

# CONTINUING TO SERVE: FROM MILITARY TO ENTREPRENEUR

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## HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED SIXTEENTH CONGRESS FIRST SESSION

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## CONTINUING TO SERVE: FROM MILITARY TO ENTREPRENEUR

WEDNESDAY, JULY 10, 2019

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,

*Washington, DC.*

The committee met, pursuant to call, at 11:32 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Finkenauer, Golden, Kim, Crow, Davids, Veasey, Schneider, Delgado, Houlahan, Craig, Chabot, Radewagen, Kelly, Balderson, Hern, Hagedorn, Stauber, Burchett, Spano, and Joyce.

Chairwoman VELAZQUEZ. Good morning. The committee will come to order. I am pleased to be chairing this hearing today to discuss ways the Small Business Administration can help our nation's veterans transition from the military to civilian life by launching and growing a successful small business. Every year, more than 200,000 of our nation's heroes make the transition out of our military. Some pursue employment opportunities, others go back to school or learn a new trade. Some decide to pursue the American dream and launch a small, innovative business. For these returning servicemembers, the Small Business Administration can play a key role in helping to turn their small business dreams into a reality.

Through their commitment to serving our country, veterans develop an unwavering mindset that often makes them uniquely suited to take on the challenges of starting a new business. They are leaders, doers, and remarkably driven. Today's veterans are the most educated and technologically trained servicemembers ever, and often, they have firsthand exposure to the government procurement process. This means we have a sector of the population that is primed to be the innovators and business owners of tomorrow. They have the potential to strengthen our nation's economy, create jobs, and drive economic growth.

Yet, despite the rich tradition of owning a small business, starting and running a business can be challenging. Veterans, like other entrepreneurs, face many obstacles. Finding affordable access to capital, getting products to market, developing a network, and finding new customers can prove to be steep undertakings.

Even more troubling, we have witnessed the share of new veteran entrepreneurs decline steadily from 12.49 percent in 1996, to 4.16 percent in 2016. Clearly, more needs to be done to help our nation's veterans launch, grow, and succeed in entrepreneurship.

For that reason, I am committed to improving the Small Business Administration's programs to ensure they are effectively serving our nation's heroes. I am pleased to support a number of these measures—from lending to contracting to training and counseling—that will make it easier, not harder, for our veterans to get their businesses up and running.

With approximately 2.5 million veteran-owned businesses generating over \$1 trillion, it is clear for many men and women leaving the service that entrepreneurship provides a promising path to continue serving their country, creating jobs in their local communities while supporting their families. I am pleased that we will have an opportunity at today's hearing to hear from several veteran entrepreneurs about their firsthand experiences with these programs.

I commend each and every one of you for your service to our country. It is my hope that they can highlight for us what they found beneficial, where improvements can be made, and identify gaps in how these services reach veterans.

I thank all the witnesses for being here today. Your testimony will help inform the committee as we work toward the goal of supporting veteran small business ownership. With that, I thank each of the witnesses for joining us today, and I look forward to your testimony. I would now like to yield to the Ranking Member, Mr. Chabot, for his opening statement.

Mr. CHABOT. I thank the Gentlelady for yielding, and for holding this hearing today, and we want to thank the witnesses for being with us. Today we are asking for input on what I believe is a strong bipartisan package of bills that we hope to mark up later this month. Again, I thank the Chairwoman for conducting this process with bipartisanship. Each of these bills has a member of both parties as an original sponsor and co-sponsor.

One of this Committee's main goals when considering Federal contracting matters is to streamline and reduce the red tape small businesses must endure. So I would like to thank Mr. Kelly and Mr. Crow for sponsoring H.R. 1615, the VA-SBA Act, which will help accomplish that goal for veteran-owned and service-disabled veteran owned small businesses. I would also like to take this time to thank our colleagues at the House Veterans Affairs Committee for their close collaboration with this Committee on that matter.

H.R. 1615 eliminates duplication in contracting programs between the SBA and the Department of Veterans Affairs. Both operate separate, yet conflicting, verification programs with different eligibility rules and regulations. These two disparate programs create inconsistent outcomes and confusion among veteran entrepreneurs. Last year, the House Small Business Committee and House Veterans Affairs Committee held a joint hearing exploring whether government-wide verification by a single entity would be a viable solution. This legislation is the culmination of those efforts.

I would also like to hear our witnesses' thoughts on my bill, H.R. 499, which is designed to align how the VA and the rest of the Federal Government treat surviving spouses of service-disabled veteran small business owners. This bill ensures that the surviving spouses of service-disabled veteran small business owners can retain the company's special status for a certain period of time after

the death of the veteran spouse. This policy is already codified in Title 38 of the United States Code. However, there is a lack of parity between Title 38 and the Small Business Act. I have heard from several small businesses, including one in my district, that this discrepancy creates legal uncertainty and confusion in the application of this important policy. The bill aims to rectify that.

Additionally, we will examine how the SBA administers disaster loans to businesses that experience hardships and economic losses because their employees enter military service. Led by Representative Andy Kim of New Jersey, and Representative Tim Burchett of Tennessee, the National Guard and Reserve Entrepreneurship Support Act expands the businesses eligible for a military reservist economic injury disaster loan for those that have employees called to Active Duty to those called for active service.

Finally, our Committee hopes to advance H.R. 3537, the Veterans Entrepreneurship Training Act of 2019. This bill, offered by Committee Members Schneider of Illinois and Spano of Florida, amends the Small Business Act to authorize for 5 years the Boots to Business program which helps transitioning servicemembers launch and grow small businesses. This is another example of how we can come together to advance bipartisan legislation to serve those who served our nation so proudly. I want to thank Mr. Spano and Mr. Schneider for their work on that bill. And I am looking forward to the discussion today, and I yield back, Madam Chairwoman.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chabot. The gentleman yields back. And if committee members have an opening statement prepared, we will ask that they be submitted for the record.

I would like to take a minute to explain the timing rules. Each witness gets 5 minutes to testify, and the Members get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light comes on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within that timeframe to the best of your ability.

I would now like to introduce our witnesses. Our first witness is Mr. Davy Leghorn. Davy Leghorn is the Assistant Director of the Veteran Employment and Education Division of the American Legion, the largest veteran service organization in the United States. Mr. Leghorn oversees employment and small business portfolios and administers the American Legion's national veteran hiring initiative. He previously worked as a National Appeals Representative for the American Legion at the Department of Veterans Affairs' Board of Veterans' Appeals, where he provided representation to veterans, their spouses, and dependents in appellate hearings before the veterans law judges. Mr. Leghorn also served as a mortar infantryman in the Army. Thank you for your service and thank you for being here today.

Our second witness is Mr. Scott Davidson. Mr. Davidson is the Managing Principal and CEO of the GCO Consulting Group, a growing service-disabled veteran owned small business. Mr. Davidson provides specialized consulting expertise in GSA schedule contracting compliance. Mr. Davidson served honorably in the United

States Army as an enlisted soldier, non-commissioned officer, and a commissioned officer, and served multiple combat tours throughout southwest Asia to include Iraq and Afghanistan. He was medically retired from the United States Army as a captain for injuries sustained during his tour in Iraq in July 2007 while he was working as a counter-IED and convoy security officer.

Mr. Davidson continues to serve the veterans community as the co-founder of the Bourbiz, a professional and personal resource networking event for veterans, military spouses, and caregivers in which the events connect attendees with a wide range of resources to grow. Thank you for your service and all that you are doing to support veterans in our country.

Our third witness today is Ms. Torrance Hart. Ms. Hart is the founder of Teak and Twine, a small business that designs beautifully made and thoughtfully packaged gifts. After serving 8 years in the Air Force, Ms. Hart connected with a Veterans Business Outreach Center to help launch her small business. She attended Boots to Business, where she learned valuable information about entrepreneurship and was connected to local entrepreneurial resources. Thank you for your service. I am really looking forward to hearing your experience in the Boots to Business program.

I would now like to yield to the Ranking Member, Mr. Chabot, to introduce our final witness.

Mr. CHABOT. Thank you, Madam Chair. Our next witness is Laurie Sayles, President and CEO of the Greenbelt, Maryland company, Civility Management Systems, or Civility MS, for short. Ms. Sayles started her career by enlisting in the Marine Corps, serving there for 10 years, and achieving the rank of Staff Sergeant. A woman minority, service-disabled veteran owned small business, Civility MS provides project, program, financial, and grants management, training, conference logistics, acquisition, and administrative support through contractual work for several Federal agencies.

Sergeant Sayles obtained her bachelor's degree in social science from the University of Maryland University College. She also received a business project management certificate from UMUC, and is a member of the Project Management Institute, Women Impacting Public Policy, Women Marines Association, National Veterans Owned Business Association, and the National Marine Corps Business Network.

Sergeant Sayles, thank you for your service to our country, and thank you for being with us today. We look forward to hearing your testimony as we do all the testimony from all the witnesses, and I yield back.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Leghorn, welcome back to the committee. You are recognized for 5 minutes.



**STATEMENTS OF DAVY LEGHORN, ASSISTANT DIRECTOR, THE AMERICAN LEGION; SCOTT M. DAVIDSON CPT. USA, RETIRED, MANAGING PRINCIPAL & CEO, THE GCO CONSULTING GROUP; TORRANCE HARRINGTON HART, OWNER, TEAK & TWINE; AND LAURIE SAYLES, PRESIDENT AND CEO, CIVILITY MANAGEMENT SOLUTIONS**

**STATEMENT OF DAVY LEGHORN**

Mr. LEGHORN. Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee, on behalf of our national commander, Brett Reistad, and the 2 million members of the American Legion, we thank you for the opportunity to testify this morning.

We are privileged to present our position on several pieces of legislation up for consideration. Our written testimony is a matter of record, so we will briefly summarize our discussion on just two bills.

The American Legion supports expanding eligibility for SBA programs that permit loan assistance to businesses when deployments are not part of a military conflict, and allow loan recipients to defer repayments of principal and interest on disaster loans when they are ordered to active service for more than 30 consecutive days. Currently, these programs are underutilized because their eligibility restrictions do not fully reflect current deployment practices.

Both the Guard and Reserve have transitioned from a strategic Reserve into an operational force to meet the need of an all-volunteer force in an era of persistent conflict in which Active Duty and Reserve component alike are expected to deploy regularly. The American Legion Resolution No. 17 positioned on the operational Reserve urges Congress to reform laws and policies governing the Reserve components to provide them programmatic sustainability as an operational force. The proposed Patriot Employer Protection Act is in line with our resolution. Members of the Guard and Reserve are an integral part of our national defense, and the Nation should do everything we can to support their service.

Next, we will discuss the VA-SBA Act. Last year, the Federal Government aligned the regulations governing SDVOSB definitions, but even with the deconflicted regulations, the maintenance of two Federal certification programs for veteran small businesses still continues to be a source of confusion.

The American Legion Resolution No. 155, Support Verification Improvements for Veteran Businesses, concurs with H.R. 1615's proposal to have SBA absorb the responsibility of VA's CVE. Currently, VA requires businesses applying for SDVOSB status to address size, ownership, and control issues prior to certification. In contrast, SBA allows businesses to self-certify that they meet the regulatory threshold. Self-certification permits businesses to qualify for all Federal contract awards with the exception of the Veterans First contracting program at VA.

The problem with two SDVOSB identification processes is simple: It creates confusion for contracting officers seeking to award contracts, and for veterans seeking certification. To compound the confusion, many State and Federal agencies now inquire whether

veteran-owned businesses are VA certified, resulting in many veteran firms acquiring VA certification when it isn't necessary.

The American Legion believes we should finish the work that began when we moved toward the single set of SDVOSB definitions by consolidating the accrediting process to a singular certifying agency. SBA has a proven workflow platform that can potentially handle SDVOSB certifications. VA will likely continue validating veteran and service-connected disability status, but SBA is aptly poised to verify size, ownership, and control standards.

Moving the verification program is not a punitive measure. The Vets First program under VA's stewardship has successfully demonstrated SDVOSBs as a credible workforce. VA can be proud of the work they did in overcoming many programmatic hurdles. Their efforts and investments prove to State and Federal agencies the value of veteran businesses as a preferred contracting group.

However, for the veteran small business industrial base to grow beyond just the Vets First program, verification must leave the confines of the VA. So with a move towards a singular standard for SDVOSB definition, the shifting of appellate cases to SBA's Office of Hearing and Appeals and SBA's successful integration of certified.SBA.gov, this is the right time to move verification to the SBA and sunset the system of self certification.

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee, we thank you for the opportunity to explain the position of the 2 million members of the American Legion, and we look forward to any questions you may have.

Chairwoman VELÁZQUEZ. Thank you, Mr. Leghorn.  
Mr. Davidson, you are now recognized for 5 minutes.

#### **STATEMENT OF SCOTT M. DAVIDSON**

Mr. DAVIDSON. Thank you.

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee, on behalf of GCO Consulting, a service-disabled veteran owned business, and my fellow servicemembers, I thank you for inviting me here today testify to this morning.

I had the honor and privilege of serving my country in the United States Army as an enlisted soldier, a non-commissioned officer, and a commissioned officer in both peace and wartimes. I was not afforded the opportunity during my military separation to participate in the transition assistance program, or the Boots to Business program, due to my medical retirement.

Starting a business was not on my mind as my military career abruptly ended, due to injuries sustained during a combat tour in Iraq. I had no time to plan my exit and prepare for transition back into the civilian world, because a medical evaluation board was convened to decide my future in early 2007. I was abruptly notified of the results of the proceedings while recovering at Eisenhower Medical Center.

My career in the Armed Services officially ended, and less than 6 weeks later, I was back at home. I had never attended any military transition assistance programs in that short period of time be-

fore I was released from the hospital care and the warrior transition unit.

Although I fumbled through this time in my life, I learned a lot regarding the stress and rigors of transitioning, and then ultimately starting a business. Eventually, I was able to attend the Boots to Business program years after I started my own business, thanks to some great veteran mentors in my network like Jack Manderville (ph) and Pat Baker.

I immediately recognized the value of this course. While my company is more than a decade old, the company continues to grow, because of programs like Boots to Business and Entrepreneurship Boot Camp for Veterans at Syracuse University. The road to entrepreneurship has shaped a unique transition experience for me from my military experience to becoming a veteran entrepreneur. I am proud that I can share my experience and insight today as they directly relate to the matters discussed regarding veterans business ownership.

It is important for me to note, though, at this time, that throughout my entire time in that transition process, and even today, that I have never changed my steadfast affinity for the United States Army, and the pride and privilege that I have and I feel every day that I was given the opportunity and I was able to serve.

The first point I would summarize is Boots to Business. First, I would like to focus on the importance of codifying Boots to Business as an integral part of transition assistance program for servicemembers who may be deciding to choose entrepreneurship as a path after leaving the service. Boots to Business may be the first exposure to entrepreneurship for the servicemen who are receiving actual baseline of what the requirements are to start and run a business. Boots to Business provides real insight and an opportunity for servicemembers to understand what it takes to start a business in the civilian world, and how to make it successful.

