

# A Promise Not Kept: New Jersey's Failure to Support Veteran Owned Businesses

A Report by the Garden State Initiative &  
New Jersey State Veterans Chamber of Commerce

May 2022



— NEW JERSEY STATE —  
VETERANS CHAMBER  
OF COMMERCE



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## Our Missions

**The Garden State Initiative** is a 501(c)3 nonprofit organization dedicated to strengthening New Jersey by providing an alternative voice and commonsense policy solutions in the state - solutions that promote new investment, the growth of jobs, the creation of economic opportunities, and innovation to the benefit of all New Jerseyans.

[GardenStateInitiative.org](http://GardenStateInitiative.org)

**The NJ State Veterans Chamber of Commerce** is a 501(c)6 organization that is tasked with improving the economic environment for veterans, disabled veterans, military spouses, and student veterans throughout New Jersey and beyond. They continue to roll out programming to help veterans start and run businesses and have helped trained veterans and military spouses in entrepreneurship and finding ways to access capital for businesses. They have worked with state government and law makers to improve how the state does business with veterans, It is open to all veteran owned businesses with a mission focused on education, veteran business advocacy, networking, and procurement and supplier diversity events. Our goal is to make New Jersey's economy fairer to veteran owned and service-connected disabled veteran owned businesses, military spouse owned businesses, as well as veteran job creation.

[NJVeteransChamber.com](http://NJVeteransChamber.com)

## Research and Analysis Conducted by

**Col. Jeff Cantor** (*U.S. Army, Retired*) is the founder and CEO of the New Jersey State Veterans Chamber of Commerce which launched in November 2018.

Prior to that, Col. Cantor served as the Lead for Veterans Economic Development for the State of New Jersey. In that role, which began in January 2018, he was tasked with looking at ways to support veterans either through meaningful employment or veteran business support and entrepreneurship, as well as look at ways to support formerly incarcerated veterans.

Col. Cantor enlisted in the Army as a Private First Class and became commissioned as a second lieutenant in the Infantry. He served in various units both on active duty and in the Army Reserves. He retired in 2017 at the rank of Colonel in the Army Reserve. He is a veteran of the wars in Iraq and Afghanistan and has been awarded a Legion of Merit, Bronze Star Medal, and many other awards over a 32-year career.

Col. Cantor led efforts to raise over \$100,000 to help veterans impacted by Superstorm Sandy, those that have been hit by hard times, affected by poor health and mobility, and given money to family members of special operators that have been killed in the line of duty.

He is currently the CEO of Lima Charlie Construction, a SDVOB focused on heavy civil construction including asphalt milling and paving, concrete, utility work, bridge repairs, and site work.

**Col. Paul B. Olsen, P.E.** (*U.S. Army, Retired*) is the Executive Director of Programs and Partnerships for Old Dominion University's Office of Research where he enables research projects between the University and federal agencies including the Department of Defense and NASA, as well as regional organizations in the public and private sectors. He is the owner of Honor Builders Strategic Engineering, a SDVOB focused on consulting and engineering services.

Col. Olsen formerly served as Lead Speechwriter for Gen. David Petraeus (U.S. Army, Ret.) and Uttam Dhillon, Acting Administrator of the Drug Enforcement Administration. He retired from the United States Army in 2015 after 30 years of service, including three tours of duty at the Pentagon. His culminating assignment was command of the U.S. Army Corps of Engineers, Norfolk District, where he gained national recognition in Sea Level Rise Planning and Port Modernization.

He is a registered professional engineer in Virginia and holds a M.S. in civil engineering from George Mason University, a M.A. Degree in business management from Webster University, and a Master's in strategic studies from the U.S. Army War College. He was named the winner of the Pentagon's prestigious 2004 Pace Award for Innovation.

## Executive Summary

The following report is a joint collaboration of the Garden State Initiative and New Jersey State Veterans Chamber of Commerce dedicated to improving the performance of the State of New Jersey in assisting the needs of veteran owned businesses.

One in every 20 New Jerseyans is a veteran and this population has answered the nation's call. An important part of caring for military veterans includes preparing and connecting them to careers after military service. America's veterans bring military training, skills, and life experiences that uniquely position them to succeed in business – if given the opportunity and support in transitioning to civilian life.

Many veterans are entrepreneurs who create and certify a Veteran Owned Business (VOB) or Service Disabled Veteran Owned Business (SDVOB). They know that their service and sacrifice to our nation will be recognized through the federal VOB and SDVOB incentive programs.

