

Calendar No. 633

115TH CONGRESS }
2d Session }

SENATE

{ REPORT
{ 115-414

VETERANS SMALL BUSINESS ENHANCEMENT ACT OF 2018

DECEMBER 5, 2018.—Ordered to be printed

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

R E P O R T

[To accompany S. 2679]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 2679) to provide access to and manage the distribution of excess or surplus property to veteran-owned small businesses, having considered the same, reports favorably thereon with an amendment (in the nature of a substitute) and recommends that the bill (as amended) do pass.

I. INTRODUCTION

A bill to provide access to and manage the distribution of excess or surplus property to veteran-owned small businesses (S. 2679) was introduced by Senator Richard J. Durbin on behalf of Senator Tammy Duckworth, for herself, and Senator John Kennedy on April 16, 2018. Other cosponsors include Senator Jon Tester, Senator Tim Kaine, and Senator Maria Cantwell.

This bill directs the Small Business Administration (SBA), in coordination with the General Services Administration (GSA) and state surplus agencies to allow veteran-owned small businesses to be eligible to receive surplus federal property.

During the markup of the bill, the Duckworth substitute amendment to the bill was approved unanimously by a roll call vote as part of a manager's package. The Duckworth amendment is a clarifying amendment that references United States Code to better define the terms "state agency" and "foreign excess property." The

bill, as amended, was also approved unanimously by a roll call vote as part of a manager's package.

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

SBA and GSA define veteran-owned small businesses as those independently owned and operated by an honorably discharged veteran that meet the size standard eligibility. Eligibility varies from industry to industry and is based on the average number of employees for the preceding twelve months or on the business's average gross revenue over a three year period.

In Fiscal Year 2016 the GSA facilitated the disposal of more than 160,000 personal property items.¹ If surplus property is not claimed or donated, the federal government must pay to dispose of it. The GSA administered surplus property program makes excess federal property, such as vehicles, computers, office equipment, tools, heavy construction equipment, and any property not considered "real property", available to non-profit organizations at no cost except shipping and handling. Because small businesses are for-profit organizations, they do not fall under 40 U.S.C. § 549, which regulates the federal surplus property program. However, through the program's partnership with SBA's 8a program, minority-owned small business owners have participated in the federal surplus property program since 1999.

The legislation would amend the Small Business Act to direct the SBA's Office of Veterans Business Development to provide access to and manage the distribution of excess or surplus federal property to veteran-owned small businesses. It is currently not possible to simply add veterans-owned small businesses to the list of eligible participants. Rather, the SBA's Office of Veterans Business Development would work with each state and the GSA to establish a memorandum of agreement allowing eligible businesses to work with state agencies for surplus property to acquire property in a manner similar to how minority-owned businesses utilize the program.

In the 114th Congress Senator Richard J. Durbin and the Committee's Chairman, Senator David Vitter introduced similar legislation, the Veterans Small Business Enhancement Act of 2015. The Committee favorably reported the bill by voice vote, but it did not receive consideration by the full Senate.

III. HEARINGS & ROUNDTABLES

In the 115th Congress the Committee held a hearing on May 15, 2018 entitled, "The State of Small Business in America: An update from the U.S. Small Business Administration." In her questions for the record Senator Duckworth asked Administrator McMahon if she would support S. 2679. The Administrator responded that she would work with the Senator and would provide comments to Senator Duckworth on how to ensure that the SBA can properly manage the program.

IV. DESCRIPTION OF BILL

This bill would direct the SBA, GSA, and various state agencies for surplus property to enter into memorandums of agreement to

¹ Government Accountability Office Report 18-257, February 16, 2018.

allow veteran-owned small businesses to be eligible to receive surplus federal property. This change in the law would simply add veteran-owned small businesses to the list of entities that can receive this property. Currently, the only for-profit organizations that can receive surplus property are minority-owned small businesses that utilize SBA's 8(a) contracting program.

V. COMMITTEE VOTE

In compliance with rule XXVI (7)(b) of the Standing Rules of the Senate, the following vote was recorded on October 11, 2018.

A motion to adopt S. 2679, a bill to provide access to and manage the distribution of excess or surplus property to veteran-owned small businesses, as amended by the Duckworth substitute amendment, was approved unanimously by a roll call vote as part of a manager's package. Senators Risch, Rubio, Paul, Scott, Ernst, Inhofe, Young, Enzi, Rounds, Kennedy, Cardin, Cantwell, Shaheen, Heitkamp, Markey, Booker, Coons, Hirono, and Duckworth voted for the bill.

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:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, November 16, 2018.

Hon. JAMES E. RISCH,
*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. 2679, the Veterans Small Business Enhancement Act of 2018.

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,
Director.

Enclosure.

S. 2679—Veterans Small Business Enhancement Act of 2018

Under current law, the General Services Administration (GSA) is responsible for the management and distribution of surplus federal personal property. Some of that property is transferred to state agencies for distribution to certain qualifying entities. S. 2679 would direct the Small Business Administration (SBA), in coordination with GSA, to provide small businesses owned and controlled by veterans with access to surplus personal property and foreign excess personal property.

Using information from the SBA and GSA, CBO estimates that implementing the bill would cost less than \$500,000 for the GSA to expand the scope of its current activities to include the management and transfer of property to small businesses owned and con-

trolled by veterans through a memorandum of agreement with the SBA.

Under the bill, GSA may transfer surplus equipment that it otherwise could sell under current law. The proceeds of those sales are recorded in the budget as offsetting receipts, which are treated as reductions in direct spending. Using information from GSA, CBO expects that adding a new group of entities to those already eligible to receive surplus property would increase competition for that property; however, we expect that such competition would not substantially reduce the amounts of surplus property, generally the least desirable items, that would eventually be sold to the public. Because enacting S. 2679 could reduce offsetting receipts, pay-as-you-go procedures apply; however, CBO estimates that those forgone receipts would be insignificant. Enacting the bill would not affect revenues.

CBO estimates that enacting S. 2679 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2679 contains no intergovernmental or private-sector mandate as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was reviewed 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.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1: Short title

This section designates the act as the “Veterans Small Business Enhancement Act of 2018”.

Sec. 2: Access to surplus property for veteran-owned small businesses

This section defines the terms “foreign excess property” and “state agency”. The section also directs the SBA, GSA, and state agencies for surplus property to allow veteran-owned and controlled small businesses to be eligible to receive federal surplus property and foreign excess property through memorandums of agreement.