**Hearing before the House Veterans Affairs Committee, Subcommittee on Economic Opportunity
April 29, 2010; Washington, D.C.**

Executive Summary of Testimony of Assistant Chief Counsel for Advocacy Joseph Sobota

Advocacy and veteran entrepreneurship research. Pursuant to Public Law 106-50, SBA's Office of Advocacy began a long-term effort to develop new information on veterans in business and related topics. Advocacy has collected and interpreted data from existing sources, commissioned special tabulations of unpublished data, and supported contract research on issue-specific topics related to veteran entrepreneurship.

Sources of data on veterans in business. The most important source of data on veterans in business that we now have is the U.S. Census Bureau's 2002 Survey of Business Owners and Self-Employed Persons (SBO)**.** In 2007, Census issued two important reports on veterans in business based on its SBO data, and Advocacy released its own report the same year, also using that data. Census plans to issue a new report on veterans in business in May 2011 using data from its 2007 SBO. Until then, the 2002 SBO remains our best source.

How many veteran-owned firms are there? Census found that in 2002, 14.5 percent of all respondent business owners were veterans, and about 7 percent of those were service-disabled. About 12.2 percent of all businesses were veteran-owned. Advocacy estimates that there were about 29.6 million businesses in the U.S. in 2009. If the 12.2 percentage of veteran ownership in 2002 remained true in 2009, an estimate of 3.6 million veteran-owned firms would result, of which perhaps 250,000 were owned by service-disabled veterans.

Veteran-owned firms were similar to all U.S. firms in most respects, except for their age. Their distribution by size was nearly identical to all firms, both in terms of revenues and employees. This correspondence also was true of their distribution by type of industry; in the percentage of those which were home-based; in their level of franchise ownership; in the sources of capital used for business start-up, acquisition and expansion; in the types of workers they used; and in the types of their major customers.

Geographic distribution of veteran-owned firms. Although the published 2002 SBO reports did not give us information on the geographic distribution of veteran owners, Advocacy did commission a special tabulation of Census data to provide this information. The top ten states for veteran owners were: California, Texas, Florida, New York, Pennsylvania, Illinois, Ohio, North Carolina, Georgia, and Michigan. Virginia and Washington also appeared in the top ten states for service-disabled veteran (SDV) owners.

Rural/urban concentrations. Advocacy's special tabulation of 2002 SBO data also told us whether or not veteran owners were located in areas with urban core populations of 10,000 or more, that is to say, in urban or rural areas. The concentrations of both veteran owners and SDV owners were slightly higher in rural areas than those for all owners. Among employers, 7.6 % of all owners, 8.2 % of veteran owners, and 8.3 % of SDV owners were in rural areas. Among nonemployers, 7.8 % of all owners, and 8.8 % of both veteran and SDV owners were in rural areas.

Top five industries for veteran-owned firms. Those industries with the largest shares of veteran-owned firms were the same as those for all U.S. firms: professional, scientific, and technical services, 18.7 %; construction, 13.9 %; other services, 10.2 %; retail trade, 9.5 %; and real estate and rental/leasing, 9.3 %. Some variations in rankings occur between employers and nonemployers.

Exporting. Advocacy's special tabulation provides information on owners whose firms have "major" export customers (accounting for 10 % or more of a firm's sales). Among employer firms, 2.0 % of all owners, 1.8 % of veteran owners, and 2.2 % of SDV owners had major export customers. Among nonemployers, 1.4 % of all owners, 1.3 % of veteran owners, and 1.5 % of SDV owners had major export customers.