



Advocacy: the voice of small business in government

Testimony of

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***U.S. House of Representatives
Committee on Veterans Affairs
Subcommittee on Economic Opportunity***

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Our Veterans?
Advocacy Findings on Veteran Business Owners

Created by Congress in 1976, the Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The Chief Counsel for Advocacy, who is appointed by the President and confirmed by the U.S. Senate, directs the office. The Chief Counsel advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. Issues are identified through economic research, policy analyses, and small business outreach. The Chief Counsel's efforts are supported by offices in Washington, D.C., and by Regional Advocates. For more information about the Office of Advocacy, visit <http://www.sba.gov/advo>, or call (202) 205-6533.

Chairwoman Herseth Sandlin and Members of the Subcommittee, good afternoon and thank you for the opportunity to appear before you today to update information provided to the Subcommittee last year and to provide new data in response to questions you have posed. My name is Joe Sobota, and I am an Assistant Chief Counsel in the Office of Advocacy at the U.S. Small Business Administration (SBA). Congress established the Office of Advocacy in 1976 as an independent entity within SBA to represent the views of small business before federal agencies, to provide counsel on small business issues to the President and the Congress, to perform economic research related to small business and entrepreneurship, and for other purposes specified in our statutory charter.¹

Because Advocacy was established to provide independent counsel to policymakers, its testimony is not circulated for comment through the Office of Management and Budget (OMB) or other federal offices, and the views expressed by Advocacy here do not necessarily reflect the position of the Administration or of SBA.

Background on Advocacy and veteran entrepreneurship research

Advocacy's mission is to be an independent voice for small business inside the government in the formulation of public policy and to encourage policies that support their startup, development, and growth. Its creation was premised on the belief that small business needs representation in the legislative, regulatory, and administrative processes that profoundly affect them, and that good policy requires good information.

Advocacy works with federal regulatory agencies and OMB to ensure agency compliance with the Regulatory Flexibility Act.² We help regulators develop smarter rules that will accomplish their objectives while minimizing unnecessary adverse impacts on small entities. Our activities in this area during FY 2009 saved small entities \$7 billion in foregone one-time regulatory costs and \$745 million in annually recurring costs.³

¹ Title II, Public Law 94-305; June 4, 1976; 15 U.S.C. §634a *et seq.*

² Public Law 96-354; September 19, 1980; 5 U.S.C. §601 *et seq.*

³ For full information, see Advocacy's annual report to the President and the Congress on implementation of the Regulatory Flexibility Act, which can be accessed at <http://www.sba.gov/advo/laws/flex/09regflx.pdf>.

Our economic research activities both support our regulatory advocacy and develop information on a wide variety of small business topics for use by government policymakers and other stakeholders. Advocacy’s own professional economists work with data from many sources, including some that originate at other federal agencies and cannot be accessed by private sector researchers because of important statutory privacy protections. In addition to a variety of periodic reports and reference materials that are produced by our own staff, Advocacy also sponsors contract research on issue-specific topics that vary from year to year depending on current issues and problems, the needs of stakeholders, and the availability of resources. On average, Advocacy releases about 25 research reports and data products annually.⁴

Advocacy’s activities on behalf of all small firms should benefit veteran-owned firms to the same extent they help small firms in general, but our economic research function forms a special connection between Advocacy and the veterans business community. Subsequent to the enactment of the Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50), Advocacy began a long-term effort to develop new information on veterans in business and related topics. This proved to be more difficult than expected, especially in the early years, largely because most data sources and records of routine business transactions and processes (e.g., bank loans) do not include information on veteran or disability status, information largely irrelevant to their purposes, if not to those with research or policy interests. For example, there is no easy way to tell how many veteran-owned firms, or even individual veterans, are in bankruptcy. The forms used in this process simply don’t ask for veteran status.

Gradually, Advocacy, in cooperation with our friends in other agencies,⁵ has been able to use specialized techniques, including surveys and the matching of administrative data from disparate sources, to develop information on veterans in business which is not available “off the shelf.” All of our published reports are posted on Advocacy’s veterans economic research website.⁶ These include both studies that are dedicated to veteran-specific issues and studies on

⁴ See Advocacy’s homepage at <http://www.sba.gov/advo/> for additional information on economic research.

⁵ Including the Census Bureau, the Bureau of Labor Statistics, the Internal Revenue Service, the Federal Reserve Board, the Departments of Defense and Veterans Affairs, and others.

⁶ <http://www.sba.gov/advo/research/veterans.html>

more general topics where we were able to develop and include veteran-specific information because veteran “markers” were available in the underlying data, something that we now try to do whenever possible.

Advocacy currently has in progress two additional economic research projects on veteran-related issues, one examining factors affecting entrepreneurship among veterans, and another looking at tax and regulatory problems facing veteran entrepreneurs. These will be posted on our website when complete. The study on tax and regulatory problems, being conducted by an Advocacy contractor and now in peer review, should address one of the questions posed in your invitation to this hearing; and we will be pleased to provide a briefing when the project is finished this summer.

Concerning the other questions you have posed, we have had discussions with your staff and are pleased to be able to offer some very interesting data on veteran and service-disabled veteran business owners, information that Advocacy has developed by commissioning special tabulations of U. S. Census Bureau data that have not been published by that agency. This information has not received wide circulation, and we are hopeful that it will help the Subcommittee in its work. I will return to this subject in a few minutes, but first we should put these data in context.

