

SMALL BUSINESS PROGRAMS REAUTHORIZATION AND
AMENDMENTS ACT OF 1997

SEPTEMBER 8, 1997.—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

R E P O R T

[To accompany H.R. 2261]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 2261) to reauthorize and amend the programs of the Small Business Act and the Small Business Investment Act, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Small Business Programs Reauthorization and Amendments Acts of 1997”.

(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

TITLE I—AUTHORIZATIONS

Sec. 101. Authorizations.

TITLE II—FINANCIAL PROGRAMS

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Sec. 201. Securitization regulations.

Sec. 202. Background check of loan applicants.

Sec. 203. Report on increased lender approval, servicing, foreclosure, liquidation, and litigation of 7(a) loans.

Sec. 204. Completion of planning for loan monitoring system.

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Sec. 221. Reauthorization of fees.

Sec. 222. PCLP participation.

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 Sec. 231. Use of proceeds.
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 Sec. 233. Seller financing.
 Sec. 234. Preexisting conditions.

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 Sec. 243. Fees.
 Sec. 244. Examination fees.

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Sec. 251. Microloan program extension.
 Sec. 252. Supplemental microloan grants.

TITLE III—WOMEN'S BUSINESS ENTERPRISES

Sec. 301. Reports.
 Sec. 302. Council duties.
 Sec. 303. Council membership.
 Sec. 304. Authorization of appropriations.
 Sec. 305. Women's business centers.
 Sec. 306. Office of Women's Business Ownership.

TITLE IV—COMPETITIVENESS PROGRAM

Sec. 401. Program term.
 Sec. 402. Monitoring agency performance.
 Sec. 403. Reports to Congress.
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 Sec. 405. Technical amendment.

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Small business development centers.
 Sec. 502. Small business export promotion.
 Sec. 503. Pilot preferred surety bond guarantee program extension.
 Sec. 504. Very small business concerns.
 Sec. 505. Extension of cosponsorship authority.
 Sec. 506. Trade assistance program for small business concerns harmed by NAFTA.

TITLE I—AUTHORIZATIONS

SEC. 101. AUTHORIZATIONS.

Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended by striking subsections (l) through (q) and inserting the following:

“(l) The following program levels are authorized for fiscal year 1998:

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

“(A) \$40,000,000 in technical assistance grants, as provided in section 7(m); and

“(B) \$60,000,000 in loans, as provided in section 7(m).

“(2) For the programs authorized by this Act, the Administration is authorized to make \$15,040,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

“(A) \$11,000,000,000 in general business loans as provided in section 7(a);

“(B) \$3,000,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

“(C) \$1,000,000,000 in loans as provided in section 7(a)(21); and

“(D) \$40,000,000 in loans as provided in section 7(m).

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

“(A) \$600,000,000 in purchases of participating securities; and

“(B) \$500,000,000 in guarantees of debentures.

“(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

“(5) The Administration is authorized to make grants or enter into cooperative agreements—

“(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$4,000,000; and

“(B) for activities of small business development centers pursuant to section 21(c)(3)(G), \$15,000,000, to remain available until expended.

“(m)(1) There are authorized to be appropriated to the Administration for fiscal year 1998 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

“(2) Notwithstanding paragraph (1), for fiscal year 1998—

“(A) no funds are authorized to be provided to carry out 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 subsection (1)(2)(A) is fully funded; and

“(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.

“(n) The following program levels are authorized for fiscal year 1999:

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

“(A) \$60,000,000 in technical assistance grants as provided in section 7(m); and

“(B) \$60,000,000 in loans, as provided in section 7(m).

“(2) For the programs authorized by this Act, the Administration is authorized to make \$16,540,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

“(A) \$12,000,000,000 in general business loans as provided in section 7(a);

“(B) \$3,500,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

“(C) \$1,000,000,000 in loans as provided in section 7(a)(21); and

“(D) \$40,000,000 in loans as provided in section 7(m).

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

“(A) \$700,000,000 in purchases of participating securities; and

“(B) \$650,000,000 in guarantees of debentures.

“(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

“(5) The Administration is authorized to make grants or enter cooperative agreements—

“(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$4,500,000; and

“(B) for activities of small business development centers pursuant to section 21(c)(3)(G), not to exceed \$15,000,000, to remain available until expended.

“(o)(1) There are authorized to be appropriated to the Administration for fiscal year 1999 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

“(2) Notwithstanding paragraph (1), for fiscal year 1999—

“(A) no funds are authorized to be provided to carry out 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 subsection (n)(2)(A) is fully funded; and

“(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.

“(p) The following program levels are authorized for fiscal year 2000:

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

“(A) \$75,000,000 in technical assistance grants as provided in section 7(m); and

- “(B) \$60,000,000 in direct loans, as provided in section 7(m).
- “(2) For the programs authorized by this Act, the Administration is authorized to make \$19,040,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—
- “(A) \$13,500,000,000 in general business loans as provided in section 7(a);
- “(B) \$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;
- “(C) \$1,000,000,000 in loans as provided in section 7(a)(21); and
- “(D) \$40,000,000 in loans as provided in section 7(m).
- “(3) For the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make—
- “(A) \$850,000,000 in purchases of participating securities; and
- “(B) \$700,000,000 in guarantees of debentures.
- “(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to the provisions of section 411(a)(3) of that Act.
- “(5) The Administration is authorized to make grants or enter cooperative agreements—
- “(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$5,000,000; and
- “(B) for activities of small business development centers pursuant to section 21(c)(3)(G), not to exceed \$15,000,000, to remain available until expended.
- “(q)(1) There are authorized to be appropriated to the Administration for fiscal year 2000 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the provisions of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.
- “(2) Notwithstanding paragraph (1), for fiscal year 2000—
- “(A) no funds are authorized to be provided to carry out 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 subsection (p)(2)(A) is fully funded; and
- “(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.”.

TITLE II—FINANCIAL PROGRAMS

Subtitle A—General Business Loans

SEC. 201. SECURITIZATION REGULATIONS.

The Administrator shall promulgate final regulations permitting bank and non-bank lenders to sell or securitize the non-guaranteed portion of loans made under section 7(a) of the Small Business Act (15 U.S.C. 636(a)). Such regulations shall be issued within 90 days of the date of enactment of this Act, and shall allow securitizations to proceed as regularly as is possible within the bounds of prudent and sound financial management practice.

SEC. 202. BACKGROUND CHECK OF LOAN APPLICANTS.

Section 7(a)(1) of the Small Business Act (15 U.S.C. 636(a)(1)) is amended by striking “(1)” and inserting the following:

“(1)(A) CREDIT ELSEWHERE.—”, and by adding the following new paragraph at the end:

“(B) BACKGROUND CHECKS.—Prior to the approval of any loan made pursuant to this subsection, or section 503 of the Small Business Investment Act, the Administrator shall verify the applicant’s criminal background, or lack thereof, through the best available means, including, if possible, use of the National Crime Information Center computer system at the Federal Bureau of Investigation.”.

SEC. 203. REPORT ON INCREASED LENDER APPROVAL, SERVICING, FORECLOSURE, LIQUIDATION, AND LITIGATION OF 7(a) LOANS.

(a) Within six months of the date of enactment of this act the Administrator shall report on action taken and planned for future reliance on private sector lender resources to originate, approve, close, service, liquidate, foreclose, and litigate loans made under Section 7(a) of the Small Business Act. The report should address administrative and other steps necessary to achieve these results, including—

- (1) streamlining the process for approving lenders and standardizing requirements;
- (2) establishing uniform reporting requirements using on-line automated capabilities to the maximum extent feasible;
- (3) reducing paperwork through automation, simplified forms or incorporation of lender's forms;
- (4) providing uniform standards for approval, closing, servicing, foreclosure, and liquidation;
- (5) promulgating new regulations or amending existing ones;
- (6) establishing a timetable for implementing the plan for reliance on private sector lenders;
- (7) implementing organizational changes at SBA; and
- (8) estimating the annual savings that would occur as a result of implementation.

(b) In preparing the report the Administrator shall seek the views and consult with, among others, 7(a) borrowers and lenders, small businesses who are potential program participants, financial institutions who are potential program lenders, and representative industry associations, such as the U. S. Chamber of Commerce, the American Bankers Association, the National Association of Government Guaranteed Lenders and the Independent Bankers Association of America.

SEC. 204. COMPLETION OF PLANNING FOR LOAN MONITORING SYSTEM.

(a) The Administrator shall perform and complete the planning needed to serve as the basis for funding the development and implementation of computerized loan monitoring system, including -

- (1) fully defining the system requirement using on-line, automated capabilities to the extent feasible;
- (2) identifying all data inputs and outputs necessary for timely report generation;
- (3) benchmark loan monitoring business processes and systems against comparable industry processes and, if appropriate, simplify or redefine work processes based on these benchmarks;
- (4) determine data quality standards and control systems for ensuring information accuracy;
- (5) identify an acquisition strategy and work increments to completion;
- (6) analyze the benefits and costs of alternatives and use to demonstrate the advantage of the final project;
- (7) ensure that the proposed information system is consistent with the agency's information architecture; and
- (8) estimate the cost to system completion, identifying the essential cost element.

(b) Six months from the date of enactment of this Act, the Administrator shall report to the House and Senate Committees on Small Business pursuant to the requirements of subsection (a), and shall also submit a copy of the report to the General Accounting Office, which shall evaluate the report for compliance with subsection (a) and shall submit such evaluation to both Committees no later than 28 days after receipt of the report from the Small Business Administration. None of the funds provided for the purchase of the loan monitoring system may be expended until the requirements of this section have been satisfied.

Subtitle B—Certified Development Company Program

SEC. 221. REAUTHORIZATION OF FEES.

Section 503 of the Small Business Investment Act of 1958 (15 U.S.C. 697) is amended—

- (1) by striking subsection (b)(7)(A) and inserting the following:

- “(A) assesses and collects a fee, which shall be payable by the borrower, in an amount equal to 0.9375 percent per year of the outstanding balance of the loan; and”;
- (2) by striking from subsection (d)(2) “equal to 50 basis points” and inserting “equal to not more than 50 basis points.”;
- (3) by adding the following at the end of subsection (d)(2): “The amount of the fee authorized herein shall be established annually by the Administration in the minimal amount necessary to reduce the cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of purchasing and guaranteeing debentures under this Act to zero.”; and
- (4) by striking from subsection (f) “1997” and inserting “2000”.

SEC. 222. PCLP PARTICIPATION.

Section 508(a) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(a)) is amended by striking “not more than 15”.

SEC. 223. PCLP ELIGIBILITY.

Section 508(b)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(b)(2)) is amended by striking paragraphs (A) and (B) and inserting:

“(A) is an active certified development company in good standing and has been an active participant in the accredited lenders program during the entire 12-month period preceding the date on which the company submits an application under paragraph (1), except that the Administration may waive this requirement if the company is qualified to participate in the accredited lenders program;

“(B) has a history (i) of submitting to the Administration adequately analyzed debenture guarantee application packages and (ii) of properly closing section 504 loans and servicing its loan portfolio; and”.

SEC. 224. LOSS RESERVES.

Section 508(c) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(c)) is amended to read as follows:

“(c) LOSS RESERVE.—

“(1) ESTABLISHMENT.—A company designated as a premier certified lender shall establish a loss reserve for financing approved pursuant to this section.

“(2) AMOUNT.—The amount of the loss reserve shall be equal to 10 percent of the amount of the company’s exposure as determined under subsection (b)(2)(C).

“(3) ASSETS.—The loss reserve shall be comprised of any combination of the following types of assets:

“(A) segregated funds on deposit in an account or accounts with a federally insured depository institution or institutions selected by the company, subject to a collateral assignment in favor of, and in a format acceptable to, the Administration; or

“(B) irrevocable letter or letters of credit, with a collateral assignment in favor of, and a commercially reasonable format acceptable to, the Administration.

“(4) CONTRIBUTIONS.—The company shall make contributions to the loss reserve, either cash or letters of credit as provided above, in the following amounts and at the following intervals:

“(A) 50 percent when a debenture is closed;

“(B) 25 percent additional not later than 1 year after a debenture is closed; and

“(C) 25 percent additional not later than 2 years after a debenture is closed.

“(5) REPLENISHMENT.—If a loss has been sustained by the Administration, any portion of the loss reserve, and other funds provided by the premier company as necessary, may be used to reimburse the Administration for the company’s 10 percent share of the loss as provided in subsection (b)(2)(C). If the company utilizes the reserve, within 30 days it shall replace an equivalent amount of funds.

“(6) DISBURSEMENTS.—The Administration shall allow the certified development company to withdraw from the loss reserve amounts attributable to any debenture which has been repaid.”.

SEC. 225. GOALS.

Section 508 of the Small Business Investment Act of 1958 (15 U.S.C. 697e) is amended by inserting the following after subsection (d) and by redesignating subsections (e) to (i) as (f) to (j):

“(e) PROGRAM GOALS.—Certified development companies participating in this program shall establish a goal of processing 50 percent of their loan applications for section 504 assistance pursuant to the premier certified lender program authorized in this section.”.

SEC. 226. TECHNICAL AMENDMENTS.

Section 508(g) of the Small Business Investment Act of 1958 (15 U.S.C. 697(g)) is amended—

(1) in subsection (g), as redesignated herein, is amended by striking “State or local” and inserting “certified”;

(2) in subsection (h), as redesignated herein—

(A) by striking “EFFECT OF SUSPENSION OR DESIGNATION” and inserting “EFFECT OF SUSPENSION OR REVOCATION”; and

(B) by striking “under subsection (f)” and inserting “under subsection (g)”.

SEC. 227. PROMULGATION OF REGULATIONS.

Section 508(i) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(i)), as redesignated herein, is amended to read as follows:

“(i) REGULATIONS.—Not later than 90 days after the date of enactment of this section, the Administration shall promulgate regulations to carry out this section. Not later than 120 days after the date of enactment, the Administration shall issue program guidelines and implement the changes made herein.”.

SEC. 228. TECHNICAL AMENDMENT.

Section 508(j) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(j)), as redesignated herein, is amended by striking “other lenders” and inserting “other lenders, specifically comparing default rates and recovery rates on liquidations”.

SEC. 229. REPEAL.

Section 217(b) of Public Law 103–403 (108 Stat. 4185) is repealed.

SEC. 230. LOAN SERVICING AND LIQUIDATION.

Section 508(d)(1) of the Small Business Investment Act of 1958 (15 U.S.C. 697e(d)) is amended by striking “to approve loans” and inserting “to approve, authorize, close, service, foreclose, litigate, and liquidate loans”.

SEC. 231. USE OF PROCEEDS.

Section 502(1) of the Small Business Investment Act of 1958 (15 U.S.C. 696(1)) is amended to read as follows:

“(1) The proceeds of any such loan shall be used solely by such borrower or borrowers to assist an identifiable small-business or businesses and for a sound business purpose approved by the Administration.”.

SEC. 232. LEASE OF PROPERTY.

Section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696) is amended by adding the following new subsection:

“(5) Not to exceed 25 percent of any project may be permanently leased by the assisted small business: *Provided*, That the assisted small business shall be required to occupy and use not less than 55 percent of the space in the project after the execution of any leases authorized in this section.”.

SEC. 233. SELLER FINANCING AND COLLATERALIZATION.

Section 502(3) of the Small Business Investment Act of 1958 (15 U.S.C. 696(3)) is amended by inserting the following new subparagraphs:

“(D) SELLER FINANCING.—Seller provided financing may be used to meet the requirements of—

“(i) paragraph (B), if the seller subordinates his interest in the property to the debenture guaranteed by the Administration; and

“(ii) not to exceed 50 percent of the amounts required by paragraph (C).

“(E) COLLATERALIZATION.—The collateral provided by the small business concern generally shall include a subordinate lien position on the property being financed under this title, and is only one of the factors to be evaluated in the credit determination. Additional collateral shall be required only if the Administration determines, on a case by case basis, that additional security is necessary to protect the interest of the Government.”.

SEC. 234. PREEXISTING CONDITIONS.

Section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696) is amended by adding the following new paragraph:

“(6) Any loan authorized under this section shall not be denied or delayed for approval by the Administration due to concerns over preexisting environmental conditions: *Provided*, That the development company provides the Administration a letter issued by the appropriate State or Federal environmental protection agency specifically stating that the environmental agency will not institute any legal proceedings against the borrower or, in the event of a default, the development company or the Administration based on the preexisting environmental conditions: *Provided further*, That the borrower shall agree to provide environmental agencies access to the property for any reasonable and necessary remediation efforts or inspections.”.

Subtitle C—Small Business Investment Company Program

SEC. 241. 5-YEAR COMMITMENTS.

Section 20(a)(2) of the Small Business Act (15 U.S.C. 631 note) is amended in the last sentence by striking “the following fiscal year” and inserting “any one or more of the 4 subsequent fiscal years”.

SEC. 242. PROGRAM REFORM.

(a) TAX DISTRIBUTIONS.—Section 303(g)(8) of the Small Business Investment Act of 1958 (15 U.S.C. 683(g)(8)) is amended in the first sentence—

(1) by inserting “, for each calendar quarter or once annually, as the company may elect,” after “the company may”; and

(2) by inserting “for the preceding quarter or year” before the period.

(b) LEVERAGE FEE.—Section 303(i) of the Small Business Investment Act of 1958 (15 U.S.C. 683(i)) is amended by striking “, payable upon” and all that follows before the period and inserting the following: “in the following manner: 1 percent upon the date on which the Administration enters into any commitment for such leverage with the licensee, and the balance of 2 percent (or 3 percent in which case in which no commitment has been entered into by the Administration) on the date on which the leverage is drawn by the licensee”.

(c) PERIODIC ISSUANCE OF GUARANTEES AND TRUST CERTIFICATES.—Section 320 of the Small Business Investment Act of 1958 (15 U.S.C. 687m) is amended by striking “three months” and inserting “6 months”.

(d) INDEXING FOR LEVERAGE.—Section 303 of the Small Business Investment Act of 1958 (15 U.S.C. 683) is amended—

(1) in subsection (b)—

(A) in paragraph (2), by adding at the end the following:

“(D)(i) The dollar amounts in subparagraphs (A), (B), and (C) shall be adjusted annually to reflect increases in the Consumer Price Index established by the Bureau of Labor Statistics of the Department of Labor.

