

114TH CONGRESS  
1ST SESSION

# S. 1870

To amend the Small Business Act to require the Administrator of the Small Business Administration to carry out a pilot program on issuing grants to eligible veterans to start or acquire qualifying businesses, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 27, 2015

Mr. MORAN (for himself and Mr. TESTER) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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## A BILL

To amend the Small Business Act to require the Administrator of the Small Business Administration to carry out a pilot program on issuing grants to eligible veterans to start or acquire qualifying businesses, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Veterans Entrepre-  
5 neurial Transition Act of 2015” or the “VET Act of  
6 2015”.

1 **SEC. 2. VETERANS SMALL BUSINESS ENTREPRENEURSHIP**  
2 **PILOT PROGRAM.**

3 Section 32 of the Small Business Act (15 U.S.C.  
4 657b) is amended by adding at the end the following:

5 “(g) VETERANS SMALL BUSINESS ENTREPRENEUR-  
6 SHIP PILOT PROGRAM.—

7 “(1) PILOT PROGRAM REQUIRED.—

8 “(A) IN GENERAL.—Not later than 90  
9 days after the date of enactment of this sub-  
10 section, the Administrator, in consultation with  
11 the Advisory Committee and the Secretary of  
12 Veterans Affairs, shall begin carrying out a  
13 pilot program to assess the feasibility and ad-  
14 visability of making grants to eligible veterans  
15 to start or acquire a qualifying business enter-  
16 prise.

17 “(B) PROMOTION OF EFFICIENCY.—In  
18 carrying out the pilot program, the Adminis-  
19 trator shall ensure, to the maximum extent  
20 practicable, that the pilot program promotes ef-  
21 ficiency, accountability, and competition.

22 “(C) LIST OF CATEGORIES OF BUSINESS  
23 ENTERPRISES.—The Administrator, in con-  
24 sultation with the Advisory Committee, shall by  
25 rule establish a list of categories of business en-  
26 terprises that the Administrator determines to

1 be qualifying business enterprises for purposes  
2 of the pilot program, which shall include—

3 “(i) a small business concern;

4 “(ii) a franchise business enterprise;

5 and

6 “(iii) any other category of business  
7 enterprise that the Administrator, in con-  
8 sultation with the Advisory Committee, de-  
9 termines is appropriate and in accordance  
10 with the purposes of the pilot program.

11 “(D) NUMBER OF GRANTS.—Under the  
12 pilot program, the Administrator may make  
13 grants in accordance with paragraph (4) to not  
14 more than 250 eligible veterans to start or ac-  
15 quire a qualifying business enterprise.

16 “(E) GEOGRAPHIC DIVERSITY.—In making  
17 grants under the pilot program, the Adminis-  
18 trator shall ensure geographic diversity among  
19 the veterans who receive the grants.

20 “(F) DURATION.—The Administrator shall  
21 carry out the pilot program during the 3-year  
22 period beginning on the date on which the Ad-  
23 ministrator begins carrying out the pilot pro-  
24 gram.

25 “(2) APPLICATION.—

1           “(A) IN GENERAL.—An eligible veteran de-  
2           siring a grant under the pilot program shall  
3           submit an application—

4                   “(i) to the Administrator in the form  
5                   and containing the information as the Ad-  
6                   ministrator may require, including the in-  
7                   formation described in subparagraph (B);  
8                   and

9                   “(ii) not later than 1 year before the  
10                  date on which the pilot program terminates  
11                  under paragraph (1)(F).

12           “(B) DOCUMENTATION REQUIREMENTS.—  
13           The Administrator, in considering an applica-  
14           tion from an eligible veteran for a grant under  
15           the pilot program, may not approve the applica-  
16           tion unless the application includes the fol-  
17           lowing:

18                   “(i) A description of the use of the  
19                   grant amount, including an identification  
20                   and description of the qualifying business  
21                   enterprise.

22                   “(ii) A description of the expected re-  
23                   turn on investment resulting from the  
24                   grant amounts.

1           “(iii) A certification that the eligible  
2 veteran applying for the grant—

3                   “(I) shall complete the education  
4 and training relevant to the ownership  
5 and operation of the qualifying busi-  
6 ness enterprise described in para-  
7 graphs (3)(A) and (3)(B); and

8                   “(II) understands that the eligi-  
9 ble veteran may not receive amounts  
10 under a grant under the pilot pro-  
11 gram until after the eligible veteran  
12 has completed the required education  
13 and training relevant to the ownership  
14 and operation of the qualifying busi-  
15 ness enterprise described in para-  
16 graphs (3)(A) and (3)(B).

