SBA Veterans Assistance Programs: An Analysis of Contemporary Issues

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Summary

Several federal agencies, including the Small Business Administration (SBA), provide training and other assistance to veterans seeking civilian employment. For example, the Department of Labor, in cooperation with the Department of Defense and the Department of Veterans Affairs, operates the Transition Assistance Program (TAP) and the Disabled Transition Assistance Program (DTAP). Both programs provide employment information and training to service members within 180 days of their separation from military service, or retirement, to assist them in transitioning from the military to the civilian labor force.

In recent years, the SBA has focused increased attention on meeting the needs of veteran small business owners and veterans interested in starting a small business, especially veterans who are transitioning from military to civilian life. In FY2011, the SBA provided management and technical assistance services to more than 100,000 veterans through its various management and technical assistance training partners (e.g., Small Business Development Centers, Women Business Centers, Service Corps of Retired Executives (SCORE), and Veteran Business Outreach Centers). The SBA also responded to more than 85,000 veteran inquires through its SBA district offices. In addition, the SBA's Office of Veterans Business Development administers several programs to assist veteran-owned small businesses.

Congressional interest in the SBA's veterans assistance programs has increased in recent years primarily due to reports by veterans organizations that veterans were experiencing difficulty accessing the SBA's programs, especially the SBA's Patriot Express loan guarantee program. There is also a continuing congressional interest in assisting veterans, especially those returning from overseas in recent years, in their transition from military into civilian life. Although the unemployment rate (as of July 2012) among veterans as a whole (6.9%) was lower than for non-veterans (8.3%), the unemployment rate of veterans who have left the military since September 2001 (8.9%) was higher than the unemployment rate for non-veterans.

The expansion of federal employment training programs targeted at specific populations, such as women and veterans, has also led some Members and organizations to ask if these programs should be consolidated. In their view, eliminating program duplication among federal business assistance programs across federal agencies, and within the SBA, would result in lower costs and improved services. Others argue that keeping these business assistance programs separate enables them to offer services that match the unique needs of various underserved populations, such as veterans. In their view, instead of considering program consolidation as a policy option, the focus should be on improving communication and cooperation among the federal agencies providing assistance to entrepreneurs.

This report opens with an examination of the current economic circumstances of veteran-owned businesses drawn from the Bureau of the Census 2007 Survey of Business Owners, which was administered in 2008 and 2009, and released on the Internet on May 17, 2011. It then provides a brief overview of veteran employment experiences, comparing unemployment and labor force participation rates for veterans, veterans who have left the military since September 2001, and non-veterans. The report then describes the employment assistance programs offered by several federal agencies to assist veterans in their transition from the military to the civilian labor force, and examines, in greater detail, the SBA's veteran business development programs, the SBA's Patriot Express loan guarantee program, and veteran contracting programs. The SBA's Military Reservist Economic Injury Disaster Loan program is also discussed.

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SBA Assistance for Veterans

The Small Business Administration (SBA) administers several programs to support small business owners and prospective entrepreneurs. For example, it provides access to entrepreneurial education programs to assist with business formation and expansion; loan guaranty programs, such as the Patriot Express loan guaranty program that targets the needs of veteran small business owners, to enhance small business owners' access to capital; and programs to increase small business opportunities in federal contracting, including oversight of the service-disabled veteran-owned small business federal procurement goaling program.[1] The SBA also provides direct loans for owners of businesses of all sizes, homeowners, and renters to assist their recovery from natural disasters.

One of the SBA's disaster loan programs, the Military Reservist Economic Injury Disaster Loan Program (MREIDL program), is of particular interest to veterans. The MREIDL program provides disaster assistance in the form of direct loans of up to $2 million to help small business owners who are not able to obtain credit elsewhere to meet ordinary and necessary operating expenses that they could have met, but are not able to meet because an essential employee has been called-up to active duty in their role as a military reservist or member of the National Guard due to a period of military conflict.[2]

In FY2011, the SBA provided management and technical assistance services to more than 100,000 veterans through its various management and technical assistance training partners (e.g., Small Business Development Centers, Women Business Centers, SCORE, and Veteran Business Outreach Centers). The SBA also responded to more than 85,000 veteran inquires through its SBA district offices. In addition, the SBA's Office of Veterans Business Development administers several programs to assist veteran-owned small businesses.

In recent years, the SBA has focused increased attention on meeting the needs of veteran small business owners and veterans interested in starting a business, especially veterans who are transitioning from military to civilian life. For example, in FY2012, the SBA's Office of Veterans Business Development launched the "Operation Boots to Business: From Service to Startup" initiative, "a comprehensive veteran entrepreneurship initiative for transitioning service members."[3] The SBA has also announced that it plans to continue its efforts to strengthen its outreach to women veterans and service-disabled veterans.[4]

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[1] For further information and analysis concerning the Small Business Administration's (SBA's) entrepreneurial education programs, see CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*, by Robert Jay Dilger; for further information and analysis concerning the SBA's access to capital programs, see CRS Report R41146, *Small Business Administration 7(a) Loan Guaranty Program*, by Robert Jay Dilger and CRS Report R41184, *Small Business Administration 504/CDC Loan Guaranty Program*, by Robert Jay Dilger; and for further information and analysis of the SBA's federal contracting programs, see CRS Report R41945, *Small Business Set-Aside Programs: An Overview and Recent Developments in the Law*, by Kate M. Manuel and Erika K. Lunder and CRS Report R42390, *Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress*, by Kate M. Manuel and Erika K. Lunder.

[2] U.S. Small Business Administration, "Disaster Assistance Program: SOP 50-30-7," May 13, 2011, p. 48, at http://www.sba.gov/sites/default/files/SOP%2050%2030%207.pdf; and 13 C.F.R. §123.508. For further information and analysis concerning the SBA's disaster assistance loan program, see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by Bruce R. Lindsay.

[3] U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance (continued...)

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The expansion of federal employment training programs targeted at specific populations, such as women and veterans, has also led some Members and organizations to ask if these programs should be consolidated. In their view, eliminating program duplication among federal business assistance programs across federal agencies, and within the SBA, would result in lower costs and improved services. Others argue that keeping these business assistance programs separate enables them to offer services that match the unique needs of various underserved populations, such as veterans. In their view, instead of considering program consolidation as a policy option, the focus should be on improving communication and cooperation among the federal agencies providing assistance to entrepreneurs.

This report examines the current economic circumstances of veteran-owned businesses drawn from the Bureau of the Census 2007 Survey of Business Owners, which was administered in 2008 and 2009, and released on May 17, 2011.[5] It provides a brief overview of veteran employment experiences, comparing unemployment and labor force participation rates for veterans, veterans who have left the military since September 2001, and non-veterans. The report also describes the employment assistance programs offered by several federal agencies to assist veterans transition from the military to the civilian labor force, and examines, in greater detail, the SBA's veterans business development programs, the SBA's Patriot Express loan guarantee program, and veteran contracting programs. The SBA's Military Reservist Economic Injury Disaster Loan program is also discussed.

An Economic Profile of Veteran-owned Businesses

Every five years since 1972, for years ending in "2" and "7", the U.S. Bureau of the Census has sent a questionnaire to a stratified random sample of nonfarm businesses in the United States that file Internal Revenue Service tax forms as individual proprietorships, partnerships, or any type of corporation, and with receipts of $1,000 or more.[6] The questionnaire asks for information about the characteristics of the businesses and their owners. Approximately 2.3 million businesses

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Report," 2012, p. 62, at http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf; and U.S. Small Business Administration, "Operation Boots to Business: From Service to Startup," at http://www.sba.gov/bootstobusiness.

[4] U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance Report," 2012, pp. 62-63, at http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf.

[5] U.S. Bureau of the Census, "Survey of Business Owners," at http://www.census.gov/econ/sbo/index.html.

[6] U.S. Bureau of the Census, "Survey of Business Owners: About the Survey," at http://www.census.gov/econ/sbo/about.html.

received the 2007 Survey of Business Owners (SBO) and about 62% of these businesses responded to the survey.[7] The SBO provides "the only comprehensive, regularly collected source of information on selected economic and demographic characteristics for businesses and business owners by gender, ethnicity, race, and veteran status."[8]

The Bureau of the Census uses information from the SBO to provide estimates of the number of employer and nonemployer firms and their sales and receipts, annual payroll, and employment. Data aggregates are provided by gender, ethnicity, race, and veteran status for the United States by 2007 North American Industry Classification System (NAICS) classification, the kind of business, and by state, metropolitan and micropolitan statistical area, and county. The information obtained from the SBO was combined with data collected through the Bureau of the Census's main economic census and administrative records to provide a variety of searchable data products on their website, http://www.census.gov/econ/sbo/, including the most detailed economic information available on veterans and veteran-owned firms.

Demographics

The Bureau of the Census estimates that in 2007 about 9.0% of nonfarm firms in the United States (2,447,608 of 27,092,908) were owned by veterans.[9] Four states had more than 100,000 veteran-owned firms: California (239,422), Texas (199,476), New York (127,156), and Florida (176,727). Of the nearly 2.45 million veteran-owned firms in 2007,

- 79.9% (1,956,259) had no paid employees and 20.1% (491,349) had paid employees. This ratio is very similar to comparable national figures for 2007, which are 78.8% had no paid employees (21,357,346) and 21.2% had paid employees (5,735,562).[10]
- 99.8% (490,560) had less than 500 employees and 0.2% (789) had at least 500 employees. This ratio is very similar to comparable national figures for 2007, which are 99.7% (5,717,830) had less than 500 employees and 0.3% (17,732) had at least 500 employees.[11]

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[7] U.S. Bureau of the Census, "Survey of Business Owners: 2007 Methodology," at http://www.census.gov/econ/sbo/methodology.html.

