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SENATE

{ REPORT
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VETERANS ENTREPRENEURSHIP ACT

APRIL 21, 2016.—Ordered to be printed

Mr. VITTER, from the Committee on Small Business and
Entrepreneurship, submitted the following

R E P O R T

[To accompany S. 957]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 957) to increase access to capital for veteran entrepreneurs to help create jobs, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. INTRODUCTION

The Veterans Entrepreneurship Act (S. 957) was introduced by Senator Jeanne Shaheen on April 15, 2015. Senator Shaheen was joined by Senators Angus King and Maria Cantwell in introducing the bill. The bill is also co-sponsored by Committee members Senator Kelly Ayotte, Senator Deb Fischer, Senator Mazie Hirono, Senator Christopher Coons and Senator Gary Peters, as well as Senator Michael Bennet.

The Veterans Entrepreneurship Act amends the Small Business Act of 1953 to prohibit the administrator of the Small Business Administration (SBA) from assessing a guarantee fee in connection with a loan made under the SBA Express Program to a veteran or spouse of a veteran beginning October 1, 2015. The bill also directs the Administrator to report to Congress on: (1) the feasibility of providing financial planning and counseling to owners of small business concerns who are members of a reserve component prior to deployment; (2) the level of outreach to and consultation with female veterans by women's business centers and veterans business outreach centers; and (3) the Military Reservists Economic Injury Disaster Loan Program, which shall include a discussion of SBA outreach efforts to increase participation, the number of loans

made, and an analysis of the effectiveness of, and recommendations for improving, the Program.

During the markup of the bill, the bill was approved unanimously by voice vote.

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

According to the Congressional Research Service (CRS), veteran unemployment as of February 2016 stood at 4.1 percent, lower than for nonveterans who are 18 or above, which stood at 5.1 percent.¹ Unemployment amongst veterans who have left the armed forces since late 2001 is 4.7 percent, higher than the above-referenced figure of 4.1 percent for all veterans. Given the high number of veterans returning from overseas service over the last decade, Congress has shown substantial interest in assisting those veterans as they look to re-enter civilian life. While Congress's engagement spans a broad range of veterans' assistance, this Committee has been focused on removing barriers for veterans interested in building and expanding small businesses. Congress has worked closely with the Small Business Administration to establish, fund and conduct oversight of a number of SBA programs that support veterans engaged in small business ventures. One of those programs is SBA Express, which makes loans of up to \$350,000 available to borrowers, and features an expedited timeline for SBA review of applications. In recent years, Congress has heard from a variety of stakeholders about impediments faced by veterans seeking access to SBA programs. On January 1, 2014, SBA announced a simplified, streamlined application process for loans under the 7(a) program of less than \$350,000. One of those barriers is the requirement that borrowers under the 7(a) program pay upfront fees to receive a loan. That requirement has repeatedly been identified by applicants and veterans advocates as an obstacle for veterans who desire to start a small business. SBA has used its authority to waive these fees, as a component of the agency's efforts to expand veterans' access to federal assistance for starting and operating a small business, but Congress and stakeholders have continued efforts to make the fee waivers permanent.

During the 113th Congress, S. 2143, the Veterans Entrepreneurship Act, would have authorized and made the Veterans Advantage Program's fee waiver permanent. P.L. 113-235, the Consolidated and Further Continuing Appropriations Act, 2015, provided statutory authorization for the fee waiver for FY2015.

During the 114th Congress, P.L. 114-38, the Veterans Entrepreneurship Act of 2015, authorized and made the SBA's current practice of waiving the SBAExpress loan program's one time, up-front guaranty fee for veterans (and their spouse) permanent beginning on or after October 1, 2015, except during any upcoming fiscal year for which the President's budget, submitted to Congress, includes a cost for the 7(a) program, in its entirety, that is above zero.⁷⁴

III. HEARINGS & ROUNDTABLES

In the 113th Congress:

¹*SBA Veterans Assistance Programs: An Analysis of Contemporary Issues*. Congressional Research Service, Dilger, Robert Jay and Lowry, Sean. R42695. March 10, 2016.

On June 4, 2014, the Committee held a hearing entitled “From Military Service to Small Business Owner: Supporting America’s Veteran Entrepreneurs,” chaired by Senator Cantwell, to discuss legislative proposals under consideration by the Committee in support of veterans entrepreneurship and small business ownership. During the hearing, witnesses discussed the obstacles facing transitioning service members, veterans and their spouses in starting and growing a small business. This included testimony as to the fees associated with certain SBA loan products and the need for additional access to capital. Specifically, witnesses expressed support for Senator Shaheen’s Veterans Entrepreneurship Act (S. 2143), which would have permanently waived the fees on certain SBA loan products for service members, veterans, or their spouse.

IV. DESCRIPTION OF BILL

Amends the Small Business Act to prohibit the Administrator of the Small Business Administration (SBA) from assessing a guarantee fee in connection with a loan made under the SBA Express Program to a veteran or spouse of a veteran on or after October 1, 2015.