Small businesses in general

Last year, Advocacy presented the Subcommittee with some key statistics on small businesses in general before presenting data on veterans in business. I would like to update those numbers now because they help us understand how important the subset of firms owned by veterans and service-disabled veterans are. Advocacy also publishes other very popular documents loaded with more data on small firms. Our **Frequently Asked Questions, State Economic Profiles,** and **Quarterly Indicators** all can be downloaded from our website.⁷ These products are periodically updated and written for general users. Links to many other kinds of business data are also available at this site. Of special interest are these three measures:

⁷ <http://www.sba.gov/advo/research/>

- **Number.** Advocacy estimates that, in 2008, there were 29.6 million businesses in the United States.⁸ Small firms with fewer than 500 employees represent 99.9 percent of the all businesses (including both employers and nonemployers), as the most recent data (2006) showed only about 18,000 large businesses with 500 or more employees.⁹
- **Employer/Nonemployer.** The most recent available Census data (2006) show that 22.5 percent of all firms had employees, while the balance were nonemployers.¹⁰
- **Self-employment.** Advocacy estimates that there were about 15.1 million self-employed individuals in the workforce at the end of 2009, including 5.5 million incorporated and 9.6 million unincorporated individuals.¹¹

Source of data for veterans in business

The most important primary source of data that we now have on veterans in business remains the Census Bureau’s **2002 Survey of Business Owners and Self-Employed Persons (SBO)**, part of the Economic Census the agency conducts every five years.¹² In July 2007, Census released two new reports on veterans in business, based on data collected in the agency’s 2002 SBO. These reports, **Characteristics of Veteran-Owned Businesses (CVOB)** and **Characteristics of Veteran Business Owners (CVBO)**, are the most important data from Census on veterans in business since an earlier report based on 1992 data. The scope of the reports released in 2007 is also much broader than that of the 1992 report, representing the most detailed information on veterans in business ever released by Census.¹³

⁸ <http://web.sba.gov/faqs/faqindex.cfm?areaID=24>. This estimate uses the most common definition of “small business” which is based on all IRS tax returns reporting \$1,000 or more in business income during the tax year.

⁹ http://www.sba.gov/advo/research/us88_06.pdf.

¹⁰ Ibid.

¹¹ See <http://www.sba.gov/advo/research/sbqei0904.pdf>. Some reports on self-employment exclude incorporated individuals; however, Advocacy research usually includes both types together, including individuals who choose to conduct their business activities as Subchapter S corporations or other pass-through entities, very popular types of business organization.

¹² The SBO is a quinquennial survey first conducted in its present form in 2002. The SBO incorporates many of the purposes and survey questions of three predecessor surveys: the Survey of Minority-Owned Business Enterprises (SMOBE), the Survey of Women-Owned Business Enterprises (SWOBE), and the 1992 Characteristics of Business Owners (CBO) survey. The SMOBE/SWOBE surveys continued in 1997, while the CBO was discontinued as a separate survey after 1992, although elements of it are included in the 2002 and 2007 SBOs.

¹³ The 2002 SBO reports, together with accompanying summaries, press releases, and charts are all available at <http://www.census.gov/econ/sbo/index.html>.

We at Advocacy are most appreciative that the Census Bureau has recognized the importance of veteran business data and that the agency again included questions on veteran and service-connected disability status in its pending 2007 SBO.¹⁴ The current effort is polling 2.4 million businesses about their characteristics and the characteristics of their owners. Tabulation and analysis of their responses are now in progress, and Census currently plans to release a special report on veteran business data in May 2011.¹⁵ Some more limited preliminary data may also be available in a report to be released in July this year.

For the present, we are limited to the 2002 SBO veteran business data that we do have, even though it is becoming somewhat dated. Advocacy prepared a synopsis of findings from the Census data for publication as a chapter in the 2007 edition of our annual report to the President and the Congress.¹⁶ This report, which is posted on Advocacy's website,¹⁷ is an effort to interpret in a user-friendly way the massive amount of information provided in the 2002 SBO reports, which comprise nearly 200 pages of tabular data.

Although the published 2002 Census SBO data on veterans in business are substantial, there is still the potential to "mine" the underlying survey and associated administrative data to answer any number of questions that the published reports do not address. Advocacy did commission such a special tabulation of 2002 SBO data that included a variety of breakouts of information on veteran business owners, including service-disabled owners. Today, I will present some of our findings from this special tabulation, including those that help address the questions you have posed on location, industry, and export sales. Our findings will be largely limited to veteran business owners, not to veteran-owned firms. This is because, for the purposes of the SBO, service-connected disability is considered a characteristic of an owner and not of a firm. Accordingly, Census did not provide direct information on firms owned by service-disabled veterans (SDVOBs), but only on their owners. To compare SDVOBs and veteran-owned firms in general, we must look to data on owners for insight. Our special tabulation provides that data.

¹⁴ Information for the 2007 SBO is based on tax year 2007, and actual survey data collection was in 2008 and 2009.

¹⁵ See <http://www.census.gov/econ/sbo/releaschedule07.html> for a schedule of all planned 2007 SBO releases.

¹⁶ Office of Advocacy, *The Small Business Economy*, December 2007; Chapter 5, Characteristics of Veteran Business Owners and Veteran-owned Businesses, pp. 119-149, hereafter referred to as SBE.

¹⁷ See http://www.sba.gov/advo/research/sbe_07_ch5.pdf.

Appended to this testimony are four tables with the special tabulation data we are presenting today. All of the data in these tables are expressed in percentages. This is how most data in the Census Bureau's SBO reports are expressed, and a word of explanation is in order here. These percentages represent shares of all SBO survey respondents. To be counted as a respondent, a survey recipient had to both respond and answer certain key questions. Census did not make an estimate of the total universe of all veteran owners or veteran-owned firms, but did provide estimates based on respondents only. Advocacy has estimated that the number reported for total respondent **firms** in 2002 understated the total number of actual firms by a factor of 1.4, based on other widely used Census reports.¹⁸ We do not have an analogous upward adjustment factor for veteran firm **owners**, but we know that the reported number of respondent veteran business owners understates the universe of all veteran owners by some factor attributable to nonrespondents.

