

Calendar No. 542114TH CONGRESS
2^D SESSION**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.

IN THE SENATE OF THE UNITED STATES

JULY 27, 2015

Mr. MORAN (for himself, Mr. TESTER, Mrs. CAPITO, and Mr. COONS) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

JUNE 29, 2016

Reported by Mr. VITTER, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

A BILL

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.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Veterans Entrepre-
3 neurial Transition Act of 2015” or the “VET Act of
4 2015”.

5 **SEC. 2. VETERANS SMALL BUSINESS ENTREPRENEURSHIP**
6 **PILOT PROGRAM.**

7 Section 32 of the Small Business Act (15 U.S.C.
8 657b) is amended by adding at the end the following:

9 “(g) **VETERANS SMALL BUSINESS ENTREPRENEUR-**
10 **SHIP PILOT PROGRAM.—**

11 “(1) **PILOT PROGRAM REQUIRED.—**

12 “(A) **IN GENERAL.—**Not later than 90
13 days after the date of enactment of this sub-
14 section, the Administrator, in consultation with
15 the Advisory Committee and the Secretary of
16 Veterans Affairs, shall begin carrying out a
17 pilot program to assess the feasibility and ad-
18 visability of making grants to eligible veterans
19 to start or acquire a qualifying business enter-
20 prise.

21 “(B) **PROMOTION OF EFFICIENCY.—**In
22 carrying out the pilot program, the Adminis-
23 trator shall ensure, to the maximum extent
24 practicable, that the pilot program promotes ef-
25 ficiency, accountability, and competition.

1 “(C) LIST OF CATEGORIES OF BUSINESS
2 ENTERPRISES.—The Administrator, in con-
3 sultation with the Advisory Committee, shall by
4 rule establish a list of categories of business en-
5 terprises that the Administrator determines to
6 be qualifying business enterprises for purposes
7 of the pilot program, which shall include—

8 “(i) a small business concern;

9 “(ii) a franchise business enterprise;

10 and

11 “(iii) any other category of business
12 enterprise that the Administrator, in con-
13 sultation with the Advisory Committee, de-
14 termines is appropriate and in accordance
15 with the purposes of the pilot program.

16 “(D) NUMBER OF GRANTS.—Under the
17 pilot program, the Administrator may make
18 grants in accordance with paragraph (4) to not
19 more than 250 eligible veterans to start or ac-
20 quire a qualifying business enterprise.

21 “(E) GEOGRAPHIC DIVERSITY.—In making
22 grants under the pilot program, the Adminis-
23 trator shall ensure geographic diversity among
24 the veterans who receive the grants.

1 “(F) DURATION.—The Administrator shall
2 carry out the pilot program during the 3-year
3 period beginning on the date on which the Ad-
4 ministrator begins carrying out the pilot pro-
5 gram.

6 “(2) APPLICATION.—

7 “(A) IN GENERAL.—An eligible veteran de-
8 siring a grant under the pilot program shall
9 submit an application—

10 “(i) to the Administrator in the form
11 and containing the information as the Ad-
12 ministrator may require, including the in-
13 formation described in subparagraph (B);
14 and

15 “(ii) not later than 1 year before the
16 date on which the pilot program terminates
17 under paragraph (1)(F).

18 “(B) DOCUMENTATION REQUIREMENTS.—
19 The Administrator, in considering an applica-
20 tion from an eligible veteran for a grant under
21 the pilot program, may not approve the applica-
22 tion unless the application includes the fol-
23 lowing:

24 “(i) A description of the use of the
25 grant amount, including an identification

1 and description of the qualifying business
2 enterprise.

3 “(ii) A description of the expected re-
4 turn on investment resulting from the
5 grant amounts.

6 “(iii) A certification that the eligible
7 veteran applying for the grant—

8 “(I) shall complete the education
9 and training relevant to the ownership
10 and operation of the qualifying busi-
11 ness enterprise described in para-
12 graphs (3)(A) and (3)(B); and

13 “(II) understands that the eligi-
14 ble veteran may not receive amounts
15 under a grant under the pilot pro-
16 gram until after the eligible veteran
17 has completed the required education
18 and training relevant to the ownership
19 and operation of the qualifying busi-
20 ness enterprise described in para-
21 graphs (3)(A) and (3)(B).

22 “(iv) Such certifications as the Ad-
23 ministrators, in consultation with the Advi-
24 sory Committee, shall by rule require, in-
25 cluding—

1 “(I) for a business enterprise in
2 operation on the date of the applica-
3 tion, evidence that the Administrator,
4 in consultation with the Advisory
5 Committee, determines appropriate
6 of—

7 “(aa) good standing;

8 “(bb) profitable operation;

9 and

10 “(cc) guarantees relating to
11 the purchase of the enterprise;

12 “(II) for a franchise business en-
13 terprise, evidence that the Adminis-
14 trator, in consultation with the Advi-
15 sory Committee, determines appro-
16 priate of—

17 “(aa) compliance with appli-
18 cable State and Federal laws on
19 franchises; and

20 “(bb) training in conforma-
21 tion with the industry standard;
22 and

23 “(III) for a startup, or an enter-
24 prise that is otherwise not in oper-
25 ation at the time of the application; a

1 proposal for the operation of that en-
2 terprise that leads to profitable oper-
3 ation within a reasonable timeframe.

4 “(v) A certification that the eligible
5 veteran applying for the grant understands
6 that the eligible veteran may not receive
7 amounts under the grant until after the
8 business plan of the eligible veteran has
9 been approved under the procedures de-
10 scribed in paragraph (3)(C)(ii).

11 “(vi) A certification that the eligible
12 veteran—

13 “(I) has been truthful about the
14 employment status of the eligible vet-
15 eran; and

16 “(II) understands that the eligi-
17 ble veteran will be prohibited from
18 participating in the pilot program if
19 the certification described in subclause
20 (I) is determined to be untrue.