The report demonstrates that while many states have exemplary programs for veteran business owners, New Jersey is not among them. While clearly committed to veterans in many ways, our state has demonstrably lagged others in its commitment to veteran owned businesses. In fact, New Jersey has been ranked 49th out of 50 states for supporting these businesses.

Since 2015, New Jersey has had a public law that sets aside 3% of its state contracting agencies' budgets for Disabled Veteran Owned Businesses (DVOBs). However, according to research by the New Jersey State Veterans Chamber of Commerce, of the 72 state agencies that have procurement power, a mere few have awarded contracts to disabled-veteran owned businesses, only two of 72 are enforcing the law and none are reporting their numbers as legally required.

In the following pages we will outline a vision for New Jersey to improve its support of veteran owned businesses through a series of strategic initiatives:

- 1) Support veteran business advocacy through the creation of an executive task force and legislative sub-committee.
- 2) Enforce or raise the 3% DVOB set-aside law.

- 3) Create legislation to better support veteran economic development.
- 4) Implement policy changes to better support veteran economic development.
- 5) Formalize the creation of a veteran economic development leadership team.

With thousands of veteran owned businesses in our state, nearly 1,000 of which are members of the state Veterans Chamber, those businesses will immediately benefit by the enforcement of existing law to achieve 100% compliance of the 72 state agencies with the public law that requires reporting of DVOB state procurements.

## **Veterans: An unrecognized, disadvantaged class**

Disabled veteran owned businesses (SDVOBs) and veteran owned businesses (VOBs) are often overlooked when it comes to procurement and contracting. Many times there are M/WBE events focused on minority and women owned businesses with no mention of SDVOBs or VOBs. Recently, there has been an uptick in M/W/V/SDVOB events, as there seems to be an interest by many to establish relations with veteran businesses.

Throughout history, as people went off to war, they returned changed, often not for the better. All things considered, it is a tragedy that today, when a service member takes off the uniform, they face life challenges that include:

- Financial insecurity (20%)
- Difficulty accessing capital (1/3)
- Veteran owned businesses that lack market presence
- Homelessness (~1.5 million; 1 in 10 homeless persons)
- Medical and mental health issues (41%)
- Difficulty transitioning to civilian life (44%)
- Suicide (over 6,300 a year)\*<sup>1</sup>

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<sup>1</sup> \*Beyond the Uniform: A Look at Today's Veteran Consumers, 2018, <https://www.nielsen.com/wp-content/uploads/sites/3/2019/07/beyond-the-uniform-a-look-at-todays-veteran-consumers.pdf>; Marketing To Veterans? Offer Authenticity, 2019, <https://insights.digitalmediasolutions.com/articles/marketing-to-veterans>; Marketing to the Military Explained, <https://www.sheerid.com/blog/marketing-military/>;

On November 15<sup>th</sup>, 2021, President Biden signed into law, the bipartisan infrastructure plan entitled the Infrastructure Investment and Jobs Act. It allocates roughly \$1.5 Trillion into infrastructure redevelopment across the United States. Unfortunately, veterans will be shut out of this infrastructure law as there is only a socially & economically disadvantaged (SED) business goal of 10% of all spends. That means that when the money rolls down to the states, the large companies bidding on this work will seek out SED certified businesses in which to sub work out in a tier 2 or tier 3 fashion for these projects. Unfortunately, veterans are not in the federal definition of SED businesses. An SED business is very similar to a Disadvantaged Business Enterprise (DBE) business, and again, veterans are not included in that definition either. Therefore, money that rolls down from the federal government to the states, almost always has either a SED or DBE goal associated with the spends, and will not allow veterans to participate in these projects. The vast majority of veterans, do not qualify for these certifications according to the federal & state definitions.

One in every 20 New Jerseyans is a veteran and this population has answered the nation's call. An important part of caring for our nation's military veterans includes preparing and connecting them to careers after military service. Many veterans are entrepreneurs who invest a tremendous amount of time to create and certify a Veteran Owned Business (VOB) or Service Disabled Veteran Owned Business (SDVOB). They know that their service and sacrifice to our nation will be recognized through the federal VOB and SDVOB incentive programs.

Many states have exemplary programs for veteran business owners as well. Yet New Jersey is not one of these. While clearly committed to veterans in many ways, New Jersey lags in its commitment to veteran owned businesses. In fact, New Jersey has been ranked 49<sup>th</sup> out of 50 states for supporting veteran owned business<sup>2</sup>.