With this limitation in mind, we can report the 2002 SBO's estimates for all respondent firm owners. These are the base numbers to which the percentages in the attached tables can be applied. However, it should be remembered that these base numbers: 1) are from 2002 and now somewhat dated, and 2) understate the actual totals because of non-respondents. The table which follows presents more detail on Census respondent estimates, including these basic three:

- 20,527,000 total respondent business owners
- 2,973,000 total respondent veteran business owners
- 194,000 total respondent service-disabled veteran business owners

The 2002 SBO also estimated that 14.5 percent of all respondent business owners were veterans and that 12.2 percent of all respondent firms had one or more veterans as majority interest owners (i.e., were veteran-owned). Nearly 7 percent of veteran business owners were disabled as the result of injury incurred or aggravated during active military service.¹⁹ Just over 66 percent of veteran owners had a majority interest in their firms, while 26.8 percent were equal interest owners, and 7.1 percent were minority interest owners.

¹⁸ See SBE, p. 123, footnote 16, for a discussion of this problem.

¹⁹ See <http://www.census.gov/econ/sbo/02/cbosof.html>.

Table 5.3 Owners of Respondent Firms by Owner's Veteran Status and Business Interest, 2002 (percent except as noted)

	Owners of respondent firms	Owners of respondent firms with employees	Owners of respondent nonemployer firms
All owners (number)	20,526,725	5,574,044	14,954,681
Majority interest owners	64.1	48.6	69.9
Equal interest owners	27.4	29.1	26.7
Nonmajority interest owners	8.6	22.3	3.4
Veteran owners (number)	2,973,246	811,740	2,161,506
Majority interest owners	66.2	55.9	70.1
Equal interest owners	26.8	25.8	27.1
Nonmajority interest owners	7.1	18.3	2.8
Service-disabled veteran (number)	193,750	37,521	156,229
Majority interest owners	68.8	59.2	71.1
Equal interest owners	26.5	27.1	26.3
Nonmajority interest owners	4.7	13.7	2.6
Non service-disabled veteran (number)	2,600,043	724,445	1,875,598
Majority interest owners	65.8	55.5	69.8
Equal interest owners	26.9	25.8	27.3
Nonmajority interest owners	7.3	18.7	2.9
Nonveteran (number)	17,114,631	4,566,839	12,547,792
Majority interest owners	64.1	47.7	70.1
Equal interest owners	27.3	29.6	26.5
Nonmajority interest owners	8.6	22.7	3.4

See <http://www.census.gov/prod/ec02/sb0200cscbo.pdf>. Note: All estimates are based on owners of firms that responded to the 2002 Survey of Business Owners (SBO), both firms with paid employees and firms with no paid employees. A respondent firm is defined as a business that returned the survey form and provided the gender, Hispanic or Latino origin, or race characteristics for the owner(s). No detail is provided on respondents who did not report veteran or disability status. Percentage columns represent the percentage of owners of firms in the designated categories.

Source: U.S. Census Bureau, 2002 Survey of Business Owners (SBO), *Characteristics of Business Owners*; p. 25, Table 4.

Note that 2.1 percent of respondent owners did not answer the veteran status question, and 6.0 percent of respondent veteran owners did not answer the disability status question. Accordingly, the total of veteran and non-veteran owners does not equal the number of all owners, nor does the total of veterans with and without disabilities equal all veterans.

Veteran business owner characteristics

The special tabulations that are appended to this testimony provide a wealth of information about the distribution of respondent veteran business owners within eleven different reporting categories:

- Employment size of firm
- Receipt size of firm
- Legal form of organization
- Year business acquired
- Owner status
- Geographic concentration
- State
- Industry
- Customers with 10 percent or more of sales
- Source of start-up capital
- Source of expansion financing

Eight of these categories appeared in the Census reports that were published in 2007 (with some minor variations in breakpoints and formatting). Advocacy has previously provided the Subcommittee with information on these characteristics. However, Advocacy's special tabulation now gives us additional information not included in the earlier Census reports or our previous testimony. These data relate to geographic concentration, state location, and legal form of organization. Using both the new and older data, we can address three of the questions that the Subcommittee posed, those relating to location, industry sector, and export sales.

Location. Although we have no data on location by city, Advocacy did ask Census for data by state, and these are displayed in Table 7b appended to this testimony. The report generated from this tabulation shows the percentage of all respondent owners in the United States who are located in each state and in the District of Columbia. These are broken into two main categories for each state, employers and nonemployers. Within each of these two main

categories, a breakout is provided on the local distribution percentage for all owners, veteran owners, service-disabled veteran owners, and those owners under 35 and over 65 years of age. This type of depiction makes it possible to compare the relative concentrations of the different types of business owners in any given state.

For example, California's share of business owners is large because of the state's size, but there are differing concentrations among employer owners, with all owners representing 11.6 percent of the national total, veteran owners 10.4 percent of their national total, and service-disabled veteran owners 9.8 percent of their national total. In Texas, by contrast, veterans and service-disabled veterans have larger shares than all employer owners, with all owners representing 6.1 percent of their national total, veteran owners 6.6 percent of their total, and service-disabled veteran owners 7.8 percent of all service-disabled veteran owners.

