms for this unique and vital entrepreneurial group.

QUESTION 2:

Where do you think this data can be better used to develop more targeted and effective policies and programs to reach rural veteran entrepreneurs and small business owners?

Response:

To better support rural veteran entrepreneurs and small business owners, data usage needs to be optimized to address the unique challenges and opportunities these individuals face. This involves developing policies and programs that are specifically tailored to the geographic, economic, and social contexts of rural areas. Key considerations include understanding the limitations in infrastructure, market access, and resource availability that impact rural entrepreneurs.

Programs should focus on enhancing digital connectivity, providing localized mentorship and support networks, and offering specialized training in areas such as e-commerce and remote business management. Our research indicates that rural veteran business owners often prefer in-person resources but struggle to access them locally. This highlights the need for programs and policies that cater to these specific preferences. Furthermore, our findings show that rural veteran business owners typically face greater challenges related to lower average revenues and higher average business debt. This underscores the importance of ensuring that policies and programs provide robust access to capital, which is crucial for their success. By basing these initiatives on data specific to the needs and challenges of veterans in rural areas, policies can be more targeted and effective, directly addressing the unique barriers encountered by rural veteran entrepreneurs.

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Follow-Up Questions for the Record

Questions for Mr. Dustin Rhoades

Questions from:

Senator Booker

Over the last three years, Congress has passed and President Biden has signed into law historic investments into our economy—from the American Rescue Plan’s investments in broadband and our local economies, to the bipartisan Infrastructure Investment and Jobs Act for dollars in our roads and bridges, to the Inflation Reduction Act’s investment in our future green economy. These critical investments will expand access to tens of billions of dollars’ worth of federal, state, and local government contracts for small businesses.

QUESTION 1:

How can we help ensure that veterans, and particularly Service-Disabled Veteran-Owned Small Businesses, are able to compete for these projects?

Data from the Federal Reserve found that veterans reported lower credit scores on average and a greater rate of credit denial due to insufficient credit history—associated with frequent moves and overseas travel required of military life that hinders veterans’ opportunities for building credit. The data also showed that veteran small business owners reported 10% lower loan approval rates than non-veteran small business owners. Further, even at the Small Business Administration, whose lending facilities are targeted at small business owners who are unable to find credit elsewhere, veterans submitted more loan applications and had lower approval ratings than non-veterans.

QUESTION 2:

What additional steps can the SBA take to reduce the barriers that justice-involved veterans face when embarking on entrepreneurship and starting a business?

QUESTION 3:

Could you speak to the barriers you faced when accessing capital for your business, and opportunities you see exist to create equal access to lending opportunities?

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Follow-Up Questions for the Record

Answers for Senator Booker's questions

Thank you, Senator, for your questions and your commitment to our veteran small business owners.

QUESTION 1 ANSWER:

To address the challenges encountered by veterans, especially Service-Disabled Veteran-Owned Small Businesses (SDVOSBs), a comprehensive strategy is essential. While initiatives such as financial education, targeted loan programs, policy advocacy, and collaboration are crucial components, an often-overlooked aspect is the need for enhanced outreach efforts by the Small Business Administration (SBA). The effectiveness of SBA programs can be significantly bolstered by prioritizing outreach and awareness campaigns, particularly outside the East Coast where familiarity with SBA programs might be limited.

One key focus should be on recognizing the unique credit challenges faced by veterans, attributable to the nomadic nature of military service. Advocating for policies that acknowledge these challenges and urging financial institutions to consider alternative creditworthiness indicators beyond conventional scores for veterans is pivotal. Simultaneously, efforts should be directed towards raising awareness among financial institutions about the obstacle's veterans encounter.

Additionally, a proactive approach to educate veterans about available resources and support systems is crucial. Empowering veterans with knowledge ensure they can make informed financial decisions and navigate the complexities of business funding effectively. To measure the impact and continuously refine strategies, the SBA should implement robust monitoring and reporting mechanisms. By regularly assessing the success and challenges veterans face in accessing financial resources, the SBA can identify areas for improvement, ultimately enhancing the overall effectiveness of its support programs.

QUESTION 2 ANSWER:

While I am not a justice-involved veteran and, therefore, may not have firsthand knowledge of the specific barriers they face, I recognize the importance of understanding their unique challenges. To comprehensively address this question, I would recommend seeking input directly from justice-involved veterans.

QUESTION 3 ANSWER:

Navigating the journey to secure capital for our business has been a personal and challenging odyssey. I am a father deeply committed to caring for my severely disabled child, who relies on us for every facet of his life. The constraints on employment opportunities, coupled with mounting medical expenses and the escalating cost of living, have placed our personal finances in a precarious position. Faced with limited employment options, is one reason we felt compelled to embark on the path of entrepreneurship.

Our business focuses on serving individuals within the disabled demographic, one of the smallest markets. While our technology strives to impact as many lives as possible, our approach is deeply individualized. The challenge lies in creating and producing technology tailored to a demographic that is both limited and diverse.

To illustrate, consider the situation where a communication device, vital for our son's ability to communicate, comes at a staggering cost of \$38,000. It becomes a heartbreaking choice between providing him with a voice and allocating those funds towards essential medical bills, therapies, and medications. This dilemma is a harsh reality for many in our demographic, compelling them to forego life-enhancing technology to meet basic healthcare needs.

