

Calendar No. 542

114TH CONGRESS }
2d Session }

SENATE

{ REPORT
{ 114-411

THE VETERANS ENTREPRENEURIAL TRANSITION ACT OF 2015

DECEMBER 20, 2016.—Ordered to be printed

Filed, under authority of the order of the Senate of December 10 (legislative day,
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. 1870]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (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, having considered the same, reports favorably thereon with an amendment, and recommends that the bill (as amended) do pass.

I. INTRODUCTION

The Veterans Entrepreneurial Transition Act of 2015 (S. 1870) was introduced by Senator Moran on July 27, 2015.

The Veterans Entrepreneurial Transition Act establishes a three-year grant program within the Small Business Administration (SBA) that would provide funding to no more than 250 eligible veterans to start or acquire a qualifying business. To be eligible, a veteran or group of veterans would need to complete entrepreneurship training and prepare a business plan that must be approved by an SBA-authorized advisor.

Senator Vitter filed a manager's amendment in the nature of a substitute which further clarified the eligibility requirements for veterans participating in the pilot program. The amendment includes the additional requirement that the grant be used for pur-

poses consistent with the activities and objectives set forth in the applicant's business plan. It also includes a GAO report to be done within one year of conclusion of the pilot program in order to evaluate the program for issues pertaining to administrative difficulties, fiscal responsibility and whether the program is consistent with the original purposes of the GI Bill.

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

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

According to the U.S. Census Bureau, there are over 21.8 million veterans in the United States. Since 2001, over 2 million men and women have completed tours of service in the U.S. military and returned to civilian life. It is projected that an additional million will leave the Armed Forces over the next five years. That number could be much larger with planned force reductions.

Veterans own an estimated 2.4 million businesses in the United States, accounting for approximately one-tenth of all businesses nationwide (U.S. Census Bureau). According to the Kauffman Foundation, 45 percent of veterans start their own business after their military service is completed. Veterans who wish to engage in entrepreneurship need access to resources, training, and support to pursue their dreams, start a business, employ other Americans, and generate growth in the economy.

In the Office of Veteran Business Development at the SBA, there are several different resources or programs available to assist veterans in starting a small business. Some of these programs are effective, but there is room for improvement to tailor programming to the needs of veterans on their path of entrepreneurship. The Kauffman Foundation reports that "veteran entrepreneurship shares have been declining steadily over the past two decades. In 1996, veterans represented 12.3 percent of all new entrepreneurs. By 2011, veterans comprised just 6 percent of new entrepreneurs." The research by Kauffman attributes this decline to the fact that "younger veterans now have less support from within their own community." As they consider their own entrepreneurial ventures there are fewer networking opportunities, mentors and funders.

III. HEARINGS & ROUNDTABLES

In the 113th Congress:

On April 18, 2013, the Committee held a roundtable entitled, "The State of Veteran Entrepreneurship: 'Vetpreneur.'" The seven roundtable participants included representatives from the SBA, GallantFew, Troop ID & Troopswap, Maestro Blocks, TechStars Patriot Boot Camp, Kauffman Foundation FasTrac Veteran's Initiative, and American Legion. During the roundtable, the Committee examined the success of the existing programs that assist veterans in general, and that assist veterans in launching their own small businesses. The committee also considered ideas from participants on how these current programs may be improved to better support veteran entrepreneurs.

IV. DESCRIPTION OF BILL

The bill will provide veterans the opportunity to pursue their small business and entrepreneurial aspirations by giving them ac-

cess to resources through the Small Business Administration. The bill will establish a 3-year pilot program that enables up to 250 GI Bill benefit-eligible veteran's applicants to start a new business or purchase an existing business or franchise. The pilot program includes a thorough applications process and requires participation in an approved entrepreneurial training program. The entrepreneurial training program will require them to develop a business plan to be approved by their training camp advisor and the SBA's Associate Administrator for Veterans Business Development. Once the veteran's business plan is approved, they may receive an amount equivalent to that of their GI Bill benefit in the form of a grant in order to implement their business plan and start their small business enterprise. The bill does not purport to interfere with the existing GI Bill eligibility or benefits.

V. COMMITTEE VOTE

In compliance with rule XXVI (7)(b) of the Standing Rules of the Senate, the following vote was recorded on July 27, 2015.

A motion to adopt the Veterans Entrepreneurial Transition Act, a bill to allow veterans the opportunity to pursue their small business and entrepreneurial aspirations by giving them access to resources through the Small Business Administration was approved by voice vote with the following Senators present: Vitter, Gardner, Peters, Heitkamp, Shaheen, Enzi, 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 16, 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. 1870, the Veterans Entrepreneurial Transition 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.

S. 1870—The Veterans Entrepreneurial Transition Act of 2015

Basis of estimate: For this estimate, CBO assumes that S. 1870 will be enacted near the end of calendar year 2015, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar grants. CBO estimates that implementing S. 1870 would cost \$80 million over the 2016–2020 period, assuming appropriation of the necessary amounts. The bill would establish a three-year grant program within the Small Business Administration (SBA) that would provide funding to no more than 250 eligible veterans to start or acquire a qualifying business. To be eligible, a veteran or group of veterans would need to complete entrepreneurship training and prepare a business plan that must be approved by an SBA-authorized advisor.