Since 2015, New Jersey has had a public law that sets aside 3% of its state contracting agencies' budgets for Disabled Veteran Owned Businesses (Outside of New Jersey, it is known as SDVOBs, New Jersey uses DVOBs, however they are synonymous and can be interchanged). However, according to the New Jersey State Veterans Chamber of Commerce, of the 72 state agencies that have procurement power, a mere few have awarded contracts to disabled-veteran owned businesses, only two of 72 are enforcing the law and none are reporting their numbers as legally required.

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<sup>2</sup> <https://www.zippia.com/advice/veteran-owned-supportive-states/>

New Jersey can comply with its veteran owned business laws and also raise its overall national veteran owned business ranking. But to do this, it must establish a vision and a strategy, including executing a series of strategic imperatives, described as follows:

## Vision 2025

By 2025, the New Jersey State Veterans Chamber of Commerce challenges our state government to take measures to ensure that New Jersey will join the top 25% of the best states for supporting veteran owned businesses as defined by the Small Business Administration. New Jersey will also meet or exceed the requirements of its 3% state-mandated Disabled Veteran Owned Business law.

## Strategy

We envision a “grass top” and “grass roots” economic strategy to support veteran owned businesses. While elected and appointed state officials work to identify, enforce and promulgate economic policies that support veteran owned businesses, more needs to be done to ensure that veteran business owners are included in state contracting opportunities and that a pathway is established to support greater economic development for veterans.

To be successful, this strategy requires the state drive five strategic veteran business imperatives:

- 1) Support veteran business advocacy through the creation of an executive task force and legislative sub-committee.
- 2) Enforce or raise the 3% DVOB set-aside law.
- 3) Create legislation to better support veteran economic development.
- 4) Implement policy changes to better support veteran economic development.
- 5) Formalize the creation of a veteran economic development leadership team.



## **STRATEGIC IMPERATIVE 1: Support veteran business advocacy through the creation of an executive task force and a legislative sub-committee**

To improve veteran owned business procurement rates in New Jersey, two groups must be immediately established that have the requirement to drive the initial and future strategic imperatives.

The first group is a task force led by the governor's office, with representatives that include but are not limited to Treasury, New Jersey Economic Development Authority (NJEDA), New Jersey Business Action Center (NJBAC), New Jersey State Veterans Chamber of Commerce, New Jersey Department of Transportation, New Jersey Transit, and the Office of Diversity and Inclusion (ODI). The role of this group is to ensure that New Jersey is executing the legal requirements set forth in the law to support veteran owned businesses and to promulgate new state policy to improve veteran owned business state procurement rates.

The next group is a joint subcommittee pulled from the New Jersey Legislature to support economic development for veteran owned businesses. This subcommittee should include the Speaker, Senate President, Budget and Appropriations, Military and Veterans Affairs Committee Chairs, Commerce and Small Business Committee Chairs and Education Committee. This committee should also have at-large members from the veteran business community. The role of the sub-committee is to ensure the state follows veteran owned business laws, and to create new legislation needed that supports veteran owned businesses – those owned by both disabled veterans and nondisabled veterans alike.

## **STRATEGIC IMPERATIVE 2: Enforce or raise the 3% DVOB<sup>3</sup> set-aside law**

New Jersey established a 3% set aside law for disabled veteran owned businesses in 2015. Since that time, only two out of 72 state agencies enforce the law. The law (PL 2015, Ch. 116) states that each state agency will set-aside 3% of all contracts, based on total dollar volume, each year to certified disabled veteran owned businesses. It also states that each state agency with procurement power must publish what they spend on DVOBs each year as well as submit their plan for meeting their annual 3% set-aside. For the last

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<sup>3</sup> Except for NJ, every US state and the Federal Government uses the acronym SDVOB to indicate a service-connected disabled veteran owned business. They are synonymous and can be interchanged.

seven years, no state agency has ever published their DVOB state procurement percentages, or dollar spends, nor submitted their annual DVOB individual procurement reports.

Despite 3% Set Aside Law awareness training delivered to all 72 state agencies by the NJ State Veterans Chamber of Commerce, in conjunction with the office of the Attorney General, and Office of Diversity & Inclusion, the problem persists. To remedy this solution, the Sub-Committee for Economic Development for Veteran Owned Businesses should, at its scheduled hearings, be given a report by the Governor's Veteran Owned Business Task Force on the DVOB set aside percentages of each of the state's 72 agencies. Agencies in non-compliance with the law will be required to report the reasons.

