

SBA VETERANS' PROGRAMS ACT OF 2007

JUNE 15, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Ms. VELÁZQUEZ, from the Committee on Small Business,
submitted the following

R E P O R T

[To accompany H.R. 2366]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 2366) to reauthorize the veterans entrepreneurial development programs of the Small Business Administration, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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I. PURPOSE AND SUMMARY

The SBA Veterans' Programs Act of 2007, H.R. 2366, amends key sections of the Small Business Act to promote increased veterans entrepreneurship. A core component of the Small Business Administration's mandate is to provide entrepreneurial development as-

sistance to a broad cross-section of the population.¹ The enactment of The Veterans Entrepreneurship and Small Business Development Act,² in 1999 expanded the agency's mandate to focus additional resources on veterans through the establishment of the Office of Veterans Business Development. The purpose was to create an equal playing field for veteran small business owners. The sector has grown significantly in the past several years due to ongoing military conflicts, creating new demands on outgoing service members as well as Reservists/Guards members. To meet the emerging needs of this population, H.R. 2366 was designed to ensure veterans have affordable, timely, and comprehensive access to start or grow small businesses through targeted resources and expertise at the agency. The expectation is that with improved capacity to overcome conditions unique to this population, veteran enterprises will become more successful in today's marketplace.

The bill enhances assistance to veteran entrepreneurs in three main areas: outreach, business counseling, and entrepreneurial development resources. Title 1 expands outreach to all service members by requiring SBA to participate at Transition Assistance Workshops located at military bases and to compile as well as distribute information on entrepreneurial development resources for women veterans. Title II establishes additional resources to enable existing general counseling centers located in communities across the country to develop new programs designed to support the sector's entrepreneurial needs. Building on the success of the agency's veteran programs, Title III expands the network of counseling centers designed to specifically assist this population.

H.R. 2366 is intended to expand the focus of SBA's entrepreneurial development programs to address veterans who are in critical need of assistance, but continue to be at a disadvantage in the marketplace. The bill will also ensure that resources are utilized efficiently based upon existing expertise and infrastructure.

II. BACKGROUND AND NEED FOR LEGISLATION

The U.S. has a large and growing veteran population. There are 25 million veterans living today that have served the military in an active duty status. There are also over one million reservists, which include all branches of the National Guard and Reserve. Within this sector, there are a variety of backgrounds and needs. Ten percent, or 2.5 million, of them are service-disabled and one million are women.

Returning military personnel have historically and are increasingly relying upon self-employment in order to maintain a stable income, particularly those who are disabled or between deployments. Numbering more than 5 million, they account for 14 percent of these enterprises, including 7 percent that are operated by service disabled veterans. These entrepreneurs make critical contributions to the U.S. economy. Nearly three-quarters expect to employ at least one other person, which supports job growth and expanding of local economies.

¹ PL 85-536, Section 2(a).

² PL 106-50, Section 201.

VETERAN ENTREPRENEURIAL ASSISTANCE NEEDS

Increasing demands on all types of service members to support ongoing military engagements have created economic challenges for them at home. Due to multiple and longer deployments, financial stability has become more difficult. Operating a business under these conditions has become significantly challenging. In fact, 22 percent of current veteran and reservist entrepreneurs have indicated that their businesses have been negatively impacted by deployments. The economic impact of declining and closing businesses due to deployment is felt by households, employees, and the communities in which they are located.

Although they gain many skills and experiences while in the service, members often require training and assistance to transfer this knowledge to civilian employment and entrepreneurial opportunities. Without adequate preparation, some face difficulties finding productive economic opportunities following their transition to civilian life. Consequently, unemployment is more than double the national rate, at nearly 12 percent for veterans. Based on these figures, more needs to be done to adequately ensure that veterans and reservists have the entrepreneurial development assistance they need to succeed in civilian life and between deployments.

