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THE VETERANS SMALL BUSINESS OWNERSHIP INVESTMENT ACT

DECEMBER 20, 2016.—Ordered to be printed

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December 9), 2016

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

R E P O R T

[To accompany S. 1866]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 1866) to establish the veterans' business outreach center program, to improve the programs for veterans of the Small Business Administration, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill, as amended do pass.

i. introduction

The Veterans Small Business Ownership Improvements Act (S. 1866) was introduced by Senators David Vitter, Hirono, and Jeanne Shaheen on July 27, 2015.

During the markup of the bill, Senators Ayotte and Shaheen filed an amendment to the bill that authorizes the SBA to establish a peer-driven educational pilot program to help veterans develop the requisite skills to become successful small business owners. The five-year program will assist participating service members, veterans, and their spouses/dependents through in-depth training, providing the tools and entrepreneurial knowledge necessary to identify a business opportunity, draft a business plan, connect with local small business resources, and launch a small business through an organized peer environment. The Inspector General will conduct annual reviews of contracts awarded through this program

to uphold the program's integrity and goals. The amendment was approved by voice vote.

Senator Shaheen also filed an amendment to the bill that would remove a provision preventing the SBA from spending more than a certain percentage of funds on overseas travel in order to deliver the program. The amendment would ensure that service members stationed overseas have equal access to the SBA's Boots to Business program as those stationed domestically. Ms. Shaheen did not offer her amendment during the markup.

The bill, as amended, was also approved by voice vote.

ii. history (purpose & need for legislation)

In the past two years alone, over 360,000 service members have separated from the armed forces, and there will be over 1 million service members transitioning out of the military over the next five years. While military men and women gain valuable experience throughout their service, 69% of veterans say that their biggest challenge after leaving the military is finding a job. Over 1 million veterans are currently unemployed, with unemployment rates for veterans at 9% and in some markets as high as 21%.

Veteran entrepreneurs and small business owners are significant, vital contributors to the local and national economies. There are over 2.4 million businesses with majority ownership by veterans. They contribute over \$1.2 trillion to our economy each year and employ over 5.7 million workers. However, while our service members demonstrate advanced maturity and extensive professional and leadership skills from their military service, many transitioning service members do not have the technical knowledge to start and sustain a business.

While many veterans are applying the same can-do approach they used in the military to start and grow their own small businesses, they need better connections to the resources that can help their businesses succeed. By making the federal government a better ally of veterans, they can transition from military service to local job-creators.

Since the passage of the *Veterans Entrepreneurship and Small Business Development Act of 1999* (P.L. 106-50), the SBA's Office of Veterans Business Development (OVBD) has been working to provide technical assistance and support to those veterans who have served our country and returned to start or grow a small business. The Committee has supported efforts to ensure successful transitions into civilian life and, more specifically, civilian employment. By encouraging all levels of veteran entrepreneurship and advocating for additional resources, the Committee has worked diligently to provide America's veterans with the information and tools they need to become successful small business owners. The Committee continues to recognize the tremendous success and potential of the OVBD in providing critical information and services to veteran small business owners across the country.

In continuing with the Committee's commitment to supporting America's veteran entrepreneurs, on May 20, 2010 Senators Landrieu and Snowe introduced the *Strengthening Entrepreneurship for America's Veterans Act of 2010* (S. 3394). The legislation established a Veterans Business Center program within the OVBD, to provide entrepreneurial training and counseling to veterans, serv-

ice-disabled veterans, reservists, their spouses and surviving spouses. It also authorized funding so that the OVBD may carry out the program. In addition, S. 3394 authorized the OVBD to create an online mechanism through which the SBA may provide information to assist veteran business centers in providing resources to clients. Additionally, the legislation required two reports to be completed, one regarding veterans' access to credit and another on the effectiveness of the veterans' business center program. The legislation included provisions similar to those contained in the *Entrepreneurial Development Act of 2009* (S. 1229) introduced by Chair Landrieu and Ranking Member Snowe earlier in the 111th Congress.