[8] U.S. Bureau of the Census, "Survey of Business Owners," at http://www.census.gov/econ/sbo/about.html.

[9] An additional 1.2 million nonfarm U.S. firms (about 4.5% of all nonfarm U.S. firms) were owned equally (50%-50%) by veterans and nonveterans. See U.S. Bureau of the Census, "Statistics for All U.S. Firms by Industry, Veteran Status, and Receipts Size of Firm for the U.S. and States: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA08&prodType=table. Veteran status was based on self-identification. Respondents were asked to report if a business owner is a veteran of the U.S. military service including the Coast Guard. Businesses could be categorized either as: veteran-owned (U.S. military service veterans own 51% or more of the equity, interest, or stock of the business); equally veteran/nonveteran-owned (a 50% veteran and 50% nonveteran ownership of the equity, interest, or stock of the business); or nonveteran-owned (nonveterans own 51% or more of the equity, interest, or stock of the business).

[10] U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms by Industry, Veteran Status, and Race for the U.S., States, Metro Areas, Counties, and Places: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA04&prodType=table.

[11] Of veteran-owned firms, 90.3% (443,495) had less than 20 employees, 8.2% (40,406) had 20 to 99 employees, and 1.4% (6,659) had 100 to 499 employees. See U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms With Paid Employees by Industry, Veteran Status, and Employment Size of Firm for the U.S. and States: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA12&
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- 94.8% (2,320,291) were owned by a male, 4.0% were owned by a female (97,114), and 1.2% (29,593) were owned equally by a male and a female. Veteran-owned firms were more likely than other firms in 2007 to be owned by a male. The comparable national figures for 2007 are 52.9% (13,900,554) were owned by a male, 29.6% were owned by a female (7,792,115), and 17.5% (4,602,192) were owned equally by a male and a female.[12]
- 90.7% (2,219,385) were owned by a Caucasian, 7.7% (188,820) were owned by an African-American, 1.3% (32,732) were owned by an Asian, 1.1% (27,111) were owned by an American Indian or Alaska Indian, 0.2% (4,123) were owned by a Native Hawaiian or other Pacific Islander, and 0.1% (3,096) were owned by "some other race." Veteran-owned firms were somewhat more likely than other firms in 2007 to be owned by a Caucasian and somewhat less likely to be owned by an Asian. The comparable national figures for 2007 are 83.4% (22,595,146) were owned by a Caucasian, 7.1% (1,921,864) were owned by an African-American, 5.7% (1,549,559) were owned by an Asian, 0.9% (236,691) were owned by an American Indian or Alaska Indian, 0.1% (37,687) were owned by a Native Hawaiian or other Pacific Islander, and 0.3% (80,777) were owned by "some other race."[13]
- 2.8% (68,891) were owned by an individual under the age of 35, 22.1% (543,359) were owned by an individual 35 to 54 years of age, and 75.1% (1,841,809) were owned by an individual 55 years of age or older. Veteran-owned firms were more likely than other firms in 2007 to be 55 years of age or older. The comparable national figures for 2007 are 12.6% (2,535,187) were owned by an individual under the age of 35; 50.8% (10,196,376) were owned by an individual 35 to 54 years of age; and 36.5% (7,332,182) were owned by an individual 55 years of age or older.[14]
- 8.3% (196,760) were owned by an individual who reported that he or she had a service-connected disability.[15]

Employment, Payroll, and Receipts

In 2007, veteran-owned employer firms

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[12] U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms by Industry, Veteran Status, and Gender for the U.S., States, Metro Areas, Counties, and Places: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA02&prodType=table.

[13] The total percentage exceeds 100 because each owner had the option of selecting more than one race and was included in each race selected. See U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms by Industry, Veteran Status, and Race for the U.S., States, Metro Areas, Counties, and Places: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA04&prodType=table.

[14] U.S. Bureau of the Census, "American Fact Finder: Statistics for Owners of Respondent Firms by Owner's Age by Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSCBO08&prodType=table.

[15] U.S. Bureau of the Census, "American Fact Finder: Statistics for Veteran Owners of Respondent Firms by Owner's Service-Disabled Veteran Status and Gender for the U.S.: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSCBO10&prodType=table.

- employed 5.8 million persons (about 4.9% of total U.S. employment), had a total payroll of $210.0 billion (about 4.4% of total U.S. payroll), and generated $1.125 trillion in total receipts (about 4.1% of total U.S. receipts); and
- had average receipts of $2.3 million.[16]

In 2007, veteran-owned nonemployer firms:

- generated 7.7% ($93.8 billion) of the total receipts generated by veteran-owned firms; and
- had average receipts of $47,931.

The comparable national figures for receipts in 2007 were $45,544 for all nonemployer firms and $5.1 million for all employer firms.[17]

Access to Capital

As shown in **Table 1**, the most frequently used source of capital used by veterans to start or acquire a business in 2007 was personal or family savings (811,388 veterans or 61.7% of respondents), followed by a business loan from a bank or financial institution (128,895 veterans or 9.8% of respondents), a personal or business credit card (114,012 veterans or 8.7% of respondents), and personal or family assets other than the owner's savings (98,113 veterans or 7.5% of respondents).

Table 1. Source of Capital for Veteran-Owned Businesses Starting or Acquiring Their Business, 2007

Source of Capital	Number of Veteran Respondents	% of Veteran Respondents
personal or family savings	811,388	61.7%
business loan from a bank or financial institution	128,895	9.8%
personal or business credit card	114,012	8.7%
personal or family assets other than the owner's savings	98,113	7.5%
personal or family home equity loan	55,736	4.2%
business loan or investment from family or friends	25,038	1.9%
government guaranteed business loan from a bank or financial institution	8,305	0.6%
business loan from a federal, state, or local government	8,001	0.6%
investment from venture capitalists	3,664	0.3%

[16] U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms With Paid Employees by Veteran Status and Number of States in Which They Operate: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSA20&prodType=table.

[17] Ibid.

Source of Capital	Number of Veteran Respondents	% of Veteran Respondents
grant	1,364	0.1%
other source(s) of capital	23,825	1.8%
did not need any capital to start or acquire their business	284,505	21.6%
did not recall where they received the capital to start or acquire their business	40,390	3.1%

Source: U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms by Sources of Capital Used to Start or Acquire the Business by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=SBO_2007_00CSCB13&prodType=table.

Note: The total percentage exceeds 100 because each owner had the option of selecting more than one source of capital.

As shown in **Table 2**, the most frequently used source of capital by veterans to expand or make capital improvements to an existing business in 2007 was personal or family savings (384,517 veterans or 30.0% of respondents), followed by a personal or business credit card (139,260 veterans or 10.9% of respondents), business profits or assets (138,440 veterans or 10.8% of respondents), and a business loan from a bank or financial institution (107,614 veterans or 8.4% of respondents).

Table 2. Source of Capital for Veteran-Owned Businesses Expanding or Making Capital Improvements to Their Business, 2007

Source of Capital	Number of Veteran Respondents	% of Veteran Respondents
personal or family savings	384,517	30.0%
personal or business credit card	139,260	10.9%
business profits or assets	138,440	10.8%
business loan from a bank or financial institution	107,614	8.4%
personal or family assets other than the owner's savings	54,479	4.3%
personal or family home equity loan	50,793	4.0%
business loan or investment from family or friends	9,720	0.8%
business loan from a federal, state, or local government	4,938	0.4%
government guaranteed business loan from a bank or financial institution	4,511	0.4%
investment from venture capitalists	1,591	0.1%
grant	1,438	0.1%
other source(s) of capital	9,200	0.7%
did not expand or make capital improvements in 2007	631,242	49.3%

Source of Capital	Number of Veteran Respondents	% of Veteran Respondents
did not recall where they received the capital to expand or make capital improvements to their business	18,,692	3.7%

Source: U.S. Bureau of the Census, "American Fact Finder: Statistics for All U.S. Firms by Sources Used to Finance Expansion or Capital Improvements by Industry, Gender, Ethnicity, Race, and Veteran Status for the U.S.: 2007," at http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid= SBO_2007_00CSCB28&prodType=table.

Note: The total percentage exceeds 100 because each owner had the option of selecting more than one source of capital.

Veterans' Employment Data

The Department of Labor's Bureau of Labor Statistics (BLS) provides monthly updates of the employment status of the nation's veterans. The BLS reports that as of July 2012, there were about 21.3 million veterans.[18] A little over 10.9 million veterans were in the civilian labor force (i.e., they were either employed or unemployed and available for work, except for temporary illness, and had made specific efforts to find employment sometime during the four-week period ending with the reference week). Of those in the civilian labor force, nearly 10.2 million veterans were employed and about 752,000 veterans were unemployed.[19]

Veterans, as group, as of July 2012, had a lower unemployment rate (6.9%) than nonveterans (8.9%), but also had a lower labor force participation rate (the percentage of the available work force that is employed or actively seeking employment) than nonveterans (51.6% compared with 66.9%).[20] A recent report by the Council of Economic Advisers and the National Economic Council attributed the lower labor force participation rate for veterans to several factors, including the difficulty many civilian employers have in understanding a military resume and how military job titles translate into civilian jobs skills, the presence of a service-connected disability, especially among the post-9/11 veteran population, and the number of post-9/11 veterans (about 217,000) who have been diagnosed with post-traumatic stress disorder.[21]

The employment experiences of veterans who left the military since September 2001 differ somewhat from the employment experiences of veterans who left the military before September 2001. Veterans who left the military since September 2001, as of July 2012, had both higher levels of unemployment (8.9% compared with 6.9%) and higher levels of labor force

[18] U.S. Department of Labor, Bureau of Labor Statistics, "Table A-5. Employment status of the civilian population 18 years and over by veteran status, period of service, and sex, not seasonally adjusted," at http://www.bls.gov/ news.release/empsit.t05.htm.