“(ii) The initial adjustments made under this subparagraph after the date of enactment of the Small Business Reauthorization Act of 1997 shall reflect only increases from March 31, 1993.”; and

(B) by striking paragraph (4) and inserting the following:

“(4) MAXIMUM AGGREGATE AMOUNT OF LEVERAGE.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), the aggregate amount of outstanding leverage issued to any company or companies that are commonly controlled (as determined by the Administrator) may not exceed \$90,000,000, as adjusted annually for increases in the Consumer Price Index.

“(B) EXCEPTIONS.—The Administrator may, on a case-by-case basis—

“(i) approve an amount of leverage that exceeds the amount described in subparagraph (A) for companies under common control; and

“(ii) impose such additional terms and conditions as the Administrator determines to be appropriate to minimize the risk of loss to the Administration in the event of default.

“(C) APPLICABILITY OF OTHER PROVISIONS.—Any leverage that is issued to a company or companies commonly controlled in an amount that exceeds \$90,000,000, whether as a result of an increase in the Consumer Price Index or a decision of the Administrator, is subject to subsection (d).”; and

(2) by striking subsection (d) and inserting the following:

“(d) REQUIRED CERTIFICATIONS.—

“(1) IN GENERAL.—The Administrator shall require each licensee, as a condition of approval of an application for leverage, to certify in writing—

“(A) for licensees with leverage less than or equal to \$90,000,000, that not less than 20 percent of the licensee’s aggregate dollar amount of financings will be provided to smaller enterprises; and

“(B) for licensees with leverage in excess of \$90,000,000, that, in addition to satisfying the requirements of subparagraph (A), 100 percent of the licensee’s aggregate dollar amount of financings made in whole or in part with leverage in excess of \$90,000,000 will be provided to smaller enterprises as defined in section 103(12).

“(2) MULTIPLE LICENSEES.—Multiple licensees under common control (as determined by the Administrator) shall be considered to be a single licensee for purposes of determining both the applicability of and compliance with the investment percentage requirements of this subsection.”.

SEC. 243. FEES.

Section 301 of the Small Business Investment Act of 1958 (15 U.S.C. 681) is amended by adding the following:

“(d) FEES.—

“(1) IN GENERAL.—The Administration may prescribe fees to be paid by each applicant for a license to operate as a small business investment company under this Act.

“(2) USE OF AMOUNTS.—Amounts collected pursuant to this subsection shall be—

“(A) deposited in the account for salaries and expenses of the Administration; and

“(B) available without further appropriation solely to cover contracting and other administrative costs related to licensing.”.

SEC. 244. EXAMINATION FEES.

Section 310(b) of the Small Business Investment Act of 1958 (15 U.S.C. 687b(b)) is amended by inserting after the first sentence the following: “Fees collected under this subsection shall be deposited in the account for salaries and expenses of the Administration, and shall be available without further appropriation solely to cover the costs of examinations and other program oversight activities.”.

Subtitle D—Microloan Program

SEC. 251. MICROLOAN PROGRAM EXTENSION.

(a) LOAN LIMITS.—Section 7(m)(3)(C) of the Small Business Act (15 U.S.C. 636(m)(3)(C)) is amended by striking “\$2,500,000” and inserting “\$3,500,000”.

(b) LOAN LOSS RESERVE FUND.—Section 7(m)(3)(D) of the Small Business Act (15 U.S.C. 636(m)(3)(D)) is amended by striking clauses (i) and (ii), and inserting the following:

“(i) during the initial 5 years of the intermediary’s participation in the program under this subsection, at a level equal to not more than 15 percent of the outstanding balance of the notes receivable owed to the intermediary; and

“(ii) in each year of participation thereafter, at a level equal to not more than the greater of—

“(I) 2 times an amount reflecting the total losses of the intermediary as a result of participation in the program under this subsection, as determined by the Administrator on a case-by-case basis; or

“(II) 10 percent of the outstanding balance of the notes receivable owed to the intermediary.”.

(c) AUTHORIZATION OF APPROPRIATIONS.—Section 7(m) of the Small Business Act (15 U.S.C. 636(m)) is amended—

(1) in the subsection heading, by striking “DEMONSTRATION”;

(2) by striking “Demonstration” each place that term appears;

(3) by striking “demonstration” each place that term appears; and

(4) in paragraph (12), by striking “during fiscal years 1995 through 1997” and inserting “during fiscal years 1998 through 2000”.

SEC. 252. SUPPLEMENTAL MICROLOAN GRANTS.

Section 7(m)(4) of the Small Business Act (15 USC 636 (m)(4)) is amended by adding the following:

“(F)(i) The Administration may accept and disburse funds received from another Federal department or agency to provide additional assistance to

individuals who are receiving assistance under the State program funded under part A of title IV of the Social Security Act (42 USC 601 et seq.), or under any comparable State-funded means-tested program of assistance for low-income individuals.

“(ii) Grant proceeds are in addition to other grants provided by this subsection and shall not require the contribution of matching amounts to be eligible. The grants may be used to pay or reimburse a portion of child care and transportation costs of individuals described in clause (i) and for marketing, management and technical assistance.

“(iii) Prior to accepting and distributing any such grants, the Administration shall enter a Memorandum of Understanding with the department or agency specifying the terms and conditions of the grants and providing appropriate monitoring of expenditures by the intermediary and ultimate grant recipient to insure compliance with the purpose of the grant.

“(iv) On January 31, 1999, and annually thereafter, the Administration shall submit to the Committees on Small Business of the House of Representatives and the Senate a report on any monies distributed pursuant to the provisions of this paragraph.

“(v) No funds are authorized to be provided to carry out the grant program authorized by this paragraph (F) except by transfer from another Federal department or agency to the Administration.”.

TITLE III—WOMEN’S BUSINESS ENTERPRISES

SEC. 301. REPORTS.

Section 404 of the Women’s Business Ownership Act of 1988 (15 U.S.C. 631 note) is amended—

- (1) by inserting “, through the Small Business Administration,” after “transmit”;
- (2) by striking paragraph (1) and redesignating paragraphs (2) through (4) as paragraphs (1) through (3), respectively; and
- (3) in paragraph (1), as redesignated, by inserting before the semicolon the following: “, including a status report on the progress of the Interagency Committee in meeting its responsibilities and duties under section 402(a)”.

SEC. 302. COUNCIL DUTIES.

Section 406 of the Women’s Business Ownership Act of 1988 (15 U.S.C. 631 note) is amended—

- (1) in subsection (c), by inserting after “Administrator” the following: “(through the Assistant Administrator for the Office of Women’s Business Ownership)”;
- (2) in subsection (d)—
 - (A) in paragraph (4), by striking “and” at the end;
 - (B) in paragraph (5), by striking the period at the end and inserting “; and”;
 - (C) by adding at the end the following:
 - (6) submit to the President and to the Committee on Small Business of the Senate and the Committee on Small Business of the House of Representatives, an annual report containing—
 - “(A) a detailed description of the activities of the council, including a status report on the Council’s progress toward meeting its duties outlined in subsections (a) and (d) of section 406;
 - “(B) the findings, conclusions, and recommendations of the Council; and
 - “(C) the Council’s recommendations for such legislation and administrative actions as the Council considers appropriate to promote the development of small business concerns owned and controlled by women.

“(e) SUBMISSION OF REPORTS.—The annual report required by subsection (d) shall be submitted not later than 90 days after the end of each fiscal year.”.

“(A) a detailed description of the activities of the council, including a status report on the Council’s progress toward meeting its duties outlined in subsections (a) and (d) of section 406;

“(B) the findings, conclusions, and recommendations of the Council; and

“(C) the Council’s recommendations for such legislation and administrative actions as the Council considers appropriate to promote the development of small business concerns owned and controlled by women.

“(e) SUBMISSION OF REPORTS.—The annual report required by subsection (d) shall be submitted not later than 90 days after the end of each fiscal year.”.

SEC. 303. COUNCIL MEMBERSHIP.

Section 407 of the Women’s Business Ownership Act of 1988 (15 U.S.C. 631 note) is amended—

- (1) in subsection (a), by striking “and Amendments Act of 1994” and inserting “Act of 1997”;
- (2) in subsection (b)—
 - (A) by striking “and Amendments Act of 1994” and inserting “Act of 1997”;

(B) by inserting after “the Administrator shall” the following: “, after receiving the recommendations of the Chair and the Ranking Member of the Minority of the Committees on Small Business of the House of Representatives and the Senate,”;

(C) by striking “9” and inserting “14”;

(D) in paragraph (1), by striking “2” and inserting “4”;

(E) in paragraph (2)—

(i) by striking “2” and inserting “4”; and

(ii) by striking “and” at the end;

(F) in paragraph (3)—

(i) by striking “5” and inserting “6”; and

(ii) by striking “national”.

SEC. 304. AUTHORIZATION OF APPROPRIATIONS.

Section 409 of the Women’s Business Ownership Act of 1988 (15 U.S.C. 631 note) is amended—

(1) by striking “1995 through 1997” and inserting “1998 through 2000”; and

(2) by striking “\$350,000” and inserting “\$600,000, of which \$200,000 shall be for grants for research of women’s procurement or finance issues.”.

SEC. 305. WOMEN’S BUSINESS CENTERS.

(a) IN GENERAL.—Section 29 of the Small Business Act (15 U.S.C. 656) is amended to read as follows:

“SEC. 29. WOMEN’S BUSINESS CENTERS.

“(a) DEFINITION.—For the purposes of this section the term ‘small business concern owned and controlled by women’, either startup or existing, includes any small business concern—

“(1) that is not less than 51 percent owned by one or more women; and

“(2) the management and daily business operations of which are controlled by one or more women.

“(b) AUTHORITY.—The Administration may provide financial assistance to private organizations to conduct 5-year projects for the benefit of small business concerns owned and controlled by women. The projects shall provide—

“(1) financial assistance, including training and counseling in how to apply for and secure business credit and investment capital, preparing and presenting financial statements, and managing cash flow and other financial operations of a business concern;

“(2) management assistance, including training and counseling in how to plan, organize, staff, direct, and control each major activity and function of a small business concern; and

“(3) marketing assistance, including training and counseling in identifying and segmenting domestic and international market opportunities, preparing and executing marketing plans, developing pricing strategies, locating contract opportunities, negotiating contracts, and utilizing varying public relations and advertising techniques.

“(c) CONDITIONS OF PARTICIPATION.—

“(1) NON-FEDERAL CONTRIBUTIONS.—As a condition of receiving financial assistance authorized by this section, the recipient organization shall agree to obtain, after its application has been approved and notice of award has been issued, cash contributions from non-Federal sources as follows:

“(A) In the first and second years, 1 non-Federal dollar for each 2 Federal dollars.

“(B) In the third year, 1 non-Federal dollar for each Federal dollar.

“(C) In the fourth and fifth years, 2 non-Federal dollars for each Federal dollar.

“(2) FORM OF NON-FEDERAL CONTRIBUTIONS.—Not more than one-half of the non-Federal sector matching assistance may be in the form of in-kind contributions which are budget line items only, including but not limited to office equipment and office space.

“(3) FORM OF FEDERAL CONTRIBUTIONS.—The financial assistance authorized pursuant to this section may be made by grant, contract, or cooperative agreement and may contain such provision, as necessary, to provide for payments in lump sum or installments, and in advance or by way of reimbursement. The Administration may disburse up to 25 percent of each year’s Federal share awarded to a recipient organization after notice of the award has been issued and before the non-Federal sector matching funds are obtained.

“(4) FAILURE TO OBTAIN PRIVATE FUNDING.—If any recipient of assistance fails to obtain the required non-Federal contribution during any project, it shall not

be eligible thereafter for advance disbursements pursuant to paragraph (3) during the remainder of that project, or for any other project for which it is or may be funded by the Administration, and prior to approving assistance to such organization for any other projects, the Administration shall specifically determine whether the Administration believes that the recipient will be able to obtain the requisite non-Federal funding and enter a written finding setting forth the reasons for making such determination.

“(d) CONTRACT AUTHORITY.—A women’s business center may enter into a contract with a Federal department or agency to provide specific assistance to women and other underserved small business concerns. Performance of such contract should not hinder the women’s business centers in carrying out the terms of the grant received by the women’s business centers from the Administration.

“(e) SUBMISSION OF 5-YEAR PLAN.—Each applicant organization initially shall submit a 5-year plan to the Administration on proposed fundraising and training activities, and a recipient organization may receive financial assistance under this program for a maximum of 5 years per women’s business center.

“(f) CRITERIA.—The Administration shall evaluate and rank applicants in accordance with predetermined selection criteria that shall be stated in terms of relative importance. Such criteria and their relative importance shall be made publicly available and stated in each solicitation for applications made by the Administration. The criteria shall include—

“(1) the experience of the applicant in conducting programs or ongoing efforts designed to impart or upgrade the business skills of women business owners or potential owners;

“(2) the present ability of the applicant to commence a project within a minimum amount of time;

“(3) the ability of the applicant to provide training and services to a representative number of women who are both socially and economically disadvantaged; and

“(4) the location for the women’s business center site proposed by the applicant.

“(g) OFFICE OF WOMEN’S BUSINESS OWNERSHIP.—There is established within the Administration an Office of Women’s Business Ownership, which shall be responsible for the administration of the Administration’s programs for the development of women’s business enterprises (as that term is defined in section 408 of the Women’s Business Ownership Act of 1988). The Office of Women’s Business Ownership shall be administered by an Assistant Administrator, who shall be appointed by the Administrator.

“(h) REPORT.—The Administrator shall prepare and submit an annual report to the Committees on Small Business of the House of Representatives and the Senate on the effectiveness of all projects conducted under the authority of this section. Such report shall provide information concerning—

“(1) the number of individuals receiving assistance;

“(2) the number of startup business concerns formed;

“(3) the gross receipts of assisted concerns;

“(4) increases or decreases in profits of assisted concerns; and

“(5) the employment increases or decreases of assisted concerns.

“(i) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated \$8,000,000 per year to carry out the projects authorized by this section of which for fiscal year 1998 not more than 10 percent may be used for administrative expenses related to the program. Amounts appropriated pursuant to this subsection for fiscal year 1999 and later are to be used exclusively for grant awards and not for costs incurred by the Administration for the management and administration of the program. Notwithstanding any other provision of law, the Administration may use such expedited acquisition methods as it deems appropriate, through the Assistant Administrator of the Office of Women’s Business Ownership, to achieve the purposes of this section, except that the Administration shall ensure that all small business sources are provided a reasonable opportunity to submit proposals.”

(b) APPLICABILITY.—Any organization conducting a 3-year project under section 29 of the Small Business Act (15 U.S.C. 656) on the day before the date of enactment of this Act, may extend the term of that project to a total term of 5 years and receive financial assistance in accordance with section 29(c) of the Small Business Act (as amended by this title) subject to procedures established by the Administrator in coordination with the Office of Women’s Business Ownership established under section 29 of the Small Business Act (15 U.S.C. 656) (as amended by this title).

SEC. 306. OFFICE OF WOMEN'S BUSINESS OWNERSHIP.

Section 29 of the Small Business Act (15 U.S.C. 656) is amended by adding at the end the following:

“(j) ASSISTANT ADMINISTRATOR FOR THE OFFICE OF WOMEN’S BUSINESS OWNERSHIP.—

“(1) ESTABLISHMENT.—There is established the position of Assistant Administrator for the Office of Women’s Business Ownership (hereafter in this section referred to as the ‘Assistant Administrator’) who shall serve without regard to the provisions of title 5, United States Code, governing appointments in the competitive service.

“(2) RESPONSIBILITIES AND DUTIES.—

“(A) RESPONSIBILITIES.—The responsibilities of the Assistant Administrator shall be to administer the programs and services of the Office of Women’s Business Ownership established to assist women entrepreneurs in the areas of—

- “(i) starting and operating a small business;
- “(ii) development of management and technical skills;
- “(iii) seeking Federal procurement opportunities; and
- “(iv) increasing the opportunity for access to capital.

“(B) DUTIES.—Duties of the position of the Assistant Administrator shall include—

- “(i) administering and managing the Women’s Business Centers program;
- “(ii) recommending the annual administrative and program budgets for the Office of Women’s Business Ownership (including the budget for the Women’s Business Centers);
- “(iii) establishing appropriate funding levels therefore;
- “(iv) reviewing the annual budgets submitted by each applicant for the Women’s Business Center program;
- “(v) selecting applicants to participate in this program;
- “(vi) implementing this section;
- “(vii) maintaining a clearinghouse to provide for the dissemination and exchange of information between Women’s Business Centers;
- “(viii) serving as the vice chairperson of the Interagency Committee on Women’s Business Enterprise;
- “(ix) serving as liaison for the National Women’s Business Council; and
- “(x) advising the Administrator on appointments to the Women’s Business Council.

“(3) CONSULTATION REQUIREMENTS.—In carrying out the responsibilities and duties described in this subsection, the Assistant Administrator shall confer with and seek the advice of the Administration officials in areas served by the Women’s Business Centers.

“(k) PROGRAM EXAMINATION.—

“(1) IN GENERAL.—Not later than 180 days after the date of enactment of this subsection, the Administration shall develop and implement an annual programmatic and financial examination of each Women’s Business Center established pursuant to this section.

“(2) EXTENSION OF CONTRACTS.—In extending or renewing a contract with a Women’s Business Center, the Administration shall consider the results of the examination conducted pursuant to paragraph (1).

“(l) CONTRACT AUTHORITY.—The authority of the Administration to enter into contracts shall be in effect for each fiscal year only to the extent and in the amounts as are provided in advance in appropriations Acts. After the Administration has entered a contract, either as a grant or a cooperative agreement, with any applicant under this section, it shall not suspend, terminate, or fail to renew or extend any such contract unless the Administration provides the applicant with written notification setting forth the reasons therefore and affording the applicant an opportunity for a hearing, appeal, or other administrative proceeding under chapter 5 of title 5, United States Code.”.

TITLE IV—COMPETITIVENESS PROGRAM

SEC. 401. PROGRAM TERM.

Section 711(c) of the Small Business Competitiveness Demonstration Program Act of 1988 (15 U.S.C. 644 note) is amended by striking “, and terminate on September 30, 1997”.

