

SMALL BUSINESS REAUTHORIZATION ACT OF 2000

MARCH 14, 2000.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. TALENT, from the Committee on Small Business,
submitted the following

REPORT

[To accompany H.R. 3843]

The Committee on Small Business, to whom was referred the bill (H.R. 3843) to reauthorize programs to assist small business concerns, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of H.R. 3843 is to reauthorize the programs and operations of the Small Business Administration (SBA). H.R. 3843 contains the authorization levels for SBA for fiscal years 2001, 2002, and 2003. It contains no technical or substantive changes to any of the programs.

NEED FOR LEGISLATION

The Small Business Administration provides a variety of services for small businesses—financial assistance, technical assistance, and disaster assistance.

Financial assistance

The Small Business Administration provides approximately \$11 billion in financing to small businesses annually. This financing is made available through a variety of programs.

SBA's largest financial program is the Section 7(a) general business loan program. The 7(a) program offers loans to small businesses through local lending institutions. These loans are provided with an SBA guarantee of up to 80 percent and are limited to a maximum of \$750,000. The 7(a) program has a subsidy rate of

1.16% for fiscal year 2000 and an appropriation of \$107 million, permitting \$9.8 billion in lending.

The Section 504 loan program provides construction, renovation and capital investment financing to small businesses through certified development companies (CDCs). These CDCs are SBA licensed, local business development organizations which provide loans of up to \$750,000 for small businesses, in cooperation with local banks. CDCs provide 40% of the financing package, while the bank provides 50%, and the small business provides a 10% down payment. CDC funding is obtained through issuance of an SBA guaranteed debenture. The 504 program currently operates at no cost to the taxpayer but does require authorization.

The microloan program provides small loans of up to \$25,000 to borrowers in low-income areas. In fiscal year 1999 the program provided \$29 million in loans. In addition, the program has a technical assistance aspect that provides managerial and business expertise to microloan borrowers. Microloans are made by intermediary organizations that specialize in local business development. The program has a subsidy rate of 8.54%.

The Small Business Investment Company (SBIC) program provides over \$1.5 billion in long term and venture capital financing for small business annually. SBICs are venture capital firms that leverage private investment dollars with SBA guaranteed debentures or participating securities. The SBIC debenture program currently operates at a zero subsidy rate and requires no taxpayer subsidy. The participating securities program has a 1.8% subsidy rate.

Technical assistance

The SBA provides technical and managerial assistance to small businesses through four primary programs—Small Business Development Centers (SBDCs), the Service Corps of Retired Executives (SCORE), the 7(j) technical assistance program, and the Women's Business Center program.

SBDCs are located primarily at colleges and universities and provide assistance through 51 center sites and approximately 970 satellite offices. Through a formula of matching grants and donations SBDCs offer small businesses guidance on marketing, financing, start-up, and other areas. The program currently receives \$84 million in appropriations.

SCORE provides small business assistance on-site through the volunteer efforts of its members. SCORE volunteers are retired business men and women who offer their expertise to small businesses. SCORE volunteers are reimbursed for their travel expenses and SCORE receives funding as well for a website and offices in Washington, DC.

The 7(j) program provides financing for technical assistance to the minority contracting community primarily through courses and direct assistance from management consultants. In addition, the program provides assistance for participants to attend business administration classes offered through several colleges and universities.

The Women's Business Center program provides five year grants matched by non-federal funds to private sector organizations to es-

establish business training centers for women. Depending on the needs of the community, centers teach women the principles of finance, management and marketing as well as specialized topics such as government contracting or starting home-based businesses. There are currently 81 centers in 47 states in rural, urban and suburban locations.

Disaster assistance

The Small Business Administration also provides disaster loan assistance to homeowners and small businesses nationwide. This program is a key component of the overall Federal recovery effort for communities struck by natural disasters. This assistance is authorized by section 7(b) of the Small Business Act which provides authority for reduced interest rate loans. Currently the interest rates fluctuate according to the statutory formula—a lower rate, not to exceed four percent is offered to applicants with no credit available elsewhere, while a rate of a maximum of eight percent is available for other borrowers.

