Military to Main Street: Serving Veteran Entrepreneurship

US House of Representatives Small Business Committee

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Chairwoman Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, my name is Joe Shamess and I am the Founder and General Partner of Flintlock Capital. Flintlock is a veteran and woman led investment firm that focuses on propelling great entrepreneurs to lead the businesses of tomorrow, with specific set asides for veteran and woman led companies.

I served 11 years as an Air Force special operations pilot. I flew 168 combat missions in Afghanistan, the Middle East, and East Africa and was one of the first pilots to stand up operations in East Africa against Al Qaeda in the Arabian Peninsula. I am a graduate of the United States Air Force Academy and Auburn University, with a BS in Law and an MBA in finance.

I am a lifelong entrepreneur and investor, having started my first business when I was 15 years old. I’ve led companies through all phases of the business growth cycle, even a complete corporate turnaround and restructuring. As the Co-Founder and owner of Flags of Valor, I took the reins as CEO and led the veteran powered manufacturing company through the difficult trials of the COVID-19 pandemic. I am the Vice Chairman of the US Chamber of Commerce Small Business Council and a frequent speaker and writer on veteran entrepreneurship and business policy issues. In short, I am a veteran entrepreneur who has successfully transitioned from active duty military to main street and I cherish the opportunity to serve our nation economically after serving in our active military.

**Current Small Business Outlook**

Many American small businesses are fighting a multi-front battle against inflation, a constrained supply chain and evolving workforce. Despite all of this, I find the American entrepreneur’s resilience an inspiration. That resilience and “can do” attitude are fundamental characteristics of our nation’s heritage of free enterprise. These traits are even more prevalent in the American veteran community.

Many of the current economics problems are directly related to policy decisions that were too broad, too expensive, and made worse by the lingering affects of the global pandemic. Regardless, we see once again that the small business community is trying to adapt to survive and innovate to thrive. In game theory, every time you change the rules of the game, the participants are forced to alter the way they play the game. In this case, we are talking about America’s small businesses that account for more than 60% of net new jobs. They’re wading through a seemingly never-ending debate of rule changes and shifting incentives that threaten their fundamental abilities to create, build, and grow the enterprises that will power our economy forward.

There is a tendency in government to try and fix every problem. This often means creating more programs, more compliance, and more spending. In my 2020 testimony before the US Senate Committee on Small Business and Entrepreneurship I wrote “It is important to explain that government resources and help have provided us with a lifeline. However, there is a lot more to economic survival than grants, loans, and other governmental assistance.” This sentiment reminds me of the hippocratic oath’s supreme idea of “First do no harm.” Although most policies begin with the best intentions, future unintended consequences can often dramatically outweigh the initial benefits they were designed to create. The small business community is living through this phenomena in painful detail.

As we discuss the role veteran business owners play in our economy and explore ways to improve their transition, I challenge you to “first do no harm” and avoid policies that may erode the resilience of the entrepreneur by undermining the American spirit of free enterprise.
Veterans in business

The qualities that often brought veterans into military service, coupled with their experience in uniform, are powerful catalysts for success in entrepreneurship. Additionally, core values of military experience like integrity, service, and excellence are carried into our communities long after a veteran leaves the uniform. After World War 2, over fifty percent of returning service members went on to start businesses. Unfortunately, today only five percent of post 9/11 veterans go on to start businesses. While today’s economy is very different than that of the 1940s and veterans have more diverse opportunities for employment, their absence as business owners is felt. We need more veterans leading businesses in our communities.

This is important not just for economic reasons. It’s essential to our national security and way of life that American’s from all walks of life are exposed to the men and women who serve in uniform. This helps insure we can maintain the highly capable and motivated all-volunteer military we enjoy today. There is no better way to achieve this connectedness than through the relationships built on veteran small business ownership. We are all very aware of the impact small businesses play in our communities.

Veteran Business Acceleration Act

According to the latest data, access to capital continues to be the top barrier facing new and existing veteran-owned businesses.\(^1\) Despite the overwhelming success of veterans as entrepreneurs, nearly sixty percent of veteran led businesses are underinvested.\(^2\) In the last Congress, I worked with Representative Tulsi Gabbard on the bi-partisan Post 9/11 Veteran Business Acceleration Act - H.R. 4991.