[19] Ibid.

[20] Ibid.

[21] Executive Office of the President, Council of Economic Advisers and the National Economic Council, "Military Skills for America's Future: Leveraging Military Service and Experience to Put Veterans and Military Spouses Back to Work," May 31, 2012, pp. 4-6, at http://www.whitehouse.gov/sites/default/files/docs/veterans_report_5-31-2012.pdf. The report also indicated that military spouses also face a number of employment barriers. For example, military spouses are "ten times more likely to have moved across state lines in the last year compared to their civilian counterparts," affecting job tenure, advancement opportunities, and, for those in occupations requiring a state specific occupational license or certification, the need to re-qualify for their license or certification after moving across state lines. See Ibid., pp. 8-10.

participation (79.3% compared with 48.0%) than veterans who left the military before September 2001. The higher labor force participation rate for veterans who left the military since September 2001 was not wholly unexpected. They entered the civilian workforce more recently and have had less time to develop a reason (e.g., health issue, family responsibility, discouragement, retirement) to withdraw from the civilian workforce than veterans who left the military before September 2001.

Veterans' Employment and Business Development Programs

Several federal agencies, including the SBA, sponsor employment and business development programs to assist veterans in their transition from the military into the civilian labor force. As will be discussed, the expansion of federal employment and business development training programs targeted at specific populations, such as women and veterans, has led some Members and organizations to ask if these programs should be consolidated. Others question if the level of communication and coordination among federal agencies administering these programs has been sufficient to ensure that the programs are being administered in the most efficient and effective manner.

The SBA's Veterans Business Development Programs

In an effort to assist veteran entrepreneurs, the SBA has either provided or supported management and technical assistance training for veteran-owned small businesses since its formation as an agency.[22] In recent years, the SBA has provided management and technical assistance training services to more than 100,000 veterans annually through its various management and technical assistance training partners (e.g., Small Business Development Centers, Women Business Centers, Service Corps of Retired Executives [SCORE], and Veteran Business Outreach Centers) and has responded to more than 85,000 veteran inquires annually through its SBA district offices.[23] In addition, the SBA's Office of Veterans Business Development administers several programs to assist veteran-owned businesses, including

- the Entrepreneurial Boot Camp for Veterans with Disabilities Consortium of Universities, which provides "experiential training in entrepreneurship and small business management to post-9/11 veterans with disabilities" at eight universities;[24]
- the Veteran Women Igniting the Spirit of Entrepreneurship (V-WISE) program, at Syracuse University, which offers women veterans a 15-day, online course focused "on the basic skills of entrepreneurship and the 'language of business,'" followed by a three-day conference where participants "are exposed to

[22] U.S. Congress, Senate Committee on Banking and Currency, *Extension of the Small Business Act of 1953*, report to accompany S. 2127, 84th Cong., 1st sess., July 22, 1955, S.Rept. 84-1350 (Washington: GPO, 1955), p. 17.

[23] Interagency Task Force on Veterans Small Business Development, "Report to the President: Empowering Veterans Through Entrepreneurship," November 1, 2011, p. 15, at http://www.sba.gov/sites/default/files/FY2012-Final%20Veterans%20TF%20Report%20to%20President.pdf.

[24] Syracuse University, "About the EBV," Syracuse, NY, at http://whitman.syr.edu/ebv/.

accomplished entrepreneurs and entrepreneurship educators from across the United States" and participate in "courses on business planning, marketing, accounting/finance, operations/production, human resources and work life balance";[25]

- the Operation Endure and Grow Program, at Syracuse University, which is an eight-week online training program "focused on the fundamentals of launching and/or growing a small business" and is available to National Guard and Reservists and their family members;[26] and
- the Veterans Business Outreach Center program, which provides veterans and their spouses management and technical assistance training at 16 locations, including assistance with the development and maintenance of a five-year business plan and referrals to other SBA resource partners when appropriate for additional training or mentoring services.[27]

The SBA indicated in its FY2013 congressional budget justification document that "thousands of veterans are returning home with the skills, experience, and leadership to pursue entrepreneurship and create jobs … yet veteran unemployment rates remain high. This requires strong action to encourage transitioning veterans to explore entrepreneurship and then to equip them with tools to start a business, creating jobs for themselves and other veterans."[28] To help meet veteran entrepreneurs' needs, the SBA indicated that it will

- continue its emphasis on identifying and meeting veterans' needs for management and technical assistance training;[29]
- work closely with the Interagency Task Force for Veterans Small Business Development, which was established by executive order on April 26, 2010, held its first meeting on September 15, 2010, and issued its first report on November 1, 2011, to identify "gaps in ensuring that transitioning military members who are interested in owning a small business get needed assistance and training;"[30] and

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[25] Syracuse University, "Women Veterans Igniting the Spirit of Entrepreneurship (V-WISE)," Syracuse, NY, at http://www.whitman.syr.edu/vwise/index.asp.

[26] Syracuse University, "About Operation Endure and Grow," Syracuse, NY, at http://www.whitman.syr.edu/EndureAndGrow/About/.

[27] U.S. Small Business Administration, "Veterans Business Outreach Centers," at http://www.sba.gov/content/veterans-business-outreach-centers/. Each Veterans Business Outreach Center is funded on an annual basis, with funding not to exceed $150,000 each year. Awards "may vary, depending upon location, staff size, project objectives, performance and agency priorities, and additional special initiatives initiated by the Office of Veterans Business Development." See U.S. Small Business Administration, Office of Veterans Business Development, "Special Program Announcement: Veterans Business Outreach Center Program," April 2010, p. 2, at http://archive.sba.gov/idc/groups/public/documents/sba_program_office/ovbd_vboc_prgm_announce2010.pdf. Also, existing centers may receive additional funding for special outreach or other initiatives. The initial grant award is for 12 months, with the possibility of four additional (option) years. In FY2011, the Veterans Business Outreach Centers Program conducted its seventh annual "Customer Satisfaction Survey." The FY2011 survey found that 91% of the clients using the centers were satisfied or highly satisfied with the quality, relevance, and timeliness of the assistance provided. See U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance Report," 2012, p. 62, at http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf.

[28] U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance Report," p. 48, at http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf.

[29] Ibid., p. 49.

[30] Ibid.

- seek $7 million in funding for a National Veterans Entrepreneurship Training (VET) program, which would, among other activities, expand several existing SBA supported management and technical assistance training programs for veterans and include "an 8-week online training program for up to 3,000 veterans to explore the fundamentals of small business ownership."[31]

Congressional Issues: Duplication of Services

The SBA's Office of Veterans Business Development, which serves as the SBA's focal point for its veteran assistance programs, was created by P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. The act addressed congressional concerns that the United States generally, and the SBA in particular, was not, at that time, doing enough to meet the needs of veteran entrepreneurs, especially service-disabled veteran entrepreneurs.[32] At that time, several Members of Congress argued that "the needs of veterans have been diminished systematically at the SBA" as evidenced by the SBA's elimination of direct loans, including direct loans to veterans, in 1995; and a decline in the SBA's "training and counseling for veterans … from 38,775 total counseling sessions for veterans in 1993 to 29,821 sessions in 1998."[33] To address these concerns, the act authorized the establishment of the federally chartered National Veterans Business Development Corporation (known as The Veterans Corporation and reconstituted, without a federal charter, in 2012 as Veteranscorp.org).[34] Its mission is to

> (1) expand the provision of and improve access to technical assistance regarding entrepreneurship for the Nation's veterans; and (2) to assist veterans, including service-disabled veterans, with the formation and expansion of small business concerns by working with and organizing public and private resources, including those of the Small Business Administration, the Department of Veterans Affairs, the Department of Labor, the Department of Commerce, the Department of Defense, the Service Corps of Retired Executives …, the Small Business Development Centers …, and the business development staffs of each department and agency of the United States.[35]

P.L. 106-50 re-emphasized the SBA's responsibility "to reach out to and include veterans in its programs providing financial and technical assistance."[36] It included veterans as a target group for

[31] Ibid. The Interagency Task Force on Veterans Small Business Development includes senior level representatives of the U.S. Small Business Administration, the Departments of Defense, Labor, Treasury, and Veterans Affairs, the General Services Administration, the Office of Management and Budget, and four representatives from veterans' service or military organizations appointed by the SBA Administrator. The SBA's Deputy Administrator, Marie Johns, serves as its chair. See Executive Order 13540, "Interagency Task Force on Veterans Small Business Development," 75 *Federal Register* 22497-22498, April 29, 2010. U.S Small Business Administration, "Inter-Agency Task Force on Veterans Small Business Development: Kick Off Meeting Wednesday, September 15, 2010," at http://www.sba.gov/about-sba-info/14368.

[32] P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 101. Findings.

[33] U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), pp. 14-15.

[34] Veteranscorp, "About Us," Oxford, MD at http://www.veteranscorp.org/2012/01/a-new-veteranscorp-org-gets-the-chance-to-help-veteran-entrepreneurs-2/.

[35] P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 33. National Veterans Business Development Corporation. Also, see 15 U.S.C. §657c.