COMMITTEE ACTION

HEARING ON THE SBA BUDGET

On March 1, 2000 at 10:00 a.m., the Committee on Small Business convened a hearing to discuss the Administration's budget submission for fiscal year 2001, their legislative proposals, and the reauthorization of the SBA's programs. The Committee received testimony from five witnesses: Hon. Aida Alvarez, Administrator of the Small Business Administration; Mr. Anthony Wilkinson, President of the National Association of Government Guaranteed Lenders; Mr. Lee Mercer, President of the National Association of Small Business Investment Companies; Mr. Woody McCutchen, Executive Director of the Association of Small Business Development Centers; Ms. Caroline Hayashi, representing the Association for Enterprise Opportunity; and Mr. John Geigel, Vice President for Government Relations of the National Association of Development Companies.

Ms. Alvarez's testimony supported the Administration's request.

Mr. Wilkinson testified in support of the proposed 2001 budget. He also expressed his organization's support for increase authorization levels for fiscal year 2001, 2002, and 2003. He suggested authorization levels of 14.5, 15 and 16 billion dollars for fiscal years 2001, 2002 and 2003 respectively.

Mr. Mercer testified in support of the Administration's budget request for the SBIC program and recommended participating securities program levels of 2.5, 3.25, and 4 billion dollars for fiscal years 2001, 2002, 2003 respectively. He also recommended debenture program levels of 1, 1.5, and 2 billion dollars for fiscal years 2001, 2002, and 2003, respectively.

Mr. Geigel generally supported the SBA budget for 2001. On behalf of NADCO he suggested 504 program authorizations of 3.75, 4.5, and 5 billion dollars for fiscal years 2001, 2002, and 2003, respectively.

Mr. McCutchen discussed the needs of the Small Business Development Center (SBDC) program and expressed support for the Administration's request for fiscal year 2001. However, he asked that

the committee consider reauthorizing the SBDC program at \$100 million per year.

During the hearing Chairman Talent questioned Administrator Alvarez on the proliferation of unauthorized programs at the SBA. In particular, he questioned the requests for \$6.6 million for the Business Linc program and \$5 million for the e-commerce initiative. The Chairman expressed doubts on the efficiency of operating technical assistance programs at so many levels versus a consolidation of effort and services. He was particularly concerned that the Administrator could not provide the Committee with a clear explanation of purpose and operation of the Business Linc program or the e-commerce initiative.

Ranking Member Velazquez questioned the Administrator on the status of the procurement center representatives (PCRs) at the SBA's Office of Government Contracting. PCRs are SBA employees stationed at major procurement centers in order to assist in identifying and advertising procurement opportunities for small business. Ms. Velazquez questioned why the SBA had failed to assign PCRs to several major procurement centers and had not requested any funding for PCR staff in the 2001 budget. Ms. Velazquez was concerned that, for example, there were no PCRs stationed in Virginia, a state with a large percentage of federal procurement activity.

Representative Pascrell questioned the Administrator on the efforts to implement the HUBZone program. Mr. Pascrell was concerned that SBA had drafted the regulations in an overly restrictive fashion which had caused anomalies in the program's application. Of particular concern were instances where small businesses were not being considered eligible for the HUBZone program because they were literally across the street from the designated HUBZone. Mr. Pascrell expressed his belief that these businesses, which hired significantly from the HUBZone communities, were being denied opportunities to participate even though they were fulfilling the goal of the program—employment in low income areas.

The Administrator replied that while she understood Mr. Pascrell's position she was constrained by the statute.

CONSIDERATION OF H.R. 3843

At 10:00 a.m. on March 9, 2000, the Committee on Small Business met to consider and report H.R. 3843 and H.R. 3845. The Chairman declared H.R. 3843 open for amendment at any point and no amendments were offered. The Chairman then moved the bill be reported, and at 10:10 a.m., by a voice vote, a quorum being present, the committee passed H.R. 3843 and ordered it reported.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

Section 2. Reauthorization of small business programs

This section provides the authorized appropriation levels for the following programs: Section 7(a) general business loans, Section 504 Certified Development Company loans, direct microloans, guaranteed microloans, microloan technical assistance, Defense Transi-

tion (DELTA) loans, Small Business Investment Company debentures, Small Business Investment Company participating securities, Surety Bonds guarantees, SCORE, disaster loans, and salaries and expenses.