I encourage this committee to work in a bipartisan way to re-introduce this legislation and enact this pilot program. The Post 9/11 GI Bill is an earned benefit for our military men and women. Allowing it to be used for small business ownership isn’t a new entitlement. Instead, it creates even more opportunity for economic upward mobility for our nation’s warfighters. In many cases, the economic benefits of business ownership outweigh those of higher education in terms of building generational wealth and job creation. The earned benefit of the Post 9/11 GI Bill would go a long way to business ownership for veterans moving from the military to main street. I’ve included H.R. 4991 and Representative Gabbard's “Dear Colleague” for your reference.

Government Accountability Office

As I transitioned from active duty, I remember sitting in the requisite TAPS (Transition Assistance Program) class with dozens of others. We sat through briefing after briefing describing ways to prepare for life after the military. I knew I was going to return to entrepreneurship and the program offered little insight into resources or programs that may benefit me on the entrepreneurial journey. It wasn’t until years later that I realized how many programs already exist and the disconnect between the Department of Defense from these efforts. From Small Business Development Centers (SBDCs), SBA, SCORE, VA, DARPA, and more, the transitioning veteran has very little awareness of these resources or how to access them.

We know that SBA's existing partnerships serve veterans. In 2021 nine percent of SCORE clients were veterans, totaling 14,000. That led SCORE to create a veteran entrepreneurs hub. Similarly, the SBDC network averages nine percent veteran owned businesses. Resources go far beyond SBA's partnerships when including 501C3s and corporate partners.

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There are an abundance of programs designed to help veterans succeed as entrepreneurs. I believe we should look for ways those resources can work together. A positive example of how programs can work together is Louisiana’s PAVE (Pathway to Assist Veteran Entrepreneurs) program, which is a partnership of the Louisiana Department of Veterans Affairs, Louisiana Economic Development, the Louisiana National Guard, and the Louisiana Small Business Development Network.

I recommend that this Committee task the Government Accountability Office (GAO) with mapping out a comprehensive list of programs designed to assist aspiring veteran entrepreneurs. Once done, we should look for ways the programs can cross pollinate and be integrated into TAPS programs. With this type of information, and a regularly updated list of programs that are working together more effectively, TAPS programs around the country can give our nation’s warfighters a head start in their preparations. This doesn’t require spending more money or building new programs. There are abundant resources that simply need to be better communicated and understood.
To amend title 38, United States Code, to establish a pilot program under which eligible individuals may elect to receive financial assistance in lieu of educational assistance under the Post-9/11 Educational Assistance Program to establish and operate a qualified business enterprise, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 8, 2019

Ms. GABBARD (for herself, Mr. SPANO, and Mr. LAWSON of Florida) introduced the following bill; which was referred to the Committee on Veterans' Affairs

A BILL

To amend title 38, United States Code, to establish a pilot program under which eligible individuals may elect to receive financial assistance in lieu of educational assistance under the Post-9/11 Educational Assistance Program to establish and operate a qualified business enterprise, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Post-9/11 Veteran Business Acceleration Act”.

SEC. 2. PILOT PROGRAM TO ALLOW ELIGIBLE INDIVIDUALS TO ELECT TO RECEIVE FINANCIAL ASSISTANCE IN LIEU OF POST-9/11 EDUCATIONAL ASSISTANCE TO ESTABLISH AND OPERATE A QUALIFIED BUSINESS ENTERPRISE.

(a) Establishment of Pilot Program.—Subchapter III of chapter 33 of title 38, United States Code, is amended by adding at the end the following new section:

"§ 3328. Pilot program to allow election to receive financial assistance to establish and operate a small business

"(a) Establishment.—(1) Not later than January 1, 2021, the Secretary, in collaboration with the Administrator of the Small Business Administration, shall establish a pilot program under which an eligible individual may elect to receive financial assistance, in lieu of educational assistance under this chapter, for a three-year period—

"(A) to establish and operate a new qualified business enterprise; or

"(B) to operate an existing qualified business enterprise.