This program would have assisted me in several areas as I stumbled through early on in my transition, processing, and starting my business. Transitioning from the military is always going to be stressful. Any insight the Armed Services can provide to a transitioning servicemember will alleviate the stressors and allow for a business plan to be laid.

Recently, it is my understanding that in the NDAA 2019, a portion of Boots to Business curriculum has been made mandatory for transitioning servicemembers. This is a great change that will expose servicemembers to resources and knowledge that may encourage them to take the step in the direction of entrepreneurship and channel the Warrior Ethos that has had them succeed in the military, and also focus on boots and success in the boardroom.

The Army builds soldiers. Boots to Business educates these patriots so they can successfully establish and grow veteran businesses from now and in the future.

The next item I will talk about is moving the responsibility of the VACB functions to the SBA. Over the last 11 years, my firm has been on the operational front lines of assisting veteran business owners with the CVE process. From the VIP system to the dysfunctional VEMS system, I have heard countless stories of frustration

and near defeat from veteran business owners in working with the VA over the years to become CVE certified.

In the end, after all the day-to-day system and customer service issues my clients and consultants face, at CVE, we are often asked the following question: Why do we have the VA, which is a separate agency certifying veteran business size and control determination, when the SBA is responsible for the size control determination for all businesses to even include the self-certifying veteran-owned and disabled service veterans systems through the SAM system?

The answer is simple. It is not necessary. And the solution to the issue of size and control determination certification already exists inside the Small Business Administration. The SBA possesses a certification system that mirrors other programs like the SBA is already administering successfully, like the 8A business development program. The SBA also has a certification program that is available through [certified.sba.gov](https://certified.sba.gov). It would only make logical sense to adopt the SBA's existing system and adapt it to the certification process for veteran businesses instead of risking significant amounts of taxpayer dollars on trying to fix a system that is broken, or attempting to build one from scratch.

Veteran businesses should not have to take on any additional burden or separate certification requirements that may stifle growth and strain resources. A single certifying agency and system determining the size standard for all businesses should fall under the responsibility of the very agency it is tasked for to build and grow the Nation's economy, and that is the Small Business Administration.

I thank you for your time today, Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee. I look forward to answering any of your questions.

Chairwoman VELÁZQUEZ. Thank you, Mr. Davidson.

Ms. Hart, you are recognized.

#### **STATEMENT OF TORRANCE HARRINGTON HART**

Ms. HART. Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee, thank you for giving me the opportunity to speak today.

I am an Air Force veteran, former military spouse, and also the founder of Teak and Twine, and I am here to talk about my involvement in Boots to Business, and to lend support for this valuable program, its role in empowering military veterans, and especially for military spouses to try entrepreneurship.

Like Mr. Davidson, starting a business after I left the Air Force was definitely not my first choice. The whole time I was in the military, I had wanted to go to business school, but once my time in the Air Force was winding down, I was also a military spouse. And the thought of taking 2 years to move away to another city and go to business school, and after that, how was I supposed to get a job? Would we be separated for even longer? And so, ultimately, after a lot of soul searching, I decided I am just going to skip business school and dive straight into entrepreneurship, and just try to figure it out myself.

I attended Boots to Business a few months before separating from the Air Force, because a lot of my friends in the military had recommended the program to me. While I was already well on my way in my entrepreneurial journey, the course validated many of my early decisions, and would have been especially valuable if I had wanted to raise capital as the course does a great job of laying out options for how to raise money from angel investors, as well as getting loans.

Even better for me is that it put me in touch with my local Veterans Business Outreach Center, or VBOC, which continued to be a resource after Boots to Business was over. For the next coming months and even years, I continued to reach out to my VBOC representative whenever I had an issue in my business, or a big question that I was struggling to tackle.

In the 4 years since I left Active Duty, I have moved my business two times across the country due to the military, and my customers have never even known. To be honest, I have grown Teak and Twine bigger than I ever thought I would, and have done so in the most remote and isolated duty locations imaginable. We may not have had a target, but I always had a local VBOC representative that I knew I could reach out to.

My business allowed me, even as a military spouse, to build a career that I absolutely love, and I am so grateful that I wasn't able to pursue my first choice. Even better, everywhere I have been, I have gotten to hire from a group of the most hungry and talented and incredible people, the military spouses that are stationed at the same duty location as me.

For many of the military spouses I have talked to, being a military spouse means giving up completely on their career ambitions. Frequent moves to remote locations make it hard to establish what many of us think of as a real career. I see entrepreneurship as the secret weapon for military spouses. It is a way to create something that can support your family, give you flexibility you need during deployments, give you the freedom to do something that you love, and it moves with you when needed, and even allows you to give back to other military spouses. It is an incredible career that is open to anyone, no matter where you are.

The Boots to Business program is vital to giving military spouses the resources, information, and the foundation they need to unleash the amazing possibilities of entrepreneurship. Thank you so much for the opportunity to speak today.

Chairwoman VELAZQUEZ. Thank you, Ms. Hart.

Ms. Sayles, you are recognized.

#### **STATEMENT OF LAURIE SAYLES**

Ms. SAYLES. Good morning, Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee. My name is Laurie Sayles. I am a veteran who served 10 years in the United States Marine Corps and the owner of Civility Management Solutions, a professional consulting company supporting government as well as commercial.

Civility provides various professional services, training, and support for Department of Homeland Security, HHS, Air Force, Army, NASA, GAO, as well as the Department of Veterans Affairs, also

on both prime and subcontracts. Civility has clients, thanks to the contracting programs through both the SBA and the VA. I am a verified service-disabled veteran owned small business, SBA certified economically disadvantaged, and woman-owned small business, and certified 8A.

I, like many, have my share of experiences with both SBA and the VA to acquire the proper certifications. Thus, my testimony today will address the requirements of the veterans programs with the hope of providing recommendations to the Committee that will assist and enable the SBA to obtain the desirable outcomes for veteran business owners.

I have always been an entrepreneur, and I have tried many ventures from an early age. Thanks to the Marine Corps, I increased in leadership, integrity, teamwork and being steadfast, which is essential in entrepreneurship. I also earned respect as an African American woman in a man's world and now am an outspoken advocate, actively involved in Vet Force and WIPP. As an officer on Vet Force, I have heard the frustrations of many veteran small business owners regarding certification and contracting opportunities within the VA.

For many veterans, returning to civilian life can be difficult. It is a process, and it takes time to adjust. We depend upon the VA for all of our benefits, and we need them to operate in excellence as we were trained to do.

However, the confusion of acquiring a verification from the VA, while being able to self-certify with the SBA is baffling. The issue is that the two agencies have different definitions and standards of control.

For example, we have seen the VA require that a veteran exercise with absolute control over the business. Meanwhile, the SBA recognizes non-veteran owners as having a say over some matters of the business. Recently, the SBA spearheaded efforts to address this, and several other issues, by publishing rules on September 28, 2018 which require service-disabled veterans work at their company during normal business hours, and this leads to a rebuttal presumption that veterans are not actually in control. The SBA would also prefer veterans work closer to their headquarters, or job sites as published rules mention that if a veteran is not located within a reasonable commute to the company, there is a rebuttal presumption that he or she does not control the firm.

For most veterans who may have hoped that using the SBA regulations would eliminate some of the more cumbersome VA requirements, the SBA's adoption of those requirements may be disappointing. Since the SBA has both the specialty and expertise in developing, certifying, and maintaining their programs, it was never clear to me why the VA manages small business verifications for veterans.

While attending my third Vet Force meeting, I inquired about why would I focus on being verified by the VA if the Vets First program was not applicable at all Federal Government agencies, especially since most of the attendees were complaining about its difficulty. To keep it simple, the VA should do what they do for veterans, and that is care for our benefits, and the SBA should do

what they do for small business owners, and that is provide us with certifications, training, and resources.

The newly appointed VA Office of Small Business Development Utilization Leadership announced an effort to create a pilot program for women veterans as they have realized a shortage of women veterans participation in VA contracting awards, because since the institution of the Vets First program, the VA's women-owned small business goals have not been met.

While H.R. 190 was a great step in its passage in the House, it is my recommendation that Congress put also economic and earned status veterans contracting programs on equal footing. One group should not have a variance over another. The work should be on the business owner to market their companies, offerings just like 8A companies, and deliver the offerings timely, and at the best cost.

The VA continuously meets the goals of service-disabled veterans, basically due to the Vets First program, but as we see the growth of more veteran small business owners, the value of all Federal agencies, at least meeting the 3 percent goal, may be possible once the SBA has the oversight of the VA verification.

I urge the Committee to ensure that we make the contracting program a priority, and strengthen the veterans small business program so that we have the ability to grow. That concludes my testimony, and I am happy to answer any questions.

Chairwoman VELAZQUEZ. Thank you to all the witnesses. I recognize myself for 5 minutes. After listening to you, I believe that the committee is on the right path to harmonize programs that have been put into law to help veterans, especially those returning or transitioning from military service to civilian life, and our role here is to help you realize your dreams and aspirations.

I would like to hear from you in your own words why it is so important that we codify the Boots to Business program? Mr. Leghorn.

Mr. LEGHORN. Thank you for your question, ma'am. The American Legion supports Boots to Business, and because we support robust transition programs in general, I mean, it takes the military years to train someone to become a servicemember, but they expect a week of transition courses to suffice when it is time for reintegration in the private sector. You know, Mr. Davidson's story of his transition is a prime example of everything that the Army could have gotten wrong.

The American Legion is committed to any additional resources we can give to servicemembers as they transition to put them on better footing and to prevent another instance where a servicemember has to endure something like Mr. Davidson has gone through.

Chairwoman VELÁZQUEZ. Mr. Davidson. Thank you.

Mr. DAVIDSON. Thank you, Ms. Chairwoman. Boots to Business is important because having seen it after the fact and not having the ability to go through it the first time and then, you know, having been afforded that opportunity, it levels the playing field in a sense. It gives the servicemember the ability to understand what they are in for, if they are going to go down the path of transition with regards to entrepreneurship. It is very important. It may not

be the full toolbox that they need, but what it will do is give them pause and establish a baseline for them to understand this is what is required if I am going to go down this path of entrepreneurship. I can start my plan now. If it is 24 months prior to when they are leaving the service, it is very important, because they get to see exactly what is required with regards to just the lift of it, right, to build the business plan, to go ahead and look at what the assets are that they have to acquire, to understand what access to capital is. To go through that curriculum, they understand that part, and I think that is a very important piece.

So with Boots to Business, absolutely. That is why it needs to be codified, because if you give them that opportunity, and they are able to see it and have that type of lead time, it will absolutely make a difference in their life with regards to the path they choose with transition. And transition is hard enough as it is, but at least let's have them be able to lay a plan with educated, you know, responses that they can, you know, have access to.

Chairwoman VELAZQUEZ. Thank you.

Ms. Hart.

Ms. HART. I think the Boots to Business program is so valuable because you have so many questions when you are starting a business. You just really don't know anything, and it is also this time in your life that you could really go into a huge amount of debt without moving in the right direction. So the last thing that I would want to see is military members trying to transition out, acquiring a ton of debt for a business that hasn't been thought about correctly, where they have issues with product market fit that they haven't thought of.

So it is this way where you can kind of—if you already have an idea, you can solidify your idea and get the resources you need to be heading in the right direction without wasting time or money. And if you are not sure if entrepreneurship is right for you, then it has a great portion at the beginning of the course where you can kind of have this gut check to see if it might be a good fit for you.

Chairwoman VELAZQUEZ. Thank you.

Ms. Sayles.

Ms. SAYLES. Ma'am, when I got out, it was not offered. No training was being provided. It would have been wonderful to have the opportunity, to have that opening. When I joined the Marine Corps, I was 21. I had already done several entrepreneurial journeys before I even joined the Marine Corps. College was not an option for me in my mindset, off the top; I was accustomed to making my own money as an independent woman.

However, the Boots to Business program has allowed veterans now to get out, military personnel to get out and get opened up to what is available to them. I went from being a receptionist after leaving Active Duty in the Marine Corps, being a Staff Sergeant leading people in order to enter into the corporate America world. Secretary, admin assistant, operations manager, program manager, before I became President and CEO of Civility Management Solutions. That was a very long journey, and it would have been nicer to have some support along the way prior without wasting 20 years of my time at that time. Thank you so much, ma'am.

Chairwoman VELAZQUEZ. Thank you.



Maybe any of you could answer this question, or comment on it. We know how many veterans are coming back from Iraq and Afghanistan, and yet, what we have seen recently is a decline in entrepreneurship among veterans. Do you have any insight—is there is any underlying reason? What more can we do when we have programs like this, and we are going to take action to codify the program and to make it easier for veterans to access those type of entrepreneurial programs? Do you have, or do you know of any facts that are related to the issue of the declining of entrepreneurship among veterans?

Mr. LEGHORN. Thank you for the question. I will try to answer it. I believe the reason we saw a dip in veteran startup is because we are still kind of climbing out of the recession. And as the economy gets better within the coming years, I think we are going to see an uptick in veteran entrepreneurship in general.

Mr. DAVIDSON. I agree with Mr. Leghorn with regards to the recession, but the other thing I do see, and it is somewhat anecdotal. In working with a lot of young veterans as they transition out now and what we have been doing, a lot of times I hear things like, and it might also be related to the recession, is they have trouble with access to capital. They have trouble with actually understanding most of the process. They say Boots to Business is a great start for them, but they also feel like there is still a convoluted process on the after part of that. So once they transition out, for some reason, they are not connecting to the programs that are available to them to help them continue on in all those difference types of programs.

Chairwoman VELÁZQUEZ. Thank you. My time has expired. I recognize the Ranking Member, Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair.

Before asking questions, I just want to, again, thank all the panelists for their service. We really do appreciate that, and thank you so much for that.

This Committee is always evaluating whether the SBA's programs are effectively and efficiently meeting the needs of the small business owners that they are intended to help. Mr. Leghorn, in your testimony, you stated the Guard and the Reserve have transitioned from a strategic Reserve into an operational force. With this in mind, does the SBA military disaster loan draft legislation that we are working on better align with today's military forces as they currently exist? Is that your understanding?

Mr. LEGHORN. Congressman Chabot, thank you for your question. We absolutely think that this is a step in the right direction. Over the years, we have been using Guard and Reserve components like we never have before in terms of the tempo of their deployments, and you know, they have become an integral part of our Armed Services and national defense at this point, and just across the board, we need all the programs to catch up to that. And so, we appreciate everything you folks are doing to improve that for the servicemembers.

Mr. CHABOT. Great. Thank you very much.

Mr. Davidson, could you talk a little bit about how important it is for programs, and we have discussed it to some degree already,

the Boots to Business, to be exposed to separating servicemembers early in the process?

Mr. DAVIDSON. Yes, Congressman. So I would say that it is kind of like a wide range of the importance of programs. I think Boots to Business is very important, but I also believe that we need to also push the curriculum with regards to how they network and mentorship pieces with regards to how they are developing those networks with entrepreneurship.