Another option would be for the state to put in place liquidated damages for not meeting the DVOB set asides. Under this approach, a prime vendor would need to make a good faith effort to find a qualified subcontractor to meet its DVOB set-aside obligation.<sup>4</sup> Failure to do so would result in damages in the form of a monetary penalty to the prime vendor for not meeting this set-aside.<sup>5</sup>

Without emplacing liquidated damages on all state contracts, there would be no change from the current methods of awarding contracts, which means that disabled veterans would continue to get shut out of state contracts.

### **STRATEGIC IMPERATIVE 3: Create legislation to better support veteran economic development**

One of the key tasks of the Legislative Sub-Committee for the Economic Development of Veteran Owned Businesses would be the introduction of new legislation to better support NJ Veteran Owned Businesses. Another entry point for this could be through the NJ Veteran Caucus. What follows is a prioritized list of legislative initiatives.

**Price Preference Law.** New Jersey Law requires three qualified bidders on any state contract. With so few DVOBs, it is difficult to find three qualified

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<sup>4</sup> Resources to find qualified SDVOB include the NJ SAVI database (which houses all the state's certified diversity businesses), the NJ State Veterans Chamber of Commerce, the VFW, American Legion, Disabled American Veterans, and more.

<sup>5</sup> The NJ Economic Development Authority emplaced liquidated damages for failure to meet diversity goals on offshore wind projects.

bidders in any one category, so the likelihood of setting aside a contract is virtually none. Many states have remedied this by enacting a price preference law.<sup>6</sup>

A price preference law allows DVOBs to compete in the open bid process against non-veteran companies. Essentially, a price preference is granted to the DVOB bid, which allows them to be more competitive. For example, in Michigan, they have a 10% price preference law, which grants DVOBs up to 10% over their bids. For the last three years, Michigan has awarded hundreds of contracts to DVOBs valued over millions of dollars.

Year	# Of Contracts Awarded	\$ Value of Contracts awarded
2018	119	\$67 Million
2019	131	\$70 Million
2020	148	\$91 Million

**Include DVOBs in Infrastructure or I-Bank.** The New Jersey Infrastructure Bank funds large scale municipal and state level infrastructure projects. Public Law requires that 10% of the money loaned to municipalities, authorities, counties and the state through the I-Bank must have a diversity spending component, of which DVOBs are not included. Disabled veteran businesses should be added to this diversity goal. It is not currently published what percentage of dollars spent through I-Bank loans go towards diversity businesses. Disabled veteran owned businesses should be included in these goals as there would be a strong likelihood of improving diversity spends through the I-Bank. This would likely have to be done through legislation to add disabled veterans to the I-Bank diversity list.

**Implement state lending programs to small and diverse businesses.** It is tougher for veterans to gain access to capital than their non-veteran counterparts. Thus, they are economically disadvantaged. To remedy this problem, the state should put in place a funding mechanism that uses a state contract as collateral for the loan that would equal up to 100% of the contract amount. Other cities and states have rolled out a similar program using city/state contracts as collateral. In New Jersey, the Economic Development Authority could establish a \$10 million fund specifically for

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<sup>6</sup> The following states currently have a disabled veteran price preference law as public law; California, Michigan, Nebraska, Minnesota, Wisconsin, Connecticut, Maryland, West Virginia, Florida, Nevada, Texas, New Mexico, and Alaska. The Port Authority of New York & New Jersey has also enacted a 10% price preference for SDVOBs.

this purpose. That way, veteran businesses – once they receive a contract from the state (contracts from counties and municipalities could be applied as well) – could use this funding to purchase equipment, make payroll payments, and purchase materials for the specific project. This would ultimately lead to veteran businesses building a stronger credit score, making it possible for them to gain increased capital from banks. The size of the loans could be up to \$5 million, depending on the scope of the project.

**Bring the DVOB goal in line with New York State.** New York currently has one of the best SDVOB programs in the nation. The state has a 6% SDVOB goal and has awarded over \$182 million to certified SDVOBs last year alone. If you look at the percentage of population that veterans represent in New Jersey, it is roughly between 5-6%. The current DVOB set-aside law in New Jersey is 3%. This should be increased to represent what border states like New York have implemented and should better align with New Jersey's veteran population. Increasing the set-aside to 6% would remedy this inconsistency and would be the right thing to do for our veterans.