SEC. 402. MONITORING AGENCY PERFORMANCE.

Section 712(d)(1) of the Small Business Competitiveness Demonstration Program Act of 1988 (15 U.S.C. 644 note) is amended to read as follows:

“(1) Participating agencies shall monitor the attainment of their small business participation goals on an annual basis. An annual review by each participating agency shall be completed not later than January 31 of each year, based on the data for the preceding fiscal year, from October 1 through September 30.”

SEC. 403. SMALL BUSINESS PARTICIPATION IN DREDGING.

Section 722(a) of the Small Business Competitiveness Demonstration Program Act of 1988 (15 U.S.C. 644 note) is amended by striking “and terminating on September 30, 1997”.

SEC. 404. TECHNICAL AMENDMENT.

Section 717 of the Small Business Competitiveness Demonstration Program Act of 1988 (15 U.S.C. 644 note) is amended—

- (1) by striking “standard industrial classification code” each time it appears and inserting in lieu thereof “North American Industrial Classification Code”; and
- (2) by striking “standard industrial classification codes” each time it appears and inserting in lieu thereof “North American Industrial Classification Codes”.

TITLE V—MISCELLANEOUS PROVISIONS

SEC. 501. SMALL BUSINESS DEVELOPMENT CENTERS.

(a) IN GENERAL.—Section 21(a) of the Small Business Act (15 U.S.C. 648(a)) is amended—

(1) in paragraph (1), by inserting “any women’s business center operating pursuant to section 29,” after “credit or finance corporation.”;

(2) in paragraph (3)—

(A) by striking “, but with” and all that follows through “parties.” and inserting the following: “for the delivery of programs and services to the Small Business community. Such programs and services shall be jointly developed, negotiated, and agreed upon, with full participation of both parties, pursuant to an executed cooperative agreement between the Small Business Development Center applicant and the Administration.”; and

(B) by adding at the end the following:

“(C) On an annual basis, the Small Business Development Center shall review and coordinate public and private partnerships and cosponsorships with the Administration for the purpose of more efficiently leveraging available resources on a National and a State basis.”;

(3) in paragraph (4)(C)—

(A) by striking clause (i) and inserting the following:

“(i) IN GENERAL.—

“(I) MAXIMUM AMOUNT.—Except as provided in clause (ii), and subject to subclause (II) of this clause, the amount of a grant received by a State under this section shall not exceed the greater of—

“(aa) \$500,000; and

“(bb) the State’s pro rata share of a national program, based upon the population of the State as compared to the total population of the United States.

“(II) EXCEPTION.—Subject to the availability of amounts made available in advance in an appropriations Act to carry out this section for any fiscal year in excess of amounts so provided for fiscal year 1997, the amount of a grant received by a State under this section shall not exceed the greater of \$500,000, and the sum of—

- “(aa) the State’s pro rata share of a national program, based upon the population of the State as compared to the total population of the United States; and
- “(bb) and \$300,000 in fiscal year 1998, \$400,000 in fiscal year 1999, and \$500,000 in each fiscal year thereafter.”; and
- (B) in clause (iii), by striking “(iii)” and all that follows through “1997.” and inserting the following:
- “(iii) NATIONAL PROGRAM.—The national program under this section shall be—
- “(I) \$85,000,000 for fiscal year 1998;
- “(II) \$90,000,000 for fiscal year 1999; and
- “(III) \$95,000,000 for fiscal year 2000 and each fiscal year thereafter.”; and
- (4) in paragraph (6)—
- (A) in subparagraph (A), by striking “and” at the end;
- (B) in subparagraph (B), by striking the comma at the end and inserting “; and”; and
- (C) inserting after subparagraph (B) the following:
- “(C) with outreach, development, and enhancement of minority-owned small business startups or expansions, veteran-owned small business startups or expansions, and women-owned small business startups or expansions, in communities impacted by base closings or military or corporate downsizing, or in rural or underserved communities;”.
- (b) SBDC SERVICES.—Section 21(c) of the Small Business Act (15 U.S.C. 648(c)) is amended—
- (1) in paragraph (3)—
- (A) in subparagraph (A), by striking “businesses,” and inserting “businesses, including—
- “(i) working with individuals to increase awareness of basic credit practices and credit requirements;
- “(ii) working with the Administration to develop and provide informational tools for use in working with individuals on pre-business startup planning, existing business expansion, business plans, financial packages, credit applications, contract proposals, and export planning; and
- “(iii) working with individuals referred by the local offices of the Administration and Administration participating lenders;”;
- (B) in each of subparagraphs (B), (C), (D), (E), (F), (G), (M), (N), (O), (Q), and (R) by moving each margin two ems to the left;
- (C) in subparagraph (C), by inserting “and the Administration” after “Center”;
- (D) in subparagraph (Q), by striking “and” at the end;
- (E) in subparagraph (R), by striking the period at the end and inserting “; and”; and
- (2) in paragraph (5)—
- (A) by moving the margin 2 ems to the left;
- (B) by striking “paragraph (a)(1)” and inserting “subsection (a)(1)”;
- (C) by striking “which ever” and inserting “whichever”; and
- (D) by striking “last,” and inserting “last.”;
- (3) by redesignating paragraphs (4) through (7) as paragraphs (5) through (8), respectively; and
- (4) in paragraph (3), in the undesignated material following subparagraph (S) (as added by this subsection), by striking “A small” and inserting the following: “(4) A small”.
- (c) COMPETITIVE AWARDS.—Section 21(l) of the Small Business Act (15 U.S.C. 648(l)) is amended by adding at the end the following: “If any contract under this section is not renewed or extended, award of the succeeding contract shall be made on a competitive basis.”.
- (d) PROHIBITION ON CERTAIN FEES.—Section 21 of the Small Business Act (15 U.S.C. 648) is amended by adding at the end the following:
- “(m) PROHIBITION ON CERTAIN FEES.—A small business development center shall not impose or otherwise collect a fee or other compensation in connection with the provision of counseling services under this section.”.
- SEC. 502. SMALL BUSINESS EXPORT PROMOTION.**
- (a) IN GENERAL.—Section 21(c)(3) of the Small Business Act (15 U.S.C. 648(c)(3)) is amended by inserting after subparagraph (R) the following:
- “(S) providing small business owners with access to a wide variety of export-related information by establishing on-line computer linkages between small

business development centers and an international trade data information network with ties to the Export Assistance Center program.”.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out section 21(c)(3)(S) of the Small Business Act (15 U.S.C. 648(c)(3)(S)), as added by this section, \$1,500,000 for each of fiscal years 1998 and 1999.

SEC. 503. PILOT PREFERRED SURETY BOND GUARANTEE PROGRAM EXTENSION.

Section 207 of the Small Business Administration Reauthorization and Amendment Act of 1988 (15 U.S.C. 694b note) is amended by striking “September 30, 1997” and inserting “September 30, 2000”.

SEC. 504. VERY SMALL BUSINESS CONCERNS.

Section 304(i) of Public Law 103–403 (15 U.S.C. 644 note) is amended by striking “1998” and inserting “2000”.

SEC. 505. EXTENSION OF COSPONSORSHIP AUTHORITY.

Section 401(a)(2) of the Small Business Administration Reauthorization and Amendments Act of 1994 (15 U.S.C. 637 note) is amended by striking “September 30, 1997” and inserting “September 30, 2000”.

SEC. 506. TRADE ASSISTANCE PROGRAM FOR SMALL BUSINESS CONCERNS HARMED BY NAFTA.

The Small Business Administration shall coordinate assistance programs currently administered by the Administration to counsel small business concerns harmed by the North American Free Trade Agreement to aid such concerns in reorienting their business purpose.

PURPOSE

The primary purpose of H.R. 2261 is to reauthorize the Small Business Administration (SBA) and the programs of the Small Business Act and the Small Business Investment Act through fiscal year 2000. The Committee regularly authorizes these programs for a three year period with the last reauthorization occurring in 1994 during the 103d Congress. The programs include the financial programs of the Small Business Administration: the 7(a) general business loan guarantee [7(a)] program, the Section 504 Certified Development Company [504] program, the Microloan program and the Small Business Investment Company [SBIC] program.

In addition, the bill will reauthorize the technical assistance and procurement programs of the SBA—the Service Corps of Retired Executives [SCORE], the Women’s Business Center program, the Small Business Development Center [SBDC] program, the Competitiveness Program, and others.

The bill also changes and improves the various programs, specifically modifying the Section 504 Preferred Certified Lender Program [PCLP], the Small Business Investment Company program, the Women’s Business Center program, and the Small Business Development Center program.

NEED FOR LEGISLATION

The programs of the Small Business Administration annually provide over thirteen billion dollars of financial assistance to over 100,000 small businesses all across the United States. These programs remedy shortfalls in access to credit and capital for small business that are an unfortunate part of the national economy. By providing financial assistance for amounts as small as \$500 to as much as \$1,250,000 the SBA and its private sector partners—bank and non-bank lenders, surety bond insurers, certified development companies, microlenders, and small business investment companies—provide a vital impetus to the small business sector of the

economy. These billions of dollars in assistance are provided at a total cost of \$850 million for programs and salaries and expenses. The SBA also provides millions of dollars in vital disaster assistance to small businesses and homeowners every year.

H.R. 2261 reflects the Committee's dedication to and support for these programs and the belief that they are not only necessary but also constantly in need of refinement and improvement as the economy shifts and changes. The bill includes not only the basic reauthorization language necessary to continue regular operations but also changes to the underlying program structures.

The bill includes significant improvements in the Preferred Certified Lender Program of the Section 504 Certified Development Company Program. These changes serve to help implement the Administration's budget goals of increased reliance on its private sector lending partners. The Committee seeks to both enable the Certified Development companies to take additional responsibility for servicing, liquidation and litigation of defaulted loans, and to improve the recovery for this program.

Committee hearings (discussed below) revealed that recoveries were, in fact, the largest single factor in the increased subsidy cost of the 504 program. The Committee continues to be concerned over the subsidy estimates for the 7(a) and 504 programs and makes these changes in the 504 program in order to encourage private sector participation in the liquidation process.

H.R. 2261 also continues the Committee's work on improving the Small Business Investment Company program. Last year this program underwent significant changes, and this year the Committee seeks to build on those improvements by providing SBICs with increased flexibility and some responsiveness in order to better allow the SBICs to interact in the marketplace and thereby reduce risks of loss.

The bill also reauthorizes and improves the Microloan program. Begun in 1991 this program has served the smallest and often least noticed section of the small business community. The Committee has recognized the efficacy of this program and changed it from demonstration to permanent program status.

In addition to financial assistance the SBA also provides technical and managerial advice and assistance to tens of thousands of small businesses every year through the Small Business Development Centers, the Women's Business Centers, and the Service Corps of Retired Executives. The Committee reauthorizes these programs in H.R. 2261 and makes some valuable improvements to both the Women's Business Center and Small Business Development Center programs.

Responding to concerns raised by Members of Congress the Committee has acted to modify the funding levels for the SBDC program. This action corrects a flaw that had put smaller states at a distinct disadvantage, preventing them from receiving a reasonable level of funding support. The Committee has also approved language restricting the charging of fees by SBDCs.

The Committee recognizes and supports the valuable assistance the SBDC program provides to small businesses throughout the country. In order to assure the future success of the program, the committee requests that the Administrator provide the Committee

with a report on the strengths and weaknesses of the program and the delivery of service to the small business community. Also, the Committee requests the Administrator's recommendations on how to make the program as efficient and effective as possible.

While not addressed in H.R. 2261, the Committee expresses its misgivings about SBA's recent reallocation of program positions from the SBDC program to other programs and its failure to hire examiners to oversee SBDCs, as mandated by law, thereby straining the SBA's ability to effectively administer this program (including selection of organizations for SBDC status). For example, P.L. 104-208 requires the SBA to develop and implement a "biennial programmatic and financial examination of each small business center * * *", and P.L. 102-140 appropriated funds for six examiners in FY 1992, yet none were hired, and there are only two examiners today.

It is ironic and regrettable that this program, the SBA's largest non-credit program which counseled 237,000 small businesses in FY 1996, has lost a large percentage of its few staff positions within SBA. Without adequate staff, there is little assurance that the program is well managed and that federal dollars are being spent appropriately.

The Women's Business Center program has also been changed to build on its already considerable success. The Committee has moved to improve the funding mechanism for the program and provide more specific support and oversight from the SBA.

COMMITTEE ACTION

HEARING ON SBA'S 1998 BUDGET REQUEST

On March 6, 1997 the Committee convened a hearing to discuss the Small Business Administration's proposed budget for 1998. Administrator Alvarez for the SBA and supported the program requests and requested additional funds for the modernization of SBA financial systems. In addition, the Administrator pressed for the imposition of fees on small businesses seeking counseling from SBDCs. The Administration proposal for SBDC fees and the request for an increase in interest rates for disaster victims were met with some skepticism by the Committee. Several Members questioned the Administration's simultaneous request for an increase in staff and cuts in the Disaster Loan and SBDC programs. The Chairman expressed particular concern that the SBA and the Office of Management and Budget (OMB) were reducing the 1998 subsidy cost of the 7(a) program based on a computer system that would not be purchased until late 1998 at the earliest.

The Committee then heard from a panel of witnesses representing the SBDCs, SBICs, the 504 program and the 7(a) program. Mr. James King, testifying on behalf of the SBDCs, expressed grave concerns over the Administration proposal to force SBDCs to charge fees. Mr. King testified that the reduced federal share would result in a reduced match from the respective states. Even though the SBA proposed increasing the match, Mr. King testified that the states would still be unable to find sufficient additional support make up the difference.

Mr. Keith Fox testified on behalf of the National Association of Small Business Investment Companies. Mr. Fox's testimony centered on a request for the Committee's support for full funding of the Administration's requested program. It is an axiom in the venture capital industry that reliability is an essential part of making the deal. Mr. Fox believed that, absent a signal of steady support, the SBIC program would suffer from a lack of investor confidence.

Mr. Mark Barbash testified next on behalf of the National Association of Development Companies. Mr. Barbash's testimony disagreed with the Administration's request for 504 funding and asked for a moderately higher authorization. His main focus was the improvement of the PCLP program. Mr. Barbash commented on the continuing problem of the subsidy rate calculations and expressed his belief that the program needed the flexibility and freedom represented by PCLP. Mr. Barbash testified that many certified development companies have the skills and capability to handle their own portfolios and deserve the ability to do so much as the Preferred Lenders do in the 7(a) program.

The final witness was Mr. Richard Wise, representing the National Association of Government Guaranteed Lenders. Mr. Wise testified that the SBA's request for the 7(a) program was too low and NAGGL recommended a \$10 billion program level for 1998. He also stated that the SBA proposal regarding liquidation of business chattels was unrealistic.

This procedure would have a serious adverse effect on lenders because regulatory bodies would require the lenders to provide reserves for non-performing loans during the liquidation period. This would drive smaller, local lenders away from 7(a). In addition, the policy change would negatively affect the accounting for lenders selling the guaranteed portions of loans on the secondary market.

During questioning the Committee learned that the SBA had not yet resolved regulatory problems with other agencies regarding the liquidation proposal. It was also found that the SBA and OMB had not given any credit towards the 504 subsidy rate based on the anticipated purchase of the computer monitoring system. The Administration's budget did reduce the subsidy rate for the 7(a) program provided the upgrades occurred, but not the 504 program subsidy rate. The Committee questioned why, if the system would be used for both programs, it would not affect both programs.

The hearing revealed that there were still many unresolved issues surrounding the SBA's proposed budget. The Committee was particularly concerned that there appeared to be little effort by the SBA to resolve inconsistencies in the credit subsidy issue and the Committee noted that the Administration's estimates of demand for financial assistance seemed far removed from those of its private sector partners.

The Committee also became increasingly worried over the possibility of a shortfall on the 7(a) program. As a result, Chairman Talent requested the General Accounting Office to examine the credit subsidy model used by the SBA and its data. This request was made in preparation for a hearing to be held in July. Shortly after this request, on April 15, the SBA informed the Committee that it would in fact be unable to fund the 7(a) program for the entire year

absent administrative action. This action took the form of a cap limiting loan size to \$500,000.

Approximately six weeks later the General Accounting Office informed the Chairman that it had uncovered an error in the calculation of the subsidy rate for 7(a) program resulting in an underestimation of resources by some 2.5 billion dollars. As a result the cap on the program was lifted and the program was restored to normal operations.

HEARING ON THE CREDIT SUBSIDY RATE CALCULATION

On July 16, 1997 the Committee convened a hearing to discuss the calculation of the subsidy rate and to obtain an understanding of the methodology employed by the Office of Management and Budget (OMB) and the SBA. Testifying at the hearing were Ms. Judy England-Joseph of the General Accounting Office; the Honorable Aida Alvarez, Administrator of the SBA; Mr. Edward DeSeve, Acting Deputy Director of the OMB; and Mr. John Winchester of Merrill Lynch Securities.

Testimony focused on the basic assumptions used to in the credit subsidy model. The Committee heard testimony from the GAO and OMB describing the subsidy model as a sophisticated calculator. As such the model itself is an adequate device. This testimony was supported by Mr. Winchester's testimony. However, it was abundantly clear that while the subsidy model itself was adequate its accuracy as a predictive tool was entirely dependent upon the accuracy and validity of the data that is fed into the model. To describe the situation succinctly: "garbage in equals garbage out".

This reached the heart of the issue in this hearing. The Committee learned that SBA and OMB faced a number of serious problems surrounding the security and accuracy of the data entered into the model. The 2.5 billion dollar error occurred entirely because the accuracy of the model was undermined by staff errors. The Chairman pointed out that the SBA's own consultants (Walker & Co.) had cited serious internal control problems including "undocumented and unsupported critical assumptions". Rep. Boyd expressed his concern over the SBA's use of sampling as opposed to hard data.

In addition, the hearing focused on a lack of familiarity with the various programs on the parts of both the SBA and OMB financial analysts. (Note: The staff at the OMB responsible for SBA programs has turned over several times in the past three years. Also the SBA's financial offices have suffered from numerous departures and internally initiated cutbacks.)