Directs the Administrator to report to Congress on: (1) the feasibility of providing financial planning and counseling to owners of small business concerns who are members of a reserve component prior to deployment; (2) the level of outreach to and consultation with female veterans by women’s business centers and veterans business outreach centers; and (3) the Military Reservists Economic Injury Disaster Loan Program, which shall include a discussion of SBA outreach efforts to increase participation, the number of loans made, and an analysis of the effectiveness of, and recommendations for improving, the Program.

V. COMMITTEE VOTE

In compliance with rule XXVI (7)(b) of the Standing Rules of the Senate, the following vote was recorded on April 23, 2015.

A motion to adopt the Veterans Entrepreneurship Act, a bill to increase access to capital for veteran entrepreneurs to help create jobs, was approved unanimously by voice vote with the following Senators present: Senators Vitter, Risch, Fischer, Gardner, Ernst, Ayotte, Enzi, Shaheen, Cantwell, Cardin, Heitkamp, Booker, Coons, Hirono, and Peters.

VI. COST ESTIMATE

In compliance with rule XXVI (11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts discussed in the following letter from the Congressional Budget Office:

U.S. CONGRESS,
 CONGRESSIONAL BUDGET OFFICE,
 Washington, DC, May 28, 2015.

Hon. DAVID VITTER,
 Chairman, Committee on Small Business and Entrepreneurship,
 U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 957, the Veterans Entrepreneurship Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kim Cawley.

Sincerely,

KEITH HALL.

Enclosure.

S. 957—Veterans Entrepreneurship Act

Under current law, the Small Business Administration (SBA) waives payment of a guarantee fee for certain loans made under the agency's 7(a) loan guarantee program to veterans, military reservists, and their spouses that operate small businesses. S. 957 would make this pilot program permanent. The bill also would direct the agency to provide three reports to the Congress on matters related to the SBA's services to veterans and military reservists.

In fiscal year 2015, the subsidy cost for the SBA's 7(a) program, that is, the estimated long-term cost to the government for loan guarantees calculated on a net-present-value basis, is zero. Based on information from the SBA, CBO expects that extending the program to waive fees for certain 7(a) loans to veterans would not affect the program's subsidy cost because the agency has discretion to adjust other fees authorized under the program to maintain an overall subsidy rate for the program of zero. CBO estimates that implementing S. 957 would have an insignificant effect on discretionary costs to meet the reporting requirements under the bill. Enacting S. 957 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 957 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Kim Cawley. The estimate was approved by Theresa Gullo, Assistant Director for Budget Analysis.

VII. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI (11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

VIII. SECTION-BY-SECTION ANALYSIS

Sec. 1. Short title—Creates a short title, the Veterans Entrepreneurship Act.

Sec. 2. Definitions—Defines terms used throughout the bill.

Sec. 3. Permanent SBA Express Loan Guarantee Fee Waiver for Veterans—Congress codified a fee waiver for veteran owned small business for FY2015 as part of the FY15 Omnibus Appropriations Act, P.L. 113–235. The SBA Express loan program provides streamlined loan approvals for both banks and small businesses. The SBA is currently waiving fees for veteran-owned small businesses on Express loans between \$150,000 and \$350,000 for FY15 (which are typically 3 percent of the loan). The Veterans Express Loan fee waiver builds on the SBA’s waiver of both borrower and lender fees on non-Express loans of \$150,000 and less.

The bill would make this fee waiver permanent, which will make it easier for veteran-owned businesses to get access to credit. SBA guarantee fees, which are calculated as a percentage of the loan based on maturity and loan value, typically cost borrowers thousands of dollars. Providing additional fee waivers for veteran-owned small businesses is a simple and effective way of supporting veteran entrepreneurship.

Sec. 4. Report on Financial Planning and Counseling for Owners of Small Business Concerns in the National Guard and Reserve—Requires SBA to study the feasibility of offering National Guard and Reservist small business owners financial planning and counseling prior to deployment. Pre-deployment training could potentially address many problems before they arise, which would save money for both the veteran and the tax payer.

Sec. 5. Report on Accessibility and Outreach to Female Veterans by the Small Business Administration—This provision requires the SBA to conduct a comprehensive review and make recommendations to improve its outreach and services for female veterans, particularly by its Women Business Centers and Veteran Business Outreach Centers.

Sec. 6. Report on the Military Reservists Economic Injury Disaster Loan Program—SBA’s Military Reservists Economic Injury Disaster Loan (MREIDL) Program provides disaster assistance in the form of direct loans of up to \$2 million to help small business owners who are not able to obtain credit elsewhere because an essential employee has been called-up to active duty in their role as a military reservist or member of the National Guard due to a period of military conflict. The Veterans Entrepreneurship Act requires the SBA to report to Congress on how this program is administered and ways to address program outreach, utilization, and effectiveness.