"(2) For purposes of paragraph (1), an eligible individual is an individual who—

"(A) is entitled to 36 months of educational assistance under this chapter;"
“(B) is not in bankruptcy proceedings at the
time of application; and

“(C) has a credit score equal to or greater than
the minimum credit score required by the Adminis-
trator to receive a loan under section 7(a) of the
Small Business Act (15 U.S.C. 636(a)).

“(b) APPLICATION PROCESS.—The Secretary shall
establish an application process to select individuals to
participate in the pilot program.

“(c) ALLOWABLE EXPENSES.—An individual may
use financial assistance under the pilot program for the
following expenses in connection with the establishment or
operation of a qualified business enterprise:

“(1) Payment of a mortgage or lease with re-
spect to property used regularly and exclusively to
operate the qualified business enterprise.

“(2) Utilities, phone, and computer expenses.

“(3) Equipment, furniture, and machinery.

“(4) Vehicles and travel expenses.

“(5) Property maintenance costs.

“(6) Insurance.

“(7) Wages, salaries, payroll taxes, and bene-
fits.

“(8) Supplies and other office expenses.
“(9) Professional fees, including legal and accounting services.

“(10) Advertising and marketing costs.

“(11) Such other expenses as the Secretary determines appropriate.

“(d) AMOUNT AND PAYMENT OF FINANCIAL ASSISTANCE.—(1) The Secretary shall make available to an individual under the pilot program financial assistance in the following amounts:

“(A) In the first year of the pilot program, an amount equal to the sum of—

“(i) $20,000; and

“(ii) the monthly amount of the basic allowance for housing payable under section 403 of title 37 for a member with dependents in pay grade E–5 residing in the military housing area that encompasses all or the majority portion of the ZIP code area in which is located the primary residence of the individual, multiplied by 12.

“(B) In the second year of the pilot program, $20,000.

“(C) In the third year of the pilot program, $20,000.
“(2) The Secretary shall make payments under this section as follows:

“(A) In the first year of the pilot program, and as requested by an individual under the program—

“(i) for—

“(I) the first month, in a lump sum equal to 60 percent of the total amount under subsection (d)(1)(A); and

“(II) each subsequent month, in an amount equal to 40 percent of the total amount under such subsection divided by 11; or

“(ii) on a monthly basis.

“(B) In the second and third year of the pilot program, on a monthly basis.

“(e) EXPENDITURE REPORTING AND TRACKING SYSTEM.—The Secretary, in collaboration with the Administrator, shall establish and operate a secure electronic reporting system through which—

“(1) an individual participating in the pilot program may report—

“(A) expenditures of a qualified business enterprise established or operated under the pilot program; and
“(B) such other information as the Secretary may require; and

“(2) the Secretary may track expenditures and other information reported under paragraph (1).

“(f) REVIEW OF EXPENDITURES; IMPROPER USE OF FUNDS.—The Secretary shall—

“(1) at least once every two months, review the system established under subsection (e) to determine whether an individual participating in the pilot program is using financial assistance under the pilot program for allowable expenses described in subsection (e); and

“(2) require an individual who uses financial assistance for a nonallowable expense to remit to the Secretary an amount equal to the amount used for the nonallowable expense.

“(g) COMBINATION OF BENEFITS.—The Secretary may allow multiple individuals to use financial assistance under the pilot program to establish or operate a single qualified business enterprise.

“(h) TRAINING.—The Secretary, in collaboration with the Administrator, shall provide training to individuals participating in the pilot program with respect to the establishment and operation of a business, including how to avoid becoming a victim of predatory lending.
“(i) Withdrawal from Pilot Program.—(1) An individual, upon notice to the Secretary, may withdraw from participation in the pilot program at any time prior to the completion of the three-year period of the program.

“(2) In the event that an individual withdraws from the pilot program under paragraph (1), the Secretary shall—

“(A) determine the remaining educational assistance to which the individual is entitled under this chapter; and

“(B) allow the individual to use such remaining educational assistance in accordance with this chapter.