Veteran entrepreneurs have many of the same needs as non-veteran small business owners. They require affordable access to capital to initiate enterprises and maintain them before, after, and sometimes during deployment. They also require entrepreneurial training and management skills to build their businesses. Because veteran business owners face unique circumstance due to deployment, they can benefit from the location of resources in local communities, ensuring that they are accessible and affordable over the long term. By drawing on these resources, they can strengthen their businesses and ensure that they successfully compete in the market.

GAPS IN ENTREPRENEURIAL ASSISTANCE FOR VETERANS

Assistance to veterans for the purpose of starting businesses emerged in 1944, with the Veterans Administration establishing a loan program for this sector. Currently, entrepreneurial assistance programs are administered by the Department of Defense, the Department of Veterans Affairs, the Department of Labor, and the Small Business Administration, which provide technical, educational, and financial assistance. Many private entities also provide programs designed for veterans, including private lending institutions and web-based resources. These programs have been established to increase opportunities and provide resources for entrepreneurship.

There are significant problems with the state of assistance to veterans for starting and operating small businesses. Issues of concern include the level of outreach regarding entrepreneurial assistance resources after separation from the military; the effectiveness of the programs, and the accountability of organizations designed to serve this sector.

Limited veteran outreach activities

Outreach is critical to ensure veterans have the tools to start businesses and access resources. Due to the rapid pace of demobilization, especially for military personnel returning from Iraq and Afghanistan, service members require immediate contact and assistance before they leave the system. Further, many of the benefits of these programs are limited to a defined time period following separation. For example, small businesses can apply for an SBA Military Reservist Economic Injury Disaster Loan any time beginning on the date an essential employee receives official call-up orders and ending 90 days after the date that employee is discharged or released from active duty.

As veterans and reservists return home, they are most able to affordably access information on economic opportunities in their local communities. Service providers therefore must reach out to communities where they are located rather than relying upon military members to seek out resources. Furthermore, those involved with the military are generally concentrated in several locations across the country. For example, 13,000 of the Guardsmen scheduled to be deployed to Iraq beginning next year are stationed in four states: Arkansas, Oklahoma, Ohio, and Indiana. The top ten states in which veterans live comprise more than 50 percent of the total veteran population, with California, Florida, and Texas at the top of the rankings. Effective outreach would therefore target these areas.

Many returning service members still lack adequate information on federal programs to assist them in starting or sustaining small businesses. In fact, although over 90 percent of the sector seeking entrepreneurial opportunities indicate that they would utilize business development services if they were well-advertised and properly designed, over one-third have reported a lack of knowledge of the existence of small business programs targeted to their needs. There is clearly a need for more information conveyed to members separating from military service.

Services not targeted to the population

Entrepreneurial needs and the demographic composition of his sector have changed, as demonstrated by the new lifestyle and financial demands, which federal programs must accommodate in their service delivery. Service disabled veterans, for instance, have utilized small business assistance programs to a greater extent than their non-disabled counterparts (22 percent vs. 14 percent). They also have indicated receiving greater benefit from technological training during active duty service than their non-disabled counterparts (52 percent vs. 37 percent), demonstrating the impact that programs target to this group could have on the sector. Female veterans have located their enterprises in home-based businesses at a greater rate (70 percent) than their male counterparts (61 percent). This indicates that they would benefit from more assistance developing facilities in residences and utilizing communication networks.

Federal programs marketed to this population must help them overcome challenges to starting and developing a successful venture, such as limited access to business training, technological resources, and communication networks. Nearly 14 percent of vet-

erans interested in obtaining this assistance, however, have found existing programs unhelpful, evidence that programs have not adequately identified needs and implemented effective strategies to fulfill them. Women and disabled veteran business owners have reported the greatest number of problems obtaining customized service assistance, with nearly 40 percent reporting obstacles to utilizing entrepreneurial assistance programs. These difficulties indicate that specialized veteran needs that have arisen, largely due to the changing demographics and medical capabilities helping more service members survive injuries, have not been adequately considered in current policies.