[36] U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., June 29, 1999, H.Rept. 106-206 (Washington: GPO, 1999), p. 14.

the SBA's 7(a), 504/CDC, and Microloan lending programs. It also required the SBA to enter into a memorandum of understanding with SCORE to, among other things, establish "a program to coordinate counseling and training regarding entrepreneurship to veterans through the chapters of SCORE throughout the United States."[37] It also directed the SBA to enter into a memorandum of understanding with small business development centers, the Department of Veteran Affairs, and the National Veterans Business Development Corporation "with respect to entrepreneurial assistance to veterans, including service-disabled veterans."[38] The act specified that the following services were to be provided:

> (1) Conducting of studies and research, and the distribution of information generated by such studies and research, on the formation, management, financing, marketing, and operation of small business concerns by veterans.
>
> (2) Provision of training and counseling to veterans concerning the formation, management, financing, marketing, and operation of small business concerns.
>
> (3) Provision of management and technical assistance to the owners and operators of small business concerns regarding international markets, the promotion of exports, and the transfer of technology.
>
> (4) Provision of assistance and information to veterans regarding procurement opportunities with Federal, State, and local agencies, especially such agencies funded in whole or in part with Federal funds.
>
> (5) Establishment of an information clearinghouse to collect and distribute information, including by electronic means, on the assistance programs of Federal, State, and local governments, and of the private sector, including information on office locations, key personnel, telephone numbers, mail and electronic addresses, and contracting and subcontracting opportunities.
>
> (6) Provision of Internet or other distance learning academic instruction for veterans in business subjects, including accounting, marketing, and business fundamentals.
>
> (7) Compilation of a list of small business concerns owned and controlled by service-disabled veterans that provide products or services that could be procured by the United States and delivery of such list to each department and agency of the United States. Such list shall be delivered in hard copy and electronic form and shall include the name and address of each such small business concern and the products or services that it provides.[39]

The SBA's Office of Veterans Business Development (OVBD) was established to address these statutory requirements by promoting "veterans' small business ownership by conducting comprehensive outreach, through program and policy development and implementation, ombudsman support, coordinated agency initiatives, and direct assistance to veterans, service-disabled veterans, Reserve and National Guard members, and discharging active duty service members and their families."[40]

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[37] P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 301. Score Program.

[38] Ibid., Section 302. Entrepreneurial Assistance.

[39] Ibid.

[40] U.S. Small Business Administration, "FY2013 Congressional Budget Justification and FY2011 Annual Performance (continued...)

The OVBD provided, or supported third-parties to provide, management and technical assistance training services to 137,011 veterans during FY2011. These services were provided "through funded SBA district office outreach; OVBD-developed and distributed materials; websites; partnering with DOD [Department of Defense], DOL [Department of Labor] and universities; agreements with regional veterans business outreach centers; direct guidance, training and assistance to Agency veteran customers; and through enhancements to intra-agency programs used by the military and veteran communities."[41]

The expansion of the SBA's outreach efforts to veterans has led some Members and organizations to ask if the nation's veterans might be better served if some of the veteran employment and business development programs offered by federal agencies were consolidated. For example, the Department of Labor (DOL), in cooperation with the Department of Defense and the Department of Veterans Affairs, operates the Transition Assistance Program (TAP) and the Disabled Transition Assistance Program (DTAP). Both programs provide employment information and training to service members within 180 days of their separation from military service or retirement to assist them in transitioning from the military into the civilian labor force.[42] In addition, the DOL's Jobs for Veterans State Grants program provides states funding for Disabled Veterans' Outreach Program specialists and Local Veterans' Employment Representatives to provide outreach and assistance to veterans, and their spouses, seeking employment.[43] The DOL also administers the Veterans Workforce Investment Program, which provides grants to fund programs operated by eligible state and local government workforce investment boards, state and local government agencies, and private non-profit organizations, to provide various services designed to assist veterans transition into the civilian labor force.[44] It also administers the Homeless Veterans Reintegration Program, which provides grants to fund programs operated by eligible state and local government workforce investment boards, state and local government agencies, and private non-profit organizations, that provide various services designed to assist homeless veterans to achieve meaningful employment and to assist in the development of a service delivery system to address problems facing homeless veterans.[45]

Advocates of consolidating veteran employment and business development programs argue that eliminating program duplication among federal agencies would result in lower costs and improved services. For example, H.R. 4072, the Consolidating Veteran Employment Services for

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(...continued)

Report," 2012, p. 62, at http://www.sba.gov/sites/default/files/files/FY%202013%20CBJ%20FY%202011%20APR.pdf.

[41] Ibid.

[42] Both programs are offered as a three-day workshop conducted at military installations that include sessions on how to choose a career, how to look for a job, current occupational and labor market conditions, how to prepare job search materials, including resumes and cover letters, and interviewing techniques. DTAP adds additional hours to the three-day program that focus on the special needs of disabled veterans. See Ibid.; and U.S. Department of Labor, "VETS Fact Sheet: 1: Transition Assistance Program," at http://www.dol.gov/vets/programs/tap/tap_fs.htm.

[43] For information on the Disabled Veterans' Outreach Program and Local Veterans' Employment Representatives Program see U.S. Department of Labor, "Jobs for Veterans State Grants," at http://www.dol.gov/vets/grants/state/jvsg.htm.

[44] For further information and analysis of federal programs outside of the SBA which are designed to assist veterans seeking civilian employment, see CRS Report RS22666, *Veterans Benefits: Federal Employment Assistance*, by Christine Scott.

[45] For further information and analysis concerning the Homeless Veterans Reintegration Program, see CRS Report RL34024, *Veterans and Homelessness*, by Libby Perl.

Improved Performance Act of 2012, which was introduced during the 112th Congress and ordered to be reported by the House Committee on Veterans' Affairs on April 27, 2012, would transfer several veteran employment training programs from the Department of Labor to the Department of Veterans Affairs.[46] Also, in 2011 and 2012, the House Committee on Small Business, in its "Views and Estimates" letter to the House Committee on the Budget recommended that funding for the SBA's Veterans Business Outreach Centers (VBOCs) be eliminated (saving approximately $6.3 million) because "the SBA already provides significant assistance to veterans who are seeking to start or already operate small businesses. The VBOCs duplicate services already available from the SBA, other entrepreneurial development partners and programs available from the Department of Veterans Affairs."[47]

Advocates of consolidating federal veteran employment and business development programs point to various U.S. Government Accountability Office (GAO) reports which have generally characterized the broader category of federal support for entrepreneurs, including veteran entrepreneurs, as fragmented and having overlapping missions. For example, in 2012, GAO identified 53 programs within the SBA and the Departments of Commerce, Housing and Urban Development, and Agriculture that are designed to support entrepreneurs, including 36 programs that provide entrepreneurs technical assistance, such as business training, counseling, and research and development support. GAO found that "the overlap among these programs raise questions about whether a fragmented system is the most effective way to support entrepreneurs" and suggested that agencies should "determine whether there are more efficient ways to continue to serve the unique needs of entrepreneurs, including consolidating programs."[48]

Instead of consolidating programs, some argue that improved communication and cooperation among the federal agencies providing entrepreneur support programs, and among the SBA's management and technical assistance training resource partners, would enhance program efficiencies while preserving the ability of these programs to offer services that match the unique needs of various underserved populations, such as veterans. For example, during the 111th Congress, the House passed H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, on May 20, 2009, by a vote of 406–15. The Senate did not take action on the bill. In its committee report accompanying the bill, the House Committee on Small Business concluded at that time that

> Each ED [Entrepreneurial Development] program has a unique mandate and service delivery approach that is customized to its particular clients. However, as a network, the programs have established local connections and resources that benefit entrepreneurs within a region. Enhanced coordination among this network is critical to make the most of scarce resources

[46] U.S. House of Representatives, Committee on Veterans' Affairs, "Debunking the Myths: H.R. 4072," at http://veterans.house.gov/4072.

[47] U.S. House of Representatives, Committee on Small Business, "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2013," March 17, 2011, at http://smallbusiness.house.gov/uploadedfiles/march_17_views_and_estimates_letter.pdf; and U.S. House of Representatives, Committee on Small Business, "Views and Estimates of the Committee on Small Business on Matters to be set forth in the Concurrent Resolution on the Budget for Fiscal Year 2013,"March 7, 2012, at http://smallbusiness.house.gov/uploadedfiles/views_and_estimates_fy_2013.pdf.

[48] U.S. Government Accountability Office, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, GAO-12-342SP, February 28, 2012, p. 55, at http://www.gao.gov/assets/590/588818.pdf. Also see U.S. Government Accountability Office, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO-12-819, August 23, 2012, p. 55, at http://www.gao.gov/assets/650/647267.pdf.