In sum, the Committee found that SBA continued to have insufficient control over its data and remained uncertain as to the accuracy of its inputs. As for the OMB, the Committee believes that turnover has resulted in an OMB staff too willing to maintain certain existing assumptions without considering the changing practices at SBA and its lending partners, while at the same time too ready to make severe changes to other assumptions, particularly prepayment rates. The Committee will continue to work with SBA and the OMB on this issue, but believes strongly that the first best step is to move along the path outlined in the administration's budget and place more responsibility in the hands of SBA's private sector partners.

SBA'S FINANCIAL PROGRAMS

On the following day July 17, 1997 the Committee convened a hearing to consider testimony regarding the SBA's 504, 7(a) and SBIC finance programs. Witnesses were: Ms. Paula Klepper of Mid-Atlantic Business Finance representing the National Association of Development Companies (504 lenders); Mr. Walter Dick representing the National Association of Small Business Investment Companies; Mr. Anthony Wilkinson representing the National Association of Government Guaranteed Lenders (7(a) lenders); and Administrator Aida Alvarez of the SBA.

Ms. Klepper testified concerning the need for a reauthorization of the 504 program, improvements in the Preferred Certified Lender Program and the pilot loan liquidation project. She stated that there was a real need for the experienced certified development companies to be able to use their own resources to improve program performance.

Mr. Dick expressed the SBIC industry's support for reauthorization and stressed that while the cost of the SBIC program has steadily declined over the past several years its assistance continues to grow. Mr. Dick also stressed the need for certain programmatic changes, particularly the ability of SBIC to spread out their funding commitments over a five year period in order to more accurately mesh with the average venture firm's investment plan.

Mr. Wilkinson testified primarily regarding the 7(a) lending industry's concerns over the subsidy rate calculations. He was accompanied by Mr. Mike Hearne, a former member of the SBA's Chief Financial Officer's staff, now a consultant. Mr. Wilkinson's testimony raised a number of issues based on the previous day's hearing. Mr. Wilkinson and Mr. Hearne questioned a number of obvious inconsistencies in the Office of Management and Budget's treatment of program performance at the SBA. Specifically they questioned:

Why does OMB refuse to follow the Congressional Budget Office suggestion of weighting the performance of recent higher volume years more than earlier years?

Why does the prospective upgrade of SBA systems receive credit in the subsidy model while actual performance improvements do not?

Why does SBA assume 50 million dollars in income from defaulted loan assets to be sold from SBA's portfolio to the private sector yet credits no improvement to assets that will be turned over to private sector partners immediately?

Why does SBA and OMB insist on a 13 year historical average when at the same time the prepayments they forecast show that the average life of a loan is nearer to ten years?

Why has the 7(a) program received no credit for a default rate that has dropped to below ten percent in the past five years?

Why if the OMB did not adjust the subsidy rate when the loan cap was imposed (since it would reduce fee income) because they believed they had received as much fee income as predicted in the model would they not adjust the subsidy rate

when the loan cap was lifted (when excess fee income would be coming in)?

Mr. Wilkinson and Mr. Hearne also both urged that the lending community and the SBA and OMB work together to arrive at stable and understandable subsidy rate calculations, and complimented Administrator Alvarez for her offer of such a working group at the previous hearing. Mr. Hearne also stated that working on the subsidy rate was doubly necessary for the 504 program. It was his belief that the default rate projected for the 504 program (16%) was grossly exaggerated, as there had not been a year with that high a level of defaults since the program's inception.

Finally, Administrator Alvarez testified in support of the reauthorization bill and spoke at length about her concerns over the allocation of the SBA's lending resources. She also addressed efforts to implement background check procedures, though expressed concern over the processing delays inherent in any such efforts.

This hearing solidified the Committee's resolve to move forward with legislation reauthorizing the SBA and its programs. It also provided the Committee with the information it felt necessary to support the changes to the various programs, particularly the 504 program. The Committee believes it is vital to access the resources of the certified development companies in order to preserve the integrity of this program. The Committee is also fully confident that the certified development companies will be able to improve recovery efforts and provide long term improvements to the subsidy rate.

Unfortunately, due to the constraints of the Credit Reform Act and jurisdictional issues the Committee cannot act to remedy what it feels are obvious shortfalls in SBA and OMB's handling of the subsidy model. However, the Committee trusts that SBA will live up to its commitments to work with its lending partners to achieve a stable subsidy rate. The Committee believes that, absent such a working relationship, there is little need for all the technological improvements requested.

CONSIDERATION OF H.R. 2261

On July 30, 1997 the Committee met to mark up and report out H.R. 2261. The first action in committee was an en bloc amendment offered by Chairman Talent and Mr. LaFalce. The amendment made a number of technical and substantive changes that were agreed to on a bipartisan basis. The amendment was adopted by a voice vote.

The Committee then briefly discussed the lack of language reauthorizing the Small Business Technology Transfer Program (STTR). Mr. Poshard expressed regret that the language was not included due to a sudden and unexpected jurisdictional conflict with the Committee on Science. Mr. Bartlett, as well, expressed his concern over the missing language. Chairman Talent then expressed his hope that the Committee on Science would be able to have a hearing and work out legislation with the Committee on Small Business in early September.

The Committee then considered an amendment by Mr. Davis regarding the 7(a) and 504 programs. Mr. Davis' amendment proposed allocating a 20 percent of all loans to neighborhoods with median incomes below \$33,152. Chairman Talent expressed his oppo-

sition to the amendment as drafted, stating that while he shared Mr. Davis' concern over access to capital in low income areas, he could not support an amendment that mandated a percentage or quota to certain areas. Mr. LaFalce, while supporting the objective of increasing lending to small businesses in lower-income areas, expressed concern over the feasibility of the amendment. Mr. Souder then spoke and suggested that the language regarding any allocation set a floor rather than a fixed percentage.

Mr. Pascrell then addressed his belief that the issue of lending in depressed areas was one of serious concern and mentioned his personal concern over recent declines in lending urban areas, particularly in New Jersey. Mr. Hinojosa then suggested a change to the amendment substituting "empowerment zones" for the median income language.

Mr. Jackson then spoke in favor of the amendment though he expressed concerns over Mr. Hinojosa's suggested language. Ms. Millender-McDonald echoed Mr. Jackson's sentiments. Ms. Velazquez then questioned whether the amendment, as originally drafted, was being discussed or the substitute suggested by Mr. Souder. The Chairman explained that Mr. Souder's suggestion had not been adopted and asked Mr. Davis if he wished to adopt the change. Mr. Davis requested unanimous consent and the change was accepted. Mr. Davis then thanked the Committee for its discussions and suggestions and expressed his own interest in addressing these issues in more depth before proceeding further. Mr. Davis then asked for consent to withdraw his amendment. Chairman Talent approved Mr. Davis' request and expressed his desire to hold a hearing addressing Mr. Davis' concerns, which was seconded by Mr. LaFalce.

The Committee then discussed Section 202 of H.R. 2261 requiring SBA to perform background checks on loan applicants. Mr. Jackson expressed his concern that the procedure may have potential for misuse at an administrative level. In addition, he questioned the need for such a check, as this is rarely the practice in other areas of finance. Mr. LaFalce then expressed his concern that the language was too specific as to the method for such checks (the original language referred solely to the FBI's National Crime Information Computer). Mr. LaFalce suggested language requiring the Administration to use the best means available and the amendment was accepted by voice vote.

The Committee then considered two amendments from Mr. Jackson. The first amendment proposed striking the Small Business Competitiveness Demonstration Program. Mr. Jackson stated that the SBA had recommended eliminating the program. Mr. Jackson then withdrew that amendment and proposed an amendment that would only extend the program for one year. Chairman Talent expressed his opposition to Mr. Jackson's amendments citing both the elimination of the small purchase protection that would accompany one and the strong support of the relevant small business groups which expressed their strong desire that the program become permanent. Mr. Weygand also expressed his opposition to Mr. Jackson's amendment and supported the Chairman's position. Mr. LaFalce then stated that, while he had no strong feelings on the issue, he felt the existing language provided the Committee with

a better position for conference. Mr. Jackson then withdrew his amendment.

Ms. Velazquez offered an amendment directing the SBA to coordinate its programs to offer assistance to small businesses adversely affected by the North American Free Trade Agreement. The amendment was accepted by unanimous voice vote.

Mr. LaFalce offered an amendment extending the SBA's authority to cosponsor certain events and programs with private entities through fiscal year 2000. The amendment was adopted by a unanimous voice vote.

Mr. Sununu offered an amendment incorporating the language of H.R. 96. This language would have extended the counseling capacities of the Small Business Development Centers (SBDC), to enable them to provide greater assistance to small businesses in coping and complying with federal regulations. The amendment also contained a funding mechanism, directing that a small percentage of each regulatory agency's budget be allocated to support the SBDCs' efforts.

Mr. LaFalce expressed strong objection to the amendment for a number of reasons. Mr. LaFalce believed the bill would attract referrals to several other committees having jurisdiction over the regulatory agencies and their budgets. He also stated the Administration would strongly oppose the amendment. Mr. Bartlett, Ms. Kelly, Ms. McCarthy and Mr. Flake expressed support for the intent of the amendment but also expressed concern over sequential referrals. Mr. Sununu then withdrew his amendment.

The bill H.R. 2261, as amended, was then offered for final passage. A sufficient quorum being present the bill was passed by voice vote and ordered reported.

SECTION BY SECTION ANALYSIS AND COMMITTEE VIEWS

Section 1. This section provides the title of H.R. 2261, and a table of contents.

TITLE I

Sec. 101. Authorizations

This section provides authorization levels for the Small Business Administration and its programs through fiscal year 2000 as detailed on the chart below. The Committee has not followed SBA recommendations. In several instances, most notably the 7(a) program, the SBA seriously underestimates demand for assistance. After consultation with the Committee on Appropriations and SBA's private sector partners, the Committee sets authorization levels it believes strike a balance among anticipated demand, fiscal restraint, and reasonable program growth.

PROGRAM LEVELS FOR SBA REAUTHORIZATION BILL
[b=billions of dollars, m=millions of dollars]

Program	FY 97 Current level	FY 98 Budget request	SBA 3 Year authorization re- quest			Industry request			Reauthorization bill		
			1998	1999	2000	1998	1999	2000	1998	1999	2000
7(a)	\$10.3b	\$8.5b	\$10b ..	\$11b ..	\$13b ..	\$10b ..	\$12b ..	\$13.5b	\$11b ..	\$12b ..	\$13.5b.

PROGRAM LEVELS FOR SBA REAUTHORIZATION BILL—Continued

[b=billions of dollars, m=millions of dollars]

Program	FY 97 Current level	FY 98 Budget request	SBA 3 Year authorization re- quest			Industry request			Reauthorization bill		
			1998	1999	2000	1998	1999	2000	1998	1999	2000
504	2.65b	2.3b ...	3b	3.5b ...	4.5b ...	2.3b ...	3.3b ...	3.8b ...	3b	3.5b ...	4.5b.
SBIC:											
Debtentures	300m	375m	450m	550m	650m	500m	600m	700m	500m	650m	700m.
Participating Securi- ties	410m	456m	600m	700m	850m	900m	900m	900m	600m	700m	850m.
Microloan:											
Technical Assist- ance	13m ...	16.5m	42m ...	65.8m	86.7m	N/A ...	N/A ...	N/A ...	40m ...	60m ...	75m.
Direct Loans	24m ...	19m ...	60m ...	60m ...	60m ...	N/A ...	N/A ...	N/A ...	60m ...	60m ...	60m.
Guaranteed Loans ..	19m ...	25m ...	40m ...	40m ...	40m ...	N/A ...	N/A ...	N/A ...	40m ...	40m ...	40m.
Delta	48m ...	88m ...	1m	1m	1m	N/A ...	N/A ...	N/A ...	1b	1b	1b.
Surety Bond Guarantee:											
General Program	1.8b ...	1.7b ...	1.35b	1.35b	1.35b	N/A ...	N/A ...	N/A ...	2.0b ...	2.0b ...	2.0b.
Preferred Program ..	.....	.....	650m	650m	650m	N/A ...	N/A ...	N/A ...	650m	650m	650m.
SCORE	3.3m ..	3.5m ..	3.9m ..	4.2m ..	4.5m ..	N/A ...	N/A ...	N/A ...	4m	4.5m ..	5m.
SBDC Base Closure As- sistance	2m .....	.....	15m ...	15m ...	15m ...	N/A ...	N/A ...	N/A ...	15m ...	15m ...	15m.
Women's Business Cen- ters	4m	4m	4m	4m	4m	N/A ...	N/A ...	N/A ...	8m	8m	8m.

TITLE II—FINANCIAL PROGRAMS

Subtitle A—General Business Loans (The 7(a) Program)

Sec. 201. Securitization

This provision requires the Administrator of the SBA to promulgate regulations concerning the sale or securitization of the non-guaranteed portion of 7(a) loans. The process is currently being conducted under an interim final rule. In the 104th Congress the Committee passed legislation directing SBA to draft a final regulation regarding this practice. This section requires the SBA to issue that final regulation no later than 90 days after the date of enactment of the bill.

It is the intent of this section to have the SBA move forward in establishing parity between the bank and non-bank lenders. There is some concern that the proposed final rule takes a step backwards. While the section does not prescribe the contents of the final regulation the Committee believes the regulation should allow for alternative forms of risk retention that would permit current securitization practice to remain available. These practices have been accepted by the market and the SBA under prior regulations and it is the Committee's desire that these methods, along with others, remain available to any lender as long as they comport with prudent management policy.

Sec. 202. Background checks

In August of 1996 the Inspector General of the SBA delivered a report to SBA management discussing the possibility that persons with criminal backgrounds were falsely certifying their backgrounds on SBA loan applications. The report found that approximately 12% of the defaulted loans studied were made to persons who lied about their criminal backgrounds. The Committee has

learned that the SBA's response to the Inspector General's report has been negligible.

Prior to 1987, background checks had been a regular procedure for SBA loans. However, in 1987 the Federal Bureau of Investigation required that fingerprints be supplied with all background checks. SBA management at the time found that requiring fingerprinting would be overly intrusive and therefore canceled the background check requirement.

Consequently, this section requires the SBA to conduct background "name" checks on all prospective 7(a) and 504 borrowers using the best available means possible, including the Federal Bureau of Investigation's National Crime Information Center (NCIC) computer system if it is available. While the Committee does not believe that the presence of a criminal record is an absolute bar to participation in the program, it does have grave concerns that persons convicted of fraud, embezzlement and similar crimes may have access to SBA loans. The Committee notes that the NCIC refuses to do "administrative" checks citing the restrictions in their charter. The Committee hopes that some similar or more effective means may be found to overcome this obstacle.

Section 203. Report on increased lender approval, servicing, foreclosure, liquidation and litigation of 7(a) loans

This section requires the SBA to report to the Committee regarding its efforts to turn over as much of the day to day financial functions of the loan programs to its private sector lending partners. This has become a major part of the Administration's budget submission since the passage of legislation requiring such actions in the 104th Congress. The Committee intends to hold the SBA to its promise of becoming a streamlined 21st century financial institution, and requires this report to monitor the SBA's progress towards that goal.

Section 204. Completion of planning for loan monitoring system

The SBA requested 18 million dollars in its 1998 budget submission for installation of a computerized financial tracking and loan monitoring system. While the Committee is pleased that the Administration wishes to upgrade its currently inadequate and inaccurate system, there is nevertheless grave concern over the SBA's ability to spend this money wisely. This concern is only heightened by the fact that the Office of Management and Budget has estimated a substantial reduction in the FY 1998 subsidy rate based on this purchase. Putting aside the question of how the purchase of system which could not reasonably be implemented prior to the middle of the fiscal year could operate to lower the FY 1998 subsidy rate, the SBA has an unfortunate history with the purchase of computer equipment and recent General Accounting Office findings have done nothing to dispel the concerns.

As a result, this section requires the SBA to submit a detailed report to the Committee and the General Accounting Office prior to the purchase of any new system. In this way, the Committee hopes, with the General Accounting Office's assistance, to provide SBA with some guidance and advice on this purchase.

Subtitle B—Certified Development Company Program

The Section 504 Certified Development company program is targeted primarily at business expansion and capital equipment enhancement. It is unique among loan programs due to its specific job creation requirement. Unfortunately, the 504 program has been subjected to an amazing 1200% percent increase in its credit subsidy rate. This forced the Committee to approve legislation, passed in the 104th Congress, imposing significant fees on the borrowers and lenders participating in the program.

The Committee continues to have grave concerns over SBA management of this program. The jump in subsidy cost is almost entirely due to the inability of the SBA to adequately pursue liquidations and by an incredibly poor record keeping system. The Committee remains perplexed by the SBA's inability to manage a portfolio of defaulted loans that numbers approximately 750 loans over a 12 year period.

Recent GAO and Committee investigation into SBA management of this program and its credit subsidy cost demonstrate continuing problems. The Committee has learned that the Office of Management and Budget will be reopening the calculation of the subsidy rate of the 504 program in order to correct for improper crediting of payments. With these lapses in mind, the Committee has moved in this subtitle to shift more responsibility to the Certified Development Company partners.

In particular, the Committee makes significant changes to the Premier Certified Lenders Program (PCLP). The Committee is particularly grateful for the efforts of the Ranking Minority Member, Mr. LaFalce for his assistance (This subtitle substantially mirrors the bill H.R. 1734 introduced by Mr. LaFalce this session). SBA continues to object to these changes, citing concern over the costs to the program. The Committee appreciates these concerns but believes that the SBA is too ready to assume the worst from the their private sector partners.

Sec. 221. Reauthorization of fees

This section extends the fees which reduce the 504 program subsidy rate to zero. The fees were put in place in 1996 and are set to expire in September. The bill expressly limits the fees charged to the amount necessary to keep the subsidy rate at zero. The Committee hopes that the SBA will keep it informed of the changes anticipated to the subsidy rate (due to the incorrect crediting of payments) and expects SBA to act promptly to reduce the fees when the subsidy rate drops.

Sec. 222. PCLP participation

This expands PCLP program participation beyond the original limit of fifteen Certified Development Companies (CDCs). The Committee believes that it is in the best interest of the 504 program to hold out PCLP participation as a goal for as many CDCs as possible. The Committee also believes that allowing more PLCP participants will significantly aid the SBA by reducing the demands on agency personnel.