**Two bidders instead of three bidders for veteran RFPs.** Current law mandates that there must be three qualified bidders for all public contracts. Often there are not three qualified bidders in any specific category of trades, which means that you could never set aside a prime contract for a veteran business. Legislation is needed to reduce the number of bidders from three to two to give veteran businesses a chance to compete on a set-aside contract.

**Include DVOBs in the state (Socially & Economically Disadvantaged Business) SED Definition.** As identified earlier, veterans are an unrecognized economically disadvantaged business entity. However, they are not included in the state definition of Socially & Economically Disadvantaged Businesses. Legislation is needed to add disabled veterans into the SED definition allowing them to participate in procurement opportunities with funds coming down from the federal government. By doing so, the state could dramatically impact the level of inclusion for disabled veteran businesses.

## **STRATEGIC IMPERATIVE 4. Implement policy changes to better support veteran economic development**

The administration needs to implement some changes in policy for better inclusion of minority, women, veteran and disabled veteran businesses. What follows is a prioritized list of recommended policy directives aimed to increase NJ Veteran Owned Business procurement rates.

- 1. Recommend all diverse businesses be considered as multiple diverse business enterprises (XBEs).** These businesses include minority, woman, veteran, disabled veteran, military spouse, Asian American, Hispanic, LGBTQ+, Indigenous American, and Pacific Islanders. The administration could then commit to purchasing 30% XBE for all state contracts. This is currently underway in New York, where, in 2020, the state spent 29.5% of all state contracts with minority and women owned businesses. This represents a \$3.14 billion spend.<sup>7</sup> Additionally, the state, which has a 6% SDVOB goal, spent over \$182 million with SDVOBs in 2021.<sup>8</sup> Under this process, any company applying for a state contract would need to source and list the XBE of choice that they plan on utilizing as a subcontractor. Failure to do so would be grounds for disqualification.
- 2. Recommend establishment of a universal diverse business portal and pre-registration.** Currently, every small and diverse business needs to certify and pre-qualify with every single state agency. Often, multiple state agencies ask for the same information from small and diverse business owners so that they can qualify to work with a specific state agency. This is both inefficient and counterproductive. The state should establish a universal portal that would allow small and diverse businesses to upload their certification documents into one location and have all state agencies draw from the portal to pre-qualify the business to work in the state. Currently, small and diverse businesses must certify with DORES (Treasury) and then must qualify with DPP or DMPC, NJDOT, NJTA, NJ Transit, NJSDA, and many more. The business atmosphere is very difficult for small and diverse businesses here in New Jersey.
- 3. Recommend public reporting of DVOB agency spends.** It is in the current DVOB law that each state agency, authority, commission,

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<sup>7</sup> MWBE contracts total more than \$3 billion in New York, a first, By Michael DeMasi – Reporter, Albany Business Review Dec 4, 2020

<sup>8</sup> New York State Office of General Services, Division of Service Disabled Veteran Business Development, Annual Report, December 31<sup>st</sup>, 2021, Page 2

university, and any entity with state procurement power should publish their DVOB spends annually. Additionally, the law requires each agency to publish their plans on how they will achieve their 3% DVOB goals. For the last seven years that this has not been done. To remedy this, the state could designate one individual at each state department to report this requirement. Each state agency could publish this data on their website and submit it to Treasury for overall state reporting by agency, just as the New York State Office of Government Services does each year in its annual report.<sup>9</sup>

4. **Recommend employing under-threshold purchases.** Another way to increase diversity spends is to implement a policy that allows each state agency to make purchases below bid thresholds directly with small and diverse businesses. That means that all purchases under \$44,000 could be spent directly with a small and diverse business via purchase order or government credit card and would not be put out to bid. A “Diverse First” strategy for these spends are warranted.
5. **Recommend implementing a simple procurement process.** NJ could implement a policy to support VOBs in the simple procurement process. Simple procurement contracts are defined as those under \$1,000,000 and do not need to go to public bid. This program exists in Michigan where certified VOB, SDVOB, or Hub Zone businesses can submit a proposal for a contract below the \$1,000,000 threshold. State government entities can then enter into a direct contract with those diverse businesses without a public bid process.
6. **Recommend fast tracking veteran owned businesses.** The state of Michigan also has several programs for procurement that allow DVOBs to compete as a prime vendor with significantly less certification. Rather than a lengthy state certification process, the SDVOB needs only to provide proof of SDVOB status (either by NVBDC certification, or by supplying a copy of its DD-214, service-connected disability rating letter from the VA – at 0% or greater – and business ownership papers) to qualify for a 10% price preference. There is no cap on a contract for this SDVOB price preference, nor is there a mandate of a percentage of self-performance. The only caveat to the SDVOB being awarded the project is that they have the prior experience to do the current job. An evaluation team determines that they can perform the work.
7. **Recommend simplifying the state Request for Proposal (RFP) process.**  
It would be ideal if the state invested in creating a portal for electronic submissions for RFPs and reducing the paperwork demand for