In the 113th Congress, Senator Pryor introduced the *Veteran Entrepreneurship and Training Opportunities Act of 2014*. The bill was intended to address the need for modern, targeted entrepreneurial development programs that meet veterans at the beginning of the transition process and provide the support necessary for them to create jobs and grow the U.S. economy. The legislation authorizes and improves several programs run by the Small Business Administration's Office of Veteran Business Development to help transitioning service members adjust to the civilian world and gain the skills necessary to start and expand their small businesses.

iii. hearings & roundtables

In the 113th Congress:

On November 8, 2013, the Committee held a field hearing in Little Rock, Arkansas, entitled "From Warriors to Entrepreneurs: Business Opportunities for Veterans." The purpose of the hearing was to discuss efforts to provide entrepreneurship training and business counseling for our nation's veterans and returning service members, and the reauthorization of existing veterans entrepreneurial development programs within the Small Business Administration. The Committee received testimony from Ms. Jeanne A. Hultit, Acting Administrator, U.S. Small Business Administration; Ms. Janet M. Roderick, ASBTDC State Director, UALR College of Business; Mr. David Wallace, Wallace Staffing and Labor; Mr. Damian Coleman, Marquette GIS, Inc.; Ms. Anita Montgomery; Ms. Linda R. Nelson, CPA, Arkansas Small Business Administration Director; Mr. Jeff Frisby, Enlisted Association of the Arkansas National Guard; Mr. Kevin Kidd, Taco Kidd; Ms. Itzel Meador, Arkansas Capital Corporation Group; Ms. Esther Fitch.

On November 13, 2013, the Committee held a roundtable entitled "Serving our Service Members: A Review of Programs for Veteran Entrepreneurs." The purpose of the hearing was to discuss efforts at the local, state, and national level to provide entrepreneurship training and business counseling for our nation's veterans and returning service members. The Committee received testimony from Mr. C.E. Rowe, President and CEO, America's SBDC; Lt. Col. Jason C. Anderson, Founder and CEO, Active-Duty Entrepreneur, LLC; Ms. Robin D. Kistler, Director, LSU Executive Education, Louisiana State University; Mr. Aaron Dirks, Chairman, PosiGen; Mr. Chris Ferguson, President, Shoulder 2 Shoulder Inc.; Mr. Louis J. Celli, Jr., Director, National Legislative Division, The American Legion; Mr. Rhett Jeppson, Associate Administrator, Office of Veterans Business Development, U.S. Small Business Administration;

Mr. Robert Rehder, Director, Veterans Business Outreach Center (VBOC), Fayetteville State University; Mr. Joe Wynn, President, Vets Group, Inc.; Dr. Mike Haynie, Ph.D., Executive Director and Founder, Institute for Veterans and Military Families, Syracuse University.

On June 4, 2014 the Committee held a hearing entitled “From Military Service to Small Business Owner: Supporting America’s Veterans Entrepreneurs.” The purpose of the hearing was to discuss what the current Administration—in concert with the new SBA Administrator—is doing to help boost veterans’ entrepreneurship and small business ownership. Additionally, the purpose was to discuss pending legislation aimed at helping veterans’ small business ownership and entrepreneurial development programs within the SBA. The Committee received testimony from Ms. Julianna Duso, Program Director, Veterans Business Outreach Center, U.S. Small Business Administration; Mr. Rhett Jeppson, Associate Administrator, Office of Veterans Business Development, U.S. Small Business Administration; Mr. Gary Multanen, CEO, Best Bath Systems, Inc.; Ms. Trena Payton, President, ABN Technologies; Mr. Dan Proulx, Jr. Member Manager, Monument Construction, LLC.

In the 114th Congress:

On June 25, 2015, the Committee held a hearing entitled “Opening Doors to Economic Opportunity for Our Veterans and Their Families through Entrepreneurship.” The purpose of the hearing was to examine entrepreneurship programs available to veterans, especially those with disabilities, as they transition to civilian life. The Committee heard testimony from two separate panels. The first panel comprised representatives for veteran programs; representing the Office of Veterans Business Development, the Institute for Veterans and Military Families, the Small Business Technology & Development Center, and the Veterans Business Outreach Center at Community Business Partnership. The Second panel comprised several veteran entrepreneurs. Witnesses testified on how to avoid duplicating existing programs, coordinating efforts with existing programs, ensuring efficiency through metrics and accountability, and whether the new program should extend to overseas operations.

iv. description of bill

This bill authorizes the Boots to Business Program, the Women Veterans Business Training Program, the Business Training Program for Service Disabled Veterans, and the Veterans’ Business Outreach Center Program under the Small Business Administration’s (SBA) Office of Veterans Business Development. The bill authorizes appropriations of \$10,500,000 for each of fiscal years 2016 through 2020. It requires annual reports on performance metrics, other information, and improvement suggestions for the programs, IG review of B2B awards, and examinations for VBOCs. Requires GAO reports on access to capital and VBOC performance. Directs the SBA to establish guidelines for improving the matching and network of military service members and veterans for both counselors/mentors and clients throughout these programs. Requires that all VBOCs be affiliated with an SBDC through cooperative agreements, and outlines the VBOC application process and appli-

cation requirements in addition to requirements for the Administrator/Associate Administrator for managing the application, selection, and grant disbursement processes. Limits the amount of funds available for international travel reimbursements to administer the programs. Improves service/resource coordination amongst programs and agencies. Creates a one-stop online resource for all of the SBA's business development and entrepreneurial programs.