The following are the authorizations levels for the financial programs:

[In millions of dollars]

	2001	2002	2003
7(a)	\$14,500	\$15,000	\$16,000
504	4,000	4,500	5,000
Microloan	60	80	100
Microloan TA	50	70	90
Microloan gty.	200	250	300
SBIC debentures	1,500	2,500	3,000
SBIC part. Securities	2,500	3,500	4,000
Surety bonds	4,000	5,000	6,000

This section also authorizes the Service Corps of Retired Executive (SCORE). SCORE will be authorized at 5, 6, and 7 million dollars for fiscal years 2001, 2002, and 2003, respectively.

Section 2 also contains provisions authorizing funding for salaries and expenses at the Small Business Administration. These authorizations are established as “such sums as may be necessary”. However, separate authorizations are established for direct administration of the 7(a), 504 and microloan programs and for the operations of the Office of Investment. The committee intends that the funds authorized for the direct administration of the loan programs be used solely for headquarters operations and not field services. These operations are authorized at 14, 16, and 17 million dollars for fiscal years 2001, 2002, 2003, respectively.

Section 3. Additional reauthorizations

This section authorizes six programs:

(a) Small Business Development Centers Program—Increases the authorization level from \$95,000,000 to \$125,000,000.

(b) Drug Free Workplace—Extends authorization through fiscal year 2003 at \$5,000,000 per year.

(c) HUBZones—Authorizes appropriations of \$10,000,000 per year through fiscal year 2003.

(d) National Women’s Business Council—Increases authorization to \$1,000,000 per year and extends authorization through fiscal year 2003.

(e) Very Small Business Concerns—Extends authorization through September 30, 2003.

(f) SDB Certification—Extends authorization through September 30, 2003.

COMMITTEE ESTIMATE OF COSTS

Pursuant to the Congressional Budget Act of 1974, the Committee estimates that the reauthorization of the Small Business Act contained in H.R. 3843, if fully funded, will increase discretionary spending over the next five fiscal years by approximately \$2.0 billion. The Committee also estimates that H.R. 3843 will not

affect direct spending or receipts. This estimate concurs with Congressional Budget Office (CBO) estimates.

Furthermore, pursuant to clause 3(d)(2)(A) of rule XIII of the Rules of the House of Representatives, the Committee estimates that implementation of H.R. 3843 will not significantly increase administrative costs.

OVERSIGHT FINDINGS

In accordance with clause 4(c)(2) of rule X of the Rules of the House of Representatives, the Committee states that no oversight findings or recommendations have been made by the Committee on Government Reform with respect to the subject matter contained in H.R. 3843.

In accordance with clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 3843 are incorporated into the descriptive portions of this report.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, clause 18, of the Constitution of the United States.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

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SEC. 20. (a) * * *

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(g) *FISCAL YEAR 2001.*—

(1) *PROGRAM LEVELS.*—*The following program levels are authorized for fiscal year 2001:*

(A) *For the programs authorized by this Act, the Administration is authorized to make—*

(i) *\$50,000,000 in technical assistance grants as provided in section 7(m); and*

(ii) *\$60,000,000 in direct loans, as provided in 7(m).*

(B) *For the programs authorized by this Act, the Administration is authorized to make \$19,200,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—*

(i) *\$14,500,000,000 in general business loans as provided in section 7(a);*

(ii) \$4,000,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

(iii) \$500,000,000 in loans as provided in section 7(a)(21); and

(iv) \$200,000,000 in loans as provided in section 7(m).

(C) For the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make—

(i) \$2,500,000,000 in purchases of participating securities; and

(ii) \$1,500,000,000 in guarantees of debentures.

(D) For the programs authorized by part B of title IV of the Small Business Investment Act of 1958, the Administration is authorized to enter into guarantees not to exceed \$4,000,000,000 of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

(E) The Administration is authorized to make grants or enter cooperative agreements for a total amount of \$5,000,000 for the Service Corps of Retired Executives program authorized by section 8(b)(1).