So there is incredible programs out there that are free, non-profits, you know, whether it is—I mean, we could run the gamut, American Corporate Partners. That is probably the best known one out there, and that is staged for people who are on Active Duty?

But I think that is one of the things that I believe that is one of the items that if not missing, it needs to be pushed, is that they need to be able to understand the social part of the network. They need to be able to have that mentorship with regards to how they actually reach and interact with individuals and work that part, and that is something that especially, again, interacting today with most people, those types of programs have to be integrated.

Boots to Business, great baseline, absolutely, but then you have all the other, I would say, aspects that need to be kind of combined, because I think Boots to Business is a great program, but everything we know can always be improved.

So, I always think there is a 2.0 and a 2.1 and a 3.0 that is going to be out there, that you have to take these other programs that are very important parts of that entire process. Even if it is not entrepreneurship, it is something else, they still have to understand how to network. They still have to understand the importance of mentorship and things of that nature, so I think those programs are—

Mr. CHABOT. Thank you very much. I have got 2 minutes left and two questions to go through.

Ms. Hart, in your testimony you mentioned, again, the Boots to Business program, that it does a nice job outlining the loan process and how to raise capital. When you were going through this process, did you find that accessing capital was challenging and any specifics about that?

Ms. HART. I bootstrapped my business off of sales from the beginning, so I thought the information was really helpful, but I didn't take advantage of it myself.

Mr. CHABOT. Okay. Thank you. And finally, Ms. Sayles, regarding the VA-SBA Act, do you think housing the certification function at the SBA and eliminating the VA's separate program will help decrease any confusion and encourage more small business owners, women, and veterans to pursue their certifications and enter the Federal marketplace?

Ms. SAYLES. Yes, sir. Without a doubt, it will make a difference because currently, the certified.SBA.gov website has done an outstanding job in general for us. I am a woman-owned small business as well, and just because I am also certified as an 8A, a lot of the questions that were requested previously from self-certifying myself as a woman-owned was no longer necessary, because they already had the information.

So in the end, it was a good possibility that it will eliminate many of the questions that the VA is asking us within the SBA because they will have all the required documents previously from other certifications. The only thing they will really need is a DD-214.

Mr. CHABOT. Thank you very much.

And I have got 13 seconds left, so in that time, I just want to, again, thank you for your service. We really do appreciate it, and yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back, and now we recognize the gentlelady from Iowa, Chairwoman of the Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship, Ms. Finkenauer.

Ms. FINKENAUER. Thank you, Chairwoman Velázquez. And I just want to, again, say thank you all for being here today, thank you for your service, and thank you for your advocacy as well. This is just an incredibly important hearing to be having, and I am very supportive of the Boots to Business program, and to hear your perspective is invaluable, so thank you.

And one of the things—I am going to take it in a little bit different direction, you know. I know we are working to create an environment that helps veteran entrepreneurs succeed, but weeding out fraud also should be part of the conversation. We hear about predatory lenders and dishonest vendors, but our veteran entrepreneurs also face other sources of fraud we need to be paying attention to as well which was very much brought to my attention, you know, since my time in Congress, but before this as well.

And even, you know, this Monday, I was with a veteran in my home district at a press conference about something that he went through himself, you know. Jeff was, again, a veteran in my district, who was actually defrauded by a dishonest university. He attended a for-profit university, ITT Technical Institute, in pursuit of a bachelor's degree that he hoped would further his career and give him the skills that he needed, and he worked hard, and he did everything right.

His story is absolutely heartbreaking. He did everything he was supposed to do, and then the school actually closed right before he was completing his last course that he needed to graduate. Now, you know, he is stuck with thousands in debt. He is struggling to get the relief that he deserves, and actually is spending time and resources he could have used to further his business aspirations.

And today, actually, I am working with some of my colleagues to introduce the Relief for Defrauded Students Act of 2019. This bill would help folks like Jeff who are lied to about the training they would receive, and how much they would pay and whether their credits would be recognized. The Department of Education actually has rules on the books already to cancel the Federal loans of students who were defrauded by a university but is actually not enforcing those rules, unfortunately. So this bill would actually require the Department to follow through on the obligations and codify that.

We know right now there is 158,000 veterans and student borrowers in the exact same situation as Jeff who are waiting for the Department to act. In fact, I mean, some of the stories we have

heard, we have had predatory for-profit universities going and talking to our Marines who have had brain damage or traumatic brain injuries, knowing that they wouldn't even be able to complete the courses but getting them to sign up.

I mean, these are the types of stories we have heard. They are heartbreaking. It is not how our country should be working, and we need to get that relief to the folks who deserve it and need it.

And what I am wondering, you know, what would that relief actually do? I mean, Jeff himself is sitting—I think he said \$15,000 in Federal student loans that could be canceled, and should be canceled, because of the rules we already should have, we do have on the books that are not codified yet and are not being enforced. What would that mean for somebody who is wanting to start their own business to have that relief? Mr. Leghorn, would you be able to touch on that?

Mr. LEGHORN. Sure. Thank you for your question. Having \$15,000 in the pocket when you are looking at starting a business is a windfall, and one of the good things that Boots to Business does is it helps you identify whether there is—it makes you do market research and helps you identify if your product is actually needed, so it guides you in how you spend that money. So going back to your question, yeah, that would be wonderful.

Ms. FINKENAUER. Anybody else want to touch on it all? I know I am about out of time.

Mr. DAVIDSON. Thank you for the question. Again, I echo his sentiment. I mean, if we have—and I am sure everybody knows, especially if you bootstrapped your business from your own generated sales. If you can avoid having \$15,000 in debt, that is a significant issue with access to capital, as we know, and that actually leads to additional predator lending practices, because what will happen is you have to go to high-risk lenders that will take absolute advantage of you at APR rates, you know, loan rates that are beyond belief which we see all over the place. They claim they are veteran-friendly, but we all know where they are actually—what their rates are and how they are getting that claw back from individuals.

So it does put you in a significantly, you know, unfortunate position, because in order to get the business off the ground, if you don't have the ability to kind of bootstrap and then build your sales, you are going to wind up with those predatory lenders, unfortunately. So, yeah, I think that that is a great way to be able to alleviate that type of stress-related access to capital and debt.

Ms. FINKENAUER. Thank you, Mr. Davidson. I know we have a few more seconds. Ms. Sayles or Ms. Hart, do you have any comment?

Ms. SAYLES. I actually don't have much of a comment regarding fraud on that matter, but I do want to talk about subcontracting, which is also in the way of fraud, to the point that what needs to actually happen is that the Federal Government should become a little bit more responsible to helping the new small businesses on any subcontract work that you have so that if you are removed from the contract and receiving zero dollars of revenue from helping a prime get a contract, then there should be some action within the Federal Government, specifically the Office of Small Business. They should be able to be able to support you during that time.

Ms. FINKENAUER. Got it. Thank you all so much and thank you all for being here again, and thank you for your service. This is a great hearing to have. I yield back.

Chairwoman VELAZQUEZ. The gentlelady's time has expired. Now we recognize the gentlelady from American Samoa, who is the Vice Ranking Member of the committee, Mrs. Radewagen, for 5 minutes.

Mrs. RADEWAGEN. Hello, friend. Good morning. I want to thank Chairwoman Velázquez and Ranking Member Chabot for holding this important hearing today, and I particularly want to thank you all for joining us today with your important information.

I am proud to represent American Samoa, which has the highest enlistment rate out of any State or territory in the United States, and also proud and humbled to be Vice Ranking Member. Ensuring that veterans have the opportunity for economic advancement after serving our country is one of my top priorities, and we have some very successful veteran-owned small businesses in American Samoa.

So my time is short, but my first question is for the entire panel. Can you describe if the current two-system structure at SBA and VA causes problems among contracting officers in choosing to award contracts with veteran-owned small businesses? In other words, are contracting officers declining to award contracts to veteran-owned small businesses because of the confusion arising between the two existing programs? Mr. Leghorn.

Mr. LEGHORN. Thank you for your question. So with regards to contracting officers and how they award contracts, currently, there is only one front end certifying system, and that is at the VA, and only for a limited scope, and it is only used at VA for one program. And, so, if you are a contracting officer at another agency, usually your job requires you to verify that an SDVOSB or a VOSB is who they say they are yourself. But it is a shortcut for you to just straight up ask them are you certified by VA CVE. And this causes a lot of problems and confusion with veterans because veterans don't realize that to do business with the Federal Government, they only need to be self-certified. But for the purposes of Vets First, they need to be CVE certified. I hope that answers your question.

Mrs. RADEWAGEN. Mr. Davidson.

Mr. DAVIDSON. Thank you for the question. I also echo Mr. Leghorn's sentiment. The confusion is just that. The reality is that there are two sets of rules, and they are often asked that question: Are you CVE certified? And I know people who absolutely do not do business with the VA but they do business with 15 other agencies, and they don't require the CVE, and they say no. In some cases, after they have done market research, they are passed over for those types of opportunities. I have actually had those unfortunate conversations with vendors. So yes, it does cause confusion because they don't answer it the right way, and they say well, I am not because I don't do business with the VA. I do business with the Department of Defense. I do business with the Department of Homeland Security and everybody else, so I never felt the need to be CVE certified. So that does cause that type of confusion and unfortunately can cause issues with business. Thank you.

Mrs. RADEWAGEN. Ms. Hart.

Ms. HART. I am not the best person for this one. Thank you.

Mrs. RADEWAGEN. Ms. Sayles.

Ms. SAYLES. Yes, ma'am. I was biting at the edges here to have a comment about this. I love your country, by the way, your part of our world.

Now, I can say that contracting officers have an issue with providing contracts to veterans outside of the VA specifically because of some of the way the rules are set up where you have to have two or more in order to be able to provide them for the SDVOSB set aside where that doesn't apply so much to the 8A opportunity. And as a woman that has worked with about 128 employees, \$11.5 million in revenue for another woman-owned small business before I started mine, and people knew me, my reputation was there, my work performance was there, but they were not able to access Civility Management Solutions through me being a service-disabled veteran owned small business. And I was a little disheartened with the fact that that program really doesn't have strength to it as 8A does.

Mrs. RADEWAGEN. Thank you, Madam Chairwoman. I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back, and the gentleman from Maine, Chairman of the Subcommittee on Contracting and Infrastructure, Mr. Golden, is recognized for 5 minutes.

Mr. GOLDEN. Thank you, Madam Chair. The first thing, Mr. Leghorn, I wanted to welcome you here, and thanks to all of you for your service. But Mr. Leghorn, I want to let you know I am a member of the Corey Edwin Garver American Legion. We call it the Mighty Post 202. It is where the new State commander for Maine comes out of, so you should look him up. A great guy and pretty active, I think, on the national level.

So I just wanted to ask you to make sure I understand your testimony that you think that the VA's certification process where they are making sure that businesses are what they say they are, you know, before awards are contracted, the VA's process is preferable, but that you do want to see that process adopted by SBA, and then have SBA take the lead on CVE as an example.

Mr. LEGHORN. Yes. That is exactly what we are saying. We absolutely want that process to move over to the SBA and sunset self-certification, because, again, just having two certifying processes is not only confusing to contracting officers, but veterans seeking certification as well.

Mr. GOLDEN. So go with the SBA as the lead but have them adopt the VA process?

Mr. LEGHORN. Correct.

Mr. GOLDEN. All right. Thank you. I just wanted to make sure. I appreciate that.

Ms. Hart, I wanted to ask you. You, I think, talked about how you were connected with a Veterans Business Outreach Center. How close were you to that business outreach center? Was it close to where you were living? Was it far away? Could you talk a little bit about that experience?

Ms. HART. Sure. So when I started Teak and Twine, I was in Destin, and they were an hour away in Panama City. So I did go

and visit a couple times, but most of the answers they provided were over the phone. When I moved to New Mexico, they were hours away, and they were still able to be helpful, just over the phone.

Mr. GOLDEN. All right. That is reassuring to hear. The closest one we have is in Rhode Island, which is a ways away from Maine, so I have always been a bit concerned by that, but it sounds like you feel like a lot of what they do can be done over the phone, and by email, and social media.

Ms. HART. I do think that the VBOC would be—their services would be improved by going to bases on a regular basis, and establishing a program where there is kind of a community element to it, and a mentorship element to it. You can reach out to the VBOC, but we all know that sometimes you just need people to come to you, and so I do think that it should be more localized. If they are not traveling, then there needs to be someone closer.

Mr. GOLDEN. And whenever possible, the presence near bases is what you are saying.

Ms. HART. Right, or even a non-VBOC person on that base who is kind of a rep, like a business owner who is further down the line, just happens to be stationed there. They could foster a community there, not necessarily being part of the VBOC.

Mr. GOLDEN. Yeah. That is helpful.

Mr. Davidson, this is kind of off topic, but I wanted to ask you. You went through a MEB. Did you get some kind of separation payment as part of your medical separation?

Mr. DAVIDSON. Thank you for the question. I was medically retired, so I did. So, I mean, I eventually—in a perfect world, DFAS works at the speed of business, but it didn't.

Mr. GOLDEN. It didn't.

Mr. DAVIDSON. And I eventually did start to get my pay.

Mr. GOLDEN. I am actually curious if you came across any issues later down the road with VA and the disability rating and a lump sum payment there being offset in some kind of clawback?

Mr. DAVIDSON. So there wasn't—so the interesting thing, I was rated, you know, by the Physical Disability Evaluation Board first so I have a rating from them, you know. The MEB does its process, and you go to the disability evaluation board. I have the rating from them, and they retired me, so I didn't go to the VA until a very long time after, because I was already retired, and I didn't look at it. And when I did that, yes, there was a part of an offset, but as you know, because if it is related to a combat injury, if you are retired, you are exempt even from the military retirement, not the VA. We know the VA is tax-free, but my regular Army military retirement, I do not pay taxes on that. So that has kind of helped, I think, with the alleviation of things, and they kind of got that, but no. There was hiccups up and down that lane, and I did have to work with DFAS for a very long time to correct a lot of those issues.

Mr. GOLDEN. Yeah. I have just come across some veterans that have found themselves in some pretty tough places and didn't understand what was going to happen to them, and so they weren't prepared for it when it came.

Mr. DAVIDSON. I wasn't, but I will say that I did find people, especially with the Wounded Warrior transition type group that did help tremendously, and they did work very hard in order to help me, but again, it did take a long time.

Mr. GOLDEN. All right. Thank you very much. I yield.

Mr. DAVIDSON. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back, and we recognize the gentleman from Mississippi, Mr. Kelly, for 5 minutes.

Mr. KELLY. Thank you, Chairlady, and thank you, Ranking Member, for holding this very important. I want to thank each of you witnesses, first of all, for your service in uniform to this great Nation; and second, I want to thank you for coming here and taking time to give your testimony; and I also want to thank you for supporting my bill, the VA-SBA Act.

As we have heard today, the VA proactively verifies service-disabled veteran owned small businesses, while the SBA allows business owners to self-certify. This process creates inconsistent outcomes, such as businesses qualifying as a service-disabled veteran business for VA contracts, but not other Federal agency contracts or vice versa.