The Ayotte/Shahen amendment creates a peer-driven educational pilot program through SBA to help veterans develop the requisite skills to become successful small business owners. The five-year program will assist participating service members, veterans, and their spouses/dependents through in-depth training, providing the tools and entrepreneurial knowledge necessary to identify a business opportunity, draft a business plan, connect with local small business resources, and launch a small business through an organized peer environment. The Inspector General will conduct annual reviews of contracts awarded through this program to uphold the program's integrity and goals.

The Shahen amendment, while not offered, would ensure that service members stationed overseas have equal access to the SBA's Boots to Business program as those stationed domestically. As written, the underlying provision would deny nearly 2,000 Service members stationed overseas with quality instruction on the challenges of entrepreneurship. The amendment, which struck the underlying provision including that limitation, sought to reconcile the bill with the long-standing Department of Defense's policy of brick-and-mortar instruction as well as providing equal opportunities to transitioning military personnel regardless of their duty station.

v. committee vote

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following vote was recorded on July 29, 2015.

A motion to adopt the Veterans Small Business Ownership Improvements Act, a bill to reauthorize Veteran Owned Small Business programs including the Boots to Business program, the Veteran Business Outreach Centers, and to make certain improvements as amended by the Ayotte/Shahen amendment, was approved unanimously by voice vote with the following Senators present: Vitter, Gardner, Peters, Heitkamp, Shahen, Eniz, Booker, Cantwell, Hirono, Fischer, Ernst, and Scott.

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:

SEPTEMBER 14, 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. 1866, the Veterans Small Business Ownership Improvements Act of 2015.

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

Sincerely,

KEITH HALL.

Enclosure.

Summary: S. 1866 would authorize several programs to provide entrepreneurship training through the Small Business Administration (SBA) to veterans. S. 1866 also would require the SBA and the Government Accountability Office (GAO) to provide reports to the Congress on the performance and effectiveness of the programs authorized under the bill.

CBO estimates that implementing S. 1866 would cost \$52 million over the 2016–2020 period, assuming appropriation of the authorized and necessary amounts. Pay-as-you-go procedures do not apply to this legislation because enacting it would not affect direct spending or revenues.

S. 1866 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary effect of S. 1866 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By fiscal year, in millions of dollars—					
	2016	2017	2018	2019	2020	2016–2020
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Veterans Entrepreneurial Development Programs:						
Authorization Level	11	11	11	11	11	53
Estimated Outlays	6	9	11	11	11	47
Other Programs, Reports, and Online Efforts:						
Estimated Authorization Level	2	1	1	1	1	6
Estimated Outlays	1	1	1	1	1	5
Total:						
Estimated Authorization Level	12	11	11	11	11	57
Estimated Outlays	7	10	11	11	11	52

Note: Components may not sum to totals because of rounding.

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted late in calendar year 2015, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar activities.

S. 1866 would authorize \$10.5 million annually for fiscal years 2016 through 2020 for several SBA programs that provide advice and assistance to veterans who desire to or have established small businesses. The bill also would authorize a pilot program for non-profits to develop peer support groups to help eligible active members of the military as well as veterans explore issues related to self-employment and small business ownership. Finally, the bill would direct the SBA to make information about all of the agency's programs to support veterans' entrepreneurial efforts available online. CBO estimates that implementing S. 1866 would cost \$52 million over the 2016–2020 period, assuming the appropriation of the authorized and necessary amounts. Veterans Entrepreneurial Development Programs S.1866 would authorize \$10.5 million for each of fiscal years 2016 through 2020 for the following programs to pro-

vide entrepreneurship training to members of the armed forces, veterans, and their spouses:

- The Boots to Business Program,
- the Women Veterans Business Training Program,
- the Business Training Program for Service Disabled Veterans, and
- the Veterans' Business Outreach Center program.

Based on information from the SBA, CBO estimates that implementing those provisions would cost \$47 million over the 2016–2020 period, assuming appropriation of the authorized amounts. SBA spent about \$10 million in fiscal year 2014 for entrepreneurial development programs aimed at veterans including Boots to Business and the Veterans Business Opportunity Center programs.