(2) ADDITIONAL AUTHORIZATIONS.—

(A) There are authorized to be appropriated to the Administration for fiscal year 2001—

(i) \$14,000,000 for the direct administration of the loan programs established under sections 7(a) and 7(m) of this Act and under title V of the Small Business Investment Act of 1958; and

(ii) \$10,000,000 for the salaries and expenses of the Investment Division established in title II of the Small Business Investment Act of 1958.

(B) There are authorized to be appropriated to the Administration for fiscal year 2001 such sums as may be necessary to carry out the provisions of this Act not elsewhere provided for, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out title IV of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

(C) Notwithstanding any other provision of this paragraph, for fiscal year 2001—

(i) no funds are authorized to be used as loan capital for the loan program authorized by section 7(a)(21) except by transfer from another Federal department or agency to the Administration, unless the program level authorized for general business loans under paragraph (1)(B)(i) is fully funded; and

(ii) the Administration may not approve loans on its own behalf or on behalf of any other Federal department or agency, by contract or otherwise, under terms and conditions other than those specifically authorized under this Act or the Small Business Investment Act of

1958, except that it may approve loans under section 7(a)(21) of this Act in gross amounts of not more than \$1,250,000.

(h) FISCAL YEAR 2002.—

(1) PROGRAM LEVELS.—The following program levels are authorized for fiscal year 2002:

(A) For the programs authorized by this Act, the Administration is authorized to make—

(i) \$70,000,000 in technical assistance grants as provided in section 7(m); and

(ii) \$80,000,000 in direct loans, as provided in 7(m).

(B) For the programs authorized by this Act, the Administration is authorized to make \$20,250,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

(i) \$15,000,000,000 in general business loans as provided in section 7(a);

(ii) \$4,500,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

(iii) \$500,000,000 in loans as provided in section 7(a)(21); and

(iv) \$250,000,000 in loans as provided in section 7(m).

(C) For the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make—

(i) \$3,500,000,000 in purchases of participating securities; and

(ii) \$2,500,000,000 in guarantees of debentures.

(D) For the programs authorized by part B of title IV of the Small Business Investment Act of 1958, the Administration is authorized to enter into guarantees not to exceed \$5,000,000,000 of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

(E) The Administration is authorized to make grants or enter cooperative agreements for a total amount of \$6,000,000 for the Service Corps of Retired Executives program authorized by section 8(b)(1).

(2) ADDITIONAL AUTHORIZATIONS.—

(A) There are authorized to be appropriated to the Administration for fiscal year 2002—

(i) \$16,000,000 for the direct administration of the loan programs established under sections 7(a) and 7(m) of this Act and under title V of the Small Business Investment Act of 1958; and

(ii) \$11,000,000 for the salaries and expenses of the Investment Division established in title II of the Small Business Investment Act of 1958.

(B) There are authorized to be appropriated to the Administration for fiscal year 2002 such sums as may be necessary to carry out the provisions of this Act not elsewhere provided for, including administrative expenses and nec-

essary loan capital for disaster loans pursuant to section 7(b), and to carry out title IV of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

(C) Notwithstanding any other provision of this paragraph, for fiscal year 2002—

(i) no funds are authorized to be used as loan capital for the loan program authorized by section 7(a)(21) except by transfer from another Federal department or agency to the Administration, unless the program level authorized for general business loans under paragraph (1)(B)(i) is fully funded; and

(ii) the Administration may not approve loans on its own behalf or on behalf of any other Federal department or agency, by contract or otherwise, under terms and conditions other than those specifically authorized under this Act or the Small Business Investment Act of 1958, except that it may approve loans under section 7(a)(21) of this Act in gross amounts of not more than \$1,250,000.

(i) FISCAL YEAR 2003.—

(1) PROGRAM LEVELS.—The following program levels are authorized for fiscal year 2003:

(A) For the programs authorized by this Act, the Administration is authorized to make—

(i) \$90,000,000 in technical assistance grants as provided in section 7(m); and

(ii) \$100,000,000 in direct loans, as provided in 7(m).

(B) For the programs authorized by this Act, the Administration is authorized to make \$21,800,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

(i) \$16,000,000,000 in general business loans as provided in section 7(a);

(ii) \$5,000,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

(iii) \$500,000,000 in loans as provided in section 7(a)(21); and

(iv) \$300,000,000 in loans as provided in section 7(m).