17           “(iv) Such certifications as the Ad-  
18 ministrator, in consultation with the Advi-  
19 sory Committee, shall by rule require, in-  
20 cluding—

21                   “(I) for a business enterprise in  
22 operation on the date of the applica-  
23 tion, evidence that the Administrator,  
24 in consultation with the Advisory

1 Committee, determines appropriate  
2 of—  
3 “(aa) good standing;  
4 “(bb) profitable operation;  
5 and  
6 “(cc) guarantees relating to  
7 the purchase of the enterprise;  
8 “(II) for a franchise business en-  
9 terprise, evidence that the Adminis-  
10 trator, in consultation with the Advi-  
11 sory Committee, determines appro-  
12 priate of—  
13 “(aa) compliance with appli-  
14 cable State and Federal laws on  
15 franchises; and  
16 “(bb) training in conforma-  
17 tion with the industry standard;  
18 and  
19 “(III) for a startup, or an enter-  
20 prise that is otherwise not in oper-  
21 ation at the time of the application, a  
22 proposal for the operation of that en-  
23 terprise that leads to profitable oper-  
24 ation within a reasonable timeframe.

1           “(v) A certification that the eligible  
2           veteran applying for the grant understands  
3           that the eligible veteran may not receive  
4           amounts under the grant until after the  
5           business plan of the eligible veteran has  
6           been approved under the procedures de-  
7           scribed in paragraph (3)(C)(ii).

8           “(vi) A certification that the eligible  
9           veteran—

10                   “(I) has been truthful about the  
11                   employment status of the eligible vet-  
12                   eran; and

13                   “(II) understands that the eligi-  
14                   ble veteran will be prohibited from  
15                   participating in the pilot program if  
16                   the certification described in subclause  
17                   (I) is determined to be untrue.

18           “(C) GROUP APPLICATIONS.—The Admin-  
19           istrator may authorize a group of eligible vet-  
20           erans to apply as a group under the pilot pro-  
21           gram. The group shall be treated as a single eli-  
22           gible veteran under the pilot program, except  
23           that the maximum amount of the grant shall be  
24           calculated by multiplying the maximum amount

1 under paragraph (4)(A) by the number of mem-  
2 bers of the group.

3 “(3) ENTREPRENEURSHIP TRAINING.—

4 “(A) IN GENERAL.—Each eligible veteran  
5 receiving a grant under the pilot program shall  
6 complete an entrepreneurship readiness pro-  
7 gram approved by the Administrator that is de-  
8 signed to prepare the eligible veteran for, and  
9 lead to the immediate subsequent ownership  
10 and management by the eligible veteran of, a  
11 qualifying business enterprise.

12 “(B) APPROVED PROGRAMS.—An approved  
13 program described in subparagraph (A) may in-  
14 clude a program—

15 “(i) available through a small business  
16 development center;

17 “(ii) approved by the Administrator  
18 for entrepreneurship training;

19 “(iii) approved by the Secretary of  
20 Veterans Affairs for entrepreneurship  
21 training;

22 “(iv) available through the Transition  
23 Assistance Program of the Department of  
24 Defense;

1           “(v) available through a women’s  
2 business center, as described in section 29;

3           “(vi) available through a Veterans  
4 Business Outreach Center, as described in  
5 subsection (d);

6           “(vii) available through the SCORE  
7 program authorized by section 8(b)(1); or

8           “(viii) approved by the Administrator,  
9 in consultation with the Advisory Com-  
10 mittee, as appropriate because of the ex-  
11 pertise the program offers relating to a  
12 certain type of business enterprise.

13           “(C) BUSINESS PLAN.—

14           “(i) CONTENTS.—An eligible veteran  
15 receiving a grant under the pilot program  
16 shall prepare a business plan, which shall  
17 include—

18           “(I) a description of how the  
19 qualifying business enterprise will  
20 achieve profitable operation within a  
21 reasonable timeframe;

22           “(II) an assessment of relevant—

23                   “(aa) economic indicators;

24                   “(bb) consumer data;

1                   “(cc) production and sales  
2 data; and

3                   “(dd) market or industry  
4 analysis; and

5                   “(III) other information that the  
6 Administrator, in consultation with  
7 the Advisory Committee, determines is  
8 appropriate.

9                   “(ii) APPROVAL PROCEDURE.—

10                   “(I) APPROVAL BY ADVISOR.—If  
11 an advisor approves the business plan  
12 prepared by the eligible veteran, the  
13 Associate Administrator for Veterans  
14 Business Development of the Adminis-  
15 tration—

16                   “(aa) shall review the busi-  
17 ness plan; and

18                   “(bb) may reverse the ap-  
19 proval of the business plan and  
20 require that the eligible veteran  
21 continue to consult with the advi-  
22 sor to develop and resubmit the  
23 business plan.