Participating veterans who complete the required training and develop an approved business plan would be eligible to receive a grant equal to their unused veteran's education benefits plus a monthly housing allowance for each month they participate in the program. Participants also would be reimbursed for costs associated with the required entrepreneurship training. (Receipt of a grant would not affect veterans' eligibility for education benefits.)

Although S. 1870 would authorize only 250 grants, the bill would allow groups of veterans to apply; each group would be treated as a single application against the maximum of 250 grants. The amount funded under each grant, however, would be calculated based on the number of veterans participating in the group. Because the bill would create an incentive for veterans to team up in order to maximize the grant funding available for their business, CBO expects that half of the applications would be for individual proprietors and the remainder would consist of larger groups of veterans. (According to the SBA, 70 percent of small businesses are sole proprietorships.) We estimate that each application would, on average, consist of three eligible veterans; therefore, benefits would be available to about 750 individuals. The amount available to each participant would be broken into three components:

An amount equal to the number of months of educational assistance available to the veteran at the time the application is submitted multiplied by the monthly rate for educational assistance under current law. Based on the costs for veterans that are using education assistance benefits for other purposes, we estimate the educational assistance benefits would be worth about \$1,900 per month, on average, and that participating veterans would be eligible for about 32 months of those benefits. Assuming appropriation of the necessary amounts, we estimate that those grants would cost \$45 million over the 2016–2020 period.

Summary: S. 1870 would establish a pilot program to provide grants to veterans that would be used to start or acquire a small business. The program would be authorized to award no more than 250 grants during a three-year period.

CBO estimates that implementing S. 1870 would cost \$80 million over the 2016–2020 period, assuming appropriation of the necessary funds. Pay-as-you-go procedures do not apply to this legislation because enacting the bill would not affect direct spending or revenues.

S. 1870 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary effect of S. 1870 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						
Estimated Authorization Level	*	27	26	26	*	80
Estimated Outlays	*	23	26	26	4	80

Notes: Components may not sum to total because of rounding. * = less than \$500,000.

Additional assistance equal to the basic allowance for housing that the Department of Defense pays to enlisted service members with dependents and a rank of E-5, multiplied by the number of months the veteran participates in the program (the housing allowance would be reduced by half if the veteran is also employed elsewhere). CBO estimates housing assistance would be worth about \$1,650 per month, on average, and that participating veterans would be eligible for about 75 percent of that amount for the duration of the pilot program (because we expect half of the recipients would be employed elsewhere). Assuming appropriation of the necessary amounts, we estimate that this additional assistance would cost \$32 million over the 2016–2020 period.

Training assistance equal to the cost of entrepreneurial training, if requested by the participant. Based on the costs of entrepreneurial training programs offered at several institutions of higher education, we estimate that training assistance would cost about \$1 million over the 2016–2020 period, assuming appropriation of the necessary amounts.

Finally, we estimate that SBA would spend \$2 million to administer the program over the 2016–2020 period.

Pay-As-You-Go considerations: None.

Intergovernmental and private-sector impact: S. 1870 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal costs: Susan Willie and David Newman; 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: Designates this bill as the “Veterans Entrepreneurial Transition Act of 2015” or the “VET Act of 2015.”

Section 2: Amends Section 32 of the Small Business Act to add the Veterans Small Business Entrepreneurship Pilot Program

No later than 90 days after the enactment of the Act, that the Administrator, in consultation with the Advisory Committee on Veterans Business Affairs (15 U.S.C. 657b) and the Secretary of Veterans Affairs, shall begin a pilot program designed to assess the feasibility and advisability of providing grants to eligible veterans who wish to start or acquire a small business.

The Administrator shall promote efficiency, accountability and competition in carrying out the pilot program.

The Administrator and Advisory Committee will determine as appropriate the qualifying business enterprises for eligibility are a small business as defined by the Small Business Act, a franchise business, or any other category of business, such as a start-up.

Restricts the number of grants awarded by the Administrator to no more than 250 eligible veterans in the pilot program, ensures geographic diversity of grants awarded and the duration of the pilot is three years beginning on the date the pilot program is implemented by the Administrator.

In order to qualify and possibly receive a grant through the pilot program, eligible veterans are required to submit an application within the first two years of the pilot program. The application must include: A description of how the grant amount will be used, including a description of the qualifying business enterprise. A description of the expected return on investment resulting from the grant amount. A certification that the eligible veteran will complete the required education and training program and that the veteran understands that he or she will not receive the grant amount until the required education and training program has been completed. Any other certification that the Administrator and Advisory Committee determine are necessary by rule, depending on the type of business enterprise and as determined appropriate, such as: Proof of good standing, profitable operation, and guarantees relating to the purchase of the enterprise if a veteran is purchasing an already existing small business; proof of compliance with applicable State and Federal laws on franchises and proof of training in conformance with the industry standard if the eligible veteran is starting a franchise enterprise; or a proposal for operation that leads to a profitable operation if a veteran pursues a startup or an enterprise not in operation at the time of application.