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<sup>9</sup> NY Annual veteran owned business procurement annual reports can be at: <https://ogs.ny.gov/veterans>.

businesses submitting proposals. Currently, many firms are required to hire additional short-term personnel to help them decipher the RFP process. Creating an online, user-friendly portal would aid in this process. Additionally, the state uses in its RFPs boilerplate language that is not needed nor warranted. It is best to simplify this process.

8. **Recommend a credit to primes who bring on or mentor diverse businesses.** There should be a monetary incentive for prime contractors who are awarded a state contract to bring on diverse subcontractors/vendors, such as disabled veteran owned businesses, to build a pool of qualified diverse subcontractors. The monetary amount could be a percentage of the job that is subbed out to a diverse contractor. Therefore, the more business that is subbed out to a diverse subcontractor, the higher the monetary award for mentoring the diverse business.
9. **Recommend encouraging Joint Ventures and Teaming Agreements with diverse businesses.** Many state contracts are too large to be taken on by a veteran business. Although it should be the standard to break up a contract so that small and diverse businesses can participate as prime vendors, this takes additional work to complete. Therefore the majority of contracts that are put out to bid, especially those in construction, are often way too big for a veteran business to bid on. Additional points can be given to those prime vendors who create a joint venture or teaming agreement with a veteran owned business so that the veteran business could self-perform the part of the contract that they have the capabilities for, and could develop skill sets on ways to complete the other parts of the contract that they normally could not self-perform. By doing this, we will develop veteran businesses into future prime vendors, thus increasing the number of prime vendors available to bid on contracts.
10. **Recommend breaking apart contracts.** As mentioned previously, many state contracts are too huge for a veteran business to bid on. Consideration should be given to breaking apart large contracts to allow more bids from diverse businesses. This would require additional personnel hours to break down the parts of the contract that could be separated from the original contract, but this would result in a more robust diverse pool of businesses bidding on these smaller state contracts.
11. **Recommend creating special payment options for diverse businesses.** One of the major issues that occurs for small and diverse businesses is the time it takes to get paid for completed work. It is not unusual for diverse businesses to wait 120-180 days to get paid. Carrying around that debt for so long causes financial strain on many diverse business owners. Often, diverse businesses, which work as

subcontractors to prime vendors, must wait until the prime contractor gets paid from the state or owner of the project. A mechanism could be set up where a certified diverse business could submit their invoices directly to the owner, while copying the prime vendor, for a much quicker payment. This would increase cash flow for diverse businesses and would reimburse these businesses for supplies that were purchased as well as making payroll and benefit payments.

12. **Recommend that the NJ Board of Public Utilities enforces the 3% DVOB set-aside law.** The utilities operating in New Jersey all have supplier diversity programs and try to purchase from small and diverse businesses. They have set up the Supplier Diversity Development Council to try and help the utilities increase spends with diverse suppliers. Ideally, it would be great if the BPU enforced the 3% DVOB set-aside as there would be more opportunities for disabled veteran owned businesses. They are not currently tied to the state purchasing laws or set asides of 25% small (SBE) and 3% DVOB, however, it is the right thing to do. So many more small and diverse businesses could benefit from expanding into the utility markets.
13. **Recommend a required debriefing program for veteran businesses.** When a disabled veteran business submits a bid for a contract either as a prime vendor or subcontractor, often times they never get feedback on their submitted proposal. Many of these businesses submit their proposals and the feedback received is, “You were too high”. It would be helpful to create a debriefing program where disabled veteran businesses are taken through their proposal and feedback is provided on where their numbers differed from the winning proposal. Understanding this would greatly improve disabled veteran business’ ability to submit a more focused and financially sound proposal.
14. **Recommend a suite of penalties for businesses falsely claiming to be diverse.** There should be increased penalties for businesses claiming to be small and diverse when they are not. Some business owners have “sold” their business to their wives or female relative, just to be certified as a woman owned businesses. There have been reports of people faking their veteran status to claim their business as a veteran owned or disabled veteran owned business. Strict penalties should be put in place to discourage this type of behavior. One thing that comes to mind is that if it is proven that an individual lied about being a small and diverse business, that that individual, and every company that individual is associated with, can no longer bid on public jobs for a period of ten years. This way, if an individual gets caught, he/she can’t turn around and create a new company to bid on public work.



