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THE NATIONAL GUARD AND RESERVE ENTREPRENEURSHIP SUPPORT ACT OF 2016

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. 3009]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 3009) to support entrepreneurs serving in the National Guard and Reserve, 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 National Guard and Reserve Entrepreneurship Support Act of 2016 (S. 3009) was introduced by Senators Shaheen and Leahy on May 26, 2016. Senators Ayotte and Coons co-sponsored this legislation. At the markup of the bill, the bill was approved unanimously in a roll call vote.

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

According to the Department of Veterans Affairs, there are currently an estimated 21.6 million veterans, in addition to over one million reservists in America. Since 2001, the United States has conducted major military operations that dramatically increased the operations tempo of the military services, which have required the large-scale mobilization of reservists and continues to rely heavily on reserve components. At the time of this report, there

were 24,893 total National Guard and reserve personnel who have been activated, including both units and individual augmentees.

Starting, growing or maintaining a small business is a challenging endeavor, and veterans and active duty service members often face unique challenges and barriers due to their service to our country. According to a 2005 report and subsequent testimony provided by the Congressional Budget Office, many reservists lost income, or experienced economic harm to their business, as a result of deployments. Financial assistance through loans or grants and access to entrepreneurial development programs are key solutions to addressing these challenges, and leveling the playing field for veterans, reservists and National Guard members.

The Committee first addressed this issue in the 106th Congress, when it established the Military Reservist Economic Injury Disaster Loan program. In the 110th Congress, the Committee made it a priority to once again address the challenges facing veterans and reservist entrepreneurs, and to ensure that federal agencies were committed to helping America's veterans and reservists succeed in business and the private sector during and after their service to our country.

REPORTS

On October 30, 2003, Chair Snowe formally requested that the Congressional Budget Office analyze the impact of reserve component call-ups on small businesses and examine the potential costs and effectiveness of options to alleviate hardships without weakening our national defense. In response to her letter, in May 2005 the Congressional Budget Office issued a report entitled, "The Effects of Reserve Call-Ups on Civilian Employers." The report found that the Department of Defense had dramatically increased its reliance on the reserve forces, and that activations can create vacancies that firms would not otherwise have had, and that uncertainty about the timing and duration of call-ups may also have an effect. The report concluded the impact of call-ups was found to be greatest when the reservist is an essential employee, the business relies on employees with highly specialized skills, and the reservist is self-employed. On May 17, 2007, the Congressional Budget Office testified before the Commission on the National Guard and Reserves on the findings of the report.

On March 28, 2007, Chairman Kerry issued a report, entitled "The State of Veteran and Reservist Entrepreneurship," which outlined the obstacles facing veteran and reservist entrepreneurs and included specific recommendations for supporting veterans and reservists in small business. The report found that many recently discharged veterans were experiencing higher rates of unemployment and that a smaller percentage of small business loans were going to veterans. The report also found that many reservists were experiencing high rates of income loss during deployment, and included recommendations for increased oversight of federal contracting and new steps to increase contracting opportunities for service disabled veterans.

On August 15, 2008, as required by the Military Reservists and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110-186), the Government Accountability Office issued a report entitled, "Military Personnel: Improvements Needed to In-

crease Effectiveness of DOD's Programs to Promote Positive Working Relationships between Reservists and Their Employers." The Government Accountability Office was unable to determine the impact of increased call-ups following September 11, 2001, due to the absence of data. The report recommended that the Department of Defense establish an annual performance plan that develops and facilitates the implementation of performance measures, conduct regular and recurring follow-up activities to maintain positive working relationships with employers, and develop initiatives to perform outreach to small businesses that employ reservists.

LEGISLATION

THE VETERANS ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT ACT OF 1999

On April 29, 1999, Senator Kerry introduced the Military Reservists Small Business Relief Act of 1999 (S. 918). The Military Reservist Economic Injury Disaster loan program, which was in Senator Kerry's bill, became law as part of the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50). The program was intended to aid small businesses when an essential employee who was a reservist and National Guard member was called to active duty. The program was intended to protect service members, and those who employed them, from suffering the same financial hardships and ruin that devastated the lives of men and women who served in Desert Storm. To accomplish this goal, the program authorized the Small Business Administration to provide low-interest economic injury loans to small businesses that were adversely affected when essential employees were called to active duty during a time of military conflict.