A certification that the eligible veterans understands when applying for the grant that he or she will not receive funds through the grant until after his or her business plan has been approved under the required procedures.

A group of eligible veterans may apply as a group under the pilot program, and they will be treated as a single eligible veteran for the purposes of the program, except in regards to the maximum amount of the grant, which is to be calculated by multiplying the maximum amount available for one grant by the number of members of the group.

Each eligible veteran must complete an entrepreneurship readiness program approved by the Administrator that will prepare the veteran for ownership and management of their qualifying business enterprise in order to receive a grant.

An approved training program may include any program approved by the Administrator or Secretary of Veterans Affairs for entrepreneurship training; a program available through the Department of Defense's Transition Assistance Program; any program approved by the Administrator in consultation with the Advisory Committee that is determined appropriate because of the expertise it offers relating to a certain type of business enterprise (such as a startup); or through any of the following as outlined in the Small Business Act: Small Business Development Center, Women's Business Center, Veterans Business Outreach Center, and the SCORE program.

An eligible veteran must submit a business plan for approval that contains, but is not limited to the following in order to qualify for the grant: Description of how the business enterprise will achieve a profitable operation in a reasonable amount of time. An

assessment of relevant economic indicators, consumer data, production and sales data, and market any industry analysis. Any other information determined appropriate by the Administrator in consultation with the Advisory Committee. The Associate Administrator for Veterans Business Development of the Small Business Administration shall review and approve or disapprove a veteran's business plan in coordination with the veteran's training program advisor.

The maximum grant amount includes funds for the purpose of starting a business enterprise and any additional assistance amount provided on a monthly basis.

The maximum grant amount will be equal to the amount of the number of months of educational assistance an eligible veteran is entitled to on the date of their application through their GI Bill benefits as determined in Chapters 30 and 33 of Title 38.

The veteran is eligible for additional assistance in the form of a basic housing allowance for each month that he or she participates in the pilot program, which is calculated based on chapter 33 of title 38 and is dependent on the employment status of the veteran at the time of application to the pilot program. If a veteran is not employed on the date of the application and the SBA pilot program to start a small business is their full-time means of employment, they may be eligible for the full amount of additional assistance just as a full-time student in higher education under title 38 is calculated according to the rate in effect for each veteran. If a veteran is employed on the date of the application for the SBA pilot program, they may be eligible for half of the amount of additional assistance just as a part-time student in higher education under title 38 is calculated according to the rate in effect for each veteran. If necessary, the Administrator may pay for the entrepreneurial training program pursued by a veteran. The amount of the grant may be disbursed to the veteran in installments (no earlier than 3 months or later than 1 year from the previous installment), and only after the veteran has completed the required entrepreneurship training, their business plan has been approved and according to established milestones, as appropriate in their business plan.

In accordance with any rules and limitations that the Administrator, in consultation with the Advisory Committee, establish; and for purposes relating to starting or acquiring their qualifying business enterprise that the Administrator and Advisory Committee determine appropriate, including purchasing goods or services needed for creating the operation, funding a project directed toward any economic development objective as outlined by the Small Business Investment Act, or for acquiring a qualifying business enterprise.

In implementing the pilot program, the Administrator shall maximize existing relationships with the public and private sector to ensure successful outcomes for participants in the pilot program and to prevent redundancy with existing public and private programs.

The Administrator shall submit a report, no later than 2 years after the start of the pilot program, to the House and Senate Committees on Small Business and Entrepreneurship and Veterans Affairs that provides the following: An assessment of the pilot program, a survey of all the grantees under the pilot program, and the number of grantees that participated in each of the described train-

ing programs, recommendations regarding which aspects of the pilot program should be made permanent, and the means to ensuring geographic and demographic diversity as well as business enterprise diversity within the program, assessment of whether grants should be distributed through installments or a one-time, lump-sum payment; assessment of the additional assistance, particularly the accountability and use of the additional assistance; analysis of and recommendations regarding the process for approving business plans; recommendations for improving accountability of advisors.

Not later than 1 year after the date where the pilot programs is terminated, the Comptroller General of the United States will submit a report to Congress that evaluates the pilot program in respect to: Administrative difficulties, issues of fiscal responsibility, duplication with existing entrepreneurship pilot programs within the Federal Government, and whether the pilot program is consistent with the Post-9/11 G.I. Bill.

There is no modification to any time limitation or period during which an individual is entitled to educational assistance under the GI Bill.

Definitions for the following: Advisor, Advisory Committee, Business Plan, Eligible Veteran, Franchise Business Enterprise, Franchisee, Franchisor, Pilot Program, Qualifying Business Enterprise, Startup and Subfranchisor.