21 “(C) GROUP APPLICATIONS.—The Admin-
22 istrator may authorize a group of eligible vet-
23 erans to apply as a group under the pilot pro-
24 gram. The group shall be treated as a single eli-
25 gible veteran under the pilot program, except

1 that the maximum amount of the grant shall be
2 calculated by multiplying the maximum amount
3 under paragraph (4)(A) by the number of mem-
4 bers of the group.

5 ~~“(3) ENTREPRENEURSHIP TRAINING.—~~

6 ~~“(A) IN GENERAL.—~~Each eligible veteran
7 receiving a grant under the pilot program shall
8 complete an entrepreneurship readiness pro-
9 gram approved by the Administrator that is de-
10 signed to prepare the eligible veteran for, and
11 lead to the immediate subsequent ownership
12 and management by the eligible veteran of, a
13 qualifying business enterprise.

14 ~~“(B) APPROVED PROGRAMS.—~~An approved
15 program described in subparagraph (A) may in-
16 clude a program—

17 ~~“(i) available through a small business~~
18 ~~development center;~~

19 ~~“(ii) approved by the Administrator~~
20 ~~for entrepreneurship training;~~

21 ~~“(iii) approved by the Secretary of~~
22 ~~Veterans Affairs for entrepreneurship~~
23 ~~training;~~

1 “(iv) available through the Transition
2 Assistance Program of the Department of
3 Defense;

4 “(v) available through a women’s
5 business center, as described in section 29;

6 “(vi) available through a Veterans
7 Business Outreach Center, as described in
8 subsection (d);

9 “(vii) available through the SCORE
10 program authorized by section 8(b)(1); or

11 “(viii) approved by the Administrator,
12 in consultation with the Advisory Com-
13 mittee, as appropriate because of the ex-
14 pertise the program offers relating to a
15 certain type of business enterprise.

16 “(C) BUSINESS PLAN.—

17 “(i) CONTENTS.—An eligible veteran
18 receiving a grant under the pilot program
19 shall prepare a business plan, which shall
20 include—

21 “(I) a description of how the
22 qualifying business enterprise will
23 achieve profitable operation within a
24 reasonable timeframe;

25 “(II) an assessment of relevant—

1 “(aa) economic indicators;
2 “(bb) consumer data;
3 “(cc) production and sales
4 data; and
5 “(dd) market or industry
6 analysis; and

7 “(III) other information that the
8 Administrator, in consultation with
9 the Advisory Committee, determines is
10 appropriate.

11 “(ii) APPROVAL PROCEDURE.—

12 “(I) APPROVAL BY ADVISOR.—If
13 an advisor approves the business plan
14 prepared by the eligible veteran, the
15 Associate Administrator for Veterans
16 Business Development of the Adminis-
17 tration—

18 “(aa) shall review the busi-
19 ness plan; and

20 “(bb) may reverse the ap-
21 proval of the business plan and
22 require that the eligible veteran
23 continue to consult with the advi-
24 sor to develop and resubmit the
25 business plan.

1 “(H) DISAPPROVAL BY ADVI-
 2 SOR.—If an advisor does not approve
 3 the business plan prepared by an eli-
 4 gible veteran; the Associate Adminis-
 5 trator for Veterans Business Develop-
 6 ment of the Administration; upon ap-
 7 peal by the eligible veteran; may re-
 8 verse the decision of the advisor and
 9 approve the business plan.

10 “(4) GRANT TERMS AND CONDITIONS.—

11 “(A) MAXIMUM GRANT AMOUNT AND ADDI-
 12 TIONAL ASSISTANCE.—

13 “(i) IN GENERAL.—Subject to para-
 14 graph (2)(C); the maximum amount that
 15 an eligible veteran may receive under the
 16 pilot program shall not exceed an amount
 17 equal to the sum of—

18 “(I) the maximum grant amount
 19 specified in clause (ii);

20 “(II) the amount equal to the
 21 product obtained by multiplying—

22 “(aa) the amount of addi-
 23 tional assistance to which the eli-
 24 gible veteran is entitled under
 25 clause (iii)(H); by

1 “(bb) the number of months
2 that the eligible veteran partici-
3 pates in the pilot program; and

4 “(III) the amount of training as-
5 sistance received by the eligible vet-
6 eran in clause (iv).

7 “(ii) MAXIMUM GRANT AMOUNT.—The
8 maximum grant amount specified in this
9 clause is the following:

10 “(I) In the case of an eligible vet-
11 eran entitled to educational assistance
12 under chapter 33 of title 38, United
13 States Code, the amount equal to the
14 product obtained by multiplying—

15 “(aa) the number of months
16 of educational assistance to
17 which the eligible veteran is enti-
18 tled on the date that the eligible
19 veteran submits an application;
20 by

21 “(bb) the pro rata monthly
22 rate of the amount that the eligi-
23 ble veteran is entitled to under
24 paragraph (1)(A)(ii)(II) of sec-
25 tion 3313(e) of that title; subject

1 to paragraphs (2) through (7) of
2 that section.

3 “(H) In the case of an eligible
4 veteran entitled to educational assist-
5 ance under chapter 30 of title 38,
6 United States Code, the amount equal
7 to the product obtained by multi-
8 plying—

9 “(aa) the number of months
10 of educational assistance to
11 which the eligible veteran is enti-
12 tled on the date that the eligible
13 veteran submits an application;
14 by

15 “(bb) the rate in effect
16 under section 3015(a)(1) of that
17 title.

18 “(iii) ADDITIONAL ASSISTANCE.—

19 “(I) PERIOD OF ELIGIBILITY.—
20 An eligible veteran shall receive the
21 amount described in subclause (H) for
22 each month that the eligible veteran
23 participates in the pilot program.