Following are listings of the ten states with the most veteran or service-disabled respondent business owners, with separate listings for employers and nonemployers. There are differences between these two main categories that are masked in analyses that combine them. Analogous information is available for all states and the District of Columbia in the appended Table 7b. We have also listed in each line below the shares for veteran owners, service-disabled veteran owners (SDVs), and all owners, so that each group's relative share can be readily seen together. This helps us identify states where veteran or service-disabled veteran owners are either under- or over-represented relative to all owners at large. First, here are the top ten states for veteran owners of employer firms:

- California (veterans, 10.4 percent; SDVs, 9.8 percent; all, 11.6 percent);
- Texas (veterans, 6.6 percent; SDVs, 7.8 percent; all, 6.1 percent);
- Florida (veterans, 5.7 percent; SDVs, 7.8 percent; all, 6.1 percent);
- New York (veterans, 5.0 percent; SDVs, 5.1 percent; all, 6.3 percent);
- Pennsylvania (veterans, 4.3 percent; SDVs, 3.0 percent; all, 4.1 percent);
- Illinois (veterans, 4.2 percent; SDVs, 2.7 percent; all, 4.5 percent);
- Ohio (veterans, 4.1 percent; SDVs, 2.9 percent; all, 3.9 percent);
- North Carolina (veterans, 3.3 percent; SDVs, 3.5 percent; all, 2.9 percent);
- Georgia (veterans, 3.0 percent; SDVs, 3.0 percent; all, 2.7 percent);
- Michigan (veterans, 3.0 percent; SDVs, 2.8 percent; all, 3.4 percent).

The same ten states led the nation in terms of veteran owners of nonemployer firms:

- California (veterans, 10.5 percent; SDVs, 10.2 percent; all, 12.3 percent);
- Texas (veterans, 7.7 percent; SDVs, 8.0 percent; all, 7.2 percent);
- Florida (veterans, 6.5 percent; SDVs, 7.8 percent; all, 6.1 percent);
- New York (veterans, 4.5 percent; SDVs, 3.9 percent; all, 6.2 percent);
- Pennsylvania (veterans, 4.3 percent; SDVs, 3.3 percent; all, 4.0 percent);
- Ohio (veterans, 3.8 percent; SDVs, 2.8 percent; all, 3.8 percent);
- Illinois (veterans, 3.5 percent; SDVs, 2.4 percent; all, 4.0 percent);
- North Carolina (veterans, 3.2 percent; SDVs, 3.6 percent; all, 2.9 percent);
- Michigan (veterans, 3.1 percent; SDVs, 2.7 percent; all, 3.4 percent);
- Georgia (veterans, 3.0 percent; SDVs, 3.6 percent; all, 2.7 percent).

While the top ten states for veteran owners are the same for both employers and nonemployers, new states appear on top ten list of states for service-disabled owners of employer firms:

- California (SDVs, 9.8 percent; veterans, 10.4 percent; all, 11.6 percent);
- Texas (SDVs, 7.8 percent; veterans, 6.6 percent; all, 6.1 percent);
- Florida (SDVs, 7.8 percent; veterans, 5.7 percent; all, 6.1 percent);
- New York (SDVs, 5.1 percent; veterans, 5.0 percent; all, 6.3 percent);
- North Carolina (SDVs, 3.5 percent; veterans, 3.3 percent; all, 2.9 percent);
- Virginia (SDVs, 3.4 percent; veterans, 2.9 percent; all, 2.5 percent);
- Pennsylvania (SDVs, 3.0 percent; veterans, 4.3 percent; all, 4.1 percent);
- Georgia (SDVs, 3.0 percent; veterans, 3.0 percent; all, 2.7 percent);
- Washington (SDVs, 3.0 percent; veterans, 2.8 percent; all, 2.6 percent);
- Ohio (SDVs, 2.9 percent; veterans, 4.1 percent; 3.9 percent).

Finally, here are the top ten states for service-disabled owners of nonemployer firms:

- California (SDVs, 10.2 percent; veterans, 10.5 percent; all, 12.3 percent);
- Texas (SDVs, 8.0 percent; veterans, 7.7 percent; all, 7.2 percent);
- Florida (SDVs, 7.8 percent; veterans, 6.5 percent; all, 6.1 percent);
- New York (SDVs, 3.9 percent; veterans, 4.5 percent; all, 6.2 percent);
- North Carolina (SDVs, 3.6 percent; veterans, 3.2 percent; all, 2.9 percent);
- Georgia (SDVs, 3.6 percent; veterans, 3.0 percent; all, 2.7 percent);
- Pennsylvania (SDVs, 3.3 percent; veterans, 4.3 percent; all, 4.0 percent);
- Virginia (SDVs, 3.2 percent; veterans, 2.7 percent; all, 2.4 percent);
- Ohio (SDVs, 2.8 percent; veterans, 3.8 percent; all, 3.8 percent);
- Michigan (SDVs, 2.7 percent; veterans, 3.1 percent; all, 3.4 percent).

Geographic concentration. Another new measure in Advocacy’s special tabulation was geographic concentration. We asked Census to identify whether business owners were located within a metropolitan or “micropolitan” statistical area, that is to say, in areas with an urban core population of 10,000 or more.²⁰ Those not within such areas and could be described as being located in rural areas. These data are depicted in the appended Table 7b. The tabulation shows that 7.6 percent of all employer business owners and 7.8 percent of all nonemployer owners were located outside of metro/micro areas in 2002, i.e., in rural areas.

Slightly higher numbers of veteran owners and service-disabled veteran owners were located outside of metro/micro areas. Table 7b shows that 8.2 percent of veteran employer owners and 8.3 percent of service-disabled veteran employer owners were located in rural areas. This trend was also true among nonemployer owners, where 7.8 percent of all such owners were located outside of metro/micro areas, but 8.8 percent of both veteran and service-disabled veteran owners were located in rural areas.