Sec. 223. PCLP eligibility

This section modifies eligibility for the program by requiring that CDC applicants demonstrate their proficiency in closing and servicing loans over at least the past two years and responds to concerns that PCLP participants may not have requisite skills for managing their portfolios.

Sec. 224. Loss reserves

This section establishes the required loss reserves for the PCLP program participants. CDCs in the program will need a loss reserve of 10% of their loan exposure. The loss reserve may be in the form of either an irrevocable letter of credit or deposits in a federally insured financial institution. The section also requires the CDC to replenish its loan loss reserves within 30 days of any disbursements.

Sec. 225. Goals

This section defines the goal of the PCLP program as having all participating CDCs process at least half of their loans under the program. This goal is intended as a target only. CDCs should use prudent judgment in determining which applicants are appropriate for processing under the streamlined PCLP procedures, and should not allow this judgment to be affected by the goal.

*Sec. 226. Technical amendments**Sec. 227. Promulgation of regulations*

This section requires the SBA to promulgate new regulations within 90 days and to implement the provisions of this bill within 120 days.

*Sec. 228. Technical amendment**Sec. 229. Repeal**Sec. 230. Loan servicing and liquidation*

This section modifies the PCLP program to allow participating CDCs to foreclose and liquidate defaulted loans. The Committee finds that there is no reason for PCLP CDCs to be more limited in their ability to handle portfolio functions than their counterparts in the 7(a) program's Preferred Lender Program. The SBA has continued to object to the ability of CDCs to litigate defaulted loans claiming that CDCs are neither sufficiently experienced nor actual parties-in-interest in litigation. The Committee finds both of the assertions groundless. A PCLP CDC with its loan loss reserve at stake is certainly a party-in-interest in such litigation. Furthermore, SBA has a demonstrably poor record of handling such actions themselves, and are in fact, many times required to go through the United States Attorney's office in order to press litigation. This has resulted in serious delays which have only a negative effect on recoveries. Undoubtedly, the SBA believes it is saving money because their legal costs are not reflected in the loss rate, but the Committee finds that such savings are illusory at best.

Sec. 231. Use of proceeds

This section clarifies that loan proceeds are to be used by borrowers solely to assist a specific small business.

Sec. 232. Lease of property

Under current law a borrower cannot buy or build a property unless the borrower plans to use all of the property. This is a reflection of SBA policy against the use of loan proceeds for passive real estate investments. However, it ignores a growing trend in the partial lease of a property for an unrelated purpose, i.e. a Taco Bell Express at a gas station. This section would allow borrowers to lease out not more than 25% of a site, in order to take advantage of this practice. The Committee does not believe that this will result in a rash of loans designed solely to expand property based leasing. The existence of the job creation and other requirements will adequately prevent such misuse while granting borrowers greater flexibility.

Sec. 233. Seller financing and collateralization

Previous legislation is being interpreted to preclude sellers of property from providing financing of the 15–20% down payment required from the borrower/purchaser. Seller financing would provide the same safety to the SBA funding and should not be denied to 504 borrowers as a financing option. This section permits seller financing to provide the requisite down payment provided it is subordinated to the SBA's interest in the property.

The collateralization language in this provision states that SBA shall require collateral beyond the property being financed only on a case-by-case basis, if necessary to protect the taxpayer's interest. This language merely reinforces existing SBA practice, as laid out in its standard operating procedures.

Sec. 234. Preexisting conditions

This provision establishes a procedure conforming with the EPA's "brownfields" agenda. If a prospective borrower obtains a letter from a State or federal environmental agency stating that neither the borrower nor the CDC lender (and SBA) will be held liable for any preexisting environmental conditions on the subject property, then the SBA can no longer delay loan approval due to environmental concerns. This provision also requires the borrower to cooperate with all inspection and remediation efforts. The Committee takes this action in response to concerns expressed by borrowers and lenders who have been adversely affected by the current lack of a consistent SBA policy.

Subtitle C—Small Business Investment Company Program

This subtitle makes several minor changes to the SBIC program designed to provide SBICs with greater flexibility and better access to financial markets. In addition the bill contains provisions to improve operations at the Investment Division of the SBA.

Sec. 241. 5-year commitments

This section gives the Administrator the option of making five year leverage commitments to SBICs. This will allow SBA to provide leverage to SBICs based on their investment patterns, which normally allow for all investments to be made in the first five years of the SBIC's life cycle. This will both provide greater flexibility for the SBICs and reduce paperwork and related management efforts at the SBA.

*Sec. 242. Program reforms**(a) Tax distributions*

This provision permits SBICs to make quarterly distributions to its investors to meet the investor's tax obligations. Most SBICs are formed as partnerships and this change will cover situations where investors need to make quarterly tax payments to the federal government.

(b) Leverage fee

SBICs currently pay a three percent fee on the leverage they receive from the SBA. This section requires that one percent be paid at the time the SBA makes a commitment for this leverage and the remaining two percent is paid on the date when the leverage is drawn by the SBIC.

(c) Issuance of guarantees and trust certificates

This section provides that the SBA will pool and sell debentures to investors every six months, a change from the current practice of every three months. This will allow for larger pools, which should generate greater investor interest and lower interest rates for the program.

(d) Indexing for leverage

This section allows individual SBICs or multiple SBICs under common control to exceed the \$90 million cap on leverage if they agree to invest all leverage obtained above the cap in smaller small businesses (defined as less than \$2 million in revenue and less than \$6 million in net worth). The cap will be automatically adjusted upwards annually for inflation. The Committee finds that, as the program has matured, some expansion for larger, older SBICs is needed. However, the Committee does not wish to encourage unlimited growth above the current cap, hence the requirement for investment in smaller businesses, which is consistent with the program's original intent.

Sec. 243. Fees

This section permits the SBA to collect fees from SBIC applicants to offset expenses incurred in performing licensing functions. This will enable the Investment Division to defray its expenses and cover costs.

Sec. 244. Examination fees

Similar to the previous section this section permits SBA to collect fees from SBICs and use the proceeds to offset the cost of examinations.

Subtitle D—Microloan Program

This subtitle reauthorizes the microloan program, which is focused on lending in amounts below \$25,000. This program, combined with technical assistance and business counseling grants, is designed to aid the smallest of businesses, in particular start-ups and home-based businesses.

Sec. 251. Microloan program extension

This section has four purposes:

- (a) Raises the loan limit for microloan intermediaries from \$2.5 million to \$3.5 million;
- (b) Changes the loan loss reserve requirements for microloan intermediaries to fifteen (15) percent of their outstanding balance for the first five years. After that, the reserve will be either twice the intermediary's losses or ten (10) percent of their outstanding balance, whichever is greater;
- (c) Converts the direct microloan program from a demonstration program to a permanent program; and
- (d) Extends the guaranteed program three years.

The Committee notes that the SBA has barely begun implementation of the guaranteed microloan program and expresses its clear displeasure at the lackluster effort seen thus far. This program has the potential to provide the same services as the direct program, at a lower cost to the taxpayers.

Sec. 252. Supplemental microloan grants

This section authorizes the Small Business Administration and its microlending partners to provide supplemental technical assistance in the form of transportation or child care assistance. This assistance may only be provided through funds made available from agencies and will be subject to a memorandum of understanding established between the SBA and the agency providing the funds. The Committee believes that existing microloan technical assistance resources are too scarce to spread out further and believes funds for this effort can be found at other agencies.

The Committee also notes a concern expressed by Mr. Baldacci and Mr. Flake regarding the availability of transportation in economically depressed communities. In many rural areas and economically isolated inner city neighborhoods the lack of transportation is a major obstacle to people looking for work. The Committee encourages the SBA, and its microlending partners, to consider funding of for-profit and cooperative transportation businesses which will provide links between these communities and job opportunities. Such initiatives would not only encourage the development of new microbusinesses but also address a critical barrier faced by persons seeking better jobs or coming off of public assistance—lack of adequate transportation.

TITLE III—WOMEN'S BUSINESS ENTERPRISES

This title continues the Committee's efforts to expand upon and assist the contribution women entrepreneurs make to the national economy. The Women's Business Centers are the central part of the SBA's efforts to provide technical assistance, business education and support for women in business. This title extends and expands that program and strengthens the Office of Women's Business Ownership at the SBA.

Sec. 301. Reports

This section requires that the Interagency Committee's annual report be transmitted through the SBA. This clarifies the changes made by the Committee in 1994 that linked the council specifically to the SBA. The section also requires the report to contain information on the Interagency Committee's efforts to meet its statutory duties.

Sec. 302. Council duties

This section removes an inconsistency by requiring the Council to submit its reports through the Assistant Administrator for Women's Business Ownership. It also adds reporting requirements for the Council to the President and the Congress.

Sec. 303. Council membership

Created by the Women's Business Ownership Act of 1988, the Council serves as an advisory body to the Interagency Committee and the Congress to provide input from the private sector. This section expands the Council membership to 14 from 9 and revises the membership by increasing entrepreneurs from 2 to 4 and women's business organization members from 5 to 6.

Sec. 304. Authorization of appropriations

This section extends the authorization for the Women's Business Council through 2000 and increases the Council authorization level to \$600,000. The Committee has increased the authorization to provide for the ability of the Council to contract out for studies and other services.

Sec. 305. Women's business centers

This section increases the authorization of appropriations for Women's Business Centers to \$8,000,000 per year for three years. It also contains a prohibition on the use of these funds for other purposes. Recently, an increasing amount of current funds has been diverted to administrative expenses of the SBA, rather than going to directly assist Women's Business Centers and women entrepreneurs. The Committee restricts the use of such funds for administrative purposes to 10% of the authorized amount for 1998 and prohibits the practice thereafter.

The Committee also changes the funding structure for women's business centers in this section. Grantees receiving funds under this program will now be eligible for five years of funding rather than the current three and current grantees may apply for fourth

and fifth year funding. The funding formula has been changed as follows:

One non-federal dollar for each two federal dollars for years one and two rather than just the first year;

One non-federal dollar for each federal dollar in year three rather than in year two; and

Two non-federal dollars for each federal dollar in years four and five rather than year three which had been the last year.

This change provides increased funding for the centers and a less difficult transition from mostly federal to mostly non-federal funding.

Sec. 306. Office of Women's Business Ownership

This section establishes the position of Assistant Administrator for Women's Business Ownership and lays out the duties and responsibilities of that position. These duties include administering the Women's Business Center program; establishing budget priorities and estimating funding needs; selecting participants for the Women's Business Center program; auditing grantees and; serving as vice-chair of the Women's Business Council.

The Office of Women's Business Ownership was established by Executive Order in 1979 and made a permanent office in the SBA Reauthorization Act of 1994. The Committee feels it is necessary to establish the position of Assistant Administrator for Women's Business Ownership in order to reinforce our commitment and the SBA's commitment to these important programs.

TITLE IV—COMPETITIVENESS PROGRAM

Established by Title VII of Public Law 100-656, the "Business Opportunity Development Reform Act of 1988", the Small Business Competitiveness Demonstration Program was designed to show that small business could effectively compete without set-asides in certain designated industry groups. The four designated industry groups are: construction (other than dredging), architectural and engineering services; refuse systems and waste hauling; and non-nuclear ship repair. Under the program, contracts in these four groups are awarded under full and open competition, as long as small business participation is at least forty percent. To protect small business the use of set-asides would be reimposed if the levels dropped below forty percent.

At the same time the participating federal agencies were directed to refocus their efforts to increase small business participation in other areas of government contracting known as Targeted Industry Groups. The program has been successful as contract awards in the four designated industry groups remain at their previous high levels. There has been some reduction over the past four years, but the Committee believes this is due less to the suspension of set-asides and more to the prevalence of anti-competitive procurement practices by the agencies. Most notable is the practice of contract bundling, which the Office of Federal Procurement Policy freely admits has significantly reduced the procurement opportunities available to small businesses.

The Committee is also less than pleased with the efforts made to assist small businesses in the Targeted Industry Groups. Though

the SBA believes that the Competitiveness Program should be ended its position is based on faulty logic. They believe that set-asides can improve the lot of small businesses, but if the opportunities are diminished no amount of set-asides can have an impact. Additionally, the Committee notes that SBA would have a far better case if the use of set-asides had produced better results within the targeted groups. Consequently, the Committee feels justified in making this program permanent and expresses its desire for the SBA to redouble its efforts to fight contract bundling in the designated groups and to enforce set-asides in the targeted groups with more vigor than it has recently shown.

Sec. 401. Program term

The Small Business Competitiveness program was established as a pilot program designed to showcase small business competitiveness without the use of set-asides. The program allows contracts to be issued in four designated industry groups (construction, non-nuclear ship repair, waste hauling, and architecture/engineering) without small business set-asides as long as the small business participation in those areas is at least 40%. This figure was chosen as twice the amount of the small goal established by statute for government procurement. This section makes the Competitiveness program permanent.

Sec. 402. Monitoring agency performance

This section changes the reporting requirement from quarterly to annually, in order to reduce the burden on the agencies. The Committee also believes that the response on an annual basis will be more coherent if conducting in this fashion.

Sec. 403. Reports to Congress

This provision makes the reporting requirements permanent and changes reporting responsibility from the Office of Federal Procurement Policy to the SBA.

Sec. 404. Small business participation in dredging

Along with the Small Business Competitiveness Program the Congress created a similar program for the dredging industry. This program set gradually increasing goals for small business participation and procedures to increase small business contract opportunities. This is valuable to small business since dredging is a purely federal market dominated by a few large companies. In addition, studies conducted at the time of the original implementation pointed to the higher costs created by the prevalence of set-asides. Therefore, this section makes the small business dredging participation program permanent.

Sec. 405. Technical amendment

TITLE V—MISCELLANEOUS PROVISIONS

Sec. 501. Small business development centers

Small Business Development Centers operate over 900 centers and satellites in all fifty states. This section makes several changes to this very successful program. It allows Women's Business Cen-

ters to compete for SBDC contracts, providing a bridge between the two programs without subsuming one within the other. The section also changes the funding formula for the SBDC program to provide a higher basic level of funding. This change will result in a fairer allocation to SBDC's from smaller states such as Vermont and Alaska. To accompany this allocation, the Committee increases the anticipated program size for 1999 and 2000 to \$90 and \$95 million, respectively.

The section also clarifies the duties and responsibilities of SBDCs in training and counseling small businesses and prohibits charging fees for counseling. The Committee acts in order to clear up a long-standing dispute regarding the nature of the program. Although SBA requested that SBDCs charge fees, the Committee disagrees with this practice. Charging fees would place the assistance of SBDCs out of the reach of many fledgling small businesses, and simultaneously place SBDCs in direct competition with small companies providing a higher level of similar services, as consultants. The Committee believes that the current arrangement provides entrepreneurs with a much needed first step in seeking advice and counseling for building their small businesses.

Sec. 502. Small business export promotion

This section adds a new paragraph to the small business development center program to encourage the development and expansion of an international trade data network. This network will provide information on international trade opportunities for small businesses. Funding is authorized to the extent appropriated and will not come from appropriated for SBDC grants. The Committee hopes to foster efforts to engage the small business community in international trade and provide them an outlet for international trade information through an already existing nationwide network, the SBDCs.

Sec. 503. Pilot preferred surety bond guarantee program extension.

This section extends the Preferred Surety Bond program through the year 2000.

Sec. 504. Very small business program extension

This section extends the Very Small Business procurement program through the year 2000. Although not scheduled to expire until 1998, the Committee felt it prudent to extend the authorization at this juncture, particularly since the program has only just been implemented.

Sec. 505. Extension of Cosponsorship Authority

This section extends the SBA's ability to work with the assistance and cosponsorship of private entities on various projects. Notable examples are the joint work between SBA and Nationsbank on the Business Information Centers.

Sec. 506. Trade assistance program for small business concerns harmed by NAFTA

This section directs SBA to coordinate its programs and offer specific assistance to small businesses that may have been adversely affected by the North American Free Trade Agreement.

ADDITIONAL COMMITTEE VIEWS ON VETERAN'S PROGRAMS

While the Committee has made changes and improvements to various assistance programs in H.R. 2261, particularly the SBDC and Womens' Business Center programs we have not taken legislative action concerning the SBA's efforts to assist our Nation's veterans. This should not be construed as approval of the SBA's efforts. In fact, the Committee is increasingly concerned that the Office of Veterans' Affairs and the SBA as a whole may be their responsibility to those who have served their country honorably.

Given these concerns the Committee requests that the Administrator provide the Committee with a report concerning the SBA programs targeted at assisting veterans. The Committee would hope to receive the report by February 1998 and obtain the answers to the following questions:

What were the total amounts allocated to outreach for veterans for each year since 1992?

What funding level has been allocated for counseling and training for veterans at small business development centers since 1992?

How many veterans have received counseling and training from since 1992?

What quantity and dollar value of surety bonds were extended to veterans with SBA guarantees since 1992?

How much of each of the above amounts where applicable went to administrative support and overhead?

A number of studies indicate that while most veterans wishing to own their own businesses possess sufficient knowledge of their chosen field, many lack fundamental business skills. How many business counseling workshops has SBA conducted for veterans each year since 1992?

How many does it plan to hold in 1997 and 1998?

The Veterans Entrepreneurial Training program (VET) is designed to provide up to 12 months of comprehensive workshop instruction. How many veterans received training through this program each year over the past five years?

What funding level has the VET program received each year over the same period?

The Transition Assistance Program (TAP) is meant to provide business guidance for soon to be discharged military personnel. What has this program's funding level been over the past five years?

The Federal Procurement Opportunities program, according to SBA literature, is meant to provide business opportunities for veteran-owned businesses to sell products and services to the federal government. What funding has this program received over the past five years?

The Defense Loan and Technical Assistance (DELTA) program provides financial and technical assistance to defense dependent small businesses adversely affected by reductions in defense spending. How many loans and how much technical assistance has this program provided to veterans?

The Veterans' Prequalification Loan pilot program is meant to provide assistance for veterans in obtaining access to credit. How many loans have been made through this pilot and for what dollar amount?

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 5, 1997.

