



**STATEMENT OF
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THE AMERICAN LEGION**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES**

ON

**MILITARY TO ENTREPRENEURSHIP:
PRIVATE SECTOR INITIATIVES TO HELP VETERANS PURSUE BUSINESS
OPPORTUNITIES**

MAY 7, 2014

“Our Nations security and prosperity are inseparable.”
“As the challenges we face require a Joint Force that is flexible, agile and adaptive, it emphasizes people as much as platforms. It recognizes that the unique character of our Service members, working hand-in-hand with other government agencies and in support of public-private partnerships is a formidable advantage. We must continue to care for Service members and their families, and set conditions for their continued success – in and out of uniform”

--- The National Military Strategy of the United States of America, February 8, 2011, M.G. Mullen, Chairman, Joint Chiefs of Staff

Chairman Graves, Ranking Member Velazquez, and distinguished Members of the Committee;

According to a Kauffman Institute report, between 1996 and up to three years ago, U.S. veterans started companies at higher rates than their non-veteran peers, and accounted for 12.3 percent of all entrepreneurs in the United States. By 2011 that percentage was slashed by more than 50 percent and is now an alarming six percent. The American Legion asks the members of this committee, our Congress, and our government to make the hard choices necessary to support, defend and enable our nation of veterans and their families, who today according to the U.S. Census Bureau currently represent more than 10 percent of the U.S. population.

On behalf of Commander Dellinger and the two and a half million members of The American Legion, we thank you for the opportunity to discuss The American Legion’s views regarding private sector initiatives for veterans seeking entrepreneurship. We appreciate the efforts of this Committee to address the entrepreneurial needs of the men and women who are currently serving, and those who have served during past conflicts.

In 1953 the Small Business Act was signed into law which created the Small Business Administration (SBA) we know today. The act was created to encourage and promote small business growth, and free competition. In 1945 and 1946 millions of Americans took off their uniforms after WWII and came home to a job market that was shrinking, because the war no longer provided economic stimuli. True to their very nature, American patriots turned to entrepreneurship.

Still, large firms which grew powerful as a result of war production had a tremendous advantage over smaller and start-up companies, so Congress created the SBA to help level the playing field.

In 1999, Congress found:

- (1) Veterans of the United States Armed Forces have been and continue to be vital to the small business enterprises of the United States.
- (2) In serving the United States, veterans often faced great risks to preserve the American dream of freedom and prosperity.

- (3) The United States has done too little to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.
- (4) Medical advances and new medical technologies have made it possible for service-disabled veterans to play a much more active role in the formation and expansion of small business enterprises in the United States.
- (5) The United States must provide additional assistance and support to veterans to better equip them to form and expand small business enterprises, thereby enabling them to realize the American dream that they fought to protect.

This is an excerpt from Section 101, 15 USC 657b – better known within the veteran small business community as Public Law 106-50.

That preamble could just as easily have been written today, and we are here today to discuss programs that will begin to address the disparities veteran business owners face, that civilian businesses simply do not.

As a result of P.L. 106-50, the SBA opened the Office of Veterans Business Development, and over the course of almost 15 years, has only been able to grow to 14 Veteran Business Development outreach centers, while other SBA outreach offices have experienced double and triple that growth. These centers are the primary client generator for the veterans' business outreach office, yet they are but an obscure link in the middle of a webpage that has more than 50 such links that offer a variety of services, ranging from Native American Business support to a VA Facility Locator.

In 2007, SBA Administrator Steve Preston introduced a lending program called The Patriot Express, but over the years, the strength of that program has been so diluted that is really isn't any more advantageous than other lending programs in the SBA portfolio and has since been discontinued.

Our veterans deserve better.

While small business collectively represent 97 percent of all employers and are responsible for the majority of all corporate tax deposits, they are a community of individuals. Big businesses have an unequal ability to immediately influence opinion whether legislatively, through public advertising, or private investment in the political process.

To give you an idea of just how unbalanced this divide really is, when we talk about "small businesses" we think about micro enterprises, companies ranging from one employee up to about 100. The average citizen categorizes a small business as the local landscaper, barber, or hardware store. But what many American's AND small business owners don't realize is that the U.S. Small Business Administration (SBA) generally considers a business "small" if they have less than 500 employees, and for some industries the employee count can be as high as 1,500.

According to the Small Business League, a watchdog group that monitors federal spending, Boeing, Microsoft, Blackwater Security, Home Depot, Raytheon, Lockheed Martin, Hewlett-Packard, Rolls Royce, Exxon Mobile, AT&T, and over 100 other large businesses have won contracts specifically designated for small businesses.

Where does the voice of microenterprise or start-up venture fit in? More often than not, it doesn't.

Training, advocacy, access to capital, and someone to protect their interests are the tools these businesses need to survive, prosper and succeed. Accordingly, the SBA was created and empowered by Congress to ensure government sector support. Unfortunately, our government tends to be more reactive than proactive, and programs that support Economic Development are often left to deteriorate, as is the case of the SBA. With an annual budget of about \$700 million, the SBA survives on about the same amount of money the Administration spent promoting Obamacare last year.