While the SBA certified business awards are subject to scrutiny, the lack of front-end verification also leaves the door open for fraud and abuse. We have already made significant strides in the right direction. The National Defense Authorization Act for fiscal year 2017 has struck at SBA and VA to unify the definitions for service-disabled veteran owned small businesses, and begin moving regulatory responsibilities from the VA to the SBA.

President Trump's reform plan for the Federal Government released last year cited the need for a one-stop shop for small business Federal procurement programs. The SBA has already made headway through the launch of their website [certified.SBA.gov](https://certified.sba.gov), and we are committed to working with them to see it through. The VA-SBA Act marks the next significant step towards unification of the two programs under one umbrella. At the SBA, and as Ranking Member Chabot mentioned earlier, will reduce red tape and confusion for veteran small business owners.

I also serve as the Ranking Member on the Military Personnel Subcommittee of the Armed Services Committee. We work very hard on many of these issues on that Subcommittee, and passed down a nonpartisan through the mark. I am on that Subcommittee with Chairwoman Speier. We focused on soldiers and sailors and airmen and Marines transitioning to business when they leave the service, assistance to spouses who have to move quite frequently and to do things that help them to perform a career as opposed to just a job at a base moving to another job, things that would do that.

Some of those things are, like, certificates, so they cross State lines and that they are able. We also focused on day care and many of those things that are issues for our soldiers. We will continue to focus on that. This Committee, Small Business, is very bipartisan in nature, and I thank the Chairwoman and the Ranking Member for making that both last term and this term in Congress. We will continue to look for solutions for our veterans because it is very, very important.



I also am very focused on surviving family members, especially those Gold Star family members, and there are several issues that cross those lines when a veteran dies. I have a veteran small owned business, how we transition, and make sure that we don't take it away from those spouse and children because they are not a veteran. Because you guys all know, especially you, Ms. Hart, that the family members serve also. My wife has served all 33 years with me, and it is probably been harder on her than it has me, and so we have a responsibility to those spouses and those children, especially the Gold Star members who we lost in combat, but for all veterans who pass on.

So with that, Mr. Leghorn, just very briefly, are you familiar with H.R. 499, and do you have any thoughts on the bill, whether you think that treatment of surviving spouses of service-disabled veterans small business owners with the SBA in extending the program to take them when they pass on? Do you have any experience with that, Mr. Leghorn?

Mr. LEGHORN. Congressman Kelly, thank you for your question. You know, it is funny you mention that, because the American Legion actually has a resolution that supports allowing Gold Star spouses to take on the certification, the SDVOSB certification of their deceased spouse, so we would absolutely support something like that.

Mr. KELLY. You know, and that is just an area—I think sometimes we lose sight of the spouses, and their opportunities and professional careers are set on the sideline so that our soldiers and sailors and Marines can go forward and do their jobs. And so, I think we need to look at some SBA things that help those surviving spouses and also actual spouses to do that. And with that, Ms. Chairman, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back, and now we recognize the gentleman from Colorado, Mr. Crow, who is the Chairman of the Subcommittee on Innovation and Workforce Development.

Mr. CROW. Thank you, Chairwoman, and thank you to all of you for your testimony and your leadership. I really appreciate it. This is helpful hearing from all of you.

One of the most common things that I hear about from veterans in my community is this chicken-or-egg problem about having to have a track record before being able to access capital and secure loans. And, of course, they say, Well, how do I get the track record if I don't have the money to start my business?

So, I would love to hear from you on any additional things. I know there was some discussion earlier. Several of you mentioned this in your opening statements. I would love to have any additional thoughts or ideas on this. And Ms. Sayles, I would love to start with you.

Ms. SAYLES. Thank you so much, sir. As far as having past performance, which is what determiners in the Federal Government space, hence, the whole thing about subcontracting, the Federal Government advisors, PTAC advisers, VBOC, anyone that you are actually going through with your training, VIP, Veterans Institute for Procurement, by the way, they also would advise us to start with subcontract opportunities in order to get past performance. If

you don't have past performance, then you are not going to have opportunities within the Federal Government. And here is why some of the rules and regulations need to be stricter when it comes to being a subcontractor within the Federal Government holding the prime responsible.

As far as capital, without a doubt, and as a woman as well, there is a lot of difficulty when obtaining capital. I was fortunate to be attached to WIPP, Women Impacting Public Policy, and they advised me of someone that has actually done a lot of advocacy work to help us as women as well as veterans and as minorities being able to obtain capital. I was just fortunate to have that connection, but many people are struggling with that.

Ms. HART. I thought this was one of the places where Boots to Business really excelled. They went through many different resources available between loans and getting investors. I mean, as high level as, like, venture capital firms they even talk about. I ended up renting out a guest room in my house on Airbnb, and starting that way and then bootstrapping the rest of the way, so kind of being creative. But I think that there is definitely kind of a romancing of, like, starting on credit cards, and then, you know, your business is just going to do really well and come in and save the day. You hear that story over and over from really big companies now, that that is how they started. They maxed out a couple credit cards, and so that is what they hear. And so having someone tell you that that definitely isn't the way to go is also helpful.

Mr. DAVIDSON. I think it sets the stage, unfortunately, for what we talked about earlier, predatory lending practices, and a lot of people we have seen, especially in the space in working with veteran entrepreneurs, I have seen people, specifically organizations focus on veterans and claim veteran friendly because they know they are actually somewhat of a vulnerable population because they are in a very stressed situation when you are transitioning.

And when someone entices you with Hey, I am going to give you \$25,000. It is going to be a high-risk loan. I am going to put you at 22 points, potentially, at APR. You are going to take it. But that is where I think it is important that the education process is there for these veterans and these servicemembers, so they understand that. So I think it is a significant problem. I hear horror stories, and I am considerably worried about that because the practice continues. And just like Ms. Hart had said, you hear these stories about credit cards and things of that nature. I see on the other side where there are a lot of these predatory lenders out there that are under the guise of being veteran-friendly, and they are targeting that population. And we have seen it time and time again with incredible rates that put them at significant disadvantages with regards to being able to advance their business as they start to even grow it.

Mr. CROW. Thank you.

Mr. DAVIDSON. Thank you for the question.

Mr. LEGHORN. Congressman Crow, I think what you said in the beginning was absolutely true. You have got to have money to make money, but you also need money to just even borrow money, because what we have seen with either private equity banks or anything else, if you are looking for money to scale, you need collat-

eral, and that is something that transitioning servicemembers do not have, because the military lifestyle, the nomadic nature and the unpredictability, it is not conducive to amassing collateral for when you need money later.

So one of the things I was thinking that we can do is to administer Boots to Business earlier in a servicemember's career, to get them thinking about entrepreneurship, letting them know early on that if this is a path that you want to go down, that you need to start amassing collateral early in your career.

Mr. CROW. That is helpful. Thank you.

Chairwoman, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back. And now we recognize Dr. Joyce from Pennsylvania. He is the Ranking Member of the Subcommittee on Rural Development, Agriculture, Entrepreneurship, and Trade.

Mr. JOYCE. Thank you, Madam Chairwoman, and thank you, Ranking Member Chabot, for sponsoring this today. This is important for us. What you bring to the table, the information you bring to us, we all attentively listen to. I am the spouse. My wife is former United States Navy. She is a small business owner. She also is a member of the American Legion. I look out, thank you, and have walked this walk with you. This is so important, what information you bring to us here today.

My first question is for you, Mr. Leghorn. You mentioned in your testimony that sometimes the Boots to Business training leads to transitioning of servicemember to understand, or realize, that it is not the right time or course for them to start their business. Do you feel that offering alternative vocational and trade training programs for our veterans that make that determination could be similarly beneficial for transitioning our servicemen and servicewomen?

Mr. LEGHORN. Dr. Joyce, thanks for your question. I absolutely do think that is crucial, and one of the things that happened with the TAP revamp that happened with the VOW Act in 2011 is that they created the transition GPS, which has three Capstone courses. One of them is entrepreneurship, known as Boots to Business, but there is a vocational training portion, and there is also an educational training portion for folks that are college bound. So you know, the American Legion believes that all three of those Capstone courses should be made mandatory during a servicemember's transition.

Mr. JOYCE. Mr. Davidson, do you feel that vocational training also has an importance as we transition, what Mr. Leghorn just alluded to?

Mr. DAVIDSON. Thank you, Doctor. I do, because entrepreneurship, of course, it may not be for everybody, but that vocational training, I think as we have seen a decline in the United States over the years, and I think it is missing. It is a very important component to how we grow the economy. I think if you do offer those alternatives, because not everybody is going to want to own a business, and not everybody is going to want to go and be, you know, a program manager or be stuck to something that they are not there for. And let's say they had some type of vocational skill inside the military, I do think it is an important skill that they

have the ability to explore that type of career and type of additional training. I would say not voc rehab, but vocational training.

Mr. JOYCE. Mr. Leghorn, currently we see workforce development as an important need as our economy is booming, and we realize that many people who go into heating and air conditioning, welding, plumbing can go on and develop their own businesses. In your experience, have you seen this occur?

Mr. LEGHORN. Yes. Absolutely. The American Legion works with a lot of feeder programs that gets people scholarships to go into the skilled trades, and we hear phenomenal stories about people earning a lot of money in the trades because you are dealing with jobs that can't be outsourced, you know. You can't send jobs of, you know, people coming into your home and fixing your dishwasher or air conditioner to another country. It has to be done in America, and it has to be done by someone you trust, and there is nobody more suited for that job than veterans.

Mr. JOYCE. I think you raise a very important point that has not fallen on deaf ears here at this Committee. Your service to the United States has been incredible, but your insights, what you bring us to the table today, your own personal experiences, your development of business as being the entrepreneurs, as understanding that what we need is to be able to transition from military to the workforce, that has been incredible. I thank you all. I thank you for your service.

Madam Chair, I yield my time.

Chairwoman VELAZQUEZ. The gentleman yields back, and the gentlelady from Kansas, Ms. Davids, is recognized for 5 minutes.

Ms. DAVIDS. Thank you, Madam Chairwoman.

Well, first, I want to thank the witnesses for being here today and coming to testify before the Committee and for your years of military service. My mom served in the Army for 20 years, so you know, I appreciate the commentary from multiple people about the impact on family members. I mean, I certainly was proud to be raised by a strong, single mom who was a Drill Sergeant. I have got the pushups to prove it.

But you know, growing up with a parent in the military, I know how hard it can be frequently moving. It can be hard on building those personal networks that sometimes people, when they go into entrepreneurship, depend on, and also that has second- and third-order effects, especially on accessing capital and, you know, networks and accessing capital are some of the major barriers that veterans face. And even veterans who are successful at starting their own businesses can continue to struggle.

A constituent of mine, Mr. Walter Justice, is an Air Force Special Forces veteran who was in Vietnam, and owns Tendou Martial Arts Academy in Kansas City, Kansas. I am also a martial artist, so a special place in my heart for all of that. Mr. Justice has been in business for 20 years, and one of his main concerns is addressing some of the changing atmosphere around marketing, around the technologies that are coming up.

And I know that hearing some of the comments that you all have made, Mr. Leghorn, I thought it was, you know, the idea that it takes years to get trained up and then the expectation that a week of transition time is enough.

Can you speak a little bit to maybe the ways that—and maybe it is already happening, so I would love to hear more about it, but the ways that Boots to Business or some of the other SBA programs are helpful in getting veterans up to speed or at least knowledgeable about some of the changing landscape that we are seeing because certainly I imagine that is impacting the businesses that you all are seeing and participating in. We will start with Mr. Leghorn.

Mr. LEGHORN. Thank you for your question, ma'am. One of the things that is good about TAP is that I think by law, it has to be updated every 2 years. I believe Boots to Business may not be on that same cycle, but I think with the current bill, it reauthorizes every 5 years, so that would give you folks time to make them relook at their curriculum to encompass all the advancement that has happened because I mean, I am pretty sure everyone here has seen marketing change rapidly within the last couple of years from email to digital and content marketing, and it is just that that learning curve is huge. I personally hear a lot of demand for learning that.

Ms. DAVIDS. So you are looking at a couple of the other programs. There might be some updates that we could do to, like a Boots to Business program.

Mr. LEGHORN. Uh-huh.

Ms. DAVIDS. Okay. Thank you. And then if anyone else has—please.

Mr. DAVIDSON. Yeah. I would just echo that sentiment. It is going to be probably solely focused on the social media and marketing aspect. We see that a lot of times, and I know Mr. Leghorn and I have worked on several different projects. That experience needs to be integrated and updated on a constant basis, because it can make or break significant businesses. And when done well, it is done well. Again, it is not an overnight thing, but we have seen significant successes in those types of strategies, which I think should be updated and taught and improved inside of those TAP programs. Thank you.

Ms. SAYLES. Yes. I also attended Veterans Institute of Procurement in Beltsville, Maryland, which is a program that is overseen by Barbara Ash in Montgomery County that is specifically focused on veterans interested in doing work within the Federal Government space, and we are brought in, free of charge, as far as our stay and our food. We have to just pay for our transportation to arrive. So I think that is a great, great program that should continue and be expanded.

Ms. HART. When I moved to a very rural location, I wanted to help other military spouses at that location, and social media has been a huge part of growing my business. And I thought it would be so cool if I could come into a Boots to Business class as, like, a one-hour guest speaker and talk about what has worked for me. I went in, and it basically didn't work, and so, I think that having something like that where you bring in local knowledge would be awesome.

Ms. DAVIDS. Thank you very much. I appreciate your service and your testimony here today. And with that, I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back, and now we recognize the gentleman from Tennessee, Mr. Burchett, for 5 minutes.

Mr. BURCHETT. Thank you, Chairlady, and I appreciate the leadership you and the Ranking Member have shown in promoting a very good bipartisan working environment for our Nation's small business, and I want to thank you for that, ma'am. And I want to thank our distinguished panelists today, both for your service to our country as members of our military. My dad fought in the Corps in the Second World War, and ma'am, his colonel was a man named Chesty Puller on an island called Peliliu. I am sure you have heard of that. He was the First Marine Division and then went on to Okinawa and then went to China for a short while to fight the communists.

My mama actually did not serve technically, but she flew an airplane during the war. She had lost a brother fighting the Nazis, so my family has a very good history, rich history in our military service, and they are both buried at Veterans Cemetery, and I am honored to be their little boy.

But I want to thank you all for what you what you did, and I want to apologize to you for some of treatment you have received. You took an oath to uphold our Constitution, and we made some promises to you all, and frankly, we haven't kept them. And dadgumit, it kind of ticks me off, and that is not in my notes, but that is just from the heart, so I will get back to my notes before I create an international incident and get visited by some four star general somewhere.

But Mr. Leghorn, you state in your testimony that the SBA's current disaster loan program has strict eligibility requirements for those in our military. How will expanding the definition from Active Duty to active service better assist those small business owners that have an essential employee called up to serve their country?