> available for small firms. It can also ensure that best practices are shared amongst providers that have similar goals but work within different contexts.[49]

The bill was designed to enhance the oversight and coordination of the SBA's management and technical assistance training programs by requiring the SBA to coordinate its management and technical assistance training programs "with State and local economic development agencies and other federal agencies as appropriate" and to "report annually to Congress, in consultation with other federal departments and agencies as appropriate, on opportunities to foster coordination, limit duplication, and improve program delivery for federal entrepreneurial development activities."[50]

In a related development, as mentioned previously, the Obama Administration formed the Interagency Task Force for Veterans Small Business Development by executive order on April 26, 2010. The SBA's representative (SBA Deputy Director Marie C. Johns) chairs the Task Force, which is composed of senior representatives from seven federal agencies and four representatives from veterans' organizations.[51] One of the Task Force's goals is to improve "collaboration, integration and focus across federal agencies, key programs (e.g., Transition Assistance Program), veterans' service organizations, states, and academia."[52]

On November 1, 2011, the Task Force issued its first set of recommendations, which included several recommendations designed to increase and augment federal entrepreneurial training and technical assistance programs offered to veterans. For example, the Task Force recommended the development of a "standardized, national entrepreneurship training program specifically for veterans" that "could utilize expert local instructors, including academics and successful small business owners, to provide training in skills used to create and grow entrepreneurial ventures and small business. The national program could provide engaging training modules and workshops dedicated to the basics of launching a business."[53] The Task Force also recommended the development of a web portal "that allows veterans to access entrepreneurship resources from across the government."[54]

SBA's Patriot Express Pilot Loan Guaranty Program

In 2007, the SBA created the Patriot Express Pilot Loan Guaranty Program, within the broader framework of its 7(a) loan guaranty program, "to support the entrepreneur segment of the Nation's military community (including spouses)."[55] The SBA argued that this special loan

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[49] U.S. Congress, House Committee on Small Business, *Job Creation Through Entrepreneurship Act of 2009*, report to accompany H.R. 2352, 111th Cong., 1st sess., May 15, 2009, H.Rept. 111-112 (Washington: GPO, 2009), pp. 17-18.

[50] H.R. 2352, the Job Creation Through Entrepreneurship Act of 2009, Section 601. Expanding Entrepreneurship.

[51] The seven federal agencies are: the SBA, U.S. General Services Administration, U.S. Office of Management and Budget, and the Departments of Defense, Labor, Treasury, and Veterans Affairs. The four veterans organizations are: Association of State Directors of Veterans Affairs, Student Veterans of America, The American Legion, and VET-Force.

[52] Interagency Task Force on Veterans Small Business Development, "Report to the President: Empowering Veterans Through Entrepreneurship," November 1, 2011, p. 6, at http://www.sba.gov/sites/default/files/FY2012-Final%20Veterans%20TF%20Report%20to%20President.pdf.

[53] Ibid., p. 15.

[54] Ibid., p. 8.

[55] U.S. Small Business Administration, "SOP 50 10 5(E): Lender and Development Company Loan Programs," (continued...)

guaranty program, which features an expedited approval process, was necessary to ensure that veterans "have the tools to rebuild their businesses or to start-up new businesses in order to provide themselves and their families with a livelihood after their service is done."[56]

Eligible businesses must be owned and controlled (51% or more) by one or more of the following groups: veteran (other than dishonorably discharged), service-disabled veteran, active duty military participating in the military's Transition Assistance Program, reservist or national guard member or a spouse of any of these groups, a widowed spouse of a service member who died while in service, or a widowed spouse of a veteran who died of a service-connected disability.[57] The SBA announced on December 10, 2010, that it will continue to operate the program for at least three more years.[58]

The Patriot Express program provides the same loan guaranty to SBA-approved lenders as the 7(a) program on loan amounts up to $500,000 (up to 85% of loans of $150,000 or less and up to 75% of loans exceeding $150,000). The loan proceeds can be used for the same purposes as the 7(a) program (expansion, renovation, new construction, the purchase of land or buildings, the purchase of equipment, fixtures, and lease-hold improvements, working capital, to refinance debt for compelling reasons, seasonal line of credit, and inventory) except participant debt restructure cannot exceed 15%-25% of the project and may be used for revolving lines of credit.

The Patriot Express program loan terms are the same as the 7(a) program (e.g., the loan maturity for working capital, machinery, and equipment—not to exceed the life of the equipment—is typically 5 to 10 years, and the loan maturity for real estate is up to 25 years), except that the term for a revolving line of credit cannot exceed seven years. Also, collateral is not required for loans of $25,000 or less. Lenders are allowed to use their own established collateral policy for loans over $25,000 and up to $350,000. For loans exceeding $350,000, lenders must follow the SBA's regulations on collateral for standard 7(a) loans.[59] Under the 7(a) program, lenders are required to collateralize the loan to the maximum extent possible up to the loan amount. If business assets do not fully secure the loan, the lender must take available personal assets of the principals as collateral. Loans are considered "fully secured" if the lender has taken security interests in all available assets with a combined "liquidation value" up to the loan amount.[60]

(...continued)

(effective June 1, 2012), p. 42, at http://www.sba.gov/sites/default/files/SOP%2050%2010%205(E)%20(5-16-2012)%20clean.pdf.

56 U.S. Small Business Administration, "SBA Patriot Express Pilot Loan Initiative: Talking Points," June 13, 2007, at http://archive.sba.gov/idc/groups/public/documents/sba_program_office/sba_patriot_loan_initiative_ta.pdf.

57 U.S. Small Business Administration, "SOP 50 10 5(E): Lender and Development Company Loan Programs," (effective June 1, 2012), p. 83, 127, at http://www.sba.gov/sites/default/files/SOP%2050%2010%205(E)%20(5-16-2012)%20clean.pdf.

58 U.S. Small Business Administration, "Popular SBA Patriot Express Loan Initiative Renewed for Three More Years," December 10, 2010, http://www.sba.gov/content/popular-sba-patriot-express-loan-initiative-renewed-three-more-years. S. 532, the Patriot Express Authorization Act of 2011, would provide the program statutory authorization and increase the program's maximum loan amount from $500,000 to $1million.

59 U.S. Small Business Administration, "SOP 50 10 5(E): Lender and Development Company Loan Programs," (effective June 1, 2012), p. 83, 84, 146, 148, 152, 153, 156, 157, at http://www.sba.gov/sites/default/files/SOP%2050%2010%205(E)%20(5-16-2012)%20clean.pdf.

60 Ibid., pp. 188-189.

The Patriot Express program features streamlined documentation and processing features, with a targeted SBA processing time of one business day. The program's interest rates are negotiable with the lender, subject to the same maximum rate limitations as the 7(a) program, which vary depending upon the size and maturity of the loan.[61] It also has the same fees as the 7(a) program, which also vary depending on the size and maturity of the loan.[62]

Congressional Issues: Access

The SBA has indicated in both testimony at congressional hearings and in press releases that it views the Patriot Express program as a success. For example, in 2007, William Elmore, Associate Director of the SBA's Office of Veterans Business Development, testified at a congressional hearing shortly after the Patriot Express program's rollout that "so far, the results have been good. The number of loans made to veterans increased from 4,800 in fiscal year 2000 to approximately 8,000 loans in fiscal year 2006."[63]

In 2010, Joseph Jordan, SBA's Associate Administrator for Contracting and Business Development, testified at a congressional hearing that

> SBA is committed to assisting veteran-owned small businesses access the capital they need. All of SBA's loan programs are available to veterans. In FY2009, veteran-owned small businesses received 8.00% of all 7(a) loans, totaling approximately $523 million, and 4.56%

[61] Under the 7(a) loan guaranty program, lenders may charge borrowers "a reasonable fixed interest rate" or, with the SBA's approval, a variable interest rate. The SBA uses a multi-step formula to determine the maximum allowable fixed interest rate and periodically publishes that rate and the maximum allowable variable interest rate in the *Federal Register*. For fixed interest rates, the SBA first calculates a fixed base rate using the 30 day London Interbank Offered Rate (LIBOR) in effect on the first business day of the month as published in a national financial newspaper published each business day, adds to that 300 basis points (3%) and the average of the 5-year and 10-year LIBOR swap rates in effect on the first business day of the month as published in a national financial newspaper published each business day. For 7(a) fixed loans with maturities of less than seven years, the SBA adds 2.25% to the fixed base rate to arrive at the maximum allowable fixed rate. For 7(a) fixed loans with maturities of seven years or longer, the SBA adds 2.75% to the fixed base rate to arrive at the maximum allowable fixed rate. Lenders may increase the maximum fixed interest rate allowed by an additional 1% if the fixed rate loan is over $25,000 but not exceeding $50,000, and by an additional 2% if the fixed rate loan is $25,000 or less. See, U.S. Small Business Administration, "Business Loan Program Maximum Allowable Fixed Rate," 74 *Federal Register* 50263, 50264, September 30, 2009. The 7(a) program's maximum allowable variable interest rate may be pegged to the lowest prime rate, the 30 day LIBOR rate plus 300 basis points, or the SBA optional peg rate. The optional peg rate is a weighted average of rates the federal government pays for loans with maturities similar to the average SBA loan.

[62] Under the 7(a) loan guaranty program, the SBA charges lenders a guaranty fee and a servicing fee for each loan approved and disbursed. The maximum guaranty fee for 7(a) loans with maturities exceeding 12 months is set by statute. For loans with a maturity of 12 months or less, the SBA charges the lender a 0.25% guaranty fee, which the lender is required to submit with the application. The lender may charge the borrower for the fee when the loan is approved by the SBA. For loans with a maturity exceeding 12 months, the SBA charges the lender a 2% guaranty fee for the SBA guaranteed portion of loans of $150,000 or less, a 3% guaranty fee for the SBA guaranteed portion of loans exceeding $150,000 but not more than $700,000, and a 3.5% guaranty fee for the SBA guaranteed portion of loans exceeding $700,000. Loans with an SBA guaranteed portion in excess of $1 million are charged an additional 0.25% guaranty fee on the guaranteed amount in excess of $1 million. These fees are the maximum allowed by law. The lender must pay the SBA guaranty fee within 90 days of the date of loan's approval and may charge the borrower for the fee after the lender has made the first disbursement of the loan. Lenders are permitted to retain 25% of the up-front guaranty fee on loans with a gross amount of $150,000 or less. Also, the servicing fee cannot exceed 0.55% per year of the outstanding balance of the SBA's share of the loan.