24 “(II) AMOUNT.—The amount of
25 the additional assistance specified in

1 this subclause is an amount, paid to
2 the eligible veteran on a monthly
3 basis, equal to the product obtained
4 by multiplying—

5 “(aa) the monthly amount of
6 the basic allowance for housing
7 payable under section 403 of title
8 37, United States Code, for a
9 member with dependents in pay
10 grade E-5 residing in the mili-
11 tary housing area that encom-
12 passes all or the majority portion
13 of the ZIP code area in which is
14 located the residence of the eligi-
15 ble veteran (similar to the cal-
16 culation made under section
17 3313(e)(1)(B)(i)(I) of title 38,
18 United States Code); by—

19 “(bb)(AA) in the case of an
20 eligible veteran who, as of the
21 date on which the eligible veteran
22 applies for a grant under this
23 subsection, has no employment
24 other than the qualifying busi-
25 ness enterprise for which the eli-

1 eligible veteran seeks a grant under
2 this subsection, 1; or

3 “(BB) in the case of an eli-
4 gible veteran who is not described
5 in subitem (AA), 0.5.

6 “(iv) TRAINING ASSISTANCE.—Upon
7 application by an eligible veteran receiving
8 a grant under the pilot program, the Ad-
9 ministrator may pay for the cost, if appli-
10 cable, of an approved program described in
11 paragraph (3)(B)(viii).

12 “(B) DISBURSEMENT.—The amount of a
13 grant made under the pilot program shall be
14 disbursed to an eligible veteran—

15 “(i) in installments, in accordance
16 with the procedures described in subpara-
17 graph (C);

18 “(ii) only after the eligible veteran
19 presents documentation proving that the
20 eligible veteran has completed the required
21 entrepreneurship training described in
22 paragraphs (3)(A) and (3)(B); and

23 “(iii) only after the business plan of
24 the eligible veteran has been approved

1 under the procedures described in para-
2 graph (3)(C)(ii).

3 “(C) INSTALLMENT PAYMENTS.—The
4 amount described in subparagraph (A)(ii) shall
5 be paid to the eligible veteran in installments on
6 a pro rata basis with each installment being
7 paid to the eligible veteran—

8 “(i) not earlier than 3 months after
9 the date of the payment of the most recent
10 installment to the eligible veteran;

11 “(ii) not later than 12 months after
12 the date of the payment of the most recent
13 installment to the eligible veteran; and

14 “(iii) only after the eligible veteran
15 has met milestones established in the busi-
16 ness plan of the eligible veteran.

17 “(5) USE OF GRANT AMOUNTS.—An eligible
18 veteran who receives a grant under the pilot pro-
19 gram may use the amount of the grant—

20 “(A) in accordance with the limitations
21 that the Administrator, in consultation with the
22 Advisory Committee, may by rule establish; and

23 “(B) for purposes related to starting or ac-
24 quiring a qualifying business enterprise that the
25 Administrator, in consultation with the Advi-

1 sory Committee, determines are appropriate, in-
2 cluding—

3 “(i) purchasing goods or services nec-
4 essary for the creation or operation of a
5 qualifying business enterprise;

6 “(ii) funding a project that is directed
7 toward any economic development objective
8 described under section 501(d) of the
9 Small Business Investment Act of 1958
10 (15 U.S.C. 695(d)); and

11 “(iii) acquiring a qualifying business
12 enterprise.

13 “(6) REPORT.—

14 “(A) IN GENERAL.—Not later than 2 years
15 after the date on which the pilot program is
16 commenced, the Administrator shall submit to
17 the Committee on Small Business and Entre-
18 preneurship and the Committee on Veterans’
19 Affairs of the Senate and the Committee on
20 Small Business and the Committee on Vet-
21 erans’ Affairs of the House of Representatives
22 a report analyzing the feasibility and effective-
23 ness of the pilot program.

24 “(B) CONTENTS.—The report submitted
25 under subparagraph (A) shall include—

1 “(i) an assessment of the pilot pro-
2 gram;

3 “(ii) a survey containing—

4 “(I) the number of grantees
5 under the pilot program; and

6 “(II) the number of the grantees
7 under the pilot program that partici-
8 pated in each of the training pro-
9 grams described in subparagraphs (A)
10 and (B) of paragraph (3);

11 “(iii) recommendations regarding
12 whether any aspect of the pilot program
13 should be made a permanent authority,
14 and, if so, the means to ensure—

15 “(I) geographic and demographic
16 diversity among the eligible veterans
17 who receive the grants under the per-
18 manent authority; and

19 “(II) diversity in the types of
20 qualifying business enterprises for
21 which eligible veterans may receive
22 grants under the pilot program;

23 “(iv) an assessment regarding wheth-
24 er the grants distributed under the pilot
25 program should continue to be made in in-

1 stallments or with a one-time, lump sum
2 payment;

3 “(v) an assessment of the additional
4 assistance made available under the pilot
5 program, including the accountability sur-
6 rounding the availability of additional as-
7 sistance;

8 “(vi) an analysis of the procedures for
9 approving a business plan and a rec-
10 ommendation regarding ways, if necessary,
11 to improve the procedures; and

12 “(vii) a recommendation regarding
13 ways, if necessary, to improve the account-
14 ability of advisors.

15 “(7) NO EFFECT ON TIME LIMITATION FOR USE
16 OF ENTITLEMENT TO EDUCATIONAL ASSISTANCE.—
17 Nothing in this subsection shall be construed to
18 modify any time limitation or period during which
19 an individual is entitled to educational assistance
20 under chapter 30 or 33 of title 38, United States
21 Code.

