



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

September 16, 2015

**S. 1870**  
**Veterans Entrepreneurial Transition Act of 2015**  
*As ordered reported by the Senate Committee on Small Business and Entrepreneurship  
on July 29, 2015*

**SUMMARY**

S. 1870 would establish a pilot program to provide grants to veterans that would be used to start or acquire a small business. The program would be authorized to award no more than 250 grants during a three-year period.

CBO estimates that implementing S. 1870 would cost \$80 million over the 2016-2020 period, assuming appropriation of the necessary funds. Pay-as-you-go procedures do not apply to this legislation because enacting the bill would not affect direct spending or revenues.

S. 1870 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of S. 1870 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					2016- 2020
	2016	2017	2018	2019	2020	
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	*	27	26	26	*	80
Estimated Outlays	*	23	26	26	4	80

Notes: Components may not sum to total because of rounding. \* = less than \$500,000.

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that S. 1870 will be enacted near the end of calendar year 2015, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for similar grants. CBO estimates that implementing S. 1870 would cost \$80 million over the 2016-2020 period, assuming appropriation of the necessary amounts.

The bill would establish a three-year grant program within the Small Business Administration (SBA) that would provide funding to no more than 250 eligible veterans to start or acquire a qualifying business. To be eligible, a veteran or group of veterans would need to complete entrepreneurship training and prepare a business plan that must be approved by an SBA-authorized advisor.

Participating veterans who complete the required training and develop an approved business plan would be eligible to receive a grant equal to their unused veterans education benefits plus a monthly housing allowance for each month they participate in the program. Participants also would be reimbursed for costs associated with the required entrepreneurship training. (Receipt of a grant would not affect veterans' eligibility for education benefits.)

Although S. 1870 would authorize only 250 grants, the bill would allow groups of veterans to apply; each group would be treated as a single application against the maximum of 250 grants. The amount funded under each grant, however, would be calculated based on the number of veterans participating in the group. Because the bill would create an incentive for veterans to team up in order to maximize the grant funding available for their business, CBO expects that half of the applications would be for individual proprietors and the remainder would consist of larger groups of veterans. (According to the SBA, 70 percent of small businesses are sole proprietorships.) We estimate that each application would, on average, consist of three eligible veterans; therefore, benefits would be available to about 750 individuals.

The amount available to each participant would be broken into three components:

- An amount equal to the number of months of educational assistance available to the veteran at the time the application is submitted multiplied by the monthly rate for educational assistance under current law. Based on the costs for veterans that are using education assistance benefits for other purposes, we estimate the educational assistance benefits would be worth about \$1,900 per month, on average, and that participating veterans would be eligible for about 32 months of those benefits. Assuming appropriation of the necessary amounts, we estimate that those grants would cost \$45 million over the 2016-2020 period;

- Additional assistance equal to the basic allowance for housing that the Department of Defense pays to enlisted service members with dependents and a rank of E-5, multiplied by the number of months the veteran participates in the program (the housing allowance would be reduced by half if the veteran is also employed elsewhere). CBO estimates housing assistance would be worth about \$1,650 per month, on average, and that participating veterans would be eligible for about 75 percent of that amount for the duration of the pilot program (because we expect half of the recipients would be employed elsewhere). Assuming appropriation of the necessary amounts, we estimate that this additional assistance would cost \$32 million over the 2016-2020 period; and
- Training assistance equal to the cost of entrepreneurial training, if requested by the participant. Based on the costs of entrepreneurial training programs offered at several institutions of higher education, we estimate that training assistance would cost about \$1 million over the 2016-2020 period, assuming appropriation of the necessary amounts.

Finally, we estimate that SBA would spend \$2 million to administer the program over the 2016-2020 period.

**PAY-AS-YOU-GO CONSIDERATIONS:** None.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 1870 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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