(C) For the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make—

(i) \$4,000,000,000 in purchases of participating securities; and

(ii) \$3,000,000,000 in guarantees of debentures.

(D) For the programs authorized by part B of title IV of the Small Business Investment Act of 1958, the Administration is authorized to enter into guarantees not to exceed \$6,000,000,000 of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

(E) *The Administration is authorized to make grants or enter into cooperative agreements for a total amount of \$7,000,000 for the Service Corps of Retired Executives program authorized by section 8(b)(1).*

(2) *ADDITIONAL AUTHORIZATIONS.—*

(A) *There are authorized to be appropriated to the Administration for fiscal year 2003—*

(i) *\$17,000,000 for the direct administration of the loan programs established under sections 7(a) and 7(m) of this Act and under title V of the Small Business Investment Act of 1958; and*

(ii) *\$12,000,000 for the salaries and expenses of the Investment Division established in title II of the Small Business Investment Act of 1958.*

(B) *There are authorized to be appropriated to the Administration for fiscal year 2003 such sums as may be necessary to carry out the provisions of this Act not elsewhere provided for, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out title IV of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.*

(C) *Notwithstanding any other provision of this paragraph, for fiscal year 2003—*

(i) *no funds are authorized to be used as loan capital for the loan program authorized by section 7(a)(21) except by transfer from another Federal department or agency to the Administration, unless the program level authorized for general business loans under paragraph (1)(B)(i) is fully funded; and*

(ii) *the Administration may not approve loans on its own behalf or on behalf of any other Federal department or agency, by contract or otherwise, under terms and conditions other than those specifically authorized under this Act or the small Business Investment Act of 1958, except that it may approve loans under section 7(a)(21) of this Act in gross amounts of not more than \$1,250,000.*

SEC. 21. (a)(1) * * *

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(4) *SMALL BUSINESS DEVELOPMENT CENTER PROGRAM LEVEL.—*

(A) * * *

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(C) *NATIONAL PROGRAM.—*

(i) * * *

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(iii) *NATIONAL PROGRAM.—There are authorized to be appropriated to carry out the national program under this section—*

(I) *\$85,000,000 for fiscal year 1998;*

(II) *\$90,000,000 for fiscal year 1999; and*

(III) ~~[\$95,000,000]~~ \$125,000,000 for fiscal year 2000 and each fiscal year thereafter.

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SEC. 27. DRUG-FREE WORKPLACE DEMONSTRATION PROGRAM.

(a) * * *

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(g) AUTHORIZATION.—

(1) IN GENERAL.—There is authorized to be appropriated to carry out this section, ~~[\$10,000,000 for fiscal years 1999 and 2000]~~ \$5,000,000 for each of fiscal years 2001 through 2003. Amounts made available under this subsection shall remain available until expended.

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SEC. 31. HUBZONE PROGRAM.

(a) * * *

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(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out the program established by this section \$10,000,000 for each of fiscal years 2001 through 2003.

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SECTION 411 OF THE WOMEN'S BUSINESS OWNERSHIP ACT

SEC. 411. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—There is authorized to be appropriated to carry out this title ~~[\$600,000, for each of fiscal years 1998 through 2000,]~~ \$1,000,000 for each of fiscal years 2001 through 2003, of which \$200,000 shall be available in each fiscal year to carry out sections 409 and 410.

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SECTION 304 OF THE SMALL BUSINESS ADMINISTRATION REAUTHORIZATION AND AMENDMENTS ACT OF 1994

SEC. 304. PILOT PROGRAM FOR VERY SMALL BUSINESS CONCERNS.

(a) * * *

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(i) PROGRAM TERM.—Implementation of the program shall begin not later than August 30, 1995. The program authorized by this section shall expire on September 30, ~~[2000]~~ 2003.

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**SECTION 7102 OF THE FEDERAL ACQUISITION
STREAMLINING ACT OF 1994**

**SEC. 7102. CONTRACTING PROGRAM FOR CERTAIN SMALL BUSINESS
CONCERNS.**

(a) * * *

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(c) **TERMINATION.**—This section shall cease to be effective at the
end of September 30, **[2000] 2003.**

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