22 “(8) DEFINITIONS.—In this subsection:

23 “(A) ADVISOR.—The term ‘advisor’ means
24 a person—

1 “(i) affiliated with an entrepreneur-
2 ship or training and curricula program de-
3 scribed in paragraphs (3)(A) and (3)(B);

4 “(ii) who may assist an eligible vet-
5 eran with the preparation and approval of
6 a business plan; and

7 “(iii) who is approved to serve as an
8 advisor by the Administrator, in consulta-
9 tion with the Advisory Committee.

10 “(B) ADVISORY COMMITTEE.—The term
11 ‘Advisory Committee’ means the Advisory Com-
12 mittee on Veterans Business Affairs established
13 under section 203 of the Veterans Entrepre-
14 neurship and Small Business Development Act
15 of 1999 (15 U.S.C. 657b note).

16 “(C) BUSINESS PLAN.—The term ‘business
17 plan’ means a plan prepared by an eligible vet-
18 eran for the operation of a qualifying business
19 enterprise that shall be—

20 “(i) prepared—

21 “(I) while the eligible veteran
22 participates in an approved training
23 program described in paragraphs
24 (3)(A) and (3)(B); and

1 “(H) with the assistance of an
2 advisor; and

3 “(ii) consistent with the guidelines
4 and recommendations provided by the
5 Business Plan Tool of the Administration.

6 “(D) ELIGIBLE VETERAN.—The term ‘eli-
7 gible veteran’ means an individual who—

8 “(i) is—

9 “(I) a veteran; or

10 “(II) a member of the Armed
11 Forces who—

12 “(aa) is currently retiring or
13 separating from the Armed
14 Forces and has a service ap-
15 proved retirement or separation
16 packet; or

17 “(bb) has last been honor-
18 ably discharged from active duty
19 service in the Armed Forces;

20 “(ii) has completed not less than—

21 “(I) 36 months of active duty
22 service in the Armed Forces (other
23 than active duty service for training);
24 or

1 “(H) 24 months of active duty
 2 service in the Armed Forces (other
 3 than active duty service for training)
 4 before being discharged or separated
 5 for a service-connected disability, as
 6 that term is defined in section 101 of
 7 title 38, United States Code; and

8 “(iii) is entitled to educational assist-
 9 ance under chapter 30 or 33 of title 38,
 10 United States Code.

11 “(E) FRANCHISE BUSINESS ENTER-
 12 PRISE.—The term ‘franchise business enter-
 13 prise’ means any continuing commercial rela-
 14 tionship or arrangement, regardless of the title
 15 given the relationship or arrangement, under
 16 which the terms of the offer or contract specify,
 17 or the franchise seller promises or represents,
 18 orally or in writing, that—

19 “(i) the franchisee will obtain the
 20 right to—

21 “(I) operate a business that is
 22 identified or associated with the trade-
 23 mark of the franchisor; or

24 “(II) offer, sell, or distribute
 25 goods, services, or commodities that

1 are identified or associated with the
2 trademark of the franchisor;

3 “(ii) the franchisor may—

4 “(I) exert, or has authority to
5 exert, a significant degree of control
6 over the method of operation of the
7 franchisee; or

8 “(II) provide significant assist-
9 ance in the method of operation of the
10 franchisee; and

11 “(iii) as a condition of obtaining or
12 commencing operation of the franchise
13 business enterprise, the franchisee makes a
14 required payment or commits to make a
15 required payment to the franchisor or the
16 affiliate of the franchisor.

17 “(F) FRANCHISEE.—The term ‘franchisee’
18 means any person who is granted a franchise
19 business enterprise.

20 “(G) FRANCHISOR.—The term
21 ‘franchisor’—

22 “(i) means any person who grants a
23 franchise business enterprise and partici-
24 pates in the franchise relationship; and

25 “(ii) includes subfranchisors.

1 “(H) PILOT PROGRAM.—The term ‘pilot
2 program’ means the pilot program established
3 under paragraph (1)(A).

4 “(I) QUALIFYING BUSINESS ENTER-
5 PRISE.—The term ‘qualifying business enter-
6 prise’ means a business included in the list of
7 categories of business enterprises established
8 under paragraph (1)(C).

9 “(J) STARTUP.—The term ‘startup’ means
10 a business enterprise that—

11 “(i) is not yet in existence; or

12 “(ii) has been in existence for not
13 more than 5 years.

14 “(K) SUBFRANCHISOR.—The term
15 ‘subfranchisor’ means a person who functions
16 as a franchisor by engaging in both pre-sale ac-
17 tivities and post-sale performance.”.

18 **SECTION 1. SHORT TITLE.**

19 *This Act may be cited as the “Veterans Entrepren-*
20 *neurial Transition Act of 2016” or the “VET Act of 2016”.*

21 **SEC. 2. VETERANS SMALL BUSINESS ENTREPRENEURSHIP**

22 **PILOT PROGRAM.**

23 *Section 32 of the Small Business Act (15 U.S.C. 657b)*
24 *is amended by adding at the end the following:*

1 “(g) *VETERANS SMALL BUSINESS ENTREPRENEUR-*
2 *SHIP PILOT PROGRAM.*—

3 “(1) *PILOT PROGRAM REQUIRED.*—

4 “(A) *IN GENERAL.*—Not later than 90 days
5 after the date of enactment of this subsection, the
6 Administrator, in consultation with the Advisory
7 Committee and the Secretary of Veterans Affairs,
8 shall begin carrying out a pilot program to as-
9 sess the feasibility and advisability of making
10 grants to eligible veterans to start or acquire a
11 qualifying business enterprise.

12 “(B) *PROMOTION OF EFFICIENCY.*—In car-
13 rying out the pilot program, the Administrator
14 shall ensure, to the maximum extent practicable,
15 that the pilot program promotes efficiency, ac-
16 countability, and competition.