[63] U.S. Congress, Senate Committee on Small Business and Entrepreneurship, *Assessing Federal Small Business Assistance Programs for Veterans and Reservists*, hearing, 110th Cong., 1st sess., January 31, 2007, S.Hrg. 110-209 (Washington: GPO, 2007), p. 32.

> of all 504 development company loans, or $176 million. Additionally, veteran-owned small businesses received 4.33% of all microloans, totaling approximately $1.9 million. In total, SBA has supported more than $2 billion in recovery lending to veteran-owned small businesses. SBA also has a loan program dedicated to the military community—Patriot Express…. It features our lowest interest rates and fastest turnaround times, often within days…. In FY2009, we approved more than 2,300 Patriot Express loans and are on track to increase those numbers in FY2010.[64]

More recently, when the SBA announced in a December 10, 2010, press release that it was extending the Patriot Express program for another three years, the SBA characterized the program as "a very popular initiative that in just three-and-a-half years has provided more than $560 million in loan guarantees to nearly 7,000 veterans to start or expand their small businesses."[65]

Congressional testimony provided by various veteran service organizations provides a somewhat different perspective. The SBA's focus in its evaluation of the success of the Patriot Express Program has been on the SBA's application approval process (e.g., minimizing paperwork requirements and expediting the time necessary for the SBA to review and approve applications submitted by local lenders) and aggregate lending amounts (e.g., number of loans approved and the amount of loans approved). In contrast, veteran service organizations have focused on the program's outcomes, especially the likelihood of a veteran being approved for a Patriot Express loan by a local lender. For example, a representative of the American Legion testified at a congressional hearing in 2010 that being turned down for a SBA Patriot Express loan by a private lender "is probably the largest, most frequent complaint that we receive from our business owners."[66] At that same congressional hearing, a representative of the Vietnam Veterans of America testified in response to that statement that "I would have to concur … in talking with some of the veterans with regard to the Patriot Express Loan, they are having difficulties also to acquire that capital. The rationale seems to be … the banks in general seem to be tightening the credit, their lending practices, so that is … what we are hearing."[67]

There are no empirical assessments of veterans' experiences with the SBA Patriot Express Loan program that would be useful for determining the relative ease or difficulty of veteran-owned small business owners accessing capital through the program. Since 2010, many lenders report that they have eased their credit standards, at least somewhat, for small business loans, suggesting that the experiences of veterans seeking a Patriot Express loan guaranty today may be different than it was in 2010. The SBA could survey veterans who have received a Patriot Express loan guaranty to obtain their views on the program, including the application process, but obtaining a list of veterans who have been turned down for a Patriot Express loan by a private lender would be difficult given privacy concerns.

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[64] U.S. Congress, House Committee on Veterans' Affairs, Subcommittee on Economic Opportunity, *Status of Veterans Small Business*, hearing, 111th Cong., 2nd sess., April 29, 2010, House Committee on Veterans' Affairs Serial No. 111-74 (Washington: GPO, 2010), p. 75.

[65] U.S. Small Business Administration, "Popular SBA Patriot Express Loan Initiative Renewed for Three More Years," December 10, 2010, at http://www.sba.gov/content/popular-sba-patriot-express-loan-initiative-renewed-three-more-years.

[66] U.S. Congress, House Committee on Veterans' Affairs, Subcommittee on Economic Opportunity, *Status of Veterans Small Business*, hearing, 111th Cong., 2nd sess., April 29, 2010, House Committee on Veterans' Affairs Serial No. 111-74 (Washington: GPO, 2010), p. 17.

[67] Ibid.

Federal Contracting Goals for Service-disabled Veteran-owned Small Businesses

Since 1978, federal agency heads have been required to establish federal procurement contracting goals, in consultation with the SBA, "that realistically reflect the potential of small business concerns" to participate in federal procurement. Each agency is required, at the conclusion of each fiscal year, to report their progress in meeting the goals to the SBA.[68] The SBA negotiates the goals with each federal agency, and establishes a "small business eligible" baseline for evaluating the agency's performance.

The small business eligible baseline excludes certain contracts that the SBA has determined do not realistically reflect the potential for small business participation in federal procurement (such as contracts awarded to mandatory and directed sources), contracts awarded and performed overseas, contracts funded predominately from agency-generated sources, contracts not covered by Federal Acquisition Regulations, and contracts not reported in the Federal Procurement Data System (such as contracts or government procurement card purchases valued less than $3,000).[69] These exclusions typically account for 18% to 20% of all federal prime contracts each year.

The SBA then evaluates the agencies' performance against their negotiated goals annually, using data from the Federal Procurement Data System—Next Generation, managed by the U.S. General Services Administration, to generate the small business eligible baseline. This information is compiled into the official Small Business Goaling Report, which the SBA releases annually.

Over the years, federal government-wide procurement contracting goals have been established for small businesses generally (P.L. 100-656, the Business Opportunity Development Reform Act of 1988, and P.L. 105-135, the HUBZone Act of 1997 ─Title VI of the Small Business Reauthorization Act of 1997), small businesses owned and controlled by socially and economically disadvantaged individuals (P.L. 100-656, the Business Opportunity Development Reform Act of 1988), women (P.L. 103-355, the Federal Acquisition Streamlining Act of 1994), small businesses located within a HUBZone (P.L. 105-135, the HUBZone Act of 1997 ─Title VI of the Small Business Reauthorization Act of 1997), and small businesses owned and controlled by a service disabled veteran (P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999).

The current federal small business contracting goals are

- at least 23% of the total value of all small business eligible prime contract awards to small businesses for each fiscal year;
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to small disadvantaged businesses for each fiscal year;
- 5% of the total value of all small business eligible prime contract awards and subcontract awards to women-owned small businesses;

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68 P.L. 95-507, a bill to amend the Small Business Act and the Small Business Investment Act of 1958.

69 See U.S. General Services Administration, Federal Procurement Data System—Next Generation, "Small Business Goaling Report: Fiscal Year 2011," at https://www.fpds.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2011.pdf.

- 3% of the total value of all small business eligible prime contract awards and subcontract awards to HUBZone small businesses; and
- 3% of the total value of all small business eligible prime contract awards and subcontract awards to service-disabled veteran-owned small businesses.[70]

There are no punitive consequences for not meeting the small business procurement goals. However, the SBA's Small Business Goaling Report is distributed widely, receives media attention, and serves to heighten public awareness of the issue of small business contracting. For example, agency performance as reported in the SBA's Small Business Goaling Report is often cited by Members during their questioning of federal agency witnesses during congressional hearings.

As shown in **Table 3**, in FY2011, federal agencies met the federal contracting goal for small disadvantaged businesses, but not the other goals. Federal agencies awarded 21.65% of the value of their small business eligible contracts to small businesses, 7.67% to small disadvantaged businesses, 3.98% to women-owned small businesses, 2.35% to HUBZone small businesses, and 2.65% to service-disabled veteran-owned small businesses.[71] The percentage of total reported federal contracts (without exclusions) awarded to small businesses, small disadvantaged businesses, women-owned small businesses, HUBZone small businesses, and service-disabled veteran-owned small businesses in FY2011 is also provided in the table for comparative purposes.

Table 3. Federal Contracting Goals and Percentage of FY2011 Federal Contract Dollars Awarded to Small Businesses, by Type

Business Type	Federal Goal	Percentage of FY2011 Federal Contracts (small business eligible)	Percentage of FY2011 Federal Contracts (all reported contracts)
Small Businesses	23.0%	21.65%	17.0%
Small Disadvantaged Businesses	5.0%	7.67%	6.0%
Women-Owned Small Businesses	5.0%	3.98%	3.1%
HUBZone Small Businesses	3.0%	2.35%	1.8%
Service-Disabled Veteran-Owned Small Businesses	3.0%	2.65%	2.1%

Source: U.S. Small Business Administration, "Statutory Guidelines," at http://www.sba.gov/content/goaling-guidelines-0 (federal goals); U.S. General Services Administration, Federal Procurement Data System—Next Generation, "Small Business Goaling Report: Fiscal Year 2011," at https://www.fpds.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2011.pdf; and U.S. General Services Administration, Federal Procurement Data System—Next Generation, at https://www.fpds.gov/fpdsng/ (contract dollars).

Notes: The total amount of federal contracts awarded in FY2011, as reported in the FPDS, was $536.8 billion; $422.5 billion of this amount was deemed by the SBA to be small business eligible. Of the total amount reported,

[70] 15 U.S.C. §644(g)(1)-(2).

[71] U.S. General Services Administration, Federal Procurement Data System—Next Generation, "Small Business Goaling Report: Fiscal Year 2011," at https://www.fpds.gov/downloads/top_requests/FPDSNG_SB_Goaling_FY_2011.pdf.

$91.5 billion was awarded to small businesses, $32.4 billion to small disadvantaged businesses, $16.8 billion to women owned small businesses, $9.9 billion to SBA-certified HUBZone small businesses, and $11.2 billion to service-disabled veteran-owned small businesses.