24                   “(II) DISAPPROVAL BY ADVI-  
25 SOR.—If an advisor does not approve

1 the business plan prepared by an eli-  
2 gible veteran, the Associate Adminis-  
3 trator for Veterans Business Develop-  
4 ment of the Administration, upon ap-  
5 peal by the eligible veteran, may re-  
6 verse the decision of the advisor and  
7 approve the business plan.

8 “(4) GRANT TERMS AND CONDITIONS.—

9 “(A) MAXIMUM GRANT AMOUNT AND ADDI-  
10 TIONAL ASSISTANCE.—

11 “(i) IN GENERAL.—Subject to para-  
12 graph (2)(C), the maximum amount that  
13 an eligible veteran may receive under the  
14 pilot program shall not exceed an amount  
15 equal to the sum of—

16 “(I) the maximum grant amount  
17 specified in clause (ii);

18 “(II) the amount equal to the  
19 product obtained by multiplying—

20 “(aa) the amount of addi-  
21 tional assistance to which the eli-  
22 gible veteran is entitled under  
23 clause (iii)(II); by

1                   “(bb) the number of months  
2                   that the eligible veteran partici-  
3                   pates in the pilot program; and

4                   “(III) the amount of training as-  
5                   sistance received by the eligible vet-  
6                   eran in clause (iv).

7                   “(ii) MAXIMUM GRANT AMOUNT.—The  
8                   maximum grant amount specified in this  
9                   clause is the following:

10                   “(I) In the case of an eligible vet-  
11                   eran entitled to educational assistance  
12                   under chapter 33 of title 38, United  
13                   States Code, the amount equal to the  
14                   product obtained by multiplying—

15                   “(aa) the number of months  
16                   of educational assistance to  
17                   which the eligible veteran is enti-  
18                   tled on the date that the eligible  
19                   veteran submits an application;  
20                   by

21                   “(bb) the pro rata monthly  
22                   rate of the amount that the eligi-  
23                   ble veteran is entitled to under  
24                   paragraph (1)(A)(ii)(II) of sec-  
25                   tion 3313(c) of that title, subject

1 to paragraphs (2) through (7) of  
2 that section.

3 “(II) In the case of an eligible  
4 veteran entitled to educational assist-  
5 ance under chapter 30 of title 38,  
6 United States Code, the amount equal  
7 to the product obtained by multi-  
8 plying—

9 “(aa) the number of months  
10 of educational assistance to  
11 which the eligible veteran is enti-  
12 tled on the date that the eligible  
13 veteran submits an application;  
14 by

15 “(bb) the rate in effect  
16 under section 3015(a)(1) of that  
17 title.

18 “(iii) ADDITIONAL ASSISTANCE.—

19 “(I) PERIOD OF ELIGIBILITY.—  
20 An eligible veteran shall receive the  
21 amount described in subclause (II) for  
22 each month that the eligible veteran  
23 participates in the pilot program.

24 “(II) AMOUNT.—The amount of  
25 the additional assistance specified in

1 this subclause is an amount, paid to  
2 the eligible veteran on a monthly  
3 basis, equal to the product obtained  
4 by multiplying—

5 “(aa) the monthly amount of  
6 the basic allowance for housing  
7 payable under section 403 of title  
8 37, United States Code, for a  
9 member with dependents in pay  
10 grade E-5 residing in the mili-  
11 tary housing area that encom-  
12 passes all or the majority portion  
13 of the ZIP code area in which is  
14 located the residence of the eligi-  
15 ble veteran (similar to the cal-  
16 culation made under section  
17 3313(c)(1)(B)(i)(I) of title 38,  
18 United States Code); by—

19 “(bb)(AA) in the case of an  
20 eligible veteran who, as of the  
21 date on which the eligible veteran  
22 applies for a grant under this  
23 subsection, has no employment  
24 other than the qualifying busi-  
25 ness enterprise for which the eli-

1 eligible veteran seeks a grant under  
2 this subsection, 1; or

3 “(BB) in the case of an eli-  
4 gible veteran who is not described  
5 in subitem (AA), 0.5.

6 “(iv) TRAINING ASSISTANCE.—Upon  
7 application by an eligible veteran receiving  
8 a grant under the pilot program, the Ad-  
9 ministrator may pay for the cost, if appli-  
10 cable, of an approved program described in  
11 paragraph (3)(B)(viii).