17 “(C) *LIST OF CATEGORIES OF BUSINESS*
18 *ENTERPRISES.*—The Administrator, in consulta-
19 tion with the Advisory Committee, shall by rule
20 establish a list of categories of business enter-
21 prises that the Administrator determines to be
22 qualifying business enterprises for purposes of
23 the pilot program, which shall include—

24 “(i) a small business concern;

1 “(ii) a franchise business enterprise;
2 and

3 “(iii) any other category of business
4 enterprise that the Administrator, in con-
5 sultation with the Advisory Committee, de-
6 termines is appropriate and in accordance
7 with the purposes of the pilot program.

8 “(D) NUMBER OF GRANTS.—Under the pilot
9 program, the Administrator may make grants in
10 accordance with paragraph (4) to not more than
11 250 eligible veterans to start or acquire a quali-
12 fying business enterprise.

13 “(E) GEOGRAPHIC DIVERSITY.—In making
14 grants under the pilot program, the Adminis-
15 trator shall ensure geographic diversity among
16 the veterans who receive the grants.

17 “(F) DURATION.—The Administrator shall
18 carry out the pilot program during the 3-year
19 period beginning on the date on which the Ad-
20 ministrators begins carrying out the pilot pro-
21 gram.

22 “(2) APPLICATION.—

23 “(A) IN GENERAL.—An eligible veteran de-
24 siring a grant under the pilot program shall sub-
25 mit an application—

1 “(i) to the Administrator in the form
2 and containing the information the Admin-
3 istrator may require, including the infor-
4 mation described in subparagraph (B); and

5 “(ii) not later than 1 year before the
6 date on which the pilot program terminates
7 under paragraph (1)(F).

8 “(B) DOCUMENTATION REQUIREMENTS.—

9 *The Administrator, in considering an applica-*
10 *tion from an eligible veteran for a grant under*
11 *the pilot program, may not approve the applica-*
12 *tion unless the application includes the fol-*
13 *lowing:*

14 “(i) A description of the use of the
15 grant amount, including an identification
16 and description of the qualifying business
17 enterprise.

18 “(ii) A description of the expected re-
19 turn on investment resulting from the grant
20 amounts.

21 “(iii) A certification that the eligible
22 veteran applying for the grant—

23 “(I) shall complete the education
24 and training relevant to the ownership
25 and operation of the qualifying busi-

1 *ness enterprise described in paragraphs*
2 *(3)(A) and (3)(B); and*

3 *“(II) understands that the eligible*
4 *veteran may not receive amounts*
5 *under a grant under the pilot program*
6 *until after the eligible veteran has com-*
7 *pleted the required education and*
8 *training relevant to the ownership and*
9 *operation of the qualifying business en-*
10 *terprise described in paragraphs (3)(A)*
11 *and (3)(B).*

12 *“(iv) Such certifications as the Admin-*
13 *istrator, in consultation with the Advisory*
14 *Committee, shall by rule require, includ-*
15 *ing—*

16 *“(I) for a business enterprise in*
17 *operation on the date of the applica-*
18 *tion, evidence that the Administrator,*
19 *in consultation with the Advisory*
20 *Committee, determines appropriate*
21 *of—*

22 *“(aa) good standing;*

23 *“(bb) profitable operation;*

24 *and*

1 “(cc) guarantees relating to
2 the purchase of the enterprise;

3 “(II) for a franchise business en-
4 terprise, evidence that the Adminis-
5 trator, in consultation with the Advi-
6 sory Committee, determines appro-
7 priate of—

8 “(aa) compliance with appli-
9 cable State and Federal laws on
10 franchises; and

11 “(bb) training in confirma-
12 tion with the industry standard;
13 and

14 “(III) for a startup, or an enter-
15 prise that is otherwise not in operation
16 at the time of the application, a pro-
17 posal for the operation of that enter-
18 prise that leads to profitable operation
19 within a reasonable time frame.

20 “(v) A certification that the eligible
21 veteran applying for the grant understands
22 that the eligible veteran may not receive
23 amounts under the grant until after the
24 business plan of the eligible veteran has

1 *been approved under the procedures de-*
2 *scribed in paragraph (3)(C)(ii).*

3 *“(vi) A certification that the eligible*
4 *veteran—*

5 *“(I) has been truthful about the*
6 *employment status of the eligible vet-*
7 *eran; and*

8 *“(II) understands that the eligible*
9 *veteran will be prohibited from partici-*
10 *pating in the pilot program if the cer-*
11 *tification described in subclause (I) is*
12 *determined to be untrue.*

13 *“(C) GROUP APPLICATIONS.—The Adminis-*
14 *trator may authorize a group of eligible veterans*
15 *to apply as a group under the pilot program.*
16 *The group shall be treated as a single eligible*
17 *veteran under the pilot program, except that the*
18 *maximum amount of the grant shall be cal-*
19 *culated by multiplying the maximum amount*
20 *under paragraph (4)(A) by the number of mem-*
21 *bers of the group.*

22 *“(3) ENTREPRENEURSHIP TRAINING.—*

23 *“(A) IN GENERAL.—Each eligible veteran*
24 *receiving a grant under the pilot program shall*
25 *complete an entrepreneurship readiness program*

1 *approved by the Administrator that is designed*
2 *to prepare the eligible veteran for, and lead to*
3 *the immediate subsequent ownership and man-*
4 *agement by the eligible veteran of, a qualifying*
5 *business enterprise.*

6 “(B) *APPROVED PROGRAMS.*—*An approved*
7 *program described in subparagraph (A) may in-*
8 *clude a program—*