Mr. LEGHORN. Congressman, thank you for your question. So currently, Guard and Reservists are only eligible for what we call MREIDL, the loan program, when they deploy under Title X. And the change from Active Duty to active service in statutory text will allow, let's say, a National Guardsman that is called up by the governor under Title 32 for disaster relief to receive that loan, take advantage of that loan. It will allow a business who maybe employed several National Guardsmen that deployed for that disaster relief to also receive that loan. So that is the main gist of what would happen when we change that statutory text.

Mr. BURCHETT. Okay. I am very optimistic that the Patriotic Employer Protection Act, which I was happy to work with my colleague, Mr. Kim, on will help protect our employees who are National Guard and Reservists when they are called upon to serve their country. I want to thank you all again for your service, and I will not ask any more boring questions for you all, so you all can get on some more important things. Chairlady, thank you again, ma'am, for your consideration and your bipartisanship.

Chairwoman VELÁZQUEZ. Thank you. The gentleman yields back, and we recognize Mr. Hern, Ranking Member of the Sub-

committee on Economic Growth, Tax and Capital Access from Oklahoma.

Mr. HERN. Thank you, Madam Chairwoman. It is great to be here. I thank our witnesses for being here as well. Thank you for your service to our country. Like many on this panel, I am the son of a 22-year Air Force veteran, 1955 to 1977, so my dad turned 84 on the 4th of July, so I can never forget his birthday.

I thank you for being here today and testifying to the challenges of transitioning from military careers to a new career in a civilian life. As a small business owner for over 34 years, I certainly know firsthand of how difficult it is to become a successful entrepreneur. I also know that veteran entrepreneurship is declining, and it can be extremely difficult for our veterans to transition from the military into a career entrepreneurship.

Because of this, myself and several of my colleagues support the programs, organizations, and people who help provide our veterans with the resources they need to start their careers and become successful. We actually have 115,000 veterans in northeast Oklahoma where I serve. In my district, this includes organizations and people like Pete Lewiler, who was my veteran of the month in March, and Rachel Runfola from Oklahoma Veterans Connection, a referral network which assists them in finding various benefits; Mark Lownsberry from Volunteers of America, an employment service organization which helps veterans to find gainful employment; and Jonathan and Jessica Shepherd and Stacey Hester from Eagle Ops, an active outreach to veterans which provides relational and resource connections to veterans, and there are many, many, many more. I could spend the rest of my time talking about the wonderful organizations that are veteran-led to help veterans.

My first question as the Ranking Member of the Subcommittee as the Chairwoman spoke about, it is my goal to help provide access to capital to the transitioning servicemembers who need that resource.

Ms. Hart, in your testimony, you discuss the Boots to Business program, and you said it does a good job outlining the loan process and how to raise capital. I know you just touched on it with Congresswoman Davids, but could you elaborate more and describe the challenges you experienced? You started to touch on it on accessing capital and how this program helps to overcome these challenges?

Ms. HART. Well, I bootstrapped, so I didn't use any of the programs that the business talked about, but I think one of the most important things that it does is tells you also bad ways to raise money, one of which would be running up credit card debt or predatory loans, as folks have talked about. So in that way, that was certainly helpful to, you know, steer me towards staying very lean and not relying on credit cards.

Mr. HERN. Sometimes we make the access too easy and create bad behaviors that are not conducive to being successful, and not only does that not—that happens in the veterans world in transition, it happens in the civilian world, and so it is great to have organizations that work to help prevent that. So it is great to have folks that are sitting on either side of you that have experienced things as we go across the veterans community.

Anybody else want to talk about the Boots to Business program, because we have talked about it a lot over the past 7 months in here as it relates to our veterans. Any positives or negatives?

Mr. DAVIDSON. I will just reiterate positives, sir. It is just—I think it gives tools and it educates the individuals to create a baseline for them to understand what they are getting into, and just like with access to capital, making good judgment. It will help them foster that good environment to hopefully make decisions that will avoid catastrophic mistakes with predatory lenders and things of that nature, but also give them what the reality of is that it is not an easy thing to start a business as yourself knows as a small business owner, and that it will help them at least to start to focus on structure because going from a structured environment to what would be the civilian world of unstructure and building it yourself, I think those types of things bring that—Boots to Business kind of shows a little bit of a life of reality with its curriculum, and it educates the servicemember enough to say is this for me, or is it not for me? Or at least it plants a seed for them to start to think am I going to be a veteran entrepreneur?

Mr. HERN. Ms. Sayles, that kind of leads me into my last question here. What advice would you give this Committee to help future veteran entrepreneurs themselves as we aim to tackle the issue of accessing capital to finance small businesses?

Ms. SAYLES. I think that there needs to be some information in the literature that is shared within the banking industry, specifically on finding better means to work with small businesses as a whole when they are new. A lot of them are not interested in working with you if you don't have \$10 million revenue, or \$5 million revenue, and so that puts us in a position where we have to go to alternatives.

There are definitely alternatives including some non-profits to get some lending, but most importantly, they need to enforce something that will open the doors a little bit more, force small businesses to be able to get capital, so they don't have to use credit cards.

And in my case, it was not so much credit cards, but it is called factoring in the Federal Government space, and some of them can be very much predatory as well. However, I had an advocate at the table with me that fought on my behalf which made a difference which I know is an exception.

Mr. HERN. I thank each of you. I am also in the banking world, so I know kind of the transition in government regulations that have occurred over the last decade, and it does make it very difficult for banks to meet some of the capital requirements they have in order to work with small businesses that don't have a lot of history. So duly noted that things we need to work on. Madam Chairwoman, I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back. Now we recognize the gentleman from Minnesota, Mr. Stauber, Ranking Member of the Subcommittee on Contracting and Infrastructure.

Mr. STAUBER. Thank you very much, Madam Chair. To the witnesses, thank you for your time and attention, and I want to thank each and every one of you for your service. That is not a cliché that comes, you know, lightly. You have given us the opportunity to live



in a free country. My wife is also a veteran, and she attempted to get a VA loan, and there were some difficulties in 2010.

So you are speaking to a member that has been involved in potentially going into small business and having that roadblock because as a female veteran, we want our veterans, and in particular, our female veterans to have that opportunity, the entrepreneurial spirit that you all have, and be successful in America.

I am just—I want to say that I am a co-sponsor of the VA-SBA Act. I know that you have the—it is going to work. I know that we need—there is some tweaks right now, but the testimony that I have heard is incredible. And it is so interesting for us to hear because many of us on this panel have experienced, or been told firsthand there is not a better example than to hear it firsthand, and your witnesses have told us some of the concerns you have had.

We are going to make this better. It is our job to make sure that our veterans are taken care of during their service, and make sure that upon or prior to separation, you have the ability to continue living the American dream if you want to be an entrepreneur.

Now, Ms. Sayles, you talked about your leaving and going into a position that you did. Was it the desirable one at that point? I want to tell you that to have the VA-SBA Act go through, it is going to give you all the opportunity and future veterans the opportunity to succeed.

I am proud to be a member of the Small Business Committee on Subcontracting and Procurement. It is an extremely important that as Member Hern said, that the financial part of it is available. You shouldn't have to climb over mountains to be given that opportunity to get lending your way. I am excited to be able to move this forward. And I don't really have any questions, per se, because many of them have been asked.

As a member, one of the last to speak, I mean, I think that it is important that we thank you for your service. Thank you for being witnesses today and know that the Small Business Committee is here to represent you. And I am looking forward to this Act going through, and thank you once again.

Thank you, Madam Chair, and I yield back.

Chairwoman VELAZQUEZ. Thank you. And the gentleman yields back. We are going to go into a second round of questions, and I will recognize the gentleman from Maine, Mr. Golden, for 5 minutes.

Mr. GOLDEN. Maine, Colorado. They are both cold. Not this time of year.

But you know, real quick, while I know that my Ranking Member, Congressman Stauber is here, I wanted to ask Ms. Sayles. You talked a little bit about—actually, my friend here from Colorado that was sitting next to me, Congressman Crow, called this—I am going to borrow the term, rent a vet problem. And you talked about it, and Representative Stauber and I are on the—you know, we Chair and are a Ranking Member of the Subcommittee on this. I would like to hear how prevalent is this issue of, you know, subcontractors who are vets being used to get the contract and then kind of hung out to dry?

Ms. SAYLES. Well, actually, sir, it is two different issues. A rent a vet is when we are referring to a veteran that has actually ac-

cepted a nice six-figure income to sit in the position as a President and CEO of a company, and yet, someone else is actually running the company.

But as far as subcontracting, it is a big issue because it is, you know, the means of getting into the Federal Government space. I have an example of offering up an opportunity through my relationships within the Federal Government. They trusted me. They knew that I could bring the work. They knew that I could perform.

However, I did not have the certification at that time which was 8A, in order for a sole source opportunity to land, so I utilized another company that had it. Unfortunately, that company, as far as being equitable in the share, was not completed. I was able to stay on the contract until the end, but upon a 6-month extension, for an example, they removed me from the contract. They took 40 percent of my revenue. I had to lay off three people, and I had to reduce salaries across the board in my corporate office.

Mr. GOLDEN. Do you have any ideas about how we can improve the oversight of that?

Ms. SAYLES. The idea I would have would be Office of Small Business Development Utilization Office, which is the overseer of any small businesses working within the Federal Government. Let them be involved. Instead of telling us if you are a subcontractor, we can't do anything about it, they should be able to intervene in some way and be able to support the contracting officer in getting some type of filing of a report that they are doing what they said they were going to do with supporting a subcontractor to come on to the contract, instead of removing them.

Mr. GOLDEN. Thank you. I would be interested in continuing to talk. Maybe we can connect, and I will have my staff ask to get you.

Ms. SAYLES. Yes, sir. Thank you.

Mr. GOLDEN. Thank you. I also just wanted to ask quickly for anyone out there. Do any of these offices or opportunities help veterans, including those looking to start a business with dealing with, you all know this problem, State licensing and certification, you know. When you get out, and you have got the skill sets, maybe even a skill set you learned in the military that you could use to launch a business, but we have got these 50 States with different licensing requirements, certification processes. Like, do any of these programs help veterans navigate that and figure out how to cut through some of that red tape?

Mr. LEGHORN. Thank you for your question, sir. I think the VBOCs, because they are regionally located, they provide that specific service in counseling veterans as they go back to where they came from, or where they lived prior to joining the service. When they connect with the VBOCs, the VBOCs are going to be able to tell them what licenses and certifications you need to start a business in the industry that you desire to be in.

Mr. GOLDEN. Thank you. I mean, this is a problem I think among spouses, too, who have to sometimes relocate, but it is just one that, you know, I have tried to work on at a State level, but tough to do at a national level. So it is just a huge problem that holds people back, so I don't know. If you all have any ideas, share them with us.

And lastly, I would just ask. The great programs that you are all talking about, I have never heard of them, you know. TAPS is wonderful, but when I was getting out, I was infantry, I just wanted to get out. And so, it is nice to hear that there is, like, a reboot program out there, but still, I never heard of it. And I am just one veteran, but I am sure I am not unique.

So real quick, we have got, like, 30 seconds. Does anyone have anything to say about what is the best way, in your experience, to get word about these programs out to veterans on the street?

Mr. DAVIDSON. Thank you, sir. It is going to be social media, right. You are going to have to—especially you talked about going to rural areas. I think that is one of the biggest complaints that I hear is that people feel like they are left out, especially when they relocate to Butte, Montana, or somewhere along those lines. They feel like they are outside of, let's say, a large city, and they don't have those resources. There is ways that we can connect, and I think that is where we are failing them is through those programs. They need to be able to socially connect them.

Mr. GOLDEN. We always hear about veterans being lost in a sea of goodwill. If we can't get the word out to them about the programs, they can't take advantage of them. So thanks for that feedback.

Chairwoman VELÁZQUEZ. The gentleman yields back, and now we recognize the gentleman from Ohio, Mr. Balderson, for 5 minutes.

Mr. BALDERSON. Thank you, Madam Chair, and thank you all for your service, and thank you all for being here today. My question is for Mr. Davidson. The SBA has the 8A program to provide business training, counseling, marketing, and technical assistance to small businesses that have been certified. The certification is intended for organizations that are owned and controlled by socially and economically disadvantaged citizens. Do you believe disabled veterans, small business owners, are socially or economically disadvantaged after having given so much for this Nation?

Mr. DAVIDSON. Sir, thank you for that question. I want to start by saying that it is an interesting question with regards to veterans being socially and economically disadvantaged, because the one thing I would say about veteran-owned businesses and disabled service veteran-owned businesses, it is the only status you have to earn, if you think about it.

So there is nothing else out there. Everything else is done either by birthright or affinity in a sense, but for veteran-owned businesses, let's say—take the service disabled part out of it, it is an earned benefit. So with that in mind, I would say unfortunately, in some cases, let's say a service disabled, there would be an economic or social disadvantage to them.

And I know individuals, even in the 8A program, that have actually gotten in on the 8A program from experiences that have occurred from their military service, especially with regards to if you are, you know, isolated in an area for a certain period of time would qualify you for those types of things.

And, of course, if you are looking at, and I will tell you from experience that you get a stigma attached to you with regards to if you are a service-disabled veteran or veteran. So I do think there

are disadvantages, unfortunately, with regard to being certified that way and how we are viewed in a certain manner.

So I do believe that there is a very—there is absolutely a parallel, and I also know, like I said, veterans that have become 8A certified with their experiences that they have had from being a service-disabled veteran.

Mr. BALDERSON. Let me follow up with you on that great response. What would be the benefits of allowing all service-disabled veterans and small businesses to receive equal 8A treatment?

Mr. DAVIDSON. I think it is—we see it now. I see how the 8A program grows, right? You have your build-up phase, phase one, years 1 through 4, and then you graduate to phase 5 through 9. I think it is the same thing. I think they would receive the same benefit. But I do caution, and I believe, you know, Ms. Sayles, same thing. She would be a part of the 8A membership program.

One of the failures that I see all the time in 8A programs is that there is a—you have a set-aside program, right, that works very well with the 8A, but it is only for 9 years. A lot of programs I see, you see that revenue drop because they no longer have that advantage once they graduate from the 8A program, and they are no longer sitting there and having that one lane.

So I think if we are going to apply it to the veterans, I think the same thing has to be improved with the 8A program, is that you need to properly prepare them for that graduation phase. And I know that the SBA does a good job of it now, but I think they also have to recognize that one day, essentially, it shuts off, right. I mean, you lose that advantage, and I think that is an important part of how we would probably want to develop that program a little bit, so they understand that after the 9 years, you may no longer have this benefit, and you should be absolutely ready to be able to market and compete in a certain market. It is going to be a free market, essentially, that you are not going to have this benefit anymore.

Mr. BALDERSON. Okay. Thank you very much.

Madam Chair, I yield back my remaining time.

Chairwoman VELAZQUEZ. The gentleman yields back, and Mr. Stauber is recognized.

Mr. STAUBER. Thank you, Madam Chair.