Industry. The Subcommittee has asked for information on veteran-owned firms by industry type. The appended Table 7c from our special tabulation of Census data includes data in the same format described above for each of 20 main industry classifications (two-digit NAICS codes). Percentage shares are set out for all owners, veteran owners, and service-disabled veteran owners in both the employer and nonemployer classifications. This distinction is of interest because there are significant differences in many industries that are masked when both employers and nonemployers are combined into a single group.²¹

For example, 6.7 percent of all employer owners, but only 1.7 percent of all nonemployer owners, owned firms in manufacturing. However, when we look at all firms (not owners) together, Census reported in 2002 that 2.7 percent of all firms were manufacturers. Similarly, 5.1

²⁰ Metropolitan statistical areas have an urban core with 50,000 or more inhabitants. Micropolitan statistical areas have an urban core with 10,000 to 49,999 inhabitants. See [definitions](#) or [maps](#) for more information on metropolitan and micropolitan areas.

²¹ For a discussion of this problem, see “Do Business Definition Decisions Distort Small Business Research Results?” (August 2008: <http://www.sba.gov/ADVO/research/rs330tot.pdf>), an Advocacy working paper by Brian Headd and Radwan Saade.

percent of all employer owners and 12.9 percent of all nonemployers were in the real estate renting and leasing group. The combined share for all firms in this group was 9.6 percent. To help shed light on this phenomenon and to provide additional context for our special tabulations, I have also appended a chart prepared by the Census Bureau depicting firm distribution by industry for both all firms and veteran-owned firms.²²

To summarize from Census firm data, veteran-owned firms are generally distributed among the 20 major industries (two-digit NAICS codes) similarly to the distribution of all respondent firms, as depicted in the chart appended to my testimony. The five largest categories are the same for both groups:

- Professional, scientific, and technical services (veterans, 18.7 percent; all, 15.7 percent);
- Construction (veterans, 13.9 percent; all, 11.7 percent);
- Other services (veterans, 10.2 percent; all, 11.2 percent);
- Retail trade (veterans, 9.5 percent; all, 11.6 percent); and
- Real estate and rental/leasing (veterans, 9.3 percent; all, 9.6 percent).

However, when we look at employer owners instead of firms, using Advocacy's special tabulations from Census, the top five are different:

- Professional, scientific, and technical services (veterans, 14.7 percent; all, 14.0 percent);
- Construction (veterans, 13.7 percent; all, 13.7 percent);
- Retail trade (veterans, 13.3 percent; all, 14.2 percent);
- Health care and social assistance (veterans, 9.4 percent; all, 8.8 percent);
- Manufacturing (veterans, 7.4 percent; all, 6.7 percent).

If we shift to nonemployer owners, again using the special tabulations, we get yet another view:

- Professional, scientific, and technical services (veterans, 17.1 percent; all, 15.5 percent);
- Real estate and rental/leasing (veterans, 14.8 percent; all, 12.9 percent);
- Construction (veterans, 12.1 percent; all, 10.8 percent);
- Other services (veterans, 10.9 percent; all, 12.3 percent);
- Retail trade (veterans, 10.4 percent; all, 11.4 percent).

²² This chart is also available at <http://www2.census.gov/econ/sbo/02/vetbuscharts.pdf>.

We can also rank the top five industries for service-disabled veteran employer owners:

- Professional, scientific, and technical services (SDVs, 14.8 percent; all vets, 14.7 pct.);
- Construction (SDVs, 13.7 percent; all veterans, 13.7 percent);
- Retail trade (SDVs, 13.6 percent; all veterans, 13.3 percent);
- Other services (SDVs, 7.4 percent; all veterans, 6.4 percent);
- Health care and social assistance (SDVs, 7.2 percent; all veterans, 9.4 percent).

Finally, a ranking of the top five industries for service-disabled nonemployer owners:

- Professional, scientific, and technical services (SDVs, 16.0 percent; all vets, 17.1 pct.);
- Construction (SDVs, 12.7 percent; all veterans, 12.1 percent);
- Other services (SDVs, 11.9 percent; all veterans, 10.9 percent);
- Retail trade (SDVs, 11.6 percent; all veterans, 10.4 percent);
- Real estate and rental/leasing (SDVs, 11.1 percent; all veterans, 14.8 percent).

We have presented these various rankings in order to show that there are differences between employers and nonemployers that are often missed in analyses that combine the two. The appended special tabulations let us see these differences and avoid incorrect generalizations.

Exporting. The Subcommittee also asked for information on exporting by veteran-owned firms. We have 2002 Census SBO data that can help us here. The main report on veterans in business examined types of “major customers” of respondent firms, those customers that accounted for 10 percent or more of a firm’s sales. Included among the possible categories of major customers was an “export sales” category on which data were reported. Those firms with major export customers made up 1.4 percent of all respondent firms, 1.8 percent of respondent employers, and 1.3 percent of respondent nonemployers.

Veteran-owned firms reported similar, but slightly smaller, percentages of firms with major export customers: 1.3 percent of all veteran-owned firms, 1.6 percent of veteran-owned employers, and 1.2 percent of veteran-owned nonemployers.

Advocacy's special tabulation of 2002 Census owner characteristics also gave us information on owners whose firms had major export customers. This data is in Table 7c appended to this testimony. Among employer firm owners, 2.0 percent of all owners, 1.8 percent of veteran owners, and 2.2 percent of service-disabled veteran owners had major export customers. Among nonemployers, 1.4 percent of all owners, 1.3 percent of veteran owners, and 1.5 percent of service-disabled veteran owners had major export customers.