9 “(i) *available through a small business*
10 *development center;*

11 “(ii) *approved by the Administrator*
12 *for entrepreneurship training;*

13 “(iii) *approved by the Secretary of Vet-*
14 *erans Affairs for entrepreneurship training;*

15 “(iv) *available through the Transition*
16 *Assistance Program of the Department of*
17 *Defense;*

18 “(v) *available through a women’s busi-*
19 *ness center, as described in section 29;*

20 “(vi) *available through a Veterans*
21 *Business Outreach Center, as described in*
22 *subsection (d);*

23 “(vii) *available through the SCORE*
24 *program authorized by section 8(b)(1); or*

1 “(viii) approved by the Administrator,
2 *in consultation with the Advisory Com-*
3 *mittee, as appropriate because of the exper-*
4 *tise the program offers relating to a certain*
5 *type of business enterprise.*

6 “(C) *BUSINESS PLAN.*—

7 “(i) *CONTENTS.*—*An eligible veteran*
8 *receiving a grant under the pilot program*
9 *shall prepare a business plan, which shall*
10 *include—*

11 “(I) *a description of how the*
12 *qualifying business enterprise will*
13 *achieve profitable operation within a*
14 *reasonable time frame;*

15 “(II) *an assessment of relevant—*

16 “(aa) *economic indicators;*

17 “(bb) *consumer data;*

18 “(cc) *production and sales*
19 *data; and*

20 “(dd) *market or industry*
21 *analysis; and*

22 “(III) *other information that the*
23 *Administrator, in consultation with*
24 *the Advisory Committee, determines is*
25 *appropriate.*

1 “(ii) *APPROVAL PROCEDURE.*—

2 “*(I) APPROVAL BY ADVISOR.*—*If*
3 *an advisor approves the business plan*
4 *prepared by the eligible veteran, the*
5 *Associate Administrator for Veterans*
6 *Business Development of the Adminis-*
7 *tration—*

8 “*(aa) shall review the busi-*
9 *ness plan; and*

10 “*(bb) may reverse the ap-*
11 *proval of the business plan and*
12 *require that the eligible veteran*
13 *continue to consult with the advi-*
14 *sor to develop and resubmit the*
15 *business plan.*

16 “*(II) DISAPPROVAL BY ADVI-*
17 *SOR.*—*If an advisor does not approve*
18 *the business plan prepared by an eligi-*
19 *ble veteran, the Associate Adminis-*
20 *trator for Veterans Business Develop-*
21 *ment of the Administration, upon ap-*
22 *peal by the eligible veteran, may re-*
23 *verse the decision of the advisor and*
24 *approve the business plan.*

25 “(4) *GRANT TERMS AND CONDITIONS.*—

1 “(A) *MAXIMUM GRANT AMOUNT AND ADDI-*
2 *TIONAL ASSISTANCE.—*

3 “(i) *IN GENERAL.—Subject to para-*
4 *graph (2)(C), the maximum amount that*
5 *an eligible veteran may receive under the*
6 *pilot program shall not exceed an amount*
7 *equal to the sum of—*

8 “(I) *the maximum grant amount*
9 *specified in clause (ii);*

10 “(II) *the amount equal to the*
11 *product obtained by multiplying—*

12 “(aa) *the amount of addi-*
13 *tional assistance to which the eli-*
14 *gible veteran is entitled under*
15 *clause (iii)(II); by*

16 “(bb) *the number of months*
17 *that the eligible veteran partici-*
18 *pates in the pilot program; and*

19 “(III) *the amount of training as-*
20 *sistance received by the eligible veteran*
21 *under clause (iv).*

22 “(ii) *MAXIMUM GRANT AMOUNT.—The*
23 *maximum grant amount specified in this*
24 *clause is the following:*

1 “(I) *In the case of an eligible vet-*
2 *eran entitled to educational assistance*
3 *under chapter 33 of title 38, United*
4 *States Code, the amount equal to the*
5 *product obtained by multiplying—*

6 “(aa) *the number of months*
7 *of educational assistance to which*
8 *the eligible veteran is entitled on*
9 *the date that the eligible veteran*
10 *submits an application; by*

11 “(bb) *the pro rata monthly*
12 *rate of the amount that the eligi-*
13 *ble veteran is entitled to under*
14 *paragraph (1)(A)(ii)(II) of section*
15 *3313(c) of that title, subject to*
16 *paragraphs (2) through (7) of that*
17 *section.*

18 “(II) *In the case of an eligible vet-*
19 *eran entitled to educational assistance*
20 *under chapter 30 of title 38, United*
21 *States Code, the amount equal to the*
22 *product obtained by multiplying—*

23 “(aa) *the number of months*
24 *of educational assistance to which*
25 *the eligible veteran is entitled on*

1 *the date that the eligible veteran*
2 *submits an application; by*

3 *“(bb) the rate in effect under*
4 *section 3015(a)(1) of that title.*

5 *“(iii) ADDITIONAL ASSISTANCE.—*

6 *“(I) PERIOD OF ELIGIBILITY.—An*
7 *eligible veteran shall receive the*
8 *amount described in subclause (II) for*
9 *each month that the eligible veteran*
10 *participates in the pilot program.*

11 *“(II) AMOUNT.—The amount of*
12 *the additional assistance specified in*
13 *this subclause is an amount, paid to*
14 *the eligible veteran on a monthly basis,*
15 *equal to the product obtained by multi-*
16 *plying—*

17 *“(aa) the monthly amount of*
18 *the basic allowance for housing*
19 *payable under section 403 of title*
20 *37, United States Code, for a*
21 *member with dependents in pay*
22 *grade E-5 residing in the military*
23 *housing area that encompasses all*
24 *or the majority portion of the ZIP*
25 *code area in which is located the*

1 residence of the eligible veteran
2 (similar to the calculation made
3 under section 3313(c)(1)(B)(i)(I)
4 of title 38, United States Code);
5 by—

6 “(bb)(AA) in the case of an
7 eligible veteran who, as of the date
8 on which the eligible veteran ap-
9 plies for a grant under this sub-
10 section, has no employment other
11 than the qualifying business en-
12 terprise for which the eligible vet-
13 eran seeks a grant under this sub-
14 section, 1; or

15 “(BB) in the case of an eligi-
16 ble veteran who is not described in
17 subitem (AA), 0.5.