THE MILITARY RESERVIST AND VETERAN SMALL BUSINESS REAUTHORIZATION ACT OF 2007

On March 28, 2007, in conjunction with the release of the aforementioned report, Senator Kerry introduced the Military Reservist and Veteran Small Business Reauthorization Act of 2007 (S. 1005). The bill would have created a new, non-collateralized loan of up to \$100,000 for businesses affected by the deployment of a key employee. S. 1005 also would have fixed a program designed to provide reservist-dependent businesses access to low-interest loans through the SBA's disaster loan program by expanding the application period for these loans and creating a method of pre-consideration so that businesses could apply for and access the capital they needed prior to incurring financial hardship. For small reservist-dependent firms that were unable to take on additional debt, the bill would have provided grants of up to \$25,000, contingent upon the business providing a viable business plan. Finally, the bill would have authorized increased resources for the SBA's Office of Veterans Business Development. Senator Chuck Hagel was the lead cosponsor on the bill, and Senators Cardin, Tester, and Mark Pryor also signed on in support.

THE MILITARY RESERVIST AND VETERAN SMALL BUSINESS
REAUTHORIZATION AND OPPORTUNITY ACT OF 2008

On July 12, 2007, Chairman Kerry and Ranking Member Snowe introduced the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2007 (S. 1784). The bill improved the Military Reservist Economic Injury Disaster Loan program by providing a longer application deadline, creating a pre-application loan approval process, expanding outreach and technical assistance, and raising the maximum loan amount. It also created a loan participation program in which veterans can receive 7(a) loans while paying just 50 percent of the fees and a grant program to improve Small Business Development Centers' outreach to the veteran community. Additionally, it required Veteran Business Outreach Centers to increase their participation in the Transition Assistance Program, and the Office of Veterans Business Development to create and disseminate information aimed at informing women veterans about the resources available to them. Finally, the bill required a GAO report on the needs of service-disabled veterans and how to improve relations between employers and reservist employees. The bill was based on the provisions of S. 1005 and the Veterans Small Business Opportunity Act of 2007 (S. 904), which Senator Snowe introduced on March 15, 2007. S. 1784 was cosponsored by Senators Hagel, Landrieu, Lieberman, Cantwell, and Tester. On October 1, 2007, an amendment modeled on S. 1784 passed the Senate as part of the 2008 Defense Authorization Act, but it was not included in the final version of the bill. The text of S. 1784 passed the Senate on December 19, 2007, as a substitute amendment to the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (H.R. 4253). The House amended the bill with Senate-House compromise language, and this version passed the House on January 16, 2008. On January 31, 2008, the bill passed in the Senate by unanimous consent, and, on February 14, 2008, the bill was signed into law (P.L. 110-186).

III. HEARINGS & ROUNDTABLES

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." This hearing focused on SBA sponsored programs such as SCORE, SBDCs, and VBOCs and the resources they can provide to veterans seeking entrepreneurial ventures.

In the 113th Congress:

In June of 2014, the Committee held a hearing entitled "From Military Service to Small Business Owner: Supporting America's Veteran Entrepreneurs" was held by the Senate Committee on Small Business and Entrepreneurship. This hearing discussed legislative proposals the committee was considering relating to veterans' entrepreneurship and small business ownership. One of the main topics discussed was access to capital, and the challenges veteran entrepreneurs face in obtaining funding.

IV. DESCRIPTION OF BILL

The National Guard and Reserve Entrepreneurship Support Act of 2016 amends the Small Business Act and The Veterans and Small Business Development Act of 1999 to include an extension of disaster loan assistance to a small business due to an essential member of a small business being ordered to deploy as part of active military duty, as opposed to during periods of conflict. This bill also amends the requirements for deferred repayment of principal and interest due on a direct loan. It also directs the SBA to give grants and grow relationships with private and public sector entities to provide outreach programs for spouses of veterans and members of the reserve forces. More specifically, it would require the SBA to develop a National Guard and Reserve Deployment Support and Business Training program that will provide this counseling and assistance to support members of the reserves of the armed forces and their spouses. The bill would also require the SBA to report semiannually to Congress on the number of loans made through the Military Reservists Economic Injury Disaster Loan Program.