Federal procurement. Advocacy does not compile the official statistics on federal procurement, socio-economic goaling or agency performance on goaling targets. Data of this type are maintained by SBA's Office of Government Contracting and by the Federal Procurement Data System (FPDS). We will defer to the responsible offices on this subject. Detailed data on goaling and performance are also posted on both the SBA and FPDS websites.

Conclusion

This concludes my prepared testimony. While we do not have exact answers to all the questions posed by the Subcommittee, I hope that the information that we did provide on your questions relating to veteran business location, industries, and exporting will be helpful. We have only mentioned a very small fraction of the large amount of information in the special tabulations we have appended to this testimony. I hope that the additional data will be useful to the Subcommittee, and we stand ready to help answer any questions that arise in connection with its review. Also, as I mentioned earlier, we do have a research study nearing completion that we hope will be able to address your question on barriers to veteran entrepreneurship. Advocacy will keep the Subcommittee's staff informed, and when this contract project is completed, we will be pleased to provide a briefing.

We at Advocacy very much appreciate the Subcommittee's interest in veteran entrepreneurship issues and Advocacy's work in this area. We look forward to continuing to work with the Subcommittee in any way we can to advance our knowledge about veterans in business, and to help you in your deliberations on how to best serve our Nation's veterans community.

Table 7a: Owner Characteristics by Firm-Size Related Variables, 2002
(percent)

	Employers					Non-Employers				
	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)
Employment size of firm										
Nonemployers	--	--	--	--	--	100.0	100.0	100.0	100.0	100.0
0 *	12.2	10.4	15.6	23.5	7.6	--	--	--	--	--
1-4	44.4	47.0	52.4	43.2	47.2	--	--	--	--	--
5-9	18.3	18.2	17.7	16.3	17.5	--	--	--	--	--
10-19	12.3	11.9	7.4	9.3	12.2	--	--	--	--	--
20-99	10.9	10.7	6.1	6.8	12.7	--	--	--	--	--
100-249	1.3	1.3	0.7	0.6	2.0	--	--	--	--	--
250+	0.5	0.5	0.2	0.2	0.8	--	--	--	--	--
Receipt size of firm										
< \$10,000	1.5	1.6	1.8	2.4	1.7	41.8	40.3	42.9	52.1	44.5
\$10,000 to \$49,999	7.6	7.9	10.7	11.1	9.7	35.9	36.1	37.7	34.5	35.5
\$50,000 to \$99,999	9.8	10.3	13.8	12.6	10.2	10.8	11.6	10.6	7.4	9.2
\$100,000 to \$249,999	21.6	21.8	25.7	24.9	19.8	7.8	8.4	6.4	4.3	7.0
\$250,000 to \$999,999	34.0	33.4	33.4	32.6	30.4	3.4	3.5	2.3	1.6	3.7
\$1 million to \$4.9 million	19.1	18.7	11.9	13.2	19.6	0.2	0.2	0.1	0.1	0.1
\$5 million +	6.4	6.3	2.7	3.1	8.5	0.0	0.0	0.0	0.0	0.0
Legal form of organization										
Corporations (including tax-exempt corp.)	69.0	68.1	64.0	66.0	70.2	7.1	7.9	6.5	4.1	9.2
Partnerships	10.6	9.1	7.7	15.0	9.4	9.1	9.7	5.6	5.0	12.9
Sole proprietors	16.5	18.0	22.5	16.6	14.3	83.8	82.4	88.0	90.9	78.0
Other**	3.9	4.9	5.8	2.4	6.1	0.0	0.0	0.0	0.0	0.0
Year business acquired										
Before 1980	19.0	33.2	26.0	4.8	52.2	11.1	21.9	17.3	0.8	36.6
1980 to 1989	23.2	24.6	24.5	5.5	22.2	16.2	19.5	18.1	1.6	22.0
1990 to 1998	34.6	27.1	28.1	35.5	18.1	32.2	29.8	31.4	23.2	25.6
1999	5.8	3.9	5.5	11.5	2.1	6.8	5.3	6.0	9.0	3.6
2000	6.4	4.1	5.9	14.3	1.9	8.7	6.6	7.6	13.9	3.8
2001	6.0	3.9	5.6	15.0	1.8	10.0	7.0	7.6	19.1	3.6
2002	5.0	3.1	4.5	13.4	1.6	14.8	9.8	12.0	32.5	4.7
Owner status										
Only one owner	38.5	44.0	46.6	34.0	59.6	59.5	57.5	59.6	68.8	52.2
Family-owned	40.3	36.5	40.6	44.8	34.9	32.1	34.3	34.9	23.5	39.8
Not family-owned	22.3	21.0	14.4	22.3	5.8	8.7	8.5	5.8	8.1	8.2

* Annual payroll but no employees on March 12, 2002

**Contains nonprofits and some miscellaneous legal forms of organization.

Source: Office of Advocacy, U.S. Small Business Administration, from special tabulations of U.S. Census Bureau, Survey of Business Owner data.