Hon. JAMES M. TALENT,
*Chairman, Committee on Small Business,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2261, the Small Business Programs Reauthorization and Amendments Acts of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Rachel Forward and Lisa Daley (for federal costs), and Marc Nicole (for the state and local impact).

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

H.R. 2261—Small Business Programs Reauthorization and Amendments Acts of 1997

Summary: H.R. 2261 would authorize appropriations for fiscal years 1998 through 2000 for the Small Business Administration (SBA) and would make a number of changes to SBA loan and small business development programs. Assuming appropriation of the necessary amounts, CBO estimates that enacting this legislation would result in new discretionary spending of about \$4.3 billion over the 1998–2002 period. Of this total, \$630 million is from amounts specifically authorized in the bill for SBA programs—primarily for administrative expenses. The remaining \$3.7 billion would be primarily for the subsidy costs of SBA loan programs.

CBO estimates that enacting H.R. 2261 also would result in an increase in direct spending of \$1 million in fiscal year 1998 and \$5 million over the 1998–2002 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) of 1995 and would not impose any costs on state, local, or tribal governments.

Description of the bill's major provisions: Title I would establish maximum levels for small business loans to be made by the SBA in 1998, 1999, and 2000. It also would authorize appropriations for the Service Corps of Retired Executives (SCORE), technical assistance grants to microloan recipients, and certain activities of the

Small Business Development Centers (SBDCs). Title I also would authorize such sums as may be necessary for the disaster loan program and for administrative expenses necessary to carry out the Small Business Act and the Small Business Investment Act.

Title II would modify several SBA guaranteed loan programs and would also the SBA to charge fees to certain borrowers. Title II also would require the SBA to conduct criminal background checks for each loan applicant. In addition, this title would convert the direct microloan program from a demonstration program to a permanent program and would extend the authorization for the microloan guarantee program through fiscal year 2000. (The microloan program provides technical assistance and loans ranging from \$100 to \$25,000 to very small businesses.)

Title III would authorize the appropriation of \$1.8 million over the 1998–2002 period for the operations of the National Women’s Business Council and for grants for research in procurement or finance issues related to women’s ownership of business. This title also would authorize the appropriation of \$8 million per year for grants to Women’s Business Centers.

Title IV would convert both the Small Business Competitive Demonstration Program and the Small Business Participation in Dredging Program from pilot programs to permanent ones.

Title V would make numerous changes to the SBDC program and would authorize the appropriation of \$460 million over the 1998–2002 period for that program. This title also would authorize the appropriation of \$1.5 million in each of fiscal year 1998 and 1999 for SBDCs to provide export promotion services to small businesses.

Estimated cost to the Federal Government: The estimated budgetary impact of implementing H.R. 2261 is shown in Table 1. Assuming the appropriation of the necessary amounts, additional outlays would total \$4.3 billion over the 1998–2002 period. Nearly all of that amount is for SBA spending that is subject to appropriation. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 450 (community and regional development).

Basis of estimate: For the purposes of this estimate, CBO assumes that H.R. 2261 will be enacted by the end of fiscal year 1997 and that both the amounts specifically authorized and those estimated to be necessary will be appropriated by the start of each fiscal year. Outlay estimates are based on historical spending rates for existing or similar programs.

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 2261

	By fiscal years in millions of dollars—					
	1997	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION ¹						
Spending Under Current Law:						
Budget Authority ²	873	0	0	0	0	0
Estimated Outlays	820	299	65	21	9	0
Proposed Changes:						
Specified Authorization Level	0	154	180	199	103	103
Estimated Authorization Level	0	1,182	1,224	1,278	1	1
Total Authorization Level	0	1,336	1,404	1,477	104	104

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 2261—Continued

	By fiscal years in millions of dollars—					
	1997	1998	1999	2000	2001	2002
Estimated Outlays	0	844	1,242	1,424	575	179
Spending Under The Bill:						
Authorization Level ²	873	1,336	1,404	1,477	104	104
Estimated Outlays	820	1,143	1,307	1,445	584	179
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1

¹ All but approximately \$2 million of the estimated amounts are for projected spending by the SBA.

² The 1997 level is the amount appropriated for that year.

Spending subject to appropriation

Most of the bill's budgetary effects would come from reauthorizing existing SBA programs (primarily for the subsidy costs of direct and guaranteed loans). The estimated amounts would be subject to appropriation action.

Loan Programs. H.R. 2261 would permit the SBA to (1) guarantee business loans totaling about \$16 billion in 1998, \$18 billion in 1999, and \$21 billion in 2000, (2) make direct loans totaling \$60 million in each of fiscal years 1998 through 2000, and (3) make an indefinite amount of disaster loans over the 1998–2000 period. Table 2 shows the loan levels authorized or estimated to be authorized by the bill for SBA's business and disaster loans as well as the estimated subsidy cost and administrative expenses for those loans.

The Federal Credit Reform Act of 1990 requires appropriation of the subsidy costs and administrative costs for operating credit programs. (The subsidy cost is the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs.) H.R. 2261 does not provide an explicit authorization for either the subsidy or administrative costs for the guaranteed, direct, or disaster loans.

Based on information from the SBA and on historical data for these loan programs, CBO estimates that the subsidy costs of guarantees for the authorized levels of business loans would be \$304 million in 1998, \$334 million in 1999, and \$375 million in 2000. We estimate that the subsidy costs of the direct business loans would be \$6 million for each of fiscal years 1998 through 2000. The estimated subsidy rates for business loans and guarantees range from 0.5 percent to 8.1 percent, but most are at 2 percent or less and the average for this estimate is 1.9 percent. The estimated subsidy rate for disaster loans is about 30 percent.

Based on recent administrative costs for the SBA's loan programs, CBO estimates that the administrative costs for the business loan programs would be about \$95 million in fiscal year 1998, \$97 million in fiscal year 1999, and \$100 million in fiscal year 2000. Included in the estimate of administrative expenses are \$1 million in fiscal year 1998 and \$500,000 in each of fiscal years 1999 and 2000 to cover SBA's costs to conduct a criminal background check for each loan applicant. The background checks would cost the SBA slightly more in fiscal year 1998 because the agency would need to purchase the computer necessary to conduct the queries.

TABLE 2.—SBA LOAN LEVELS, SUBSIDY COSTS, AND ADMINISTRATIVE COSTS

	By fiscal years, in millions of dollars—				
	1998	1999	2000	2001	2002
AUTHORIZED LOAN LEVELS					
Guaranteed and Direct Business Loan	16,200	17,950	20,650	0	0
Disaster Loans	1,543	1,543	1,543	0	0
LOAN SUBSIDY COSTS					
Guaranteed and Direct Business Loans:					
Estimated Authorization Level	310	340	381	0	0
Estimated Outlays	199	311	352	120	7
Disaster Loans:					
Estimated Authorization Level	459	459	459	0	0
Estimated Outlays	230	413	459	230	46
LOAN ADMINISTRATION COSTS					
Guaranteed and Direct Business Loans:					
Estimated Authorization Level	95	97	100	0	0
Estimated Outlays	95	97	100	0	0
Disaster Loans:					
Estimated Authorization Level	164	169	174	0	0
Estimated Outlays	164	169	174	0	0

Assuming that demand for SBA's disaster loans over the next three years will be at the average historical rate for the past six years, CBO projects that the SBA would make disaster loans totaling about \$1.5 billion in each fiscal year over the 1998–2000 period. CBO estimates that the subsidy costs of these loans would be \$459 million per year and that the administrative costs for the disaster loan program would be \$164 million in 1998, \$169 million in 1999, and \$174 million in 2000.

Surety Bonds. H.R. 2261 would authorize the SBA to guarantee up to \$2 billion in surety bonds for small businesses in each of the fiscal years 1998, 1999, and 2000. Such guarantees are not considered loan guarantees under the definition in the Federal Credit Reform Act of 1990, and annual appropriations are required only to cover the net cash losses to the program within a given year. Based on information from the SBA, CBO estimates that the authorized level of activity would result in outlays of \$4 million each year over the 1998–2000 period.

Other Programs. H.R. 2261 would provide specific authorizations of appropriations for SBDCs, SCORE, technical assistance grants to microloan recipients, and various women's business programs. CBO estimates that these programs would result in spending by the SBA of \$627 million over the next five years.

H.R. 2261 also would reauthorize the Small Business Competitive Demonstration Program and the Small Business Participation in Dredging Program. Both programs require federal agencies to establish contracting goals for small businesses in certain industries. CBO estimates that extending the Small Business Competitive Demonstration Program would cost the 10 participating agencies and the SBA about \$1 million a year to report and compile the required data, assuming appropriation of the necessary amounts. Based on information from the Army Corps of Engineers, CBO estimates that extending the Small Business Participation in Dredging Program would cost less than \$500,000 annually over the 1998–2000 period.

In addition, the bill would authorize such sums as may be necessary to cover the SBA's costs of carrying out the Small Business Act and the Small Business Investment Company Act. CBO estimates that the general administrative costs to carry out these acts would be \$149 million in fiscal year 1998, \$154 million in fiscal year 1999, and \$158 million in fiscal year 2000, assuming appropriation of the necessary amounts. (The estimate of general administrative costs excludes the program-specific administrative expenses for business and disaster loans.)

Direct spending

The bill would authorize the SBA to spend without further authorization the Small Business Investment Company (SBIC) examination fees currently collected by the agency but not available for spending unless authorized in advance in an appropriation act. Based on information from the SBA, CBO estimates that the agency would collect and spend about \$1 million annually in examination fees.

Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting the bill would increase direct spending by \$1 million a year because SBA would be able to spend SBIC examination fees without appropriation action.

Estimated impact on State, local, and tribal governments: H.R. 2261 contains no intergovernmental mandates as defined in UMRA, and would not impose any costs on state, local, or tribal governments. The bill would authorize an increase of \$5 million in fiscal year 1999 and \$10 million annually thereafter for the Small Business Development Center Program. The program is currently authorized at \$85 million in fiscal year 1998. The program provides grants to state and local governments, public and private institutions of higher education, and state-chartered development corporations to establish and operate small business development centers.

Estimated impact on the private sector: This bill would impose no new private-sector mandates as defined in UMRA.

Previous CBO estimate: On August 8, 1997, CBO prepared an estimate for S. 1139, the Small Business Reauthorization Act of 1997, as ordered reported by the Senate Committee on Small Business on June 16, 1997. CBO estimated that S. 1139 would result in new discretionary spending totaling at least \$4.4 billion over the 1998–2002 period, assuming appropriation of the necessary amounts. In comparison, CBO estimates that implementing H.R. 2261 would result in new discretionary spending of about \$4.3 billion over the 1998–2002 period.

UNFUNDED MANDATES ESTIMATE

Pursuant to the provisions of P.L. 104–4 (109 Stat. 48, et seq.), the Unfunded Mandates Reform Act of 1995, the Committee estimates that H.R. 2261 will not impose unfunded mandates as defined in that Act.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, Clauses 1, 3, and 18 of the Constitution of the United States.

OVERSIGHT FINDINGS

In accordance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee on Small Business states that no oversight findings or recommendations have been made by the Committee on Government Reform and Oversight with respect to the subject matter contained in H.R. 2261.

In accordance with clause 2(1)(3)(A) of rule XI 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. 2261 are incorporated into the descriptive portions of this report.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 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

* * * * *

SEC. 7. (a) * * *

[(1)] (1)(A) CREDIT ELSEWHERE.—

(B) BACKGROUND CHECKS.—Prior to the approval of any loan made pursuant to this subsection, or section 503 of the Small Business Investment Act, the Administrator shall verify the applicant's criminal background, or lack thereof, through the best available means, including, if possible, use of the National Crime Information Center computer system at the Federal Bureau of Investigation. No financial assistance shall be extended pursuant to this subsection if the applicant can obtain credit elsewhere. No immediate participation may be purchased unless it is shown that a deferred participation is not available; and no direct financing may be made unless it is shown that a participation is not available.

* * * * *

(m) MICROLOAN **[DEMONSTRATION]** PROGRAM.—

(1)(A) PURPOSES.—The purposes of the Microloan **[Demonstration]** Program are—

(i) to assist women, low-income, and minority entrepreneurs and business owners and other individuals possessing the capability to operate successful business concerns;

(ii) to assist small business concerns in those areas suffering from a lack of credit due to economic downturns; and

(iii) to establish a microloan **[demonstration]** program to be administered by the Small Business Administration—

(I) * * *

* * * * *

(B) ESTABLISHMENT.—There is established a microloan **[demonstration]** program, under which the Administration may—

(i) * * *

* * * * *

(3) LOANS TO INTERMEDIARIES.—

(A) * * *

* * * * *

(C) LOAN LIMITS.—Notwithstanding subsection (a)(3), no loan shall be made under this subsection if the total amount outstanding and committed to one intermediary (excluding outstanding grants) from the business loan and investment fund established by this Act would, as a result of such loan, exceed \$750,000 in the first year of such intermediary's participation in the program, and **[\$2,500,000]** \$3,500,000 in the remaining years of the intermediary's participation in the **[demonstration]** program.

(D) LOAN LOSS RESERVE FUND.—The Administration shall, by regulation, require each intermediary to establish a loan loss reserve fund, and to maintain such reserve fund until all obligations owed to the Administration under this subsection are repaid. The Administration shall require the loan loss reserve fund to be maintained—

[(i) in the first year of the intermediary's participation in the demonstration program, at a level equal to not more than 15 percent of the outstanding balance of the notes receivable owed to the intermediary; and

[(ii) in each year of participation thereafter, at a level reflecting the intermediary's total losses as a result of participation in the demonstration program, as determined by the Administration on a case-by-case basis, but in no case shall the required level exceed 15 percent of the outstanding balance of the notes receivable owed to the intermediary under the program.]

(i) during the initial 5 years of the intermediary's participation in the program under this subsection, at a level equal to not more than 15 percent of the outstanding balance of the notes receivable owed to the intermediary; and

(ii) in each year of participation thereafter, at a level equal to not more than the greater of—

(I) 2 times an amount reflecting the total losses of the intermediary as a result of participation in the program under this subsection, as determined by the Administrator on a case-by-case basis; or

(II) 10 percent of the outstanding balance of the notes receivable owed to the intermediary.

* * * * *

(4) MARKETING, MANAGEMENT AND TECHNICAL ASSISTANCE GRANTS TO INTERMEDIARIES.—Grants made in accordance with subparagraph (B)(ii) of paragraph (1) shall be subject to the following requirements:

(A) * * *

* * * * *

(F)(i) *The Administration may accept and disburse funds received from another Federal department or agency to provide additional assistance to individuals who are receiving assistance under the State program funded under part A of title IV of the Social Security Act (42 USC 601 et seq.), or under any comparable State-funded means-tested program of assistance for low-income individuals.*

(ii) *Grant proceeds are in addition to other grants provided by this subsection and shall not require the contribution of matching amounts to be eligible. The grants may be used to pay or reimburse a portion of child care and transportation costs of individuals described in clause (i) and for marketing, management and technical assistance.*

(iii) *Prior to accepting and distributing any such grants, the Administration shall enter a Memorandum of Understanding with the department or agency specifying the terms and conditions of the grants and providing appropriate monitoring of expenditures by the intermediary and ultimate grant recipient to insure compliance with the purpose of the grant.*

(iv) *On January 31, 1999, and annually thereafter, the Administration shall submit to the Committees on Small Business of the House of Representatives and the Senate a report on any monies distributed pursuant to the provisions of this paragraph.*

(v) *No funds are authorized to be provided to carry out the grant program authorized by this paragraph (F) except by transfer from another Federal department or agency to the Administration.*

* * * * *

(12) DEFERRED PARTICIPATION LOAN PILOT.—In lieu of making direct loans to intermediaries as authorized in paragraph (1)(B), [during fiscal years 1995 through 1997] during fiscal years 1998 through 2000, the Administration may, on a pilot program basis, participate on a deferred basis of not less than 90 percent and not more than 100 percent on loans made to intermediaries by a for-profit or nonprofit entity or by alliances of such entities, subject to the following conditions:

(A) * * *

* * * * *

SEC. 20. (a)(1) * * *

(2) Notwithstanding any other provision of law, the Administration shall enter into commitments for direct loans and to guarantee

loans, debentures, payment of rentals, or other amounts due under qualified contracts and other types of financial assistance and enter into commitments to purchase debentures and preferred securities and to guarantee sureties against loss pursuant to programs under this Act and the Small Business Investment Act of 1958, in the full amounts provided by law subject only to (A) the availability of qualified applications, and (B) limitations contained in appropriations Acts. Nothing in this paragraph authorizes the Administration to reduce or limit its authority to enter into such commitments. Subject to approval in appropriations Acts, amounts authorized for preferred securities, debentures or participating securities under title III of the Small Business Investment Act of 1958 may be obligated in one fiscal year and disbursed or guaranteed in **the following fiscal year** *any one or more of the 4 subsequent fiscal years.*

* * * * *

[(1)] The following program levels are authorized for fiscal year 1995:

[(1)] For the programs authorized by this Act, the Administration is authorized to make—

[(A)] \$45,000,000 in technical assistance grants as provided in section 7(m); and

[(B)] \$130,000,000 in direct and immediate participation loans, and of such sum, the Administration is authorized to make—

[(i)] not more than \$10,000,000 in loans, as provided in section 7(a)(10); and

[(ii)] not more than \$120,000,000 in loans, as provided in section 7(m).

[(2)] For the programs authorized by this Act, the Administration is authorized to make \$13,420,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

[(A)] \$9,150,000,000 in general business loans as provided in section 7(a);

[(B)] \$2,250,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958;

[(C)] \$2,000,000,000 in loans as provided in section 7(a)(21); and

[(D)] \$20,000,000 in loans as provided in section 7(m).

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

[(A)] \$23,000,000 in purchases of preferred securities;

[(B)] \$244,000,000 in guarantees of debentures, of which \$44,000,000 is authorized in guarantees of debentures from companies operating pursuant to section 301(d) of such Act; and

[(C)] \$400,000,000 in guarantees of participating securities.

[(4)] 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

\$1,800,000,000, of which not more than \$600,000,000 may be in bonds approved pursuant to the provisions of section 411(a)(3) of such Act.