“(j) Duration.—The Secretary shall carry out the pilot program for a period of seven years.

“(k) Qualified Business Enterprise Defined.—In this section, the term ‘qualified business enterprise’ means a business enterprise engaged in lawful activities under—

“(1) Federal law; or

“(2) the law of the State in which the business enterprise is located.”.

(b) Conforming Amendment.—Section 3301 of such title is amended by adding at the end the following new paragraph:
“(5) The term ‘educational assistance under this chapter’ does not include financial assistance under section 3328.”.

(c) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 33 of such title is amended by inserting after the item relating to section 3327 the following new item:

“3328. Pilot program to allow election to receive financial assistance to establish and operate a small business.”.
Dear Colleague,

Please join me as a cosponsor on H.R.4991 - Post-9/11 Veteran Business Acceleration Act in the 116th Congress, which would establish a pilot program allowing veterans to use their post-9/11 GI benefits to start and run their own businesses. While 61% of veterans reported having some college education\(^1\), there are no good statistics on how many of them use their GI Bill benefits to complete a college degree. For those veterans who already have advanced degrees, or do not otherwise wish to use their educational benefits, the post-9/11 GI Bill provides no tangible benefits to improve their lives.

This bill would change that, by allowing veterans to use the benefits they’ve earned to open a new business in an industry they enjoy. To see the power of the Post 9/11 GI Bill in dollars and cents, let’s use an average public tuition/fees rate of $410 per credit with a course load of 12 credits per semester. For a veteran student at the 100% Post 9/11 GI Bill tier level, the VA would pay all of the tuition/fees of $4,920 per semester – $9,840 per two-semester academic year. Combined with the average monthly $1,300 housing stipend for nine months and a $1,000 yearly book stipend, the Post-9/11 GI Bill is paying $22,500 in educational benefits per year. Over the course of a four-year degree, it pays out almost $90,000. This money would go a long way to helping a veteran get a new business off the ground, providing stability at a perilous time for new businesses.

Considering the damage the ongoing pandemic has caused to our economy, it is essential that we look at new solutions to help restart the economy, and to replace the estimated 66,000 small businesses that have been closed since March of this year.\(^3\) This bill is more important than ever, and will help our veterans transition from service, and rebuild the economy at the same time.

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1. NSV Statistics on the student veteran population and their educational attainment level - [https://studentveterans.org/media-news/156-majority-of-student-veterans-graduate/#:~:text=%E2%80%9CAccording%20to%20the%20NSV%2C%20approximately.attending%20some%20college%20or%20higher](https://studentveterans.org/media-news/156-majority-of-student-veterans-graduate/#:~:text=%E2%80%9CAccording%20to%20the%20NSV%2C%20approximately.attending%20some%20college%20or%20higher)

2. *Qualified Veteran – Veterans with three years or more of eligible service out of the military with 36 months of Post 9/11 GI Bill entitlement as well as: no history of bankruptcy, clear and concise business plan, VA approved business structure (same as if applying for a VA business loan).*[2]  

Below are key items that our bill addresses:

- A qualified veteran can utilize their Post 9/11 GI Bill benefits towards a startup business.
- Creates a five-year pilot program to analyze the usage of veterans who use their Post 9/11 GI Bill benefits towards opening a business.
- The allotted amount will resemble the same as if the veteran was attending College (Not to exceed the tuition rate and amount).
- The “Qualified” veteran will have twelve months of BAH awarded to them in order to help establish the business.
- A group of Veterans can use their benefits collectively to open a single business.

If you have questions or would like to become an original cosponsor, contact colin.finn@mail.house.gov in Rep. Gabbard’s office.

Sincerely,

Tulsi Gabbard

Member of Congress

[1] $4,920 per semester – $9,840 per two-semester academic year, with the average monthly $1,300 housing stipend for nine months and a $1,000 yearly book stipend, the Post-9/11 GI Bill is paying $22,500 in educational benefits per year. Over the course of a four-year degree, it pays out almost $90,000.