12 “(B) DISBURSEMENT.—The amount of a  
13 grant made under the pilot program shall be  
14 disbursed to an eligible veteran—

15 “(i) in installments, in accordance  
16 with the procedures described in subpara-  
17 graph (C);

18 “(ii) only after the eligible veteran  
19 presents documentation proving that the  
20 eligible veteran has completed the required  
21 entrepreneurship training described in  
22 paragraphs (3)(A) and (3)(B); and

23 “(iii) only after the business plan of  
24 the eligible veteran has been approved

1 under the procedures described in para-  
2 graph (3)(C)(ii).

3 “(C) INSTALLMENT PAYMENTS.—The  
4 amount described in subparagraph (A)(ii) shall  
5 be paid to the eligible veteran in installments on  
6 a pro rata basis with each installment being  
7 paid to the eligible veteran—

8 “(i) not earlier than 3 months after  
9 the date of the payment of the most recent  
10 installment to the eligible veteran;

11 “(ii) not later than 12 months after  
12 the date of the payment of the most recent  
13 installment to the eligible veteran; and

14 “(iii) only after the eligible veteran  
15 has met milestones established in the busi-  
16 ness plan of the eligible veteran.

17 “(5) USE OF GRANT AMOUNTS.—An eligible  
18 veteran who receives a grant under the pilot pro-  
19 gram may use the amount of the grant—

20 “(A) in accordance with the limitations  
21 that the Administrator, in consultation with the  
22 Advisory Committee, may by rule establish; and

23 “(B) for purposes related to starting or ac-  
24 quiring a qualifying business enterprise that the  
25 Administrator, in consultation with the Advi-

1 sory Committee, determines are appropriate, in-  
2 cluding—

3 “(i) purchasing goods or services nec-  
4 essary for the creation or operation of a  
5 qualifying business enterprise;

6 “(ii) funding a project that is directed  
7 toward any economic development objective  
8 described under section 501(d) of the  
9 Small Business Investment Act of 1958  
10 (15 U.S.C. 695(d)); and

11 “(iii) acquiring a qualifying business  
12 enterprise.

13 “(6) REPORT.—

14 “(A) IN GENERAL.—Not later than 2 years  
15 after the date on which the pilot program is  
16 commenced, the Administrator shall submit to  
17 the Committee on Small Business and Entre-  
18 preneurship and the Committee on Veterans’  
19 Affairs of the Senate and the Committee on  
20 Small Business and the Committee on Vet-  
21 erans’ Affairs of the House of Representatives  
22 a report analyzing the feasibility and effective-  
23 ness of the pilot program.

24 “(B) CONTENTS.—The report submitted  
25 under subparagraph (A) shall include—

- 1           “(i) an assessment of the pilot pro-  
2           gram;
- 3           “(ii) a survey containing—
- 4                 “(I) the number of grantees  
5                 under the pilot program; and
- 6                 “(II) the number of the grantees  
7                 under the pilot program that partici-  
8                 pated in each of the training pro-  
9                 grams described in subparagraphs (A)  
10                and (B) of paragraph (3);
- 11           “(iii) recommendations regarding  
12           whether any aspect of the pilot program  
13           should be made a permanent authority,  
14           and, if so, the means to ensure—
- 15                 “(I) geographic and demographic  
16                 diversity among the eligible veterans  
17                 who receive the grants under the per-  
18                 manent authority; and
- 19                 “(II) diversity in the types of  
20                 qualifying business enterprises for  
21                 which eligible veterans may receive  
22                 grants under the pilot program;
- 23           “(iv) an assessment regarding wheth-  
24           er the grants distributed under the pilot  
25           program should continue to be made in in-

1           stallments or with a one-time, lump sum  
2           payment;

3           “(v) an assessment of the additional  
4           assistance made available under the pilot  
5           program, including the accountability sur-  
6           rounding the availability of additional as-  
7           sistance;

8           “(vi) an analysis of the procedures for  
9           approving a business plan and a rec-  
10          ommendation regarding ways, if necessary,  
11          to improve the procedures; and

12          “(vii) a recommendation regarding  
13          ways, if necessary, to improve the account-  
14          ability of advisors.

15          “(7) NO EFFECT ON TIME LIMITATION FOR USE  
16          OF ENTITLEMENT TO EDUCATIONAL ASSISTANCE.—  
17          Nothing in this subsection shall be construed to  
18          modify any time limitation or period during which  
19          an individual is entitled to educational assistance  
20          under chapter 30 or 33 of title 38, United States  
21          Code.