Congressional Issues: Contracting Fraud[72]

The prevention of fraud in federal small business contracting programs, and in the SBA's loan programs as well, has been a priority for both Congress and the SBA for many years, primarily because reports of fraud in these programs emerge with some regularity.[73] Of particular interest to veterans, GAO has found that "the lack of an effective government-wide fraud-prevention program" has left the service-disabled veteran owned small business program "vulnerable to fraud and abuse."[74]

Under the Small Business Act, a small business owned and controlled by a service-disabled veteran can qualify for a federal government procurement set-aside (a procurement in which only certain businesses may compete) or a sole source award (awards proposed or made after soliciting and negotiating with only one source) if the small businesses is at least 51% unconditionally and directly owned and controlled by one or more service-disabled veterans.[75] A veteran is defined as a person who has served "in the active military, naval, or air service, and who was discharged or released under conditions other than dishonorable."[76] A disability is service-related when it "was incurred or aggravated ... in [the] line of duty in the active military, naval, or air service."[77]

Federal agencies may set aside procurements for service-disabled veteran-owned small businesses only if the contracting officer reasonably expects that offers will be received from at least two responsible small businesses, and the award will be made at a fair market price (commonly known as the "rule of two" because of the focus on there being at least two small businesses involved).[78]

[72] For additional information and analysis concerning federal procurement small business issues see CRS Report R41945, *Small Business Set-Aside Programs: An Overview and Recent Developments in the Law*, by Kate M. Manuel and Erika K. Lunder; and CRS Report R42390, *Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress*, by Kate M. Manuel and Erika K. Lunder.

[73] For example, see U.S. Government Accountability Office, *Small Business Administration: Undercover Tests Show HUBZone Program Remains Vulnerable to Fraud and Abuse*, GAO-10-920T, July 28, 2010, at http://www.gao.gov/assets/130/125130.pdf; U.S. Government Accountability Office, *8(a) Program: Fourteen Ineligible Firms Received $325 Million in Sole-Source and Set-Aside Contracts*, GAO-10-425, March 30, 2010, at http://www.gao.gov/assets/310/302472.pdf; U.S. Government Accountability Office, *Service-Disabled Veteran-Owned Small Business Program: Case Studies Show Fraud and Abuse Allowed Ineligible Firms to Obtain Millions of Dollars in Contracts*, GAO-10-108, October 23, 2009, at http://www.gao.gov/products/GAO-10-108; and U.S. Government Accountability Office, *Service-Disabled Veteran-Owned Small Business Program: Vulnerability to Fraud and Abuse Remains*, GAO-12-697, August 1, 2012, at http://www.gao.gov/assets/600/593238.pdf.

[74] U.S. Government Accountability Office, *Service-Disabled Veteran-Owned Small Business Program: Preliminary Information on Actions Taken by Agencies to Address Fraud and Abuse and Remaining Vulnerabilities*, GAO-11-589T, July 28, 2011, p. 3, at http://www.gao.gov/products/GAO-11-589T.

[75] 15 U.S.C. §632(q)(1) & (4); P.L. 108-183, the Veterans Benefits Act of 2003; and P.L. 109-461, the Veterans Benefits, Health Care, and Information Technology Act of 2006.

[76] 38 U.S.C. §101(2).

[77] 38 U.S.C. §101(16).

[78] 15 U.S.C. §657f(b).

Federal agencies may award sole contracts to service-disabled veteran-owned small businesses when (1) the contracting officer does not reasonably expect that two or more service-disabled veteran-owned small businesses will submit offers; (2) the anticipated award will not exceed $3.5 million ($6 million for manufacturing contracts); and (3) the award can be made at a fair and reasonable price.[79] Otherwise, sole-source awards may only be made to service-disabled veteran-owned small businesses under other authority, such as the Competition in Contracting Act.[80] Service-disabled veteran-owned small businesses are not eligible for price evaluation preferences in unrestricted competitions.

In addition, the Department of Veterans Affairs (VA) is statutorily required to establish annual goals for the awarding of VA contracts to both service-disabled veteran-owned small businesses and to small businesses owned by other veterans.[81] VA is authorized to use "other than competitive procedures" in meeting these goals. For example, VA may award any contract whose value is below the simplified acquisition threshold (generally $150,000) to a veteran-owned business on a sole-source basis, and it may also make sole-source awards of contracts whose value (including options) is between $150,000 and $5 million, provided that certain conditions are met. When these conditions are not met, VA is generally required to set aside the contract for service-disabled or other veteran-owned small businesses.[82]

Service-disabled veteran-owned small businesses can generally self-certify as to their eligibility for contracting preferences available under the Small Business Act.[83] However, in an effort to address fraud in VA contracting, veteran-owned and service-disabled veteran-owned small businesses must be listed in VA's VetBiz database, and have their eligibility verified by the VA, in order to be eligible for preferences in certain VA contracts.[84]

Firms that fraudulently misrepresent their size or status have long been subject to civil and/or criminal penalties under Section 16 of the Small Business Act; SBA regulations implementing Section 16; and other provisions of law, such as the False Claims Act, Fraud and False Statements Act, Program Fraud Civil Remedies Act, and Contract Disputes Act.[85]

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[79] 15 U.S.C. §657f(a)(1)-(3) (statutory requirements); and 48 C.F.R. §19.1406(a) (increasing the price thresholds).

[80] 10 U.S.C. §2304(c)(1)-(7) (procurements of defense agencies); and 41 U.S.C. §3304(a)(1)-(7) (procurements of civilian agencies). *See also* 48 C.F.R. §§6.302-1 to 6.302-7; and CRS Report R40516, *Competition in Federal Contracting: An Overview of the Legal Requirements*, by Kate M. Manuel.

[81] P.L. 109-461. the Veterans Benefits, Health Care, and Information Technology Act of 2006; and P.L. 110-389, the Veterans' Benefits Improvements Act of 2008.

[82] For further information and analysis of federal contracting legal authorities generally and affecting the Department of Veterans Affairs see CRS Report R42391, *Legal Authorities Governing Federal Contracting and Subcontracting with Small Businesses*, by Kate M. Manuel and Erika K. Lunder.

[83] 13 C.F.R. §125.15.

[84] 38 U.S.C. §8127(a)(1)(A). P.L. 109-461, the Veterans Benefits, Health Care, and Information Technology Act of 2006, requires the Secretary of Veterans Affairs to "establish a goal for each fiscal year for participation in Department contracts (including subcontracts)" by veteran-owned small businesses. The Secretary is also required to establish a separate goal for the participation of service-disabled veteran-owned small businesses in agency contracts and subcontracts. 38 U.S.C. §8127(a)(1)(A). However, the latter goal can be no less than the government-wide goal for the percentage of contract and subcontract dollars awarded to service-disabled veteran-owned small businesses given in Section 15(g)(1) of the Small Business Act (currently 3%), while the former goal is within the Secretary's discretion. *See* 38 U.S.C. §8127(a)(2)-(3).

[85] See 15 U.S.C. §645; and 13 C.F.R. §125.29.

Several bills have been introduced during the 112th Congress to address fraud in small business contracting programs in various ways. Of particular interest to veterans, S. 633, the Small Business Contracting Fraud Prevention Act of 2011, would, among other changes, amend Section 16 of the Small Business Act to expressly include service-disabled veteran-owned small businesses among the types of small businesses subject to penalties for fraud under that section.[86] The bill would also require service-disabled veteran-owned small businesses to register in the VA's VetBiz database, or any successor database, and have their status verified by the VA in order to be eligible for contracting preferences for service-disabled veteran-owned small businesses under the Small Business Act.

Advocates of requiring service-disabled veteran-owned small businesses to register in the VetBiz database and have their status verified by the VA to be eligible for contracting preferences under the Small Business Act argue that doing so would reduce fraud.[87] As Senator Snowe stated on the Senate floor when she introduced S. 633, "Our legislation attempts to remedy the spate of illegitimate firms siphoning away contracts from the rightful businesses trying to compete within the SBA's contracting programs"[88]

Others worry that requiring service-disabled veteran-owned small businesses to register in the VetBiz database and have their status verified by the VA to be eligible for contracting preferences under the Small Business Act may add to the paperwork burdens of small businesses. They seek alternative ways to address the need to reduce fraud in federal small business procurement programs that do not increase the paperwork requirements of small businesses.[89] Still others note that the effectiveness of any change to prevent fraud in veteran owned and service-disabled veteran owned small business procurement programs largely depends upon how the change is implemented by the SBA and VA. For example, in July 2011, VA's Inspector General Office concluded that VA's implementation of its veteran owned and service-disabled veteran owned small business procurement fraud prevention programs needed improvement:

> We project that VA awarded ineligible businesses at least 1,400 VOSB [Veteran Owned Small Business] and SDVOSB [Service-Disabled Veteran Owned Small Business] contracts valued at $500 million annually and that it will award about $2.5 billion in VOSB and SDVOSB contracts to ineligible businesses over the next 5 years if it does not strengthen oversight and verification procedures. VA and the Office of Small and Disadvantaged Business Utilization (OSDBU) need to improve contracting officer oversight, document

86 Currently, Section 36 of the Small Business Act, which governs set-asides and sole-source awards for service-disabled veteran-owned small businesses, provides that "[r]ules similar to the rules of paragraphs (5) and (6) of Section 637(m) of this title shall apply for purposes of this section." Section 8(m) governs set-asides for women-owned small businesses, and itself provides that such businesses are subject to penalties for fraud under Section 16. Thus, an argument could potentially be made that service-disabled veteran-owned small businesses are currently subject to penalties under Section 16 even if they are not expressly included there. See CRS Report R42390, *Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress*, by Kate M. Manuel and Erika K. Lunder.

87 See 13 C.F.R. §§125.9-125.13.

88 Senator Olympia Snowe, "Statements on Introduced Bills and Joint Resolutions," remarks in the Senate, *Congressional Record*, vol. 157, part no. 41 (March 17, 2011), p. S1843.