Inadequate direct assistance

One of the most critical aspects of entrepreneurial development assistance is the hands-on counseling provided through local training centers. Veterans that return home from overseas deployments benefit from convenient access to affordable resources in their local communities as they seek to start or reinstate a small business. However, veterans across the country lack adequate access to these resources.

There is a critical need to expand the network of community based outreach centers that provide one-on-one assistance to veteran entrepreneurs. Currently, the SBA operates 6 Veterans Business Outreach Centers and the National Veterans Business Development Corporation provides grants to three community based training centers to counsel service members on small business opportunities. Given the fact that 300,000 service members return home each year, all states and communities, particularly where there are large concentrations of veterans and reservists, must be prepared to assist them pursue economic opportunities through entrepreneurial activities.

III. HEARINGS

In the 110th Congress, the Committee on Small Business held a hearing on entrepreneurial development needs of all small business owners, including veterans. The focus of the hearing was the challenges they face in today's economy and recommendations for improvements to federal assistance programs. The Committee has also held at least one hearing per year on veteran entrepreneurship issues, including evaluating the effectiveness of federal entrepreneurial development programs designed to assist this sector, administered through the Small Business Administration and the National Veterans Business Development Corporation. Committee hearings have also evaluated obstacles faced by veteran entrepreneurs accessing affordable capital.

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session on May 23, 2007 to consider H.R. 2366.

V. COMMITTEE VOTES

The Committee on Small Business ordered H.R. 2366 reported to the House, by a voice vote at 10:25 a.m.

VI. SECTION-BY-SECTION ANALYSIS OF VETERANS BILL

Section 1. Short title; table of contents

This section includes a short title and the table of contents.

TITLE I

Section 101. The Office of Veterans Business Development

This section requires the agency's Office of Veterans Business Development (OVBD) to directly participate in the Department of Labor's Transition Assistance Program workshops for demobilizing members at bases throughout the country. The OVBD is also required to report on the progress of this effort.

To implement the program, the Committee expects that the OVBD will send central or district staff to the workshops according to their availability as well as relying upon staff from the Veterans Business Outreach Centers. It is also expected that progress reports indicate gaps in resources to fulfill the requirements, lessons learned from implementation, as well as statistics on members assisted through workshops.

This section also requires the OVBD to compile and disseminate information on resources available to women veterans seeking entrepreneurial assistance. The Committee expects that the compiled information highlight educational, business management, and financing assistance resources from local/federal public resources, non-profit research and advocacy organizations, as well as private entities, such as banks. Effective distribution would be through the agency's website as well as by staff at Veterans Business Outreach Centers, Small Business Development Centers, and Women's Business Centers.

TITLE II

Section 201. Veterans Assistance and Services Program

This section establishes grants for eligible Small Business Development Centers (SBDCs) to create counseling programs designed to assist veteran entrepreneurship. Through the grants, centers will provide assistance to veterans in some of the following areas: Evaluating business ideas, conducting market research, considering financing options, and training in technology.

To ensure the agency's network of SBDCs focuses on this growing sector of the entrepreneurial population, the Committee intends the grants to enable centers, particularly those in communities and states with high concentrations of veterans, to adopt programs that boost the competitiveness of these small business owners. Programs should include specialized assistance to service disabled veterans and help transfer skills from active duty service to those relevant to business ownership.

The Committee expects SBDC's core program funding to remain separate from appropriations for the new veteran's assistance program grant initiative established in H.R. 2366. Further, it is expected that the SBDC core program be funded at least at its current authorization level.

The Committee obtained confirmation from the Small Business Administration that the agency expected the new grant initiative to be allocated separately from core program funding. In a letter

dated May 18, 2007, C. Edward Rowe, III, SBA Assistant Administrator of Congressional and Legislative Affairs responded to the House Small Business Committee Chairwoman's request for the agency's interpretation of the funding distribution in the provision with the following: ". . . this proposed language would maintain the main SBDC Program baseline funding separate from that of any other enacted SBDC related grant initiative programs. Any other enacted SBDC related grant initiative programs would require other funding sources."