[(5) The Administration is authorized to make grants or enter into cooperative agreements—

[(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$3,500,000;

[(B) for the Small Business Institute program authorized by section 8(b)(1), \$3,000,000; and

[(C) for activities of small business development centers pursuant to section 21(c)(3)(G), \$5,000,000, to remain available until expended.

[(m)(1) There are authorized to be appropriated to the Administration for fiscal year 1995 such sums as may be necessary to carry out the provisions of this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the provisions of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

[(2) Notwithstanding paragraph (1), for fiscal year 1995—

[(A) no funds are authorized to be provided to carry out 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 subsection (1)(2)(A) is fully funded; and

[(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.

[(n) The following program levels are authorized for fiscal year 1996:

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

[(A) \$65,000,000 in technical assistance grants as provided in section 7(m); and

[(B) \$191,000,000 in direct and immediate participation loans, and of such sum, the Administration is authorized to make—

[(i) \$11,000,000 in loans, as provided in section 7(a)(10); and

[(ii) \$180,000,000 in loans, as provided in section 7(m).

[(2) For the programs authorized by this Act, the Administration is authorized to make \$15,680,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

[(A) \$10,500,000,000 in general business loans as provided in section 7(a);

[(B) \$2,650,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958;

[(B) \$262,000,000 in direct and immediate participation loans, and of such sum, the Administration is authorized to make—

[(i) \$12,000,000 in loans, as provided in section 7(a)(10); and

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

[(2) For the programs authorized by this Act, the Administration is authorized to make \$19,390,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

[(A) \$13,100,000,000 in general business loans as provided in section 7(a);

[(B) \$3,250,000,000 in financings as provided in section 7(a)(13) and section 504 of the Small Business Investment Act of 1958;

[(C) \$3,000,000,000 in loans as provided in section 7(a)(21); and

[(D) \$40,000,000 in loans as provided in section 7(m).

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

[(A) \$25,000,000 in purchases of preferred securities;

[(B) \$300,000,000 in guarantees of debentures; and

[(C) \$900,000,000 in guarantees of participating securities.

[(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to the provisions of section 411(a)(3) of such Act.

[(5) The Administration is authorized to make grants or enter cooperative agreements—

[(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$3,900,000;

[(B) for the Small Business Institute program authorized by section 8(b)(1), \$3,400,000; and

[(C) for activities of small business development centers pursuant to section 21(c)(3)(G), not to exceed \$15,000,000, to remain available until expended.

[(q)(1) There are authorized to be appropriated to the Administration for fiscal year 1997 such sums as may be necessary to carry out the provisions of this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the provisions of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

[(2) Notwithstanding paragraph (1), for fiscal year 1997—

[(A) no funds are authorized to be provided to carry out 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 subsection (p)(2)(A) is fully funded; and

【(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.】

(l) *The following program levels are authorized for fiscal year 1998:*

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

(A) *\$40,000,000 in technical assistance grants, as provided in section 7(m); and*

(B) *\$60,000,000 in loans, as provided in section 7(m).*

(2) *For the programs authorized by this Act, the Administration is authorized to make \$15,040,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—*

(A) *\$11,000,000,000 in general business loans as provided in section 7(a);*

(B) *\$3,000,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;*

(C) *\$1,000,000,000 in loans as provided in section 7(a)(21); and*

(D) *\$40,000,000 in loans as provided in section 7(m).*

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

(A) *\$600,000,000 in purchases of participating securities; and*

(B) *\$500,000,000 in guarantees of debentures.*

(4) *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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.*

(5) *The Administration is authorized to make grants or enter into cooperative agreements—*

(A) *for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$4,000,000; and*

(B) *for activities of small business development centers pursuant to section 21(c)(3)(G), \$15,000,000, to remain available until expended.*

(m)(1) *There are authorized to be appropriated to the Administration for fiscal year 1998 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the Small Business Investment Act of 1958, including salaries and expenses of the Administration.*

(2) *Notwithstanding paragraph (1), for fiscal year 1998—*

(A) *no funds are authorized to be provided to carry out the loan program authorized by section 7(a)(21) except by transfer from another Federal department or agency to the Administra-*

tion, unless the program level authorized for general business loans under subsection (l)(2)(A) is fully funded; and

(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.

(n) The following program levels are authorized for fiscal year 1999:

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

(A) \$60,000,000 in technical assistance grants as provided in section 7(m); and

(B) \$60,000,000 in loans, as provided in section 7(m).

(2) For the programs authorized by this Act, the Administration is authorized to make \$16,540,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

(A) \$12,000,000,000 in general business loans as provided in section 7(a);

(B) \$3,500,000,000 in financings as provided in section 7(a)(13) of this Act and section 504 of the Small Business Investment Act of 1958;

(C) \$1,000,000,000 in loans as provided in section 7(a)(21); and

(D) \$40,000,000 in loans as provided in section 7(m).

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

(A) \$700,000,000 in purchases of participating securities; and

(B) \$650,000,000 in guarantees of debentures.

(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to section 411(a)(3) of that Act.

(5) The Administration is authorized to make grants or enter cooperative agreements—

(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$4,500,000; and

(B) for activities of small business development centers pursuant to section 21(c)(3)(G), not to exceed \$15,000,000, to remain available until expended.

(o)(1) There are authorized to be appropriated to the Administration for fiscal year 1999 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan capital for disaster loans pursuant to section 7(b), and to carry out the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

(2) Notwithstanding paragraph (1), for fiscal year 1999—

(A) no funds are authorized to be provided to carry out 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 subsection (n)(2)(A) is fully funded; and

(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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.

(p) The following program levels are authorized for fiscal year 2000:

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

(A) \$75,000,000 in technical assistance grants as provided in section 7(m); and

(B) \$60,000,000 in direct loans, as provided in section 7(m).

(2) For the programs authorized by this Act, the Administration is authorized to make \$19,040,000,000 in deferred participation loans and other financings. Of such sum, the Administration is authorized to make—

(A) \$13,500,000,000 in general business loans as provided in section 7(a);

(B) \$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;

(C) \$1,000,000,000 in loans as provided in section 7(a)(21); and

(D) \$40,000,000 in loans as provided in section 7(m).

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

(A) \$850,000,000 in purchases of participating securities; and

(B) \$700,000,000 in guarantees of debentures.

(4) 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 \$2,000,000,000, of which not more than \$650,000,000 may be in bonds approved pursuant to the provisions of section 411(a)(3) of that Act.

(5) The Administration is authorized to make grants or enter cooperative agreements—

(A) for the Service Corps of Retired Executives program authorized by section 8(b)(1), \$5,000,000; and

(B) for activities of small business development centers pursuant to section 21(c)(3)(G), not to exceed \$15,000,000, to remain available until expended.

(q)(1) There are authorized to be appropriated to the Administration for fiscal year 2000 such sums as may be necessary to carry out this Act, including administrative expenses and necessary loan cap-

ital for disaster loans pursuant to section 7(b), and to carry out the provisions of the Small Business Investment Act of 1958, including salaries and expenses of the Administration.

(2) *Notwithstanding paragraph (1), for fiscal year 2000—*

(A) no funds are authorized to be provided to carry out 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 subsection (p)(2)(A) is fully funded; and

(B) the Administration may not approve loans on behalf of the Administration or on behalf of any other 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) The Administration is authorized to make grants (including contracts and cooperative agreements) to any State government or any agency thereof, any regional entity, any State-chartered development, credit or finance corporation, *any women's business center operating pursuant to section 29*, any public or private institution of higher education, including but not limited to any land-grant college or university, any college or school of business, engineering, commerce, or agriculture, community college or junior college, or to any entity formed by two or more of the above entities (herein referred to as "applicants") to assist in establishing small business development centers and to any such labor for: small business oriented employment or natural resources development programs; studies, research, and counseling concerning the managing, financing, and operation of small business enterprises, management and technical assistance regarding small business participation in international markets, export promotion and technology transfer; delivery or distribution of such services and information; and providing access to business analysts who can refer small business concerns to available experts: *Provided*, That after December 31, 1990, the Administration shall not make a grant to any applicant other than an institution of higher education as a Small Business Development Center unless the applicant was receiving a grant (including a contract or cooperative agreement) on such date. The Administration shall require any applicant for a small business development center grant with performance commencing on or after January 1, 1992 to have its own budget and to primarily utilize institutions of higher education to provide services to the small business community. The term of such grants shall be made on a calendar year basis or to coincide with the Federal fiscal year.

* * * * *

(3) The Small Business Development Center Program shall be under the general management and oversight of the Administration, but with recognition that a partnership exists under this section between the Administration and the applicant for the delivery of assistance to the small business community. Service shall be provided pursuant to a negotiated cooperative

agreement with full participation of both parties.】 *for the delivery of programs and services to the Small Business community. Such programs and services shall be jointly developed, negotiated, and agreed upon, with full participation of both parties, pursuant to an executed cooperative agreement between the Small Business Development Center applicant and the Administration.*

(A) * * *

* * * * *

(C) *On an annual basis, the Small Business Development Center shall review and coordinate public and private partnerships and cosponsorships with the Administration for the purpose of more efficiently leveraging available resources on a National and a State basis.*

(4) SMALL BUSINESS DEVELOPMENT CENTER PROGRAM LEVEL.—

(A) * * *

* * * * *

(C) NATIONAL PROGRAM.—

【(i) IN GENERAL.—Except as provided in clause (ii), no State receiving funds under this section shall receive a grant that exceeds—

【(I) for fiscal year 1995, the sum of such State's pro rata share of a national program based upon the population of the State as compared to the total population in the United States, and \$125,000; or

【(II) in each succeeding fiscal year, the sum of such State's pro rata share of a national program based upon the population of the State as compared to the total population in the United States, and \$200,000.】

(i) IN GENERAL.—

(I) MAXIMUM AMOUNT.—*Except as provided in clause (ii), and subject to subclause (II) of this clause, the amount of a grant received by a State under this section shall not exceed greater of—*

(aa) \$500,000; and

(bb) *the State's pro rata share of a national program, based upon the population of the State as compared to the total population of the United States.*

(II) EXCEPTION.—*Subject to the availability of amounts made available in advance in an appropriations Act to carry out this section for any fiscal year in excess of amounts so provided for fiscal year 1997, the amount of a grant received by a State under this section shall not exceed the greater of \$500,000, and the sum of—*

(aa) *the State's pro rata share of a national program, based upon the population of the State as compared to the total population of the United States; and*

(bb) and \$300,000 in fiscal year 1998, \$400,000 in fiscal year 1999, and \$500,000 in each fiscal year thereafter.

* * * * *

(6) Any applicant which is funded by the Administration as a Small Business Development Center may apply for an additional grant to be used solely to assist—

(A) with the development and enhancement of exports by small business concerns; **[and]**

(B) in technology transfer**[,];** and

(C) *with outreach, development, and enhancement of minority-owned small business startups or expansions, veteran-owned small business startups or expansions, and women-owned small business startups or expansions, in communities impacted by base closings or military or corporate downsizing, or in rural or underserved communities;* as provided under subparagraphs (B) through (G) of subsection (c)(3). Applicants for such additional grants shall comply with all of the provisions of this section, including providing matching funds, except that funding under this paragraph shall be effective for any fiscal year to the extent provided in advance in appropriations Acts and shall be in addition to the dollar program limitations specified in paragraphs (4) and (5). No recipient of funds under this paragraph shall receive a grant which would exceed its pro rata share of a \$15,000,000 program based upon the populations to be served by the Small Business Development Center as compared to the total population of the United States. The minimum amount of eligibility for any State shall be \$100,000.

* * * * *

(c)(1) * * *

* * * * *

(3) Services provided by a small business development center shall include, but shall not be limited to—

(A) furnishing one-to-one individual counseling to small **[businesses;]** *businesses, including—*

(i) working with individuals to increase awareness of basic credit practices and credit requirements;

(ii) working with the Administration to develop and provide informational tools for use in working with individuals on pre-business startup planning, existing business expansion, business plans, financial packages, credit applications, contract proposals, and export planning; and

(iii) working with individuals referred by the local offices of the Administration and Administration participating lenders;

(B) assisting in technology transfer, research and development, including applied research, and coupling from existing sources to small businesses, including—

(i) working to increase the access of small businesses to the capabilities of automated flexible manufacturing systems;

(ii) working through existing networks and developing new networks for technology transfer that encourage partnership between the small business and academic communities to help commercialize university-based research and development and introduce university-based engineers and scientists to their counterparts in small technology-based firms; and

(iii) exploring the viability of developing shared production facilities, under appropriate circumstances;

(C) in cooperation with the Department of Commerce and other relevant Federal agencies, actively assisting small businesses in exporting by identifying and developing potential export markets, facilitating export transactions, developing linkages between United States small business firms and prescreened foreign buyers, assisting small businesses to participate in international trade shows, assisting small businesses in obtaining export financing, and facilitating the development or reorientation of marketing and production strategies; where appropriate, the Small Business Development Center *and the Administration* may work in cooperation with the State to establish a State international trade center for these purposes;

(D) developing a program in conjunction with the Export-Import Bank and local and regional Administration offices that will enable Small Business Development Centers to serve as an information network and to assist small business applicants for Export-Import Bank financing programs, and otherwise identify and help to make available export financing programs to small businesses;

(E) working closely with the small business community, small business consultants, State agencies, universities and other appropriate groups to make translation services more readily available to small business firms doing business, or attempting to develop business, in foreign markets;

(F) in providing assistance under this subsection, applicants shall cooperate with the Department of Commerce and other relevant Federal agencies to increase access to available export market information systems, including the CIMS system;

(G) assisting small businesses to develop and implement strategic business plans to timely and effectively respond to the planned closure (or reduction) of a Department of Defense facility within the community, or actual or projected reductions in such firms' business base due to the actual or projected termination (or reduction) of a Department of Defense program or a contract in support of such program—

(i) by developing broad economic assessments of the adverse impacts of—

(I) the closure (or reduction) of the Department of Defense facility on the small business concerns providing goods or services to such facility or to the military and civilian personnel currently stationed or working at such facility; and

(II) the termination (or reduction) of a Department of Defense program (or contracts under such program)

on the small business concerns participating in such program as a prime contractor, subcontractor or supplier at any tier;

(ii) by developing, in conjunction with appropriate Federal, State, and local governmental entities and other private sector organizations, the parameters of a transition adjustment program adaptable to the needs of individual small business concerns;

(iii) by conducting appropriate programs to inform the affected small business community regarding the anticipated adverse impacts identified under clause (i) and the economic adjustment assistance available to such firms; and

(iv) by assisting small business concerns to develop and implement an individualized transition business plan.

* * * * *

(M) in cooperation with the Department of Commerce, the Administration and other relevant Federal agencies, actively assisting rural small businesses in exporting by identifying and developing potential export markets for rural small businesses, facilitating export transactions for rural small businesses, developing linkages between United States' rural small businesses and prescreened foreign buyers, assisting rural small businesses to participate in international trade shows, assisting rural small businesses in obtaining export financing and developing marketing and production strategies;

(N) assisting rural small businesses—

(i) in developing marketing and production strategies that will enable them to better compete in the domestic market—

(ii) by providing technical assistance needed by rural small businesses;

(iii) by making available managerial assistance to rural small business concerns; and

(iv) by providing information and assistance in obtaining financing for business startups and expansion;

(O) in conjunction with the United States Travel and Tourism Administration, assist rural small business in developing the tourism potential of rural communities by—

(i) identifying the cultural, historic, recreational, and scenic resources of such communities;

(ii) providing assistance to small businesses in developing tourism marketing and promotion plans relating to tourism in rural areas; and

(iii) assisting small business concerns to obtain capital for starting or expanding businesses primarily serving tourists;

* * * * *

(Q) providing information to small business concerns regarding compliance with regulatory requirements; **[and]**

(R) developing informational publications, establishing resource centers of reference materials, and distributing compli-

ance guides published under section 312(a) of the Small Business Regulatory Enforcement Fairness Act of 1996~~]; and~~

(S) providing small business owners with access to a wide variety of export-related information by establishing on-line computer linkages between small business development centers and an international trade data information network with ties to the Export Assistance Center program.

[A small]

(4) A small business development center shall continue to upgrade and modify its services, as needed, in order to meet the changing and evolving needs of the small business community.

[(4)] *(5) In addition to the methods prescribed in section 21(c)(2), a small business development center shall utilize and compensate as one of its resources qualified small business vendors, including but not limited to, private management consultants, private consulting engineers and private testing laboratories, to provide services as described in this subsection to small businesses on behalf of such small business development center.*

[(5)] *(6) In any State (A) in which the Administration has not made a grant pursuant to paragraph (1) of subsection (a), or (B) in which no application for a grant has been made by a Small Business Development Center pursuant to paragraph (6) of such subsection within 60 days after the effective date of any grant under [paragraph] subsection (a)(1) to such center or the date the Administration notifies the grantee funded under subsection (a)(1) that funds are available for grant applications pursuant to subsection (a)(6), [which ever] whichever date occurs [last,,] last, the Administration may make grants to a non-profit entity in that State to carry out the activities specified in paragraph (6) of subsection (a). Any such applicants shall comply with the matching funds requirement of paragraph (4) of subsection (a). Such grants shall be effective for any fiscal year only to the extent provided in advance in appropriations Acts, and each State shall be limited to the pro rata share provisions of paragraph (6) of subsection (a).*

[(6)] *(7) In performing the services identified in paragraph (3), the Small Business Development Centers shall work in close cooperation with the Administration's regional and local offices, the local small business community, and appropriate State and local agencies.*

[(7)] *(8) The Associate Administrator for Small Business Development Centers, in consultation with the Small Business Development Centers, shall develop and implement an information sharing system. Subject to amounts approved in advance in appropriations Acts, the Administration may make grants or enter cooperative agreements with one or more centers to carry out the provisions of this paragraph. Said grants or cooperative agreements shall be awarded for periods of no more than five years duration. The matching funds provisions of subsection (a) shall not be applicable to grants or cooperative agreements under this paragraph. The system shall—*

*(A) * * **

** * * * **

(1) CONTRACT AUTHORITY.—The authority to enter into contracts shall be in effect for each fiscal year only to the extent and in the

amounts as are provided in advance in appropriations Acts. After the administration has entered a contract, either as a grant or a cooperative agreement, with any applicant under this section, it shall not suspend, terminate, or fail to renew or extend any such contract unless the Administration provides the applicant with written notification setting forth the reasons therefore and affording the applicant an opportunity for a hearing, appeal, or other administrative proceeding under the provisions of chapter 5 of title 5, United States Code. *If any contract under this section is not renewed or extended, award of the succeeding contract shall be made on a competitive basis.*

(m) PROHIBITION ON CERTAIN FEES.—A small business development center shall not impose or otherwise collect a fee or other compensation in connection with the provision of counseling services under this section.

