

Testimony
of
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Before the
United States House of Representatives
Committee on Veterans Affairs' Subcommittee on Economic Opportunity

H.R. 745, the "Veterans Self-Employment Act"

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Chairman Boozman, Ranking Member Herseth, and distinguished Members of the Subcommittee on Economic Opportunity. I thank you very much for holding this hearing today and for the opportunity to discuss veteran entrepreneurship. More specifically, my legislation, H.R. 745, the “Veterans Self-Employment Act of 2005.”

Mr. Chairman, H.R. 745 will establish a five-year pilot program that allows our nation’s servicemembers, veterans, national guardsman, reservists, and qualified others to use part of their VA educational assistance programs to defray legitimate training costs associated with obtaining a business franchise.

As some Members of the Subcommittee may know, franchising is an enormous component of the United States economy. According to a study conducted by International Franchise Association Educational Foundation, nearly 760,000 franchised businesses generate jobs for more than 18 million Americans annually, comprising nearly 14 percent of the nation’s private-sector employment and accounting for \$1.53 trillion in economic output. Over 75 industries utilize the franchise model for distribution of products and services, ranging from familiar restaurants and hotels to home movers, tax preparers, personnel providers and so on. Clearly, franchising is a critical engine of America’s economic growth.

When an individual acquires a franchise, the individual must first undergo various types of training, depending on the specific franchise he or she wishes to acquire. Training can include education on specialized knowledge of goods, services, policies and practices of the individual franchise system. Training may also include customer service, daily operational management, business computer systems, inventory control, costing and pricing as well as regulatory obligations.

At the same time, Mr. Chairman, American military members, whether as active duty servicemembers or veterans, possess a wealth of experience and abilities. Their training in the armed forces has provided them with high-end skill sets that employers are looking for in the future workforce. Yet outside of what has been provided during their tenure with the military, statistics show that some of our young military men and women have had no formal education or training beyond their high school years.

The “Veterans Self-Employment Act” will allow more veterans to take advantage of the opportunities in franchising by allowing servicemembers, veterans, national guardsman, reservists, and eligible dependent spouses or children to apply a portion of his or her educational benefit to defray the portion of a franchise purchase cost attributable to training. Specifically, in a one-time lump sum payment, beneficiaries will be able to use the lesser of 1/3 of the remaining Montgomery GI Benefit entitlement or 1/2 the franchise fee.

In addition, the bill provides the Secretary of Veterans Affairs proper authority to oversee and avoid any possible abuse of this program; submit to the Secretary a detailed description of the training program; two year operating rule for franchise businesses; and provide individual progress reports regarding successful completion of individual training, among other things.

I firmly believe that America's veterans bring a unique combination of skill, discipline, character and talent to the American workforce. The Veteran Self-Employment Act recognizes this character while providing a crucial economic opportunity for all American veterans.

Mr. Chairman, thank you holding this hearing today and for the opportunity to testify before you and the Members of the Subcommittee. I look forward to working with you and most importantly, further enhancing economic opportunities for America's veterans.