89 U.S. Congress, House Committee on Oversight and Government Reform, Subcommittee on Technology, Information Policy, Intergovernmental Relations and Procurement Reform, *Jobs for Wounded Warriors: Increasing Access to Contracts for Service Disabled Veterans*, 112th Cong., 2nd sess., February 7, 2012, Serial No. 112-143 (Washington: GPO, 2012), pp. 86-90.

> reviews, completion of site visits for "high-risk" businesses, and the accuracy of VetBiz Vendor Information Pages information.[90]

For further information and analysis concerning legislation designed to address fraud in small business contracting programs, see CRS Report R42390, *Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress*, by Kate M. Manuel and Erika K. Lunder.

The Military Reservist Economic Injury Disaster Loan Program

P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, signed into law on August 17, 1999, authorized the SBA's Military Reservist Economic Injury Disaster Loan (MREIDL) Program. The SBA published the final rule establishing the program in the *Federal Register* on July 25, 2001, with an effective date of August 24, 2001.[91]

The Senate Committee on Small Business provided, in its committee report on the Veterans Entrepreneurship and Small Business Development Act of 1999, the following reasons for supporting the authorization of the MREIDL Program:

> During and after the Persian Gulf War in the early 1990's, the Committee heard from reservists whose businesses were harmed, severely crippled, or even lost, by their absence. Problems faced by reservists called to active duty and their small businesses were of a varied nature and included cash-flow problems, difficulties with training an appropriate alternate manager on very short notice to run the business during the period of service, lost clientele upon return, and on occasion, bankruptcy. These hardships can occur during a period of national emergency or during a period of contingency operation when troops are deployed overseas.
>
> To help such reservists and their small businesses, the Committee seeks to provide credit and management assistance to small businesses when an essential employee (i.e., an owner, manager or vital member of the business' staff) is a reservist called to active duty. The Committee believes that financial assistance in the form of loans, loan deferrals and managerial guidance are effective ways to minimize the adverse financial demands of the call to active duty. They not only ameliorate financial difficulties but also strengthen small businesses.[92]

The House Committee on Small Business also supported the program's authorization, indicating in its committee report that the program

[90] U.S. Department of Veterans Affairs, Office of the Inspector General, "Audit of Veteran-Owned and Service-Disabled Veteran-Owned Small Business Programs," July 25, 2011, p. i, at http://www.va.gov/oig/52/reports/2011/VAOIG-10-02436-234.pdf.

[91] U.S. Small Business Administration, "Military Reservist Economic Injury Disaster Loans," 66 *Federal Register* 38528-38531, July 25, 2001.

[92] U.S. Congress, Senate Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., August 4, 1999, S.Rept. 106-136 (Washington: GPO, 1999), p. 4.

> will also fulfill a long unmet need to assist our military reservists who are small business owners. Often these individuals, called to service at short notice, come back from fighting to protect our freedoms only to find their businesses in shambles. H.R. 1568 will establish loan deferrals, technical and managerial assistance, and loan programs for these citizen soldiers so that while they risk their lives they need not risk their livelihoods.[93]

As mentioned previously, the SBA provides direct loans for owners of businesses of all sizes, homeowners, and renters to assist their recovery from natural disasters. The SBA's MREIDL Program provides disaster assistance in the form of direct loans of up to $2 million to help small business owners who are not able to obtain credit elsewhere to (1) meet ordinary and necessary operating expenses that they could have met, but are not able to meet; or (2) to enable them to market, produce or provide products or services ordinarily marketed, produced, or provided by the business which cannot be done because an essential employee has been called-up to active duty in their role as a military reservist or member of the National Guard due to a period of military conflict.[94] Under specified circumstances, the SBA may waive the $2 million limit (e.g., the small business is in immediate danger of going out of business, is a major source of employment, employs 10% of more of the work force within the commuting area in which the business is located).[95]

P.L. 106-50 defines an essential employee as "an individual who is employed by a small business concern and whose managerial or technical expertise is critical to the successful day-to-day operations of that small business concern."[96] The act defines a military conflict as (1) a period of war declared by Congress; or (2) a period of national emergency declared by Congress or the President; or (3) a period of contingency operation. A contingency operation is designated by the Secretary of Defense as an operation in which our military may become involved in military actions, operations, or hostilities (peacekeeping operations).[97]

The SBA is authorized to make such disaster loans either directly, or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis. The loan term may be up to a maximum of 30 years, and is determined by the SBA in accordance with the borrower's ability to repay the loan. The loan's interest rate is the SBA's published interest rate for an Economic Injury Disaster Loan at the time the application for assistance is approved by the SBA. Economic Injury Disaster Loan interest rates may not exceed 4%.

The SBA is not required by law to require collateral on disaster loans. However, the SBA has established collateral requirements for disaster loans based on "a balance between protection

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[93] U.S. Congress, House Committee on Small Business, *Veterans Entrepreneurship and Small Business Development Act of 1999*, report to accompany H.R. 1568, 106th Cong., 1st sess., August 4, 1999, H.Rept. 106-206, Part 1 (Washington: GPO, 1999), p. 15.

[94] U.S. Small Business Administration, "Disaster Assistance Program: SOP 50-30-7," May 13, 2011, p. 48, at http://www.sba.gov/sites/default/files/SOP%2050%2030%207.pdf; and 13 C.F.R. §123.508. For further information and analysis concerning the SBA's disaster assistance loan program see CRS Report R41309, *The SBA Disaster Loan Program: Overview and Possible Issues for Congress*, by Bruce R. Lindsay.

[95] 13 C.F.R. §123.507.

[96] P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 402. Assistance To Active Duty Military Reservists; and 15 U.S.C. §636(b). The SBA's Military Reservist Economic Injury Disaster Loan Program applies to economic injury suffered or likely to be suffered as the result of a period of military conflict occurring or ending on or after March 24, 1999.

[97] P.L. 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999, Section 402. Assistance To Active Duty Military Reservists; and 15 U.S.C. §636(c).

of the Agency's interest as a creditor and as a provider of disaster assistance."[98] The SBA generally does not require collateral to secure a MREIDL loan of $50,000 or less. Larger loan amounts require collateral, but the SBA will not decline a request for a MREIDL loan for a lack of collateral if the SBA is reasonably certain that the borrower can repay the loan.[99]

In FY2011, the SBA disbursed 10 MREIDL loans amounting to $1,152,400. Since the MREIDL's inception through July 31, 2012, the SBA has disbursed 340 MREIDL loans amounting to $32,184,050.[100] Of these 340 loans, 57 loans (16.8% of the total number of MREIDL loans disbursed), amounting to $5,658,310 (17.6% of the total amount of MREIDL loans disbursed), have been charged off (a declaration that the debt is unlikely to be collected) by the SBA.

Because the MREIDL program is relatively small and non-controversial, a discussion of the congressional issues affecting the program is not presented.

Concluding Observations

Congressional interest in federal programs designed to assist veterans in their transition from military into civilian life has increased in recent years for a variety of reasons, especially because of the relatively high rate of unemployment experienced by veterans who have left the military since 2001. The SBA's veterans assistance programs have also experienced a heightened level of congressional interest and scrutiny in recent Congresses. For example, the SBA's veteran business development programs, Patriot Express loan guaranty program, and federal procurement programs for small businesses generally, including service-disabled veteran-owned small businesses, have all been subject to congressional hearings during the past two Congresses. Also, as has been discussed, several bills have been introduced in recent Congresses to address the SBA's management of these programs and fraud.

Given the many factors that influence business success, measuring the effectiveness of the SBA's veterans assistance programs, especially the programs' effect on veteran job retention and creation, is both complicated and challenging. For example, it is difficult to determine with any degree of precision or certainty the extent to which any changes in the success of a small business result primarily from their participation in the SBA's programs or from changes in the broader economy. That task is made even more challenging by the absence of performance outcome measures that could serve as a guide. In most instances, the SBA uses program's performance measures that focus on indicators that are primarily output related, such as the number of Patriot Express loans approved and funded and the number and amount of federal contracts awarded to service-disabled veteran-owned small businesses.

Both GAO and the SBA's Office of Inspector General have recommended that the SBA adopt more outcome related performance measures for the SBA's loan guaranty programs, such as tracking the number of borrowers who remain in business after receiving a SBA guaranteed loan

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[98] U.S. Small Business Administration, "Disaster Assistance Program: SOP 50-30-7," May 13, 2011, p. 152, at http://www.sba.gov/sites/default/files/SOP%2050%2030%207.pdf.

[99] 13 C.F.R. §123.513.

[100] U.S. Small Business Administration, Office of Congressional and Legislative Affairs, "Correspondence with Robert Dilger," August 27, 2012. In FY2012 (through July 31, 2012), the SBA has disbursed 6 MREIDL loans amounting to $788,100.

to measure the extent to which the SBA contributed to their ability to stay in business.[101] Other performance-oriented measures that Congress might also consider include requiring the SBA to survey veterans who participate in their business development programs or in the Patriot Express loan guaranty program to measure the difficulty they experienced in obtaining a loan from the private sector. The SBA could also survey service-disabled veteran-owned small businesses that were awarded a federal contract to determine the extent to which the SBA was instrumental in their receiving the award and the extent to which the award contributed to their ability to create jobs or expand their scope of operations.

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[101] U.S. Government Accountability Office, *Small Business Administration: 7(a) Loan Program Needs Additional Performance Measures*, GAO-08-226T, November 1, 2007, p. 2, http://www.gao.gov/new.items/d08226t.pdf; and U.S. Small Business Administration, Office of the Inspector General, *SBA's Administration of the Microloan Program under the Recovery Act*, Washington, DC, December 28, 2009, pp. 6, 7, http://www.gao.gov/new.items/d08226t.pdf.