TITLE III

Section 301. Increasing the number of Outreach Centers

This provision requires the agency to increase the number of Veteran Business Outreach Centers (VBOCs) across the country. It sets a timetable for expansion, requiring at least two centers to open in 2008 and 2009, and provides the SBA administrator with the ability to determine, based on existing needs, the amount of centers to be opened thereafter.

The Committee expects the agency to establish contracts for VBOCs with entities that have demonstrated success providing comprehensive services to veterans pursuing entrepreneurial opportunities. Non-profit entities that currently operate veterans outreach centers, including those with matching funding from other Federal, state, and private sources, are eligible for these awards.

It is not the intention of the Committee that this provision should impact the National Veterans Business Development Corporation's (NVBDC) community outreach center mandate.³ The Committee expects that the NVBDC continue to provide grants to outreach centers that have demonstrated experience and success in assisting veterans start or expand a small business. Outreach centers that fulfill these objectives are eligible to receive grants from both SBA and the NVBDC to operate their programs.

Section 302. Independent study on gaps in availability of Outreach Centers

This section requires the administrator to sponsor an independent study on gaps in the availability of Veterans Business Outreach Centers across the United States within six months of the enactment of the legislation.

The report should include an evaluation of new service needs of veterans as they continue to return to their communities and seek economic opportunities as well as additional resources needed by the agency to meet these needs.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

JUNE 12, 2007.

Hon. NYDIA M. VELÁZQUEZ, *Chairwoman,*
Committee on Small Business,
House of Representatives, Washington, DC.

DEAR MADAM CHAIRWOMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2366, the SBA Veterans' Programs Act of 2007.

³ PL 85-536, Section 33(f).

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

Sincerely,

PETER R. ORSZAG.

Enclosure.

H.R. 2366—SBA Veterans' Programs Act of 2007

Summary: H.R. 2366 would authorize the Small Business Administration (SBA) to award grants to Small Business Development Centers (SBDC) to create a program to improve outreach to veterans and veterans organizations. The bill also would make a number of changes in the SBA's programs that support veterans who own small businesses. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 2366 would cost about \$1 million in 2008 and \$34 million over the 2008–2012 period. Enacting H.R. 2366 would not affect direct spending or revenues.

H.R. 2366 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 2366 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—				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	10	11	12	12	13
Estimated Outlays	1	3	8	10	12

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted before the end of fiscal year 2007, that the necessary amounts will be appropriated each year, and that outlays will follow historical trends for those programs.

H.R. 2366 would authorize SBA to award grants to SBDCs to expand their efforts to provide assistance and services to veterans who are small business owners. Currently, SBA provides funds for five Veterans Business Outreach Centers (VBOC) that provide targeted assistance to veterans each year. Based on information from SBA, we expect that under the bill, more than 50 eligible SBDCs would be awarded grants of approximately \$150,000 to provide the same type of services as provided by VBOCs. CBO estimates that awarding grants to target outreach efforts to veterans would cost about \$1 million in 2008 and \$29 million over the 2008–2012 period, assuming appropriation of the necessary amounts.

The bill also would require VBOCs to participate in certain training workshops offered by the Department of Labor's Training Assistance Program (TAP). Currently, TAP workshops are offered at 173 locations in the United States and at 53 locations in eight foreign countries. Based on information from SBA, CBO expects that SBA would enter into an agreement with a qualified small business to participate in approximately 5,000 TAP workshops each year, a small increase over the number of workshops that were held in 2006. CBO estimates that implementing a TAP workshop program

for veterans would cost \$3 million over the 2008–2012 period, assuming appropriation of the necessary amounts.

Finally, the bill would increase the number of VBOCs by at least two in each of fiscal years 2008 and 2009, and as needed each year thereafter. Based on information from SBA, CBO estimates that increasing the number of centers would cost \$2 million over the 2008–2012 period, assuming appropriation of the necessary amounts.