22          “(8) DEFINITIONS.—In this subsection:

23                  “(A) ADVISOR.—The term ‘advisor’ means  
24                  a person—

1           “(i) affiliated with an entrepreneur-  
2           ship or training and curricula program de-  
3           scribed in paragraphs (3)(A) and (3)(B);

4           “(ii) who may assist an eligible vet-  
5           eran with the preparation and approval of  
6           a business plan; and

7           “(iii) who is approved to serve as an  
8           advisor by the Administrator, in consulta-  
9           tion with the Advisory Committee.

10          “(B) ADVISORY COMMITTEE.—The term  
11          ‘Advisory Committee’ means the Advisory Com-  
12          mittee on Veterans Business Affairs established  
13          under section 203 of the Veterans Entrepre-  
14          neurship and Small Business Development Act  
15          of 1999 (15 U.S.C. 657b note).

16          “(C) BUSINESS PLAN.—The term ‘business  
17          plan’ means a plan prepared by an eligible vet-  
18          eran for the operation of a qualifying business  
19          enterprise that shall be—

20                 “(i) prepared—

21                         “(I) while the eligible veteran  
22                         participates in an approved training  
23                         program described in paragraphs  
24                         (3)(A) and (3)(B); and

1                   “(II) with the assistance of an  
2                   advisor; and

3                   “(ii) consistent with the guidelines  
4                   and recommendations provided by the  
5                   Business Plan Tool of the Administration.

6                   “(D) ELIGIBLE VETERAN.—The term ‘eli-  
7                   gible veteran’ means an individual who—

8                   “(i) is—

9                   “(I) a veteran; or

10                   “(II) a member of the Armed  
11                   Forces who—

12                   “(aa) is currently retiring or  
13                   separating from the Armed  
14                   Forces and has a service ap-  
15                   proved retirement or separation  
16                   packet; or

17                   “(bb) has last been honor-  
18                   ably discharged from active duty  
19                   service in the Armed Forces;

20                   “(ii) has completed not less than—

21                   “(I) 36 months of active duty  
22                   service in the Armed Forces (other  
23                   than active duty service for training);

24                   or

1                   “(II) 24 months of active duty  
2                   service in the Armed Forces (other  
3                   than active duty service for training)  
4                   before being discharged or separated  
5                   for a service-connected disability, as  
6                   that term is defined in section 101 of  
7                   title 38, United States Code; and

8                   “(iii) is entitled to educational assist-  
9                   ance under chapter 30 or 33 of title 38,  
10                  United States Code.

11                  “(E) FRANCHISE BUSINESS ENTER-  
12                  PRISE.—The term ‘franchise business enter-  
13                  prise’ means any continuing commercial rela-  
14                  tionship or arrangement, regardless of the title  
15                  given the relationship or arrangement, under  
16                  which the terms of the offer or contract specify,  
17                  or the franchise seller promises or represents,  
18                  orally or in writing, that—

19                         “(i) the franchisee will obtain the  
20                         right to—

21                                 “(I) operate a business that is  
22                                 identified or associated with the trade-  
23                                 mark of the franchisor; or

24                                 “(II) offer, sell, or distribute  
25                                 goods, services, or commodities that

1 are identified or associated with the  
2 trademark of the franchisor;

3 “(ii) the franchisor may—

4 “(I) exert, or has authority to  
5 exert, a significant degree of control  
6 over the method of operation of the  
7 franchisee; or

8 “(II) provide significant assist-  
9 ance in the method of operation of the  
10 franchisee; and

11 “(iii) as a condition of obtaining or  
12 commencing operation of the franchise  
13 business enterprise, the franchisee makes a  
14 required payment or commits to make a  
15 required payment to the franchisor or the  
16 affiliate of the franchisor.

17 “(F) FRANCHISEE.—The term ‘franchisee’  
18 means any person who is granted a franchise  
19 business enterprise.

20 “(G) FRANCHISOR.—The term  
21 ‘franchisor’—

22 “(i) means any person who grants a  
23 franchise business enterprise and partici-  
24 pates in the franchise relationship; and

25 “(ii) includes subfranchisors.

1           “(H) PILOT PROGRAM.—The term ‘pilot  
2 program’ means the pilot program established  
3 under paragraph (1)(A).

4           “(I) QUALIFYING BUSINESS ENTER-  
5 PRISE.—The term ‘qualifying business enter-  
6 prise’ means a business included in the list of  
7 categories of business enterprises established  
8 under paragraph (1)(C).

9           “(J) STARTUP.—The term ‘startup’ means  
10 a business enterprise that—

11                   “(i) is not yet in existence; or

12                   “(ii) has been in existence for not  
13 more than 5 years.

14           “(K) SUBFRANCHISOR.—The term  
15 ‘subfranchisor’ means a person who functions  
16 as a franchisor by engaging in both pre-sale ac-  
17 tivities and post-sale performance.”.

○