The National Guard and Reserve Entrepreneurship Support Act of 2016 (S. 3009) updates the current eligibility requirements for the Military Reservists Economic Injury Disaster Loan (MREIDL) and Repayment Deferral for Active Duty Reservists (Repayment Deferral) for their limited use in “periods of conflict” to “being ordered to deploy as part of active military duty.” This outdated language has been changed to accommodate the increased application of the National Guard for missions all around the country and the world. This bill also directs the President to submit a semiannual report to the committee on the number of MREIDL loans that have been made. This report should include the subsidy rate of the disaster loan program under section 7(b) of the Small Business Act with the loans made under these programs S. 3009 also expands the outreach programs for Guard/Reservists to create the National Guard and Reserve Deployment Support Business training program. This new program will provide training and counseling to support the members of the reserve component to our armed forces and their spouses. To implement this legislation, the administrators may change existing programs and move around resources to provide reservists and their spouses with redeployment information. This bill also directs the SBA to work with the National Guard Bureau and State Adjunct generals to collaborate and use the others resources to bring the high quality training to the reserve competent on the Armed Forces.

V. COMMITTEE VOTE

In compliance with rule XXVI(7)(b) of the Standing Rules of the Senate, the following vote was recorded on June 8, 2016.

A motion to adopt the National Guard and Reserve Entrepreneurship Act, a bill to support entrepreneurs serving in the National Guard and Reserve, and for other purposes, was approved favorably by Roll Call vote with the following Senators present: Senators Vitter, Risch, Rubio, Paul, Scott, Fischer, Gardner, Ernst, Ayotte, Enzi, Shaheen, Cantwell, Cardin, Heitkamp, Markey, 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:

JULY 27, 2016.

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. 3009, the National Guard and Reserve Entrepreneurship Support Act of 2016.

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

Sincerely,

KEITH HALL.

Enclosure.

The National Guard and Reserve Entrepreneurship Support Act of 2016

S. 3009 would modify the eligibility requirements to qualify for a loan under the Small Business Administration (SBA) disaster loan program and expand certain SBA outreach programs. CBO estimates that implementing S. 3009 would have no significant effect on the federal budget.

Under its Disaster Loan program, the SBA provides direct loans to certain small businesses including those that suffer substantial economic injury because essential employees were ordered to active duty during a military conflict. In recent years, this type of loan accounted for less than 4 percent of the total number of loans dispersed under the program. S. 3009 would expand the eligibility requirements to permit loan assistance when such deployment is not part of a military conflict. On the basis of information from the SBA about the use of the Disaster Loan program, CBO estimates that the value of loans administered by the SBA would increase slightly under the bill. CBO estimates that increase would have an insignificant effect on the subsidy cost of the Disaster Loan program which was \$36 million in 2015. (The subsidy cost of a federal direct loan is the estimated long-term cost to the government calculated on a net-present-value-basis.)

S. 3009 also would expand the target of certain SBA outreach programs that provide training and assistance to include the spouses of both veterans and members of the reserve component of the armed forces. On the basis of information from the SBA about the administrative costs of those programs, CBO estimates that implementing those provisions would increase the agency's costs but by an insignificant amount because the SBA is already expanding its outreach efforts towards those individuals.

Enacting S. 3009 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply. CBO estimates that enacting S. 3009 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 3009 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 Stephen Rabent. The estimate was 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 section provides for the title, “National Guard and Reserve Entrepreneurship Support Act of 2015”.

Section 2. Extension of loan assistance and deferral eligibility to reservists beyond periods of military conflict

This section replaces the existing language of the current Small Business Act to allow the Military Reservists Economic Injury Disaster Loan (MREIDL) and Repayment Deferral for Activity Duty Reservists program to be used for those soldiers who are “being ordered to deploy as part of active military duty.” This change of wording from “periods of conflict” would allow the SBA and the National Guard to work together with less obstacles for their joint effort of providing services and training to those national guard personnel. This section also directs the President to submit a semi-annual report to the Senate Small Business and Entrepreneurship and the Senate Committee on Appropriations and the House Committee on Small Business and the House Committee on Appropriations. This report will include the number of loans given out under the Military Reservists Economic Injury Disaster Loan program.

Section 3. National Guard and Reserve Deployment and Business Training Program

This section directs the SBA to make grants and enter into contracts and agreements with private and public entities. These agreements will help build outreach programs for reservists and spouses of our veterans. Through this section, the SBA is also directed to establish a National Guard and Reserve Deployment Support and Business Training Program to provide training and other assistance for our reserve forces and their spouses.