18 “(iv) TRAINING ASSISTANCE.—Upon
19 application by an eligible veteran receiving
20 a grant under the pilot program, the Ad-
21 ministrator may pay for the cost, if appli-
22 cable, of an approved program described in
23 paragraph (3)(B)(viii).

1 “(B) *DISBURSEMENT.*—*The amount of a*
2 *grant made under the pilot program shall be dis-*
3 *bursed to an eligible veteran—*

4 “(i) *in installments, in accordance*
5 *with the procedures described in subpara-*
6 *graph (C);*

7 “(ii) *only after the eligible veteran pre-*
8 *sents documentation proving that the eligi-*
9 *ble veteran has completed the required en-*
10 *trepreneurship training described in para-*
11 *graphs (3)(A) and (3)(B); and*

12 “(iii) *only after the business plan of*
13 *the eligible veteran has been approved under*
14 *the procedures described in paragraph*
15 *(3)(C)(ii).*

16 “(C) *INSTALLMENT PAYMENTS.*—*The*
17 *amount described in subparagraph (A)(ii) shall*
18 *be paid to the eligible veteran in installments on*
19 *a pro rata basis with each installment being*
20 *paid to the eligible veteran—*

21 “(i) *not earlier than 3 months after the*
22 *date of the payment of the most recent in-*
23 *stallment to the eligible veteran;*

1 “(ii) not later than 12 months after the
2 date of the payment of the most recent in-
3 stallment to the eligible veteran; and

4 “(iii) only after the eligible veteran has
5 met milestones established in the business
6 plan of the eligible veteran.

7 “(5) *USE OF GRANT AMOUNTS.*—An eligible vet-
8 eran who receives a grant under the pilot program
9 may use the amount of the grant—

10 “(A) in accordance with the limitations
11 that the Administrator, in consultation with the
12 Advisory Committee, may by rule establish;

13 “(B) for purposes consistent with the activi-
14 ties and objectives set forth in the business plan
15 of the eligible veteran, as described in paragraph
16 (3)(C); and

17 “(C) for purposes related to starting or ac-
18 quiring a qualifying business enterprise that the
19 Administrator, in consultation with the Advisory
20 Committee, determines are appropriate, includ-
21 ing—

22 “(i) purchasing goods or services nec-
23 essary for the creation or operation of a
24 qualifying business enterprise;

1 “(ii) *funding a project that is directed*
2 *toward any economic development objective*
3 *described under section 501(d) of the Small*
4 *Business Investment Act of 1958 (15 U.S.C.*
5 *695(d)); and*

6 “(iii) *acquiring a qualifying business*
7 *enterprise.*

8 “(6) *RESPONSIBILITY OF THE ADMINIS-*
9 *TRATOR.—In implementing the pilot program, the*
10 *Administrator shall maximize existing relationships*
11 *with the public and private sector to—*

12 “(A) *ensure successful outcomes by partici-*
13 *pants in the pilot program; and*

14 “(B) *prevent redundancy with existing pub-*
15 *lic and private programs.*

16 “(7) *REPORT TO CONGRESSIONAL COMMIT-*
17 *TEES.—*

18 “(A) *IN GENERAL.—Not later than 2 years*
19 *after the date on which the pilot program is com-*
20 *menced, the Administrator shall submit to the*
21 *Committee on Small Business and Entrepreneur-*
22 *ship and the Committee on Veterans’ Affairs of*
23 *the Senate and the Committee on Small Business*
24 *and the Committee on Veterans’ Affairs of the*

1 *House of Representatives a report analyzing the*
2 *feasibility and effectiveness of the pilot program.*

3 “(B) CONTENTS.—*The report submitted*
4 *under subparagraph (A) shall include—*

5 “(i) *an assessment of the pilot pro-*
6 *gram;*

7 “(ii) *a survey containing—*

8 “(I) *the number of grantees under*
9 *the pilot program; and*

10 “(II) *the number of the grantees*
11 *under the pilot program that partici-*
12 *ipated in each of the training programs*
13 *described in subparagraphs (A) and*
14 *(B) of paragraph (3);*

15 “(iii) *recommendations regarding*
16 *whether any aspect of the pilot program*
17 *should be made a permanent authority,*
18 *and, if so, the means to ensure—*

19 “(I) *geographic and demographic*
20 *diversity among the eligible veterans*
21 *who receive the grants under the per-*
22 *manent authority; and*

23 “(II) *diversity in the types of*
24 *qualifying business enterprises for*

1 *which eligible veterans may receive*
2 *grants under the pilot program;*

3 “(iv) *an assessment regarding whether*
4 *the grants distributed under the pilot pro-*
5 *gram should continue to be made in install-*
6 *ments or with a 1-time, lump sum pay-*
7 *ment;*

8 “(v) *an assessment of the additional*
9 *assistance made available under the pilot*
10 *program, including the accountability sur-*
11 *rounding the availability of additional as-*
12 *sistance;*

13 “(vi) *an analysis of the procedures for*
14 *approving a business plan and a rec-*
15 *ommendation regarding ways, if necessary,*
16 *to improve the procedures; and*

17 “(vii) *a recommendation regarding*
18 *ways, if necessary, to improve the account-*
19 *ability of advisors.*

20 “(8) *GAO REPORT.—Not later than 1 year after*
21 *the date on which the pilot program terminates, the*
22 *Comptroller General of the United States shall submit*
23 *to Congress a report that evaluates the pilot program*
24 *with respect to—*

25 “(A) *administrative difficulties;*

1 “(B) issues of fiscal responsibility;

2 “(C) duplication with existing entrepre-
3 neurship pilot programs in the Federal Govern-
4 ment; and

5 “(D) whether the pilot program is con-
6 sistent with the Post-9/11 Veterans Educational
7 Assistance Improvements Act of 2010 (Public
8 Law 111–377; 124 Stat. 4106).