Veterans face a unique set of challenges when starting or growing small businesses and micro enterprises, such as:

1. Lack of accumulation of assets. Due to the multiple transfers and relocations that occur during a military enlistment, many veterans leave the military as renters, never really having had the opportunity to purchase a home. Since most new ventures are financed based on personal credit backed by assets (asset backed loans), veterans face a major disadvantage trying to start new businesses.
2. Military members commonly live in military communities. Their interaction with the civilian economy is reduced to consumer spending. They do not have the opportunity to network or accumulate industry specific skills, knowledge or experience that might be leveraged when starting a new business.
3. Guard and Reserve members are often subject to extended and multiple deployments, which can render a business of nearly any size bankrupt or damaged.
4. Military members are trained with a "can't fail, won't fail" attitude, and often have a false sense of security regarding the level of assistance available as they depart the active military support system. As a military member, there is almost always a safety net; whether it is our chain of command, our fellow comrades, or an existing program designed to foster well being or success of service member and family. While considering post-military options, veterans are told that there are entrepreneurial programs and business financial assistance to aid them once they leave the military. We mistakenly believe that these programs are of the same caliber and intensity as the military support programs we are used to. Thus, many newly separated veterans stand at

the edge of a cliff with a false sense of security, believing that the federal government has established programs to shepherd them with safe passage as they take that first civilian step. Unfortunately, many end up jumping off only to find out too late that there is no safety net to catch or support them.

Small business assistance requires the kind of expertise that can only be gained through experience. Formal business education teaches fundamentals, but experience teaches reality. Veterans need entrepreneurship counselors who understand their culture and experience, and Veteran Business Outreach Centers that are staffed by veteran entrepreneurs fulfill that requirement.

Transitioning service members who are interested in starting small businesses cannot afford to hire start-up consultant services that often charge several thousand dollars for an initial consultation, which is why they seek out services that are sponsored by the federal government. If it weren't for small business programs that relied on federal funds, there would be no reliable help available to these veterans.

Small business outreach programs offered through prime federal contractors only work with established businesses, and rely on proceeds from federal contracts in order to support their programs. Entrepreneurship assistance programs funded through philanthropic support never last more than a couple of years before they shutter. The only reliable entrepreneurship programs available for veterans are the training and assistance programs offered through the SBA Office of Veteran Business Development. Any discussion that seeks to reduce funding or inhibit the operations of this office would be met with immediate opposition from The American Legion¹.

Assistance to veterans who have honorably served our country is an earned benefit that dates back to the Servicemen's Readjustment Act of 1944. Historically, this support has always included strong bipartisan support regarding assistance creating and operating veterans-owned small businesses.

The American Legion is disappointed in the recommendations of the House Committee on Small Business that proposes federal budget cuts that would eliminate our Veteran Business Outreach Centers in their most recent publication of "Views and Estimates". These programs represent an investment in our economy which provides a return on investment far greater than any other program the government produces – through deposits directly into the US Treasury tax account. These tax receipts include revenue stimulation from employee income tax, sales tax, business tax, and import tax.

Veteran Business Outreach Centers fill a critical void that provides unique mentorship and veteran specific assistance to aspiring veteran business owners that cannot be duplicated through any other existing program within SBA or VA.

¹ Resolution No. 320: Support Efforts of the Small Business Administration's (SBA) Office of Veterans Business Development <http://archive.legion.org/bitstream/handle/123456789/2189/2012N320.pdf?sequence=1>

According to the most current federal data available, veterans of the U.S. military owned 2.4 million of the nonfarm businesses operating within the fifty states and District of Columbia. According to the Survey of Business Owners, Veteran-Owned Firms 2007 conducted by the U.S. Census Bureau, veteran-owned firms accounted for 9 percent of all nonfarm businesses in the United States, employed 5.8 million persons (4.9 percent of total U.S. employment) and generated \$1.2 trillion in receipts (4.1 percent of total U.S. receipts).² These veteran-owned firms employed 5.8 million individuals, had a total payroll of \$210.0 billion, and generated \$1.1 trillion in receipts.³

In closing, The American Legion looks forward to working with this Committee to build and expand the Veterans Business Outreach Center program. Programs such as Boots 2 Business need to be expanded and available to every transitioning veteran who is considering entrepreneurship. Ideally, Veteran Business Outreach Centers would deliver these programs, but unfortunately, after 15 years of program growth, the network is still too small and underfunded to sufficiently support that task.

For additional information regarding this testimony, please contact Mr. Louis Celli at The American Legion's Legislative Division, (202) 861-2700 or lcelli@legion.org.

² *Survey of Business Owners – Veteran-Owned Firms: 2007*. U.S. Census Bureau. <http://www.census.gov/econ/sbo/getsof.html?07veteran>

³ *Ibid*

DAVY LEGHORN

Davy Leghorn was appointed to the position of Assistant Director of the Economic Division of The American Legion in January 2012. Mr. Leghorn oversees the employment and small business portfolios and administers The American Legion's National Veteran Hiring Initiative.

Previously, he worked as a National Appeals Representative for The American Legion at the Board of Veterans' Appeals. He provided legal representation for veterans, their spouses and dependents in appellate hearings before the Veterans' Law Judges at the Board.

Mr. Leghorn served as a Mortar Infantryman in the Army with the 2/72 Armored Battalion, 4/7 Cavalry and 3/15 Infantry, then as a Civil Affairs Specialist with 450th Civil Affairs Battalion.

He currently serves as Second Vice-Commander for George Washington Post #1 in The American Legion Department of the District of Columbia.