Intergovernmental and private-sector impact: H.R. 2366 contains no intergovernmental or private-sector mandates as defined in UMRA. By allowing SBDCs to apply for additional grants from the SBA for veterans assistance programs and by increasing the number of Veterans Business Outreach Centers, the bill would benefit state, local, and tribal governments.

Estimate prepared by: Federal costs: Susan Willie; Impact on State, local, and tribal governments: Elizabeth Cove; Impact on the private sector: Craig Cammarata.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VII. COMMITTEE ESTIMATE OF COSTS

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 2366. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

IX. OVERSIGHT FINDINGS

In accordance with clause 2(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2366 are incorporated into the descriptive portions of this report.

X. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, clause 18, of the Constitution of the United States.

XI. COMPLIANCE WITH PUBLIC LAW 104–4

H.R. 2366 contains no unfunded mandates.

XII. CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 2366 does not relate to the terms and conditions of employment or access to public services or accommodations with the meaning of section 102(b)(3) of P.L. 104–1.

XIII. FEDERAL ADVISORY COMMITTEE STATEMENT

H.R. 2366 does not establish or authorize the establishment of any new advisory committees.

XIV. STATEMENT OF NO EARMARKS

Pursuant to clause 9 of rule XXI, H.R. 2366 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of Rule XXI.

XV. PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 2366 includes a number of provisions designed to update and to improve the Small Business Administration's programs to assist veteran entrepreneurs.

XVI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

* * * * *

SEC. 21. (a) * * *

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(n) *VETERANS ASSISTANCE AND SERVICES PROGRAM.—*

(1) *IN GENERAL.—A Small Business Development Center may apply for an additional grant to carry out a veterans assistance and services program.*

(2) *ELEMENTS OF PROGRAM.—Under a program under paragraph (1), the Center shall—*

(A) create a marketing campaign to promote awareness and education of the services of the Center that are available to veterans, and to target the campaign toward veterans, disabled veterans, military units, Federal agencies, and veterans organizations;

(B) use technology-assisted online counseling and distance learning technology to overcome the impediments to entrepreneurship faced by veterans and members of the Armed Forces; and

(C) increase coordination among organizations that assist veterans, including by establishing virtual integration of service providers and offerings for a one-stop point of contact for veterans who are entrepreneurs or small business owners.

(3) *MINIMUM AMOUNT.—Each grant under this subsection shall be for at least \$75,000.*

(4) *MAXIMUM AMOUNT.—A grant under this subsection may not exceed \$250,000.*

(5) *FUNDING.*—Subject to amounts approved in advance in appropriations Acts, the Administration may make grants or enter into cooperative agreements to carry out the provisions of this subsection.

* * * * *

SEC. 32. VETERANS PROGRAMS.

(a) * * *

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(c) *PARTICIPATION IN TAP WORKSHOPS.*—

(1) *IN GENERAL.*—The Associate Administrator shall increase veteran outreach by ensuring that Veteran Business Outreach Centers regularly participate, on a nationwide basis, in the workshops of the Transition Assistance Program of the Department of Labor.

(2) *PRESENTATIONS.*—In carrying out paragraph (1), a Center may provide grants to eligible entities located in Transition Assistance Program locations to make presentations on the opportunities available from the Administration for recently separating veterans. Each such presentation must include, at a minimum, the entrepreneurial and business training resources available from the Administration.

(3) *REPORTS.*—The Associate Administrator shall submit to Congress progress reports on the implementation of this subsection.

(d) *WOMEN VETERANS BUSINESS TRAINING RESOURCE PROGRAM.*—The Associate Administrator shall establish a Women Veterans Business Training Resource Program. The program shall—

(1) compile information on resources available to women veterans for business training, including resources for—

(A) vocational and technical education;

(B) general business skills, such as marketing and accounting; and

(C) business assistance programs targeted to women veterans; and

(2) disseminate the information through Veteran Business Outreach Centers and women's business centers.

[(c)] (e) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated to carry out this section—

(1) * * *

* * * * *