Just another question for those, obviously, you are separated. Could this government have done better by giving you some education, either at the end, or just before you separated from service? And I will ask this for everyone. Just give us a 20-, 30-second answer. Mr. Leghorn.

Mr. LEGHORN. Thank you for your question, sir. I think it is crucial that we not only give classes regarding transition assistance at the end of a servicemember's career in the military, but we should do it in the middle and towards the beginning as well. The more you allow somebody to plan for their separation, the better footing they are going to be.

Mr. STAUBER. Mr. Davidson.

Mr. DAVIDSON. Thank you, sir. In my personal experience, unfortunately, I was in a very unique place where I was abruptly, you know, retired because of a medical injury. I didn't have time to transition or plan at all, so I was within a 6-week period, and I be-

lieved that I was going to be a career military person. So, I believe just even from a little bit of education, there was a great benefit. And just again, having the ability to go back and see it now, and I was able to observe Boots to Business, thanks to some friends of mine, and even the Boots to Business reboot. Absolutely it is an invaluable tool that they need.

Mr. STAUBER. Ms. Hart.

Ms. HART. I knew 2 years before I was going to get out that I thought I would start a business when I did get out, and I actually started my business a year before I separated and was doing the two concurrently, and that runway was invaluable. It made it so that by the time I got out and lost my income, I had another income. If I had started my business the day after, it would have been a huge gap financially.

And so, I wish I had taken Boots to Business earlier. Taking it when I did solidified some of the things that I had done, but it definitely could have helped taking it before.

Mr. STAUBER. I would say you are probably the exception. You were preparing for your exit, and that is why you were successful.

Ms. Sayles.

Ms. SAYLES. Thank you, sir, for the question. My thoughts on it actually is that yes, it is definitely something that is required, something that was not offered at all during the time in the 10 years that I served in the military. Also, I was a Marine, you know. We were operating under different rules and regulations than every other branch of the military, as far as I am concerned. They are strictly focused on you being a Marine while you serve, so you are not trying to do a lot of outside activities.

However, her story is a great story because there was time to prepare having a year in and getting some training and some insight. It is hugely valuable for her, and it would be for anyone that is interested in entrepreneurship. And also, sir, I must add. When you think about someone who has put in 20-plus years, getting out of the military and then deciding to go off and get a 4-year college degree is not something you would think that they would be interested in doing. So entrepreneurship is a great option for them.

Mr. STAUBER. I expected those answers. Ms. Hart, yours was a little bit different, but I think you were forward-thinking enough to do that. My wife was 24 years, and it was the end, the end date. With that transition, it is hard.

So, I think, we, as elected members, need to ensure that that is put in place. We owe that to you, and as Mr. Davidson just said, you have earned that. We owe and honor your service.

Thank you, Madam Chair. I yield back.

Chairwoman VELAZQUEZ. Thank you. I have one further question for either Mr. Davidson or Ms. Sayles. In the Federal contracting space, so the government, the Federal Government is the largest purchaser of goods and services around the world. The most effective way we can empower veteran-owned businesses is facilitating for them to do business with the Federal Government. What is the number one challenge that you can share with us that you are facing when you are doing business with the Federal Government?

Mr. DAVIDSON. So thank you for the question, Madam Chairwoman. I think the biggest issue is education. Not just for me, I am just saying for in general. I think if we look at a hole in the contracting population, commercially speaking, Main Street businesses, you are looking at 95 percent of that is the type of businesses that veterans run. We are stuck in a Beltway where about 5 percent makes up the majority of what government contracting opportunities are. They are all sitting here in the hub. So when we leave this area of the Beltway, the rest the businesses for veterans are Main Street. They are not even thinking about that they have these opportunities. So it is a matter of us educating them and letting them know of the government procurement opportunities.

I will give you a perfect example. We have very large veteran-owned businesses that I know that are commodity brokers, right. Black Rifle Coffee Company is a perfect example of it. They want to work in the Federal space. They have no idea. They are doing an incredible job, but they don't know how to get into the space, and they even tried to come in. I am just saying as an example, I am not saying they are the end all, be all, but the success they have had on a Main Street type business selling coffee, right, how does that translate to contracting? Well, we know there is a lot of different ways with regards to how, you know, people buy coffee, especially for the military, but they don't know how to get in.

And I always use that example is that they have tried and they have tried to learn, but it is the education process. But I think that is where we are missing our gap. We are stuck in a bubble in a 5 percent that represents the most of the buying power for the Federal Government through veterans here, and maybe San Diego and a couple other spaces, but it is mostly generated here. We are forgetting about Main Street or the 95 percent.

Chairwoman VELAZQUEZ. Thank you very much.

Let me take this opportunity to thank all of you for taking time to be here today. I know you all have busy schedules, but what you have shared with this committee today is so important. Veteran-owned small businesses and entrepreneurs play a key role in strengthening our economy and creating jobs. With 200,000 servicemembers transitioning from the military to civilian life each year, the need for additional counseling resources, access to capital, and contracting opportunities will increase.

The testimony we heard today provides invaluable insight into the challenges and benefits of being a veteran entrepreneur in this country, and will help guide the committee as it moves forward with legislation to prepare veterans for entrepreneurship. I want to thank all of you for being here and for your tireless and undying service to our country.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered. And if there is no further business to come before the committee, we are adjourned. Thank you.

[Whereupon, at 1:18 p.m., the Committee was adjourned.]

## APPENDIX

STATEMENT OF  
DAVY LEGHORN, ASSISTANT DIRECTOR  
NATIONAL VETERANS EMPLOYMENT AND EDUCATION DIVISION  
THE AMERICAN LEGION  
BEFORE THE  
SMALL BUSINESS COMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
“CONTINUING TO SERVE: FROM MILITARY TO ENTREPRENEUR”

JULY 10, 2019

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, on behalf of our National Commander, Brett P. Reistad and our 2 million members, we thank you for inviting The American Legion to testify today. We are privileged to present our position on matters of 1) Boots to Business codification 2) the expansion of the Military Reservist Economic Injury Disaster Loan program, and 3) Small Business Administration’s assumption of the functions of the Department of Veterans Affairs Center for Verification and Evaluation.

The American Legion is directed by millions of active Legionnaires who dedicate their time and resources to the continued service of veterans and their families. As a resolution-based organization, our positions are guided by nearly 100 years of advocacy and resolutions that originate at the grassroots level of our organization. Every time The American Legion testifies, we offer a direct voice from the veteran community to congress.

**Draft Legislation – Veteran Entrepreneurship Training Act of 2019**

*To amend the Small Business Act to codify the Boots to Business Program,  
and for other purposes.*

The *Veterans Opportunity to Work and Hire Heroes Act of 2011* was landmark legislation that redesigned and made mandatory the Department of Defense Transition Assistance Program (TAP). TAP is intended to provide information, tools, and training to ensure servicemembers and their spouses are prepared for the next step in civilian life whether pursuing additional education, finding a job, or starting their own business. The TAP curriculum, known as Transition GPS (Goals, Plans, Success), now includes a 'core curriculum' and individually chosen modules on education, career technical training, and entrepreneurship, the so-called capstone courses. The entrepreneurship module is offered by the Small Business Administration (SBA) Boots to Business (B2B) program.

SBA developed the program by regulation. The *Veteran Entrepreneurship Training Act of 2019* would codify the program and require periodic reports on it. The American Legion Resolution No. 100: *Accountability of the Department of Defense's Transition Assistance Program* calls on

Congress to support and mandate capstone modules.<sup>1</sup> Since its implementation in 2012, The American Legion has monitored the B2B capstone course and believes it has been very successful. We believe it is imperative that B2B be made a permanent fixture of a servicemember's transition and that the right metrics are in place to capture the programmatic successes.

B2B is unlike any of SBAs other entrepreneurial development (ED) programs. B2B is administered to servicemembers leaving the service and transitioning back to civilian life. Many of them have no relevant work experience or connections in the industries they desire to be a part of. SBA's ED programs normally see more experienced business owners, who are better situated in circumstances conducive to entrepreneurship. As such, B2B cannot be solely graded on the number of businesses or jobs created. The metrics must also capture the programmatic successes of when B2B training leads a transitioning servicemember NOT to start a business if they realize it's not the right course for them after taking the course, rather than discovering that only after they have already invested time and resources in a business. Finally, we note that SBA will require additional resources to properly support the program given the above.

**The American Legion supports this draft legislation as currently written.**

#### **Draft Legislation – National Guard and Reserve Entrepreneurship Support Act**

*To support entrepreneurs serving in the National Guard and Reserve, and for other purposes.*

The Small Business Administration (SBA) disaster loan program provides direct loans to people and small businesses; including those that suffered substantial economic injury because essential employees, including the owner, were ordered to active duty during a military conflict as part of their National Guard or Reservist duties. This draft legislation would permit loan assistance when such a deployment is not part of a military conflict. The bill would also expand eligibility for an SBA program that allows loan recipients to defer the repayment of principal and interest on disaster loans to include certain small businesses and borrowers who are ordered to active service for more than 30 consecutive days.

Currently, these important programs are underutilized because their eligibility restrictions do not fully reflect current deployment practices. Both the Guard and Reserve have transitioned from a strategic reserve into an operational force to meet the exigencies of an all-volunteer force in an era of persistent conflict in which all soldiers, active-duty and reserve-component alike, are expected to regularly deploy. Earlier this year, Army leadership testified before the Senate Armed Services Committee that the op-tempo for some reserve components will need to increase as threats from near-peer adversaries grow.<sup>2</sup> The American Legion Resolution No. 17: *Position on the Operational Reserve* urges Congress to reform the laws and policies governing the reserve components to provide them programmable sustainability as an operational force.<sup>3</sup> The National Guard and Reserve Entrepreneurship Support Act is very much in line with this resolution.

<sup>1</sup> <https://archive.legion.org/handle/20.500.12203/9880>

<sup>2</sup> [https://www.army.mil/article/219351/selected\\_guard\\_units\\_to\\_increase\\_optempo\\_in\\_fy20](https://www.army.mil/article/219351/selected_guard_units_to_increase_optempo_in_fy20)

<sup>3</sup> <https://archive.legion.org/handle/20.500.12203/5500>



National Guard members and military reservists are an integral part of our armed forces and national defense and this nation should do everything we can to support their service.

**The American Legion supports this draft legislation as currently written.**

**H.R. 1615 – “Verification Alignment and Service-disabled Business Adjustment Act” or the “VA-SBA Act”**

*To transfer the responsibility of verifying small business concerns owned and controlled by veterans or service-disabled veterans to the Small Business Administration, and for other purposes.*

The National Defense Authorization Act for Fiscal Year 2017 included §1832 and §1833, mandating the federal government adopt streamlined definitions for a service-disabled veteran owned small business (SDVOSB) along with mandating the Small Business Administration (SBA) take regulatory responsibility for matters of certification.<sup>4</sup> Further, President Trump’s Administration also signaled the desire to streamline all certification processes by providing a “one-stop shop” within SBA.<sup>5</sup> The president’s proposal follows The House Small Business Committee’s work to reconcile the language in 38 CFR §74 and 13 CFR §125 to protect the integrity of the SDVOSB program. The regulations are now aligned, but the processes for veteran small business certification differ between the Department of Veterans Affairs (VA) and the rest of the agencies across the federal government. This is creating confusion for veteran business owners hoping to work with federal agencies.

Over the last few years, SBA and the VA outlined similar rules and regulations for businesses to qualify for certification as a SDVOSB. Despite maintaining similar regulations, discrepancies arise as VA requires businesses applying for certification to address existing issues relating to meeting SDVOSB status before issuing their certification. In contrast, SBA allows businesses to self-represent their business to the federal government as being owned by a service-disabled veteran by simply updating their socio-economic status section in their business profile in the System for Award Management (SAM). They are then required to provide evidence of their status to the contracting officer prior to contract award. This process then permits the business to qualify for contracts from agencies across the federal government with the exception of VA. Unfortunately, no process exists for SBA to verify a business’ claim to be a SDVOSB prior to contract award, but

<sup>4</sup> In 2017, SBA wrote in the Federal Register, “In response to the NDAA 2017 changes, SBA is proposing to amend the definitions in §125.11 by incorporating language from VA’s regulations and also from SBA’s 8(a) Business Development (BD) program regulations.” Currently, the SDVOSB program is a set-aside program and not a BD program. In comparison, 8(a) is a business development program where SBA assists small businesses by ensuring they maintain program eligibility. Comparatively, Vets First takes the form of a certification program, where CVE’s role is the gatekeeper, determining who is eligible. The two programs may serve similar purposes, but they have different goals. The alignment of the regulations now hold the veteran small business set-aside program to the same standards as the BD programs. As such, veteran small businesses will be subject to that same standard and rigor, but receive none of the benefits and assistance of the BD programs. The American Legion believes that if the standards are the same across the board, then SDVOSBs should receive the same type of assistance as the BD programs. The incorporation of BD elements into the SDVOSB programs is the logical next step and is consistent with regulation alignment with 8(a) language and moving verification to SBA.

<sup>5</sup> Delivering Government Solutions in the 21<sup>st</sup> Century: Reform Plan and Reorganization Recommendations

rather only addresses the protest if other small businesses, or contracting officials, raise concerns on the legitimacy of the business. This challenge may happen sometimes after a contract has been awarded. The American Legion, “endorses VA’s efforts to ensure that contracts...are awarded to companies that truly are entitled to receive these contracting benefits” and urges SBA to adopt similar protections rather than policing after a contract has been awarded. The stringent protocol and certification process implemented by VA permits other government agencies to safely award contracts to SDVOSBs with the assurance the businesses are legitimate.

With the streamlining of the regulatory definition and standards for SDVOSBs, The American Legion agrees that SBA should absorb the respective responsibilities of the VA’s CVE. The American Legion Resolution No. 155: *Support Verification Improvements for Veterans’ Business*, supports legislation that calls for VA and SBA to share responsibilities for the verification of service-disabled veteran-owned businesses and veteran-owned small businesses, and this responsibility should be divided accordingly to each agency’s expertise and record of past performance.<sup>6</sup> The two agencies should work together to provide each other pertinent information, such as VA providing veteran and disability status to SBA. The rollout of the Veterans Entrepreneur Management System (VEMS) by VA has been plagued by constant problems; including several delayed rollouts. In contrast, SBA successfully rolled out [certify.sba.gov](https://certify.sba.gov), performing the same functions as VEMS, but with a smooth integrated migration of information for those previously registered.

The American Legion understands the need and supports verification for VOSBs and SDVOSBs. We urge this committee to finish what they started in aligning the federal regulatory definitions for SDVOSBs and consolidate all certification processes within a singular agency, the SBA. The move of VA verification functions to SBA will end the current form of self-certification at SBA. This is beneficial in that risk-averse contracting officers will take the certification more seriously and will be less hesitant to utilize certified businesses, knowing that certifications are backed by SBA and VA.