15. **Recommend investing in the diverse chamber/advocacy community.** The state should invest in diverse chambers, such as the African American Chamber of New Jersey, the Hispanic Chamber of Commerce of New Jersey, the NJ State Veterans Chamber of Commerce and others. This would provide a greater advocacy mechanism for these often-overlooked groups. The disparity study that is being conducted by the state will show the effects of not investing in advocacy for these diverse groups. An investment in these organizations, creating a public-private partnership, would allow businesses in these diverse groups to get the counseling that is needed and the advocacy that is needed for state procurement.
16. **Recommend creating a suite of incentives for diverse business startups.** The state should encourage the formation of diverse businesses and offer incentives for their creation. New Jersey is a difficult environment for small and diverse businesses. If the state offers certain incentives to new businesses, there is a likelihood that they will survive and prosper, ultimately leading to increased revenue for the state in the long term. The first couple of years are always the hardest for businesses. Therefore, smart, focused, and generous incentives would help them get established and grow. Detailed recommendations for diverse business incentives are included in the appendix of this report. (See Page 18)

### **STRATEGIC IMPERATIVE 5: Formalize the creation of a veteran economic development leadership team.**

Most of this paper has been dedicated to “grass top” measures to increase veteran owned business procurement in New Jersey. However, most of the issues emerge from “grass roots” level. For example, veteran owned business owners were asked if they had received any business support from both New Jersey Economic Development Authority (NJEDA) and the New Jersey Business Action Center (NJBAC). A total of 82.2% of respondents indicated that they did not receive any support from NJEDA (17.8% did), and a total of 96% said they did not receive any support from NJBAC (4% did) (n=101). This is concerning, since most small business resources in the state come out of these two organizations.

In order to provide focused advocacy for New Jersey veteran owned businesses, a Memorandum of Understanding (MOU) between NJEDA and the NJ State Veterans Chamber of Commerce should authorize the Chamber to establish a Veteran’s Economic Development Leadership Team

that meets regularly and collaborates with NJEDA. This team should consist of but not be limited to members from NJEDA, Rutgers Business School, SBA, NJ SBDC, NJ State Veterans Chamber of Commerce, NJBAC, Large Companies in NJ (Johnson & Johnson, Subaru, Novartis, Prudential), Votech Schools, NJMEP, DMAVA, VFW, American Legion, DAV, and the NJ Reentry Corp. The leadership team should also have the authority to add or delete members as the situation merits.

The Veteran's Economic Development Leadership Team should be further subdivided into four standing committees:

1. Industry Leaders Committee
  2. Sponsoring Committee
  3. Grants Committee
  4. Legislative and Outreach Committee
- Industry Leaders: This committee, chaired and co-chaired by top veteran-hiring /procuring companies, will update the team on actions taken to directly procure with veteran businesses as well as hire veterans and to incentivize other companies to join this committee.
  - Sponsoring: This committee is chaired and co-chaired by those maintaining individual veteran databases. This committee receives referrals from veterans and facilitates matchmaking with Industry Leaders.
  - Grants: This committee is chaired by a State University and facilitates grant searches and opportunities to support veteran entrepreneurship training and hiring efforts. This committee also sponsors grant-writing programs.
  - Legislative and Outreach: This committee is chaired by the NJ state Veterans Chamber of Commerce and serves to align all advocacy groups in a single message. This committee also sponsors legislative actions that support veterans economic development.

## Conclusion

There are several bills and policy changes that can be implemented to better protect veterans who start their own business. The operating environment is difficult for most small businesses in New Jersey. It is especially tough on veteran business owners as they do not have the established networks, contacts or access to capital that their non-veteran counterparts have. The 3% DVOB set-aside law has not been enforced since becoming public law seven years ago. Immediate actions need to be taken to better support veteran entrepreneurs both from a policy and a legislative standpoint. We hope that the state understands the sense of urgency to help and protect these brave Americans who answered our nation's call. They proudly served their country and their state. It's time to recognize that fact by taking care of them now that they are home and have started a business.