Table 7b: Owner Characteristics by Metropolitan Location and State, 2002
(percent)

	Employers					Non-Employers				
	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)
Geographic concentration										
Not within a metro/micro area	7.6	8.2	8.3	7.3	8.4	7.8	8.8	8.8	7.7	8.8
Within a metro/micro area	92.8	92.3	91.9	92.8	92.3	92.2	91.2	91.2	92.3	91.2
State										
Alabama	1.3	1.6	1.6	1.4	1.4	1.3	1.5	2.0	1.4	1.3
Alaska	0.3	0.3	0.7	0.2	0.2	0.3	0.4	0.8	0.3	0.2
Arizona	1.8	1.8	2.2	1.8	1.5	1.7	1.9	1.8	1.5	1.7
Arkansas	1.0	1.1	1.3	1.1	1.1	0.9	1.1	1.1	1.0	1.0
California	11.6	10.4	9.8	10.2	11.9	12.3	10.5	10.2	11.6	12.0
Colorado	2.4	2.2	2.4	2.8	1.8	2.2	2.3	2.4	2.4	1.9
Connecticut	1.4	1.3	1.2	1.1	1.5	1.3	1.3	1.0	1.1	1.4
Delaware	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.2	0.3	0.3
District of Columbia	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.2
Florida	6.1	5.7	7.8	6.2	5.7	6.1	6.5	7.8	5.5	6.6
Georgia	2.7	3.0	3.0	3.1	2.4	2.7	3.0	3.6	3.2	2.2
Hawaii	0.4	0.4	0.7	0.3	0.5	0.5	0.5	0.7	0.4	0.5
Idaho	0.7	0.7	0.8	0.8	0.5	0.6	0.6	0.8	0.7	0.5
Illinois	4.5	4.2	2.7	4.3	4.9	4.0	3.5	2.4	4.3	4.1
Indiana	2.2	2.3	2.0	2.3	2.3	2.1	2.0	1.8	2.3	2.2
Iowa	1.3	1.4	0.8	1.3	1.4	1.2	1.2	1.0	1.4	1.4
Kansas	1.2	1.2	1.3	1.1	1.4	1.0	1.1	1.2	1.0	1.3
Kentucky	1.3	1.4	1.0	1.3	1.4	1.4	1.3	1.4	1.6	1.2
Louisiana	1.4	1.6	1.3	1.4	1.6	1.4	1.5	1.4	1.4	1.4
Maine	0.6	0.7	1.1	0.6	0.5	0.6	0.7	0.8	0.6	0.7
Maryland	1.8	1.8	1.5	1.7	1.8	2.0	2.1	2.3	1.8	2.0
Massachusetts	2.4	2.4	2.6	2.1	2.3	2.4	2.2	2.4	2.3	2.3
Michigan	3.4	3.0	2.8	3.6	3.4	3.4	3.1	2.7	3.6	3.3
Minnesota	2.3	2.3	2.7	2.8	1.7	2.2	2.1	1.8	2.5	1.8
Mississippi	0.8	0.9	0.8	0.7	1.0	0.8	0.9	0.9	0.8	0.8
Missouri	2.2	2.4	1.8	2.2	2.4	2.1	2.2	1.9	2.2	2.1
Montana	0.6	0.7	0.7	0.6	0.5	0.5	0.6	0.6	0.4	0.5
Nebraska	0.8	0.9	0.9	0.8	0.8	0.7	0.8	1.1	0.8	0.8
Nevada	0.7	0.8	0.7	0.7	0.7	0.7	0.8	1.1	0.6	0.8
New Hampshire	0.6	0.7	0.6	0.5	0.5	0.6	0.7	0.8	0.5	0.5
New Jersey	3.4	2.9	2.4	3.0	3.4	2.8	2.3	1.8	2.4	2.9
New Mexico	0.6	0.7	1.2	0.5	0.7	0.6	0.7	1.1	0.5	0.6
New York	6.3	5.0	5.1	5.9	6.9	6.2	4.5	3.9	6.3	6.1
North Carolina	2.9	3.3	3.5	3.2	3.0	2.9	3.2	3.6	3.0	2.7
North Dakota	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Ohio	3.9	4.1	2.9	3.7	4.2	3.8	3.8	2.8	3.8	3.8

Table 7b: Owner Characteristics by Metropolitan Location and State, 2002
(percent)

	Employers					Non-Employers				
	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)
Oklahoma	1.3	1.5	1.9	1.2	1.7	1.4	1.6	2.2	1.4	1.6
Oregon	1.7	1.8	1.8	1.7	1.4	1.4	1.5	1.5	1.3	1.4
Pennsylvania	4.1	4.3	3.0	3.9	4.4	4.0	4.3	3.3	3.7	4.2
Rhode Island	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.2	0.3	0.3
South Carolina	1.3	1.7	1.6	1.3	1.5	1.2	1.6	1.6	1.2	1.3
South Dakota	0.4	0.4	0.5	0.5	0.4	0.3	0.4	0.4	0.4	0.4
Tennessee	1.8	2.0	1.6	1.7	2.0	2.0	2.1	2.2	2.2	1.7
Texas	6.1	6.6	7.8	5.8	6.8	7.2	7.7	8.0	7.3	7.6
Utah	1.0	0.7	0.5	1.8	0.7	0.9	0.7	0.7	1.4	0.7
Vermont	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.3
Virginia	2.5	2.9	3.4	2.4	2.6	2.4	2.7	3.2	2.3	2.4
Washington	2.6	2.8	3.0	2.6	2.1	2.2	2.3	2.7	1.9	2.0
West Virginia	0.6	0.6	0.6	0.5	0.7	0.5	0.5	0.5	0.5	0.6
Wisconsin	2.3	2.2	1.5	2.5	2.0	1.9	1.9	1.3	2.0	1.8
Wyoming	0.3	0.3	0.5	0.3	0.3	0.2	0.3	0.1	0.2	0.2

Source: Office of Advocacy, U.S. Small Business Administration, from special tabulations of U.S. Census Bureau, Survey of Business Owner data.