While our business seeks profitability, we are equally driven by a mission to enhance the quality of life for our customers and instigate positive social change in our community. Despite the slow but steady growth in profits, our business is deemed high-risk due to the limited size of our demographic.

Addressing the challenge of securing capital, our difficulty arises from serving a specific demographic, resulting in a slow and steady financial growth path. At present, we have not obtained any capital or funding from conventional financial institutions. Meeting the criteria for assistance from federal or state organizations has proven challenging, given factors such as our profit size, employment size, and business longevity, among others. Despite these hurdles, we operate within the limits of our profits, employ bootstrap fundraising strategies, and enthusiastically participate in diverse business pitch competitions as part of our resourceful approach.

To overcome these challenges, I envision federal support in the form of grants or specialized consideration at the SBA level to veteran-owned businesses making a positive impact within their community.

Another concept that I have been thinking about and find particularly compelling is a business-focused system akin to the Post 9/11 GI Bill, allowing veterans interested in entrepreneurship to convert their GI Bill benefits. This conversion could provide crucial seed money to start and maintain their business, while also maintaining their Base Allowance for Housing (BAH) during the initial years of business. This approach not only fosters business growth but also empowers veterans to invest more in their ventures, ensuring stability in housing and utilities through their BAH during the most crucial years of their business.

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Questions for Ms. Lisa Shimkat

Questions from:

Senator Booker

Question 1:

How can we help ensure that veterans, and particularly Service-Disabled Veteran-Owned Small Businesses, are able to compete for these projects?

Helping veterans, especially Service-Disabled Veteran-Owned Small Businesses (SDVOSBs), compete for and win government contracts requires a multi-pronged approach involving awareness, education, and support. Here's how we can work together to achieve this goal:

1. Streamlining Access and Visibility:

- **Strengthen outreach and communication:** Partner with veteran service organizations, chambers of commerce, and government agencies, including technical assistance providers to increase awareness of veteran and SDVOSB eligibility and available contracting opportunities.
- **Simplify the certification process:** Collaborate with the SBA to expedite SDVOSB certification through VetCert, reducing administrative burdens and ensuring timely participation in bidding processes. Those who become certified should also be connected to the APEX platform through the DoD to use the procurement specialists to help with applying for government contracts.

2. Building Capacity and Competitiveness:

- **Mentorship and training:** Partner with SBDCs and APEX to provide veterans and SDVOSBs with tailored, accessible training programs on topics like proposal writing, pricing strategies, contract negotiation, and government procurement regulations.
- **Technical assistance:** Offer personalized coaching and expert guidance through SBDC and APEX resources to help veterans and SDVOSBs navigate the complex government contracting landscape, understand technical specifications, and submit competitive bids.
- **Fraud oversight is a necessary aspect as well.** This will ensure that the goals being stated to utilize veteran owned and SDVOSB are actually being met at the end of the contracts.

In order to maintain competitiveness, accountability should be a part of the equation to maintain the integrity of federal contracts and the support for veteran owned and SDVOSB.

3. Fostering Collaboration and Support:

- Matchmaking and teaming opportunities: Facilitate partnerships between veteran and SDVOSBs and larger established companies, leveraging the strengths of both to bid for larger contracts and increase winning potential. There is a Mentor/Protégé program already through SBA, but you must have a proposed mentor prior to applying for the program as stated on their website – many small businesses, especially veteran owned businesses may not have that going in and would be at a disadvantage immediately. <https://www.sba.gov/federal-contracting/contracting-assistance-programs/sba-mentor-protege-program#id-program-qualifications>
- Networking events and knowledge-sharing initiatives: Organize gatherings and workshops where veterans and SDVOSBs can connect with government officials, prime contractors, and fellow veteran business owners, fostering collaboration and knowledge exchange. An example of where this worked was this last year in Iowa where Senator Ernst brought government agencies to Iowa for two tracks – innovation and procurement. The businesses learned what they needed to do and technical assistance providers were on hand to get those veterans on the right track. Interacting directly with agencies and their representatives was invaluable especially in rural areas that do not typically garner federal agency visits.

4. Advocacy and Policy Initiatives:

- Promote best practices: Encourage government agencies to actively utilize set-aside programs and sole source contracting opportunities for veterans and SDVOSBs.
- Support legislative reforms: Advocate for policies that streamline regulations, increase funding for veteran and SDVOSB support programs, and address any existing barriers to fair competition.
- Expanded access in rural areas to government contracts to help level the playing field.

By harnessing the combined expertise of SBDCs, APEX, and other stakeholders, we can expand the comprehensive support system that empowers veterans and SDVOSBs to confidently navigate the government contracting arena and achieve well-deserved success.

- SBDCs offer free business consulting and training services to small businesses, including SDVOSBs. Find your local SBDC at <https://americassbdc.org/>.

- APEX, formerly known as Procurement Technical Assistance Program (PTAP), focuses on building a strong, sustainable and resilient US supply chains by assisting a wide range of businesses that pursue and perform under contracts with the DoD, other federal agencies, state and local governments and with government prime contractors. Learn more about their resources and programs at <https://www.apexaccelerators.us/#/>

Question 2:

What additional steps can the SBA take to reduce the barriers that justice-involved veterans face when embarking on entrepreneurship and starting a business?

Financial literacy is a challenge that many veterans and small business owners face. We as the Small Business Development Center (SBDC) do some training on this important topic and helping others understand the importance of teaching financial literacy is key to moving the needle of success for entrepreneurs and small business owners.