9 “(9) NO EFFECT ON TIME LIMITATION FOR USE
10 OF ENTITLEMENT TO EDUCATIONAL ASSISTANCE.—
11 Nothing in this subsection shall be construed to mod-
12 ify any time limitation or period during which an
13 individual is entitled to educational assistance under
14 chapter 30 or 33 of title 38, United States Code.

15 “(10) DEFINITIONS.—In this subsection:

16 “(A) ADVISOR.—The term ‘advisor’ means a
17 person—

18 “(i) affiliated with an entrepreneur-
19 ship or training and curricula program de-
20 scribed in paragraphs (3)(A) and (3)(B);

21 “(ii) who may assist an eligible vet-
22 eran with the preparation and approval of
23 a business plan; and

1 “(iii) who is approved to serve as an
2 advisor by the Administrator, in consulta-
3 tion with the Advisory Committee.

4 “(B) *ADVISORY COMMITTEE*.—The term
5 ‘Advisory Committee’ means the Advisory Com-
6 mittee on Veterans Business Affairs established
7 under section 203 of the Veterans Entrepreneur-
8 ship and Small Business Development Act of
9 1999 (15 U.S.C. 657b note).

10 “(C) *BUSINESS PLAN*.—The term ‘business
11 plan’ means a plan prepared by an eligible vet-
12 eran for the operation of a qualifying business
13 enterprise that shall be—

14 “(i) prepared—

15 “(I) while the eligible veteran par-
16 ticipates in an approved training pro-
17 gram described in paragraphs (3)(A)
18 and (3)(B); and

19 “(II) with the assistance of an ad-
20 visor; and

21 “(ii) consistent with the guidelines and
22 recommendations provided by the Business
23 Plan Tool of the Administration.

24 “(D) *ELIGIBLE VETERAN*.—The term ‘eligi-
25 ble veteran’ means an individual who—

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“(i) is—

“(I) a veteran; or

“(II) a member of the Armed Forces who—

“(aa) is currently retiring or separating from the Armed Forces and has a service approved retirement or separation packet; or

“(bb) has last been honorably discharged from active duty service in the Armed Forces;

“(ii) has completed not less than—

“(I) 36 months of active duty service in the Armed Forces (other than active duty service for training); or

“(II) 24 months of active duty service in the Armed Forces (other than active duty service for training) before being discharged or separated for a service-connected disability, as that term is defined in section 101 of title 38, United States Code; and

1 “(iii) is entitled to educational assist-
2 ance under chapter 30 or 33 of title 38,
3 United States Code.

4 “(E) *FRANCHISE BUSINESS ENTERPRISE.*—
5 *The term ‘franchise business enterprise’ means*
6 *any continuing commercial relationship or ar-*
7 *rangement, regardless of the title given the rela-*
8 *tionship or arrangement, under which the terms*
9 *of the offer or contract specify, or the franchise*
10 *seller promises or represents, orally or in writ-*
11 *ing, that—*

12 “(i) the franchisee will obtain the right
13 to—

14 “(I) operate a business that is
15 identified or associated with the trade-
16 mark of the franchisor; or

17 “(II) offer, sell, or distribute
18 goods, services, or commodities that are
19 identified or associated with the trade-
20 mark of the franchisor;

21 “(ii) the franchisor may—

22 “(I) exert, or has authority to
23 exert, a significant degree of control
24 over the method of operation of the
25 franchisee; or

1 “(II) *provide significant assist-*
2 *ance in the method of operation of the*
3 *franchisee; and*

4 “(iii) *as a condition of obtaining or*
5 *commencing operation of the franchise busi-*
6 *ness enterprise, the franchisee makes a re-*
7 *quired payment or commits to make a re-*
8 *quired payment to the franchisor or the af-*
9 *filiate of the franchisor.*

10 “(F) *FRANCHISEE.—The term ‘franchisee’*
11 *means any person who is granted a franchise*
12 *business enterprise.*

13 “(G) *FRANCHISOR.—The term*
14 *‘franchisor’—*

15 “(i) *means any person who grants a*
16 *franchise business enterprise and partici-*
17 *pates in the franchise relationship; and*

18 “(ii) *includes subfranchisors.*

19 “(H) *PILOT PROGRAM.—The term ‘pilot*
20 *program’ means the pilot program established*
21 *under paragraph (1)(A).*

22 “(I) *QUALIFYING BUSINESS ENTERPRISE.—*
23 *The term ‘qualifying business enterprise’ means*
24 *a business included in the list of categories of*

1 *business enterprises established under paragraph*
2 *(1)(C).*

3 “(J) *STARTUP.*—*The term ‘startup’ means*
4 *a business enterprise that—*

5 “(i) *is not yet in existence; or*

6 “(ii) *has been in existence for not more*
7 *than 5 years.*

8 “(K) *SUBFRANCHISOR.*—*The term*
9 *‘subfranchisor’ means a person who functions as*
10 *a franchisor by engaging in both pre-sale activi-*
11 *ties and post-sale performance.’.*

Calendar No. 542

114TH CONGRESS
2^D SESSION
S. 1870

A BILL

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.

JUNE 29, 2016

Reported with an amendment