Table 7c: Owner Characteristics by Major Industry, 2002
(percent)

Industry	Employers					Non-Employers				
	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)
Forestry, fishing and hunting, and ag. support srv.	0.6	0.5	0.4	0.7	0.6	1.3	1.4	1.5	1.4	1.2
Mining	0.4	0.5	0.6	0.2	0.9	0.6	0.9	0.7	0.2	1.5
Utilities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Construction	13.7	13.7	13.7	17.3	8.9	10.8	12.1	12.7	13.5	6.8
Manufacturing	6.7	7.4	5.5	4.6	9.3	1.7	2.0	1.8	1.3	1.9
Wholesale trade	6.6	7.1	6.8	4.7	8.5	2.1	2.5	2.2	1.6	2.6
Retail trade	14.2	13.3	13.6	12.9	16.6	11.4	10.4	11.6	11.4	12.0
Transportation and warehousing	2.9	3.3	4.0	3.2	3.0	3.9	4.9	6.0	4.0	3.0
Information	1.3	1.1	1.1	1.6	1.3	1.3	1.0	0.9	2.0	0.8
Finance and insurance	4.2	5.3	5.0	3.7	4.9	3.9	5.5	5.0	2.9	5.9
Real estate and rental and leasing	5.1	5.8	5.6	3.4	9.8	12.9	14.8	11.1	6.2	20.1
Professional, scientific, and technical services	14.0	14.7	14.8	12.6	11.5	15.5	17.1	16.0	14.4	16.8
Management of companies and enterprises	0.5	0.5	0.2	0.2	0.9	0.0	0.0	0.0	0.0	0.0
Admin. & support & waste mgnt. & remediation srv.	5.3	4.9	6.0	7.6	3.9	6.4	5.5	6.4	7.8	4.8
Educational services	0.7	0.6	0.5	1.0	0.6	2.0	1.4	1.6	2.4	1.6
Health care and social assistance	8.8	9.4	7.2	7.5	6.9	7.3	4.4	4.6	8.9	5.3
Arts, entertainment, and recreation	1.5	1.3	1.0	1.9	1.8	5.0	3.8	4.1	6.9	4.0
Accommodation and food services	7.6	5.3	6.8	9.6	7.0	1.3	1.2	1.7	1.0	1.4
Other services (except public administration)	6.9	6.4	7.4	7.5	5.5	12.3	10.9	11.9	13.9	10.1
Industries not classified	0.2	0.2	0.3	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Customer (10 percent or more of total sales) *										
Export sales	2.0	1.8	2.2	2.2	2.3	1.4	1.3	1.5	1.7	1.3
Federal government	3.0	3.8	5.8	2.5	3.2	1.9	2.4	3.4	1.6	2.2
State and local government	8.5	9.4	9.8	7.1	8.6	4.8	5.3	6.0	4.2	4.7
Household consumers/individuals	56.0	54.1	54.2	58.9	50.8	52.6	49.2	52.2	54.2	45.0
Other businesses/organizations	43.0	45.0	42.4	41.4	41.6	33.0	35.4	32.2	31.7	30.7
All others	16.5	17.9	19.3	15.5	21.2	21.3	22.7	23.4	21.0	28.3

* Firms can be in more than one sales category.

Source: Office of Advocacy, U.S. Small Business Administration, from special tabulations of U.S. Census Bureau, Survey of Business Owner data.

Table 7d: Owner Characteristics by Finance Type, 2002
(percent)

	Employers					Non-Employers				
	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)	All	Veteran	Disabled Veteran	Younger (under 35)	Older (65 and over)
Start-up capital										
Business loan from bank	24.7	25.0	22.1	24.0	23.8	9.8	10.9	8.6	6.5	10.6
Personal/business credit card	9.9	8.2	13.3	16.8	3.9	9.3	8.2	11.3	11.8	3.6
Government-guaranteed bank loan	2.0	1.8	2.4	2.5	1.3	0.4	0.5	0.5	0.3	0.4
Business loan from government	1.7	1.6	1.8	2.3	1.4	0.8	0.8	0.8	0.7	0.8
None needed	9.4	10.1	8.9	8.1	11.2	30.8	28.7	27.0	38.1	34.5
Other personal/family assets	15.3	14.4	17.4	17.6	13.8	9.1	9.6	10.2	7.5	8.7
Outside investor	4.6	4.1	4.3	5.9	3.9	2.3	2.0	1.8	2.4	2.0
Personal/family savings	69.7	69.3	73.3	69.7	69.3	55.7	57.5	60.4	50.4	52.3
Expansion financing										
Business loan from bank	23.1	22.2	22.2	23.5	19.6	6.9	7.5	7.3	4.9	5.9
Government-guaranteed bank loan	0.7	0.6	0.8	1.0	0.5	0.2	0.2	0.3	0.2	0.1
None needed	51.9	54.9	45.9	42.9	61.1	61.1	62.7	55.2	60.6	72.0
Outside investor	1.8	1.3	1.7	2.9	1.1	1.1	0.9	0.9	1.4	0.6
Personal/business credit card	13.3	11.6	18.1	20.4	6.4	11.8	10.5	15.3	13.9	5.0
Business loan from government	0.9	0.8	1.2	1.2	0.7	0.4	0.4	0.8	0.4	0.3
Other personal/family assets	6.6	6.2	9.8	9.4	4.6	5.4	5.3	7.0	5.2	3.4
Personal/family savings	25.7	24.0	33.4	32.7	20.6	28.1	26.7	32.9	29.9	19.9

Source: Office of Advocacy, U.S. Small Business Administration, from special tabulations of U.S. Census Bureau, Survey of Business Owner data.

Figure 3. Percentage Distribution of Respondent Firms by Kind of Business for All Firms and Firms With One or More Veterans as Majority Interest Owners: 2002