Lastly, The American Legion believes SBA already possesses the capabilities to have businesses apply for certification through [certify.sba.gov](https://certify.sba.gov). The rollout of VA’s VEMS system was plagued with multiple issues, such as a failure of having information transferred from the previous CRMS system to the updated VEMS system. Search capabilities within the system failed and because documentation failed to transfer, many SDVOSBs risked losing their certification. Rather than developing a new system or attempting to overhaul a botched system at the cost of millions of dollars to the taxpayer, The American Legion suggests that Congress should look towards utilizing SBA’s existing system. As the federal government streamlines the certification process and considers transferring CVE’s responsibilities from VA to SBA, it should also adopt the existing system utilized by SBA.

**The American Legion supports H.R. 1615.**

### **Conclusion**

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<sup>6</sup> <https://archive.legion.org/handle/20.500.12203/5497>

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, The American Legion thanks you for your leadership on these matters and for allowing us the opportunity to explain the position of our two million members. Questions concerning this testimony can be directed to Mr. Jeffrey Steele, Senior Legislative Associate, in The American Legion's Legislative Division at (202) 861-2700, or [jsteele@legion.org](mailto:jsteele@legion.org)

**STATEMENT OF  
SCOTT DAVIDSON, Owner of GCO Consulting, Retired Army Captain  
BEFORE THE  
SMALL BUSINESS COMMITTEE  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON**

**JULY 10, 2019**

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, on behalf of GCO Consulting, a Service-Disabled Veteran Owned Small Business (SDVOSB), and my fellow military service members, I thank you for inviting me here to testify today. It is an honor and privilege to present my position on the matters of 1) Boots to Business reauthorization, and 2) Small Business Administration's (SBA) assumption of the functions of the Department of Veterans' Affairs (VA) Center for Verification and Evaluation (CVE) office.

I had the honor and privilege of serving the country in the United States Army as an Enlisted Soldier, Non-Commissioned Officer and Commissioned Officer in both peace and wartimes. I was not afforded the opportunity during my separation due to medical retirement from the military to participate in the Transition Assistance Program (TAP) and the Boots to Business (B2B) program.

Starting a business was not on my mind as my military career abruptly ended due to injuries sustained during combat-tours in Iraq. I had no time to plan my exit and prepare for transition back into the civilian world, because a Medical Evaluation Board was convened to decide my future. I was abruptly notified of the results of the proceedings while recovering at Eisenhower Medical Center. My career in the armed services officially ended. I was medically retired. In six weeks, I was back at my house. I never attended any military transition assistance programs in that short period of time before I was released from the hospital care.

Earlier in the war, the nation was not ready for the influx of wounded and injured servicemembers that would return stateside from combat zones requiring stabilization, treatment and transition. The garrison of wounded and injured Soldiers I was assigned to was newly established and nothing was standard as we were the first of many Warrior Transition Units. Ironically, while I was not required to attend any transition assistance, I was required to turn in all of my equipment to the Central Issue Facility (CIF), despite the fact that all uniforms and equipment was still overseas when I was MEDEVACED (Medically Evacuated) from Iraq to Landstuhl Regional Medical Center (LRMC), Germany in February 2007 and then to Fort Gordon at Eisenhower Medical Center a month later.

At the time, Walter Reed was not receiving new patients as a result of journalists exposing substandard conditions at the hospital, which resulted in all wounded and injured soldiers from

the theater to be sent to different hospitals across the country for recovery. Leaving the Eisenhower Medical Center, I didn't have a job. I was not provided with employment counseling, and I blindly started searching for employment when I realized the gravity of my situation. It is important for me to note that throughout these missteps, it never changed my steadfast affinity for the United States Army and the pride and privilege I feel because I was given an opportunity to serve.

As I fumbled with employment, I eventually corrected my path and started my company in late 2008. As military transition programs and services got better, I was eventually able to attend some classes that were available to veterans. While GCO Consulting Group is more than a decade old, the company continues to grow because of programs like B2B and the Entrepreneurship Bootcamp for Veterans (EBV) at Syracuse University. The road to entrepreneurship has shaped a unique transition experience for me, from military service to becoming a Veteran Entrepreneur. I am proud that I can share my experience and insight as they directly relate to matters discussed today regarding veteran business ownership.

#### **Veterans Entrepreneurship Training Act of 2019** **Re. Codifying Boots to Business**

As stated earlier, I did not have the opportunity to attend Transition Assistance Program (TAP) courses during my separation in 2007 as the VOW Act of 2011 was not yet in place and I, like many of my fellow injured and wounded servicemembers during this unique period, had to navigate the challenges of transition independently. The VOW Act of 2011 was an incredible piece of legislation that set the wheels in motion for improving the quality of the TAP courses. Further, by making attendance mandatory, it removed the stigma of seeking transition assistance. One of the courses implemented with these sweeping changes was the entrepreneurship transition assistance course, which would later become known as the SBA's Boots to Business program.

I was fortunate enough to be able to observe a B2B program in New York and participate in a Boots to Business Reboot (B2BR) thanks to veteran advocates like Amy Amoroso and Rob Piehota who were teaching B2B classes through the Veteran Business Outreach Centers (VBOC) and Small Business Development Centers (SBDC). I became interested in the program after hearing about it while I was guest-teaching part of the curriculum for the Entrepreneurship Bootcamp for Veterans program at Syracuse University. The veterans who attended the EBV program told me great things about B2B and how it led them into the world of Veteran Entrepreneurship. Despite the fact that it had been years since I've launched my business, I still wanted to attend to learn more about this new program. I realized when I attended the B2BR just how significant this program was to transitioning servicemembers and veterans.

The reason B2B is an effective part of military transition is because the curriculum focuses on the important factors related to starting a business. It educates servicemembers on the broad spectrum of entrepreneurial business concepts and introduces them to SBA resources that are available, including start-up capital, technical assistance, contracting opportunities, and more. Most importantly, it provides a starting baseline of expectations for individuals who have been in

a structured environment for an extended period of time. In short, B2B provides real insight and opportunity for servicemembers to understand what it takes to start a business in the civilian world and how to make it successful.

The 2-day B2B program is now an integral part of the service member's transition out of the service. I didn't have the luxury of planning an exit from the military. This program would have assisted me in several areas I stumbled through early in the process of starting my business. Transitioning from the military is always going to be stressful, but any insight the armed services can provide to a transitioning servicemember, will alleviate those stressors. Most importantly, transition programs like B2B provides an important picture of requirements and allows the service member the ability to make an informed decision regarding his or her future.

It is my understanding that in the 2019 National Defense Authorization Act, that one portion of the B2B course has been made mandatory for transitioning servicemembers. This is a great change as it will expose service members to resources and knowledge that may encourage them to take the step in the direction of entrepreneurship and foster and channel the Warrior Ethos that had them succeed in the military to boost success in the boardroom.

B2B is an incredibly effective tool for the men and women transitioning out of the military into the civilian world. As such, the focus should be on adding more resources to the transition programs to the benefit of servicemembers, so they can in turn contribute to the economy. The Army builds soldiers, B2B redeploys these patriots so they can successfully establish and grow Veteran Businesses.

#### **VA SBA Act (H.R. 1615)**

##### **Re. Moving VA CVE functions to SBA**

GCO has shepherded many clients over the years through the convoluted CVE process which is administrated through the Department of Veterans Affairs (VA). My team and I have seen all the iterations of the certification process since 2008; from the days of just filling out a VA Form 0877 to the current Vendor Information Pages (VIP) and VEMS system. From my direct experience in working CVE certifications over the past 11 years, I have seen a broken process actually become more difficult to navigate because of unnecessary hurdles and additional requirements, which were compounded by IT systems issues (specifically VEMS) and a customer service center that is not very knowledgeable, well trained or equipped to support the very requirements they are charged with assisting veteran business owners with.

One of the most recurring themes that I have heard from veteran business owners over the years is that the process was so cumbersome they often gave up on the process and choose to work solely with the federal agencies that accepted the self-certification process in the System for Award Management (SAM). The mere fact that veteran business owners would give up business opportunities to work with the VA instead of going through the CVE process is a tell-tale sign of problems. Regardless of these issues and many documented cases of systemic failures within the VA related to the CVE process, the issue at the heart of the matter is clear. Why do veteran business owners have to undergo two different certification paths (SAM vs CVE) to do business

with the agency (VA) that was established to support them when all other agencies do not require it?

The answer is that we need a single source agency to be the certifying body for Veteran businesses. The SBA is already responsible for certifying all socio-economic classes of business including business that self-certify through SAM, which include VOSB's or SDVOSB's. It doesn't make sense that in order to do business with a single agency (the VA) that you would have to go through a separate stand-alone certification process in order to be considered for those procurement opportunities. This causes significant confusion, delay and has a gross impact on small businesses trying to grow. It also likely denies great Veteran sources of service and supply to the VA and the very veterans it is supposed to be serving.

The 2017 NDAA included §1832 and §1833 which mandated the federal government to adopt a streamlined definition for SDVOSB's along with appointing the Small Business Administration as the sole agency responsible for determining certification. The authors of the 2017 NDAA had the foresight and understanding to recognize that in order to address and rectify these issues that were plaguing veteran business owners you would need to centralize all activities under the one body that is and should be responsible for size determination of business which is the SBA. This was further echoed by the House Small Business Committee's work to reconcile the language in 38 CFR §74 and 13 CFR §125 to protect the integrity of the SDVOSB program itself. Regardless of these changes, however, the issue remains—the VA still imposes its certification process.

I completely understand and agree with the need to ensure that any and all socioeconomic businesses need require a certification process and not just a check a box. Yet, the rollout of VA's VEMS system was an abject failure and was and still is plagued with multiple issues, such as a failure of having information transferred from the previous CRMS system to the updated VEMS system as well process failures and repeated request for documents that would simply disappear after uploading into VEMS.

The issues with the VA are systemic and problematic for Veteran business owners. I have had veteran business owners lose business because of the issues from VEMS. I have documented cases of the help desk instructing veteran business to take certain actions and then immediately reject their application when they took the very actions they were instructed to take. When challenging the VA on these rejections, we either would not be able to obtain a conclusive answer or in some cases we were told to just resubmit so our evaluation clock time resets. The consistent system bugs and glitches still plague vendors today and I have yet to encounter a single instance of what I would consider adequate customer service or support.

With that said, we should turn our attention to existing resources that can solve this issue. The SBA possesses a certification system that mirrors other programs the SBA is already administering successfully like the 8(a) Business Development (BD) program. The SBA has a certification portal that is available through [certify.sba.gov](https://certify.sba.gov). It would only make logical sense to adopt the SBA's existing system and adapt it to the certification process for veteran businesses instead of risking significant amounts of taxpayer dollars on trying to fix a broken system or attempting to build one from scratch. The simple and straightforward path to success here for

veteran business owners is to have the VA transfer all determination and certification responsibilities to the SBA and use the existing SBA certifying system.

#### **CONCLUSION**

Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the committee, I want to personally thank you for your time and attention and the opportunity to discuss these important issues, which are of great professional and personal interest to me. I hope my story and my views can assist this committee in charting a path for the improved success of the Boots to Business (B2B) program and the CVE certification process.



The Committee on Small Business  
 “Continuing to Serve: From Military to Entrepreneur”

Support for the Boots to Business Program from Torrance Hart

My name is Torrance Harrington Hart, and I am an Air Force Veteran, former Air Force spouse, and also the Founder of Teak & Twine, the small business I founded after I separated from Active Duty. I am here to talk about my involvement in the Boots to Business program, and to lend support for this valuable program, and its role in empowering military veterans and especially for military spouses to try entrepreneurship.

Starting a business after I left the Air Force was not my first choice. I had always thought that I would go to Business school after getting out of the military, with the goal of joining a startup after graduation. However, as my time in the military wound down, I realized that going to business school would mean years of separation from my husband, who was still Active Duty. Even if I did choose to go to school, how would I get a job, let alone build a career in some of the remote bases my husband would undoubtedly get stationed? After months of agonizing over the decision, I decided to skip business school, and go straight into entrepreneurship. I attended Boots to Business a few months after launching my company Teak & Twine, after hearing great things from my Air Force friends about the program. While I was already well on my way in my entrepreneurial journey, the course validated many of my early decisions, and would have been especially valuable if I had wanted to raise money; the course does a great job of laying out the options for loans and raising capital. Even better, it put me in touch with my local VBOC, which continued to be a resource for me over the coming months and years as questions and difficulty decisions came up.

In the four years since I’ve left Active Duty, I’ve moved my business two times across the country due to the military, and my customers have never even known. To be honest, I’ve grown Teak & Twine beyond my wildest expectations, and have done so in the most remote and isolated duty stations imaginable. My business allowed me, even as a military spouse, to build a career that I absolutely love, and I’m so grateful that I wasn’t able to pursue my “first choice!” Even better, everywhere I’ve been, I’ve hired from a group of the most brilliant, hungry, and talented people I’ve ever met: my fellow military spouses, without whom I wouldn’t be where I am today.

For many of the military spouses I’ve talked to, being a military spouse means giving up on their career ambitions. Frequent moves to remote locations make it hard to establish what many of us thought of as a “real” career. I see entrepreneurship as the secret weapon for military spouses: it’s a way to create something that can support your family, give you the flexibility you need during deployments, give you the freedom to do something that you love— it moves with you when needed and even allows you to give back to other military spouses. It’s an incredible career open to anyone, no matter where you are! The Boots to Business program is vital in giving military spouses the resources, information and foundation they need to unleash the amazing possibilities of entrepreneurship.

Thank you so much for opportunity to speak with you today.

Torrance H. Hart  
Owner, Teak & Twine  
Springfield, Virginia

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Testimony of

Laurie Sayles

President and CEO, Civility Management Solutions (CivilityMS)  
Greenbelt, MD

Before the  
U.S. House of Representatives Committee on Small Business

“Continuing to Serve: From Military to Entrepreneur”

July 10, 2019

Good afternoon Chairman Valesquez and Members of the Committee, my name is Laurie Sayles, I am a veteran who served ten years in the United States Marine Corps and now the owner and founder of Civility Management Solutions (CivilityMS), a professional consulting company working within both the government and commercial space. I am a member of Vet-Force and Women Impacting Public Policy (WIPP), both organizations have assisted me in my growth and the shared with me the need to be both an owner, and an advocate.

CivilityMS provides project, program, financial and grants management; training; conference logistics, acquisition and administrative support through contractual work for several federal agencies such as Department of Homeland Security, Department of Transportation, Department of Health and Human Services, U.S. Army, U.S. Air Force, NASA, GAO, and the Department of Veteran Affairs. Additionally, we have both prime and sub-contracts with State and Local Governments such as Maryland Department of Education, Maryland Department of Housing, Maryland Aviation and Administration and Baltimore County, which being a veteran owned business in Maryland was beneficial in obtaining the state work.

While my company is able to obtain such clients through the procurement and contracting process through the Small Business Administration (SBA) and the Department of Veteran Affairs (VA), as I am a VA verified Service-Disabled Veteran Owned Small Business (SDVOSB); SBA certified Economically Disadvantaged Woman Owned Small Business (EDWOSB); Woman Owned Small Business (WOSB); and certified 8(a) Small Business. I, like many, have my share of experiences with the SBA and the VA to acquire the proper certifications. Thus, my testimony today will address the requirements of these contract programs with the hope of

providing recommendations to the Committee that will assist in enabling the SBA to obtain its desirable outcomes for veteran business owners.