Other programs, reports and online efforts

Other provisions of S. 1866 would:

- Authorize the Veterans Business Owners Initiative Pilot Program to provide funding to nonprofit entities that would establish support groups for veterans interested in establishing a small business to help them understand the complexities of self-employment;
- Broaden the amount of information the SBA must submit to the Congress annually about its efforts to support entrepreneurs who are veterans;
- Require GAO to prepare reports on veterans' ability to access credit and on the Veterans Business Outreach Center program; and
- Require the SBA to develop a single online source for all resources the agency makes available to veterans.

Based on information from the SBA, CBO estimates that implementing those provisions would cost \$5 million over the 2016–2020 period, assuming appropriation of the necessary amounts. Of that amount, about \$1 million would be spent in one-time costs for the SBA to upgrade its data collection and online resources, \$1 million would be spent to meet additional reporting requirements, and the balance would be spent to implement the new pilot program.

Pay-As-You-Go considerations: None.

Intergovernmental and private-sector impact: S. 1866 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments may benefit from programs to provide assistance to veteran owners of small businesses. Any costs to those entities would be incurred voluntarily as a condition of receiving federal assistance.

Estimate prepared by: Federal costs: Susan Willie; Impact on state, local, and tribal governments: Melissa Merrell; Impact on the private sector: Logan Smith.

Estimate approved by: H. Samuel Papenfuss, Deputy 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

Section 1. Short title

This Act may be cited as the “Veterans Small Business Ownership Improvements Act of 2015.”

Section 2. Veterans’ Business Outreach Center Program; Office of Veterans Business Development

This section authorizes the Boots to Business Program and the Veterans’ Business Outreach Center Program under the Small Business Administration’s (SBA) Office of Veterans Business Development. This section requires annual reports to Congress on the performance and effectiveness of the programs and also restricts use of funds under this section for program services provided outside the U.S. It authorizes appropriations of \$5,500,000 for each of fiscal years 2016 through 2020 in order to carry out this section.

Boots to Business Program

The Boots to Business Program is a pilot initiative for an entrepreneurial education and training program by the SBA that currently operates as a no-cost training track within the Department of Defense’s Transition Assistance (TAP) Program. The program serves service members, veterans, and their spouses/dependents through a three-step curriculum that includes an introduction to entrepreneurship, a two-day classroom course, and an eight-week instructor-led online course guiding participants through the key steps for evaluating business concepts and providing the foundational knowledge required to develop a business plan. In addition, participants are introduced to SBA resources available to help access start-up capital and additional technical assistance.

This section authorizes the Boots to Business Program under the SBA, includes program components such as online and classroom courses to meet goals, and requires the program to be implemented through various SBA resource partners, including Veterans’ Business Outreach Centers (VBOC), Small Business Development Centers (SBDC), Women’s Business Centers (WBC), and the Service Core of Retired Executives (SCORE), and other entities. In addition to the resource partners, the Boots to Business material will be included in the DOD TAP program manual, on the TAP website, and through other DOD published materials. The Inspector General will conduct annual reviews of contracts awarded through this program to uphold the program’s integrity and goals.

Veterans’ Business Outreach Centers

Veteran Business Outreach Centers (VBOC) provide veterans, Reservists, and spouses/dependents with business development training and counseling that include technical assistance and financial, management and marketing advice.

This section authorizes the VBOC program to be implemented through educational institutions, veterans’ nonprofit community-based organizations, and Federal, State, and local departments and agencies for 5-year, renewable projects.

This section outlines the application process and application requirements in addition to requirements for the Administrator/Associate Administrator for managing the application, selection, and grant disbursement processes.

This section requires VBOC grants to be between \$100,000 and \$300,000 for each fiscal year and outlines non-federal matching requirements and allowances.

This section requires that all VBOCs be affiliated with an SBDC through cooperative agreements and ensures that the new agreements between the VBOC and SBDC does not conflict with the agreements between the SBDC and the SBA.

This section requires the Associate Administrator to conduct annual examinations of the VBOC program and centers to include performance metrics and other appropriate information.

This section also encourages and requires improved coordination amongst VBOC centers and amongst veterans' business development officers including online.

Section 3. Improvements to business development and entrepreneurial programs

This section instructs the Administrator to establish guidelines for improving the matching and network of military service members and veterans for both counselors/mentors and clients throughout the business development and entrepreneurial programs under the SBA. This is to enhance the service and network targeted at service members and veterans.

This section also creates a one-stop online resource for all of the SBA's business development and entrepreneurial programs. The website will contain program descriptions; targeted audiences; local, state, and national contact information; associated program costs; and curriculum outlines available for each of SBA's business development programs. This is to allow for a consolidated, one-stop resource for entrepreneurs and business owners who are seeking assistance in starting or developing small businesses.