Since the enactment of set asides for veteran owned businesses in 2015, the state has failed to properly ensure the goals of the program are attained, creating the opportunity for our veterans to compete for public business on the homefront. Thousands of our neighbors who wore the uniform of the armed services deserve better. It's time for Trenton to keep the promise made to the thousands of veteran owned businesses by holding state agencies accountable for enforcing and reporting on state procurements.

## Appendix

### Recommended suite of incentives for diverse business startups

- **No business taxes for the first year of business** – Since it is so difficult to get started and it takes a while to get certified, build a network, and secure your first contract, it would be advantageous to waive the businesses taxes for the first year of business.
- **Discounts on internet/Wi-Fi** – All businesses are connected to the internet. These fees are usually very high and can cause stress on a business. Request that these internet providers, almost all of whom report to the BPU, reduce or give incentives for internet usage for the first year of business.
- **Discounts on EZPass** – Free EZPass for vehicles owned by a small and diverse business would create savings for that business to use toward creating jobs or purchasing equipment. Freeing up some of this money would significantly help with cash flow, one of the largest contributing factors of business demise.
- **Discounts on certifications/prequalifications/DPMC** – The state has already enacted a no fee program for diverse business certification. However, every business needs to qualify with either DPP or DPMC in Treasury. It could cost as much as \$500 for this prequalification. Waiving these fees for the first three years would provide greater cash flow for the business and would allow the business time to understand the processes before they have to pay for them. This would help in future pre-qualifications as well since there would be efficiencies created in the process.
- **Discounts on payroll taxes** – This goes back to improving cash flow, which is the largest issue affecting small and diverse businesses. Creating a lower payroll tax the first three years that the entity is in business would make it easier for the business to survive and hire others.
- **Veteran hiring discounts** – The federal government had a program that allowed a business to receive a \$9,600 discount on first-year business taxes if they hired a disabled, unemployed veteran. The state could benefit from adding incentives for hiring veterans as it would substantially reduce the veteran unemployment rate.
- **Help with bonding and insurance** – The NJEDA has a program to help companies with bonding for state jobs. This excellent program is run through NJEDA in conjunction with the African American Chamber of Commerce. This program or a new program with similar intent should also be created for insurance programs for small and diverse businesses.
- **Training programs at each state agency** – The NJ School Development Authority (NJSDA) had a program to develop better contractors for their pipeline of work. They taught OSHA 30 training to contractors with a heightened focus on safety, which created safer and better contractors. Each state agency should develop a vendor enhancement program to

teach certain courses to better develop a pipeline of small and diverse businesses into vendors.

- **Create a small and diverse business ombudsman at each state agency** – Small and diverse business owners often have no one to contact to clear up issues, get paid, and deal with bureaucracy. Having an ombudsman at each state agency would give small and diverse business owners a conduit for help addressing problems they are experiencing. This would dissolve a large amount of frustration and inactivity for these small and diverse businesses.
- **No cost loans to help purchase equipment** – The state could set up a loan program to help small and diverse businesses purchase needed equipment for a specific contract. This would open up contracting opportunities for small and diverse businesses and would build efficiencies in contracts that have already been awarded. The program can be run either at NJEDA or the I-Bank to help streamline the process.
- **Grants for small and diverse businesses** – Create a grant program to better support small and diverse businesses. There are a couple of ways to do this, but the greatest way, in the opinion of this author, is to create a diverse business pitch competition. It can be run out of NJEDA, and would have some academics and business leaders as judges. Much like the TV show Shark Tank, this would be a business pitch competition that awards a grant to the top three businesses who compete. The top award would be \$50,000 and the next two would be \$25,000 each. You could spur on a tremendous amount of innovation while also supporting the diverse business community. It could be an annual event which gets televised and additional resources such as legal support, financial guidance, marketing and advertising resources are all allocated to these businesses.
- **Create a state directory of small and diverse businesses** – The only way to find small and diverse businesses is by accessing the NJ SAVI database. This antiquated database is difficult to use and cannot be tailored to meet the needs of a specific scope of work or user. There is no way to know who is in construction vs. marketing, so prime vendors copy and paste all the emails in the database to send out requests for bids. Instead, it should be customizable by NAICS codes, capabilities, and should also include bonding capacity, insurance levels and largest job completed.
- **Decrease on business taxes based on disability rating** – Specifically for disabled veteran owned businesses, consideration should be given on % of business taxes that should be reduced in line with whatever % disability rating the business received from the Veterans Administration. It can be very difficult for a disabled veteran to start a business and often their disability gets in the way of effectively running the business. This would ease the burden on disabled veterans who start their own business.