I always knew that I would become an entrepreneur. From my early beginnings in my parents' home in Chicago selling candy to the neighborhood kids, modelling professionally on the magnificent mile, and after serving trying medical billing, and landing in promoting a healthy lifestyle, to include an exercise boot camp program before establishing CivilityMS. Thanks to my active duty in the Marine Corps, I increased in leadership, integrity, teamwork and persistence, which is essential in starting a business. I earned the respect as an African American woman in a man's world. Now, I am an outspoken advocate for veterans, as I was elected as the first Woman Veteran Officer on the Veteran Entrepreneurship Task Force (VET-Force) Committee and was nominated to become a representative on the SBA Inter-Agency Veteran Task Force. With VET-Force, I listen to many fellow veteran small business owners and the frustrations that they face as they strive to ascertain VOSB and SDVOSB certifications and contracting opportunities.

For many veterans, returning to civilian life can be difficult. It's a process and takes time to adjust. Adding the desire to start a business only creates another level of adjustment and perseverance. Working with many government agencies can become frustrating and difficult especially understanding regulations and rules that are applicable to one's specific industry. For veterans, we also have an additional agency, the VA, that has added frustrations in many areas, to include verification and opportunities. While there are small business certifications for veterans who are seeking contracting opportunities with the government and those who are disabled-veterans seeking as well, many acquire their certification from the VA; however they can self-certify with the SBA. The issue is that the two agencies have different definitions and

standards of control. In some cases, we have seen the VA require a service-disabled veteran exercise with absolute control over the SDVOSB, meanwhile the SBA recognizes non-veteran owners as having a say over some matters in their business. Clearly, this creates a level of confusion to many veterans who could be an SDVOSB under the VA's regulations, but not the SBA's which is the case for my company.<sup>1</sup>

Recently the SBA has spearheaded efforts to address this and several other issues by publishing "rules" on September 28, 2018, which require service-disabled veterans work at their company during normal business hours.<sup>2</sup> The SBA however has not included a full-time of business hours requirement, which means a veteran can have other opportunities and the ability to control the company's management and daily business operations. But if veterans are not able to work at the company during its normal business hours, there is a rebuttable presumption that veterans are not actually in control.<sup>3</sup>

The SBA would also prefer veterans work closer to their headquarters or jobsites as the published rules mentioned that a veteran "is not located within a reasonable commute" to the company, there's a rebuttable presumption that he or she does not control the firm.<sup>4</sup>

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<sup>1</sup> SDVOSB Eligibility Update: SBA Issues New Rule  
Posted on September 28, 2018 by Matthew Schoonover <http://smallgovcon.com/service-disabled-veteran-owned-small-businesses/new-sba-rule/>

<sup>2</sup> id.

<sup>3</sup> id.

<sup>4</sup> id.

Under the new final SBA rules I mentioned prior, there are several examples of circumstances that may cause the SBA or VA to find a veteran who does not satisfy the unconditional control requirement.<sup>5</sup> One example of this would be if the SDVOSB has a business relationship “with non-service-disabled veteran individuals or entities which cause such dependence that the applicant or concern cannot exercise independent business judgment without great economic risk.”<sup>6</sup>

Mr. Schoonover also addresses some additional provisions in his article from the new published rules which SBA align to existing VA regulations. For some veterans, who may have hoped that using the SBA’s regulations would eliminate some of the more cumbersome VA requirements, the SBA’s adoption of these requirements may be disappointing. The new published rules are a first major step in clarifying the SBA’s SDVOSB ownership and control requirements. For years, we all know, the SBA’s SDVOSB regulations are ambiguous. Even the SBA’s Administrative Judges have resorted to using the 8(a) Program regulations to evaluate certain aspects of SDVOSB compliance.<sup>7</sup> Whether one agrees or disagrees with a specific requirement, it’s better to know that it exists, instead of being caught off guard during a protest, when a contract is at stake.<sup>8</sup>

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<sup>5</sup> Matthew Schoonover, *SDVOSB Eligibility Update: SBA Issues New Rule*, SmallGovCon, (Sept. 28, 2018), available at <http://smallgovcon.com/service-disabled-veteran-owned-small-businesses/new-sba-rule/>.

<sup>6</sup> *id.*

<sup>7</sup> *id.*

<sup>8</sup> *id.*

Since the SBA has both the specialty and the expertise in developing, certifying and maintaining verifications it was never clear to me of why the VA would house the verifications of Veteran Owned Businesses. While attending my third VET Force meeting, I inquired about 'why' would I focus on being verified by the VA if the VETS First program was not applicable at all federal government agencies. Especially since most of the attendees were complaining of the difficulty in obtaining the certification. I pressed forward for the verification as my Marine Corp mentor clearly stated to me to 'get it done.' The process was not overly burdensome for me because I went in with knowledge of knowing some of the challenges and being 100% owned, it also reduces the concerns of the VA in the area of 'control.' To keep it simple, the VA should do what they do for Veterans and that is care for our benefits, and the SBA should do what they do for all business owners, and that is provide us with certifications, training and resources to becoming business owners.

The SDVOSB VA verification became an added value because I am involved with VET-Force and know the law on the VETS First program, and the Supreme Court Ruling of justifying through *Kingdomware vs. United States* in 2016. In order to obtain prime contract awards for building past performance CivilityMS pursued Simplified Acquisitions, and we responded to a full and open sources sought for an Exhibit Booth Logistics contract with the Department of Veteran Affairs. We were perplexed when the Contracting Officer (CO) informed us that the Program Manager preferred to work with a woman mid-tier size firm, who had been doing the work for many years. Since I was educated on the VETS First program, I informed the CO that due to *Kingdomware vs. United States*, our SDVOSB had to be considered, and I even suggested that they do a sole-source as we were the only SDVOSB responding with the capabilities. However, it



was maintained as competitive. We have since won this annual competitive contract for four consecutive years since 2016 and it is now a SDVOSB set aside opportunity.

I would also like to note that the Department of Veteran Affairs, Office of Small Business Development Utilization realizes the shortage of Women Veterans participation in VA contracting awards, and with that a pilot program is being established to increase women veteran and service-disabled women veteran education to ensure more access. Please note that since the institution of the VETS First program the VA's WOSB goals have not been met, and women are underrepresented in VA's major buying areas. More disappointingly, due to all of the hardships that women veterans have faced, many of them have decided to not pursue work at the VA. My recommendation would be that the pilot program focuses on building relationships with women veteran business owners to reflect an interest in the services and/or products we provide.

As there are 9,878,397 women-owned businesses in the United States.<sup>9</sup> That's an increase of 2,086,282 businesses, or 26.8%, from 2007. Of nonfarm and privately-held businesses, 36.3% are women-owned, in 2007, 28.8% were women-owned. Women-owned businesses have generated more than \$1.4 trillion in receipts. Despite these great strides, women-owned businesses remain at a disadvantage in many ways, particularly within the federal procurement marketplace. There are currently 70,000+ WOSB registered to do business with the federal government. The SBA recognizes the impact that veterans have on the American

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<sup>9</sup> Women-owned businesses, as defined by the U.S. Census, are businesses in which women own 51 percent or more of the equity, interest, or stock of the business. Men-owned businesses are defined as men owning 51 percent or more of the equity, interest, or stock of the business. Equally men-/women-owned businesses those in which the equity, interest, or stock of the business is shared 50-50 among men and women owners. Publicly held, foreign-owned, and non-profit businesses are not included in this data.

economy, including women. According to the most recent data, there is about one veteran-owned firm for every ten veterans, and veteran-owned firms employ 5.8 million individuals. A recent SBA study also found that military service exhibits one of the largest marginal effects on self-employment, and veterans are 45% more likely to be self-employed than non-veterans.<sup>10</sup>

**Table 1. Veteran Population Statistics**

Veterans	Male Veterans	Female Veterans	Veteran-owned firms	Employees of Veteran-owned firms
21.2 million	19.4 million	1.8 million	2.4 million	5.8 million

Sources: Bureau of Labor Statistics, Employment status of the civilian population 18 years and over by veteran status, period of service, and sex, not seasonally adjusted, May 2012; U.S. Census Bureau's Survey of Business Owners (SBO), 2007.

While HR 190, was a great first step in its passage in the House, 8(a) companies obtain sole source contracts at \$4/6.5 million without market research or justification while tribal 8(a)s are eligible to be awarded contracts under \$20 million without justification and above \$20 million with justification. SDVOSBs, WOSBs, and HUBZones require a contracting officer to justify through market research that not two or more offers are at a reasonable price are expected. It is my recommendation that Congress put all socioeconomic and earned status (VOSB/SDVOSB) contracting programs on equal footing. One group should not have a variance over another. The work should be on the business owner to market their companies offerings and deliver their offerings timely and at the best cost.

Last, but certainly not least, subcontracting is of great importance to small businesses. Although government data is not easily accessible, we hear from many small businesses that

<sup>10</sup> <https://www.sba.gov/content/facts-veterans-and-entrepreneurship>

often subcontractors listed in a prime's subcontracting plan end up with no work or less work than they anticipated. While we recognize that there are many reasons why prime contractors need to deviate from their subcontracting plan, we believe that more transparency and accountability would help. By that I mean, that someone in an agency must be responsible for monitoring compliance and raise questions if the prime's utilization of subcontractors is falling significantly below its subcontracting plan.

Beyond myself, I am aware of way too many incidents where fellow business owners that are striving to enter the federal government are burned by prime contractors, that includes small business owners. The government, PTAC, and other sources will inform any new business to look for subcontracting opportunities as a entry way to support the federal government. Once that is done, many new small businesses are ending up with little to no work on the contract upon award. Since the federal government has no commitment to the subcontractor, the small business is left to either taking the prime to court, which is a big expense or simply walk away.

I had this happen to CivilityMS, as I offered up an 8(a) direct award to a company that stated they would mentor me and my company into federal government contracting. However, upon award of the \$4MM contract providing financial and grants management and administrative support the company did not offer a fair and equitable split of the work. Whereas, I am blessed to have gotten to keep some work on the contract for four years, but upon a six-month extension, my company was dropped from the contract. When this happened, I had to lay off three individuals and decrease the salaries for the remaining corporate personnel. Now, this is my story; however, I am aware of other newly developed small businesses that supported the

prime in getting the work, but yet received no revenue from being on the contract as a subcontractor.

Let me suggest that small business advocates in the federal agencies be empowered to take on this role. Since large prime contractors report this data bi-annually, small business contracting officers should be required to review where each prime contractor stands in regard to meeting their subcontracting goals on specified contracts. However, even the small business primes should be required to submit this data. If the prime falls significantly below its stated subcontracting goals, justification from the prime and steps to meet the goal should be required.

Creating a pathway forward for veterans, women and socially disadvantaged to have success means thriving in their businesses is important, however accountability and proper implementation is necessary to ensure the playing field is truly equal for everyone to have a fair shot. The VA continuously meets the goal of SDVOSB's basically due to the VETS First Program, but as we see the growth of more veteran small business owners the addition of all federal agencies meeting this goal can be prevalent when the SBA has oversight of the VA certification. I urge the Committee to ensure that we make the contracting programs a priority and strengthen the Small Business ability to grow their business.

This concludes my testimony and I am happy to answer any questions.

### **Speech on Veterans Entrepreneurship Act of 2019**

- Thank you all for speaking with us today. As many of you may know, Representative Schneider and I recently introduced the bipartisan Veteran Entrepreneurship Training Act of 2019.
- In the same way that we give our troops the tools they need for service, we must also prepare our veterans for civilian life.
- This bill will fully authorize the Boots to Business Program and ensures that our veterans and their spouses receive essential education in how to start their own businesses.
- It is encouraging to hear from many of you that the Boots to Business Program is widely supported in the Veteran Community, and I am looking forward to seeing this bill become law.



July 17, 2019

The Honorable Nydia M. Velazquez  
Chairwoman  
Committee on Small Business  
U.S. House of Representatives  
2302 Rayburn House Office Building  
Washington, DC 20515

The Honorable Steve Chabot  
Ranking Member  
Committee on Small Business  
U.S. House of Representatives  
2371 Rayburn House Office Building  
Washington, DC 20515

Dear Chairwoman Velazquez and Ranking Member Chabot:

On behalf of the International Franchise Association (IFA), the oldest and largest association representing franchising worldwide, I would like to thank you for convening the July 10, 2019, Committee on Small Business hearing titled "Continuing to Serve: From Military to Entrepreneur." Approximately fourteen percent of franchisees are veterans, making clear that veterans and franchising are a dynamic partnership – and industry experience highlights that veterans are ideally suited for successful franchise ownership.

Franchising encompasses opportunity, job creation and community engagement. The franchise business model creates economic opportunities for individuals of any age, background, or level of experience. Veterans, in particular, are especially qualified to own and operate a franchise due to a unique set of skills learned through military service – making them ideal candidates for successfully owning and operating a franchise business. With its rapid training opportunities, defined structure and systems, and need for operations excellence, franchising provides an ideal structure to enable returning veterans to become leaders and productive participants in the U.S. economy.

Since 1991, the franchise sector has been a leader in attracting veterans and making substantial financial commitments to them through the VetFran Program of the IFA. Comprising nearly 550 companies that both offer discounts to veterans on the purchase of a franchise and meet meaningful quality criteria, the program has created opportunities, facilitated access and educated veterans about franchising around the nation. Thanks in part to the partnerships fostered by VetFran, approximately 238,000 veterans and military spouses have found opportunities in the franchise industry and 6,500 veterans have become franchise business owners since 2011. As a result, "VetFran" has been lauded as one of the strongest veteran-support programs by prominent figures and organizations such as former President Obama, the Veterans of Foreign Wars of the US (VFW), and Military Officers Association of America (MOAA).

With recent data suggesting that veteran-owned businesses are more likely than non-veteran owned businesses to face financing challenges, veterans still need assistance in lessening financial barriers to starting a small business. Congress can encourage the continued growth of veteran entrepreneurs by advancing the bipartisan *Veteran Entrepreneurs Act (H.R. 446)*, which was introduced by Representatives Julia Brownley and Jackie Walorski on January 10, 2019. This bill would provide a tax credit to qualified veteran franchise owners, worth up to 25 percent of the initial franchise fee, to help alleviate the costs of purchasing a franchise. IFA also encourages Congress to support policy changes



that increase flexibility for the use of hard-earned GI benefits, such as for the purchase of franchised small businesses, if that veteran so chooses the path of entrepreneurship.

Thank you for the consideration of our views. We appreciate the Committee's examination of this important issue, and we look forward to working with the Committee and Congress on this important topic.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Haller", is written over a faint, circular, embossed seal. The seal is partially visible behind the signature.

Matt Haller  
Senior Vice President of Government Relations & Public Affairs  
International Franchise Association

cc: Members of the House Small Business Committee