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NATIONAL GUARD AND RESERVE ENTREPRENEURSHIP SUPPORT ACT OF 2018

DECEMBER 20, 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. 3561]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 3561) to support entrepreneurs serving in the National Guard and Reserve, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

I. INTRODUCTION

The National Guard and Reserve Entrepreneurship Support Act of 2018 (S. 3561) was introduced by Senator Jeanne Shaheen, for herself, and Senator Patrick J. Leahy on October 15, 2018. Senator Christopher A. Coons and Senator Maria Cantwell were also included as co-sponsors of the legislation.

This bill modifies the eligibility requirements for the Military Reservist Economic Injury Disaster Loan and Repayment for Deferral for Active Daily Reservists, directs the SBA to increase its outreach in order to provide counseling and training programs for spouses of veteran and members of the reserve forces, including by working with the National Guard and State Adjutant Generals, and requires the President to report semiannually to Congress on loans made through this program.

During the markup, the bill was approved unanimously by a roll call vote as part of a manager's package.

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

According to the Department of Defense (DOD), there are over one million reservists, readily available to support our military op-

erations or assist with a national emergency. Since 2001, the United States has conducted major military operations that have dramatically increased the operations tempo of the military services and required the large-scale mobilization of reservists. The military continues to rely heavily on its reserve components, and as of October 23, 2018, there were 37,036 National Guard and Reserve personnel activated for overseas contingency operations and approximately 2,000 National Guard personnel serving on the southwest border.

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 (CBO), 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. In addition, small businesses that employ reservists or National Guard members can see their operations interrupted as a result of a deployment.

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.

In the 106th Congress, 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 or 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 that disrupted the lives of men and women who served in Desert Storm. To accomplish this goal, the program authorized the Small Business Administration (SBA) 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.

In the 107th Congress, on October 30, 2003, Chair Olympia Snowe formally requested that the CBO 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 CBO 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 CBO testified before the Commission on the National Guard and Reserves on the findings of the report.

In the 110th Congress, on March 28, 2007, Chairman John 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 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 would have also changed the design of a program that provided 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 cosponsored.

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 would have 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 would have 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 would have 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 would have 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. On February 14, 2008, the bill was signed into law (P.L. 110–186). On August 15, 2008, as required by the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110–186), the Government Accountability Office (GAO) issued a report entitled, "Military Personnel: Improvements Needed to Increase Effectiveness of DOD's Programs to Promote Positive Working Relationships between Reservists and Their Employers." The GAO 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 DOD establish an annual performance plan that develops and facilitates the implementation of performance measures, conduct regular and recurring follow-up activities on efforts to maintain positive working relationships with employers, and develop initiatives to perform outreach to small businesses that employ reservists.

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:

On June 4, 2014, the Senate Committee on Small Business and Entrepreneurship held a hearing entitled "From Military Service to Small Business Owner: Supporting America's Veteran Entrepreneurs." 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 2018 (S. 3561) amends the Small Business Act and The Veterans and Small Business Development Act of 1999. In particular, the bill updates existing statutory eligibility requirements for the Military Reservist Economic Injury Disaster Loan (MREIDL) and Repayment Deferral for Active Duty Reservists, which currently limit their use to Guard members or Reservists called up during "periods of conflict." The bill changes this outdated eligibility to "being ordered to perform active service for a period of more than 30 con-

secutive days," which reflects the shift reserve forces have experienced from a strategic reserve to an operational reserve.

This bill also directs the SBA to grow relationships with private and public sector entities to provide counseling and training 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 counseling and assistance to support members of the reserves of the armed forces and their spouses. The bill directs the SBA to collaborate with the National Guard Bureau and State Adjutant Generals to identify existing SBA programs relevant to members of the Guard and Reserves, and develop more targeted and effective outreach, particularly prior to deployment. The bill would also require the President to report semiannually to Congress on the number of loans made through the MREIDL.

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 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 unanimously by 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 14, 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. 3561, the National Guard and Reserve Entrepreneurship Support Act.

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. 3561. The National Guard and Reserve Entrepreneurship Support Act

Under its disaster loan program, the Small Business Administration (SBA) provides direct loans to people and small businesses; including those that suffered substantial economic injury because essential employees were ordered to active duty during a military

conflict. S. 3561 would permit loan assistance when such a deployment is not part of a military conflict. The bill also would expand eligibility for a program that allows loan recipients to defer the repayment of principal and interest on disaster loans to include certain small businesses and borrowers who are ordered to active service for more than 30 consecutive days.

Using information from the SBA about the disaster loan program, CBO estimates that the total amount of loans administered by the SBA would increase slightly under the bill. CBO estimates that increase would have an insignificant effect on the estimated subsidy cost of disaster loans; such spending would be subject to the availability of appropriated funds.[1] (The subsidy cost of the program was $187 million in 2017.)

S. 3561 also would expand the target of certain SBA outreach programs that provide training and assistance to include the spouses of veterans and members of the reserve component of the armed forces. Using information from the SBA about the administrative costs of those programs, CBO estimates that implementing those provisions would increase the agency's costs by an insignificant amount because the SBA is already expanding its outreach efforts toward those groups.

S. 3561 would expand the pool of people who are eligible to defer the payment of principal and interest for disaster loans in certain circumstances. Because that provision could affect the timing of expected payments of loans currently outstanding, those changes would be treated as direct spending; therefore, pay-as-you-go procedures apply. Using information from the SBA, CBO estimates that the net effect on those expected payments would be insignificant over the 2019–2028 period. Implementing S. 3561 would not affect revenues.

CBO estimates that enacting S. 3561 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 3561 contains no intergovernmental or private-sector mandates 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. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

[1] The subsidy cost is the estimated long-term cost to the government, calculated on a net-present-value basis. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. That value depends on the rate of interest (called the discount rate) used to translate future cash flows into current dollars.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1. Short title

This section provides for the title, "National Guard and Reserve Entrepreneurship Support Act of 2018."

Sec. 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 perform active service for a period of more than 30 consecutive days." This change of wording from "periods of conflict" would remove an obstacle preventing the SBA and the National Guard from providing services and training to those National Guard and Reserve personnel. This section also directs the President to submit a semiannual report to the Senate Committee on 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 Reservist Economic Injury Disaster Loan program and the dollar volume. The report shall also contain the subsidy rate of the disaster loan program as authorized under section 7(b) of the Small Business Act with the loans made under the Military Reservist Economic Injury Disaster Loan program and without those loans included.

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

This section directs the SBA, in carrying out its authorities to make grants and enter into cooperative agreements for veterans, to establish a National Guard and Reserve Deployment Support and Business Training Program to provide training and other assistance for reserve forces and their spouses. In carrying out these duties, the Administrator may modify programs and resources to provide pre-deployment information to Guard members and reservists, as well as collaborate with the Chief of the National Guard Bureau and State Adjutants General.

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