* * * * *

【SEC. 29. (a) The Administration may provide financial assistance to private organizations to conduct 3-year demonstration projects for the benefit of small business concerns owned and controlled by women. The projects shall provide—

【(1) financial assistance, including training and counseling in how to apply for and secure business credit and investment capital, preparing and presenting financial statements, and managing cash flow and other financial operations of a business concern;

【(2) management assistance, including training and counseling in how to plan, organize, staff, direct, and control each major activity and function of a small business concern; and

【(3) marketing assistance, including training and counseling in identifying and segmenting domestic and international market opportunities, preparing and executing marketing plans, developing pricing strategies, locating contract opportunities, negotiating contracts, and utilizing varying public relations and advertising techniques.

【(b)(1) As a condition of receiving financial assistance authorized by this section, the recipient organization shall agree to obtain, after its application has been approved and notice of award has been issued, cash contributions from non-Federal sources as follows:

【(A) If the project first receives its Federal financial assistance prior to fiscal year 1993, an annual amount that is not less than the amount of the Federal financial assistance provided each year.

【(B) If the project first receives Federal financial assistance in fiscal year 1993, or thereafter, annual amounts equal to—

【(i) in the first year, 1 non-Federal dollar for each 2 Federal dollars;

【(ii) in the second year, 1 non-Federal dollar for each Federal dollar; and

【(iii) in the third and final year, 2 non-Federal dollars for each Federal dollar.

【(2) Up to one-half of the non-Federal matching assistance may be in the form of in-kind contributions which are budget line items only, including but not limited to office equipment and office space.

[(3) The financial assistance authorized pursuant to this section may be made by grant, contract, or cooperative agreement and may contain such provision, as necessary, to provide for payments in lump sum or installments, and in advance or by way of reimbursement. The Administration may disburse up to 25 percent of each year's Federal share awarded to a recipient organization after notice of the award has been issued and before the non-Federal matching funds are obtained.

[(4) If any recipient of assistance under this section fails to obtain the required non-Federal contribution during any year of any project, it shall not be eligible thereafter for advance disbursements under paragraph (3) during the remainder of that project, or for any other project for which it is or may be funded. In addition, prior to approving assistance to such organization for any other projects, the Administration shall specifically determine whether the Administration believes that the recipient will be able to obtain the requisite non-Federal funding and enter a written finding setting forth the reasons for making such determination.

[(c) Each applicant for assistance under this section initially shall submit a 3-year plan on proposed fundraising and training activities, and may receive financial assistance under this section for a maximum of 3 years per site. The Administration shall evaluate and rank applicants in accordance with predetermined selection criteria that shall be stated in terms of relative importance. Such criteria and their relative importance shall be made publicly available and stated in each solicitation for applications made by the Administration. The criteria shall include—

[(1) the experience of the applicant in conducting programs or on-going efforts designed to impart or upgrade the business skills of women business owners or potential owners;

[(2) the present ability of the applicant to commence a demonstration project within a minimum amount of time; and

[(3) the ability of the applicant to provide training and services to a representative number of women who are both socially and economically disadvantaged.

[(d) For purposes of this section, the term "small business concern" means a small business concern, either start-up or existing, owned and controlled by women, and—

[(1) which is at least 51 percent owned by 1 or more women; and

[(2) the management and daily business operations of which are controlled by 1 or more women.

[(e) There are authorized to be appropriated \$4,000,000 for each fiscal year to carry out the demonstration projects authorized by this section. Notwithstanding any other provision of law, the Administration may use such expedited acquisition methods as it deems appropriate to achieve the purposes of this section, except that it shall ensure that all eligible sources are provided a reasonable opportunity to submit proposals.

[(f) The Administration shall prepare and transmit an annual report, beginning February 1, 1992, to the Committees on Small Business of the Senate and House of Representatives on the effectiveness of all demonstration projects conducted under the author-

ity of this section. Such report shall provide information concerning—

- [(1) the number of individuals receiving assistance;
- [(2) the number of start-up business concerns formed;
- [(3) the gross receipts of assisted concerns;
- [(4) increases or decreases in profits of assisted concerns;
- and
- [(5) the employment increases or decreases of assisted concerns.

[(g) The Administration shall not provide financial assistance under this section to any new project after October 1, 1997, except that it may fund projects which commenced prior thereto.

[(h) OFFICE OF WOMEN'S BUSINESS OWNERSHIP.—There is hereby established within the Administration an Office of Women's Business Ownership, which shall be responsible for the administration of the Administration's programs for the development of women's business enterprises, as such term is defined in section 408 of the Women's Business Ownership Act of 1988. The Office of Women's Business Ownership shall be administered by an Assistant Administrator, who shall be appointed by the Administrator.]

SEC. 29. WOMEN'S BUSINESS CENTERS.

(a) *DEFINITION.*—For the purposes of this section the term “small business concern owned and controlled by women”, either startup or existing, includes any small business concern—

- (1) that is not less than 51 percent owned by one or more women; and
- (2) the management and daily business operations of which are controlled by one or more women.

(b) *AUTHORITY.*—The Administration may provide financial assistance to private organizations to conduct 5-year projects for the benefit of small business concerns owned and controlled by women. The projects shall provide—

- (1) financial assistance, including training and counseling in how to apply for and secure business credit and investment capital, preparing and presenting financial statements, and managing cash flow and other financial operations of a business concern;
- (2) management assistance, including training and counseling in how to plan, organize, staff, direct, and control each major activity and function of a small business concern; and
- (3) marketing assistance, including training and counseling in identifying and segmenting domestic and international market opportunities, preparing and executing marketing plans, developing pricing strategies, locating contract opportunities, negotiating contracts, and utilizing varying public relations and advertising techniques.

(c) *CONDITIONS OF PARTICIPATION.*—

(1) *NON-FEDERAL CONTRIBUTIONS.*—As a condition of receiving financial assistance authorized by this section, the recipient organization shall agree to obtain, after its application has been approved and notice of award has been issued, cash contributions from non-Federal sources as follows:

- (A) In the first and second years, 1 non-Federal dollar for each 2 Federal dollars.

(B) *In the third year, 1 non-Federal dollar for each Federal dollar.*

(C) *In the fourth and fifth years, 2 non-Federal dollars for each Federal dollar.*

(2) *FORM OF NON-FEDERAL CONTRIBUTIONS.—Not more than one-half of the non-Federal sector matching assistance may be in the form of in-kind contributions which are budget line items only, including but not limited to office equipment and office space.*

(3) *FORM OF FEDERAL CONTRIBUTIONS.—The financial assistance authorized pursuant to this section may be made by grant, contract, or cooperative agreement and may contain such provision, as necessary, to provide for payments in lump sum or installments, and in advance or by way of reimbursement. The Administration may disburse up to 25 percent of each year's Federal share awarded to a recipient organization after notice of the award has been issued and before the non-Federal sector matching funds are obtained.*

(4) *FAILURE TO OBTAIN PRIVATE FUNDING.—If any recipient of assistance fails to obtain the required non-Federal contribution during any project, it shall not be eligible thereafter for advance disbursements pursuant to paragraph (3) during the remainder of that project, or for any other project for which it is or may be funded by the Administration, and prior to approving assistance to such organization for any other projects, the Administration shall specifically determine whether the Administration believes that the recipient will be able to obtain the requisite non-Federal funding and enter a written finding setting forth the reasons for making such determination.*

(d) *CONTRACT AUTHORITY.—A women's business center may enter into a contract with a Federal department or agency to provide specific assistance to women and other underserved small business concerns. Performance of such contract should not hinder the women's business centers in carrying out the terms of the grant received by the women's business centers from the Administration.*

(e) *SUBMISSION OF 5-YEAR PLAN.—Each applicant organization initially shall submit a 5-year plan to the Administration on proposed fundraising and training activities, and a recipient organization may receive financial assistance under this program for a maximum of 5 years per women's business center.*

(f) *CRITERIA.—The Administration shall evaluate and rank applicants in accordance with predetermined selection criteria that shall be stated in terms of relative importance. Such criteria and their relative importance shall be made publicly available and stated in each solicitation for applications made by the Administration. The criteria shall include—*

(1) *the experience of the applicant in conducting programs or ongoing efforts designed to impart or upgrade the business skills of women business owners or potential owners;*

(2) *the present ability of the applicant to commence a project within a minimum amount of time;*

(3) *the ability of the applicant to provide training and services to a representative number of women who are both socially and economically disadvantaged; and*

(4) the location for the women's business center site proposed by the applicant.

(g) *OFFICE OF WOMEN'S BUSINESS OWNERSHIP.*—There is established within the Administration an Office of Women's Business Ownership, which shall be responsible for the administration of the Administration's programs for the development of women's business enterprises (as that term is defined in section 408 of the Women's Business Ownership Act of 1988). The Office of Women's Business Ownership shall be administered by an Assistant Administrator, who shall be appointed by the Administrator.

(h) *REPORT.*—The Administrator shall prepare and submit an annual report to the Committees on Small Business of the House of Representatives and the Senate on the effectiveness of all projects conducted under the authority of this section. Such report shall provide information concerning—

- (1) the number of individuals receiving assistance;
- (2) the number of startup business concerns formed;
- (3) the gross receipts of assisted concerns;
- (4) increases or decreases in profits of assisted concerns; and
- (5) the employment increases or decreases of assisted concerns.

(i) *AUTHORIZATION OF APPROPRIATIONS.*—There are authorized to be appropriated \$8,000,000 per year to carry out the projects authorized by this section of which for fiscal year 1998 not more than 10 percent may be used for administrative expenses related to the program. Amounts appropriated pursuant to this subsection for fiscal year 1999 and later are to be used exclusively for grant awards and not for costs incurred by the Administration for the management and administration of the program. Notwithstanding any other provision of law, the Administration may use such expedited acquisition methods as it deems appropriate, through the Assistant Administrator of the Office of Women's Business Ownership, to achieve the purposes of this section, except that the Administration shall ensure that all small business sources are provided a reasonable opportunity to submit proposals.

(j) *ASSISTANT ADMINISTRATOR FOR THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP.*—

(1) *ESTABLISHMENT.*—There is established the position of Assistant Administrator for the Office of Women's Business Ownership (hereafter in this section referred to as the "Assistant Administrator") who shall serve without regard to the provisions of title 5, United States Code, governing appointments in the competitive service.

(2) *RESPONSIBILITIES AND DUTIES.*—

(A) *RESPONSIBILITIES.*—The responsibilities of the Assistant Administrator shall be to administer the programs and services of the Office of Women's Business Ownership established to assist women entrepreneurs in the areas of—

- (i) starting and operating a small business;
- (ii) development of management and technical skills;
- (iii) seeking Federal procurement opportunities; and
- (iv) increasing the opportunity for access to capital.

(B) *DUTIES.*—Duties of the position of the Assistant Administrator shall include—

- (i) administering and managing the Women's Business Centers program;
- (ii) recommending the annual administrative and program budgets for the Office of Women's Business Ownership (including the budget for the Women's Business Centers);
- (iii) establishing appropriate funding levels therefore;
- (iv) reviewing the annual budgets submitted by each applicant for the Women's Business Center program;
- (v) selecting applicants to participate in this program;
- (vi) implementing this section;
- (vii) maintaining a clearinghouse to provide for the dissemination and exchange of information between Women's Business Centers;
- (viii) serving as the vice chairperson of the Inter-agency Committee on Women's Business Enterprise;
- (ix) serving as liaison for the National Women's Business Council; and
- (x) advising the Administrator on appointments to the Women's Business Council.

(3) **CONSULTATION REQUIREMENTS.**—In carrying out the responsibilities and duties described in this subsection, the Assistant Administrator shall confer with and seek the advice of the Administration officials in areas served by the Women's Business Centers.

(k) **PROGRAM EXAMINATION.**—

(1) **IN GENERAL.**—Not later than 180 days after the date of enactment of this subsection, the Administration shall develop and implement an annual programmatic and financial examination of each Women's Business Center established pursuant to this section.

(2) **EXTENSION OF CONTRACTS.**—In extending or renewing a contract with a Women's Business Center, the Administration shall consider the results of the examination conducted pursuant to paragraph (1).

(l) **CONTRACT AUTHORITY.**—The authority of the Administration to enter into contracts shall be in effect for each fiscal year only to the extent and in the amounts as are provided in advance in appropriations Acts. After the Administration has entered a contract, either as a grant or a cooperative agreement, with any applicant under this section, it shall not suspend, terminate, or fail to renew or extend any such contract unless the Administration provides the applicant with written notification setting forth the reasons therefore and affording the applicant an opportunity for a hearing, appeal, or other administrative proceeding under chapter 5 of title 5, United States Code.

* * * * *

SMALL BUSINESS INVESTMENT ACT OF 1958

* * * * *

TITLE III—SMALL BUSINESS INVESTMENT COMPANIES

ORGANIZATION OF SMALL BUSINESS INVESTMENT COMPANIES

SEC. 301. (a) * * *

* * * * *

(d) FEES.—

(1) *IN GENERAL.*—*The Administration may prescribe fees to be paid by each applicant for a license to operate as a small business investment company under this Act.*

(2) *USE OF AMOUNTS.*—*Amounts collected pursuant to this subsection shall be—*

(A) deposited in the account for salaries and expenses of the Administration; and

(B) available without further appropriation solely to cover contracting and other administrative costs related to licensing.

* * * * *

BORROWING POWER

SEC. 303. (a) * * *

(b) To encourage the formation and growth of small business investment companies the Administration is authorized when authorized in appropriation Acts, to purchase, or to guarantee the timely payment of all principal and interest as scheduled on, debentures or participating securities issued by such companies. Such purchases or guarantees may be made by the Administration on such terms and conditions as it deems appropriate, pursuant to regulations issued by the Administration. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guarantee under this subsection. Debentures purchased or guaranteed by the Administration under this subsection shall be subordinate to any other debenture bonds, promissory notes, or other debts and obligations of such companies, unless the Administration in its exercise of reasonable investment prudence and in considering the financial soundness of such company determines otherwise. Such debentures may be issued for a term of not to exceed fifteen years and shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities on such debentures, adjusted to the nearest one-eighth of 1 per centum, plus an additional charge of 1 percent per annum which shall be paid to and retained by the Administration. The debentures or participating securities shall also contain such other terms as the Administration may fix, and shall be subject to the following restrictions and limitations:

(1) * * *

(2) After March 31, 1993, the maximum amount of outstanding leverage made available to a company licensed under section 301(c) of this Act shall be determined by the amount of such company's private capital—

(A) * * *

* * * * *

(D)(i) The dollar amounts in subparagraphs (A), (B), and (C) shall be adjusted annually to reflect increases in the Consumer Price Index established by the Bureau of Labor Statistics of the Department of Labor.

(ii) The initial adjustments made under this subparagraph after the date of enactment of the Small Business Reauthorization Act of 1997 shall reflect only increases from March 31, 1993.

* * * * *

[(4) In no event shall the aggregate amount of outstanding leverage of any such company or companies which are commonly controlled as determined by the Administration exceed \$90,000,000, unless the Administration determines on a case by case basis to permit a higher amount for companies under common control and imposes such additional terms and conditions as it determines appropriate to minimize the risk of loss to the Administration in the event of default.]

(4) MAXIMUM AGGREGATE AMOUNT OF LEVERAGE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the aggregate amount of outstanding leverage issued to any company or companies that are commonly controlled (as determined by the Administrator) may not exceed \$90,000,000, as adjusted annually for increases in the Consumer Price Index.

(B) EXCEPTIONS.—The Administrator may, on a case-by-case basis—

(i) approve an amount of leverage that exceeds the amount described in subparagraph (A) for companies under common control; and

(ii) impose such additional terms and conditions as the Administrator determines to be appropriate to minimize the risk of loss to the Administration in the event of default.

(C) APPLICABILITY OF OTHER PROVISIONS.—Any leverage that is issued to a company or companies commonly controlled in an amount that exceeds \$90,000,000, whether as a result of an increase in the Consumer Price Index or a decision of the Administrator, is subject to subsection (d).

* * * * *

[(d) REQUIREMENT TO FINANCE SMALLER ENTERPRISES.—The Administrator shall require each licensee, as a condition of approval of an application for leverage, to certify in writing that not less than 20 percent of the aggregate dollar amount of the financings of the licensee will be provided to smaller enterprises.]

(d) REQUIRED CERTIFICATIONS.—

(1) IN GENERAL.—The Administrator shall require each licensee, as a condition of approval of an application for leverage, to certify in writing—

(A) for licensees with leverage less than or equal to \$90,000,000, that not less than 20 percent of the licensee's

aggregate dollar amount of financings will be provided to smaller enterprises; and

(B) for licensees with leverage in excess of \$90,000,000, that, in addition to satisfying the requirements of subparagraph (A), 100 percent of the licensee's aggregate dollar amount of financings made in whole or in part with leverage in excess of \$90,000,000 will be provided to smaller enterprises as defined in section 103(12).

(2) MULTIPLE LICENSEES.—Multiple licensees under common control (as determined by the Administrator) shall be considered to be a single licensee for purposes of determining both the applicability of and compliance with the investment percentage requirements of this subsection.

* * * * *

(g) In order to encourage small business investment companies to provide equity capital to small businesses, the Administration is authorized to guarantee the payment of the redemption price and prioritized payments on participating securities issued by such companies which are licensed pursuant to section 301(c) of this Act, and a trust or a pool acting on behalf of the Administration is authorized to purchase such securities. Such guarantees and purchases shall be made on such terms and conditions as the Administration shall establish by regulation. For purposes of this section, (A) the term "participating securities" includes preferred stock, a preferred limited partnership interest or a similar instrument, including debentures under the terms of which interest is payable only to the extent of earnings and (B) the term "prioritized payments" includes dividends on stock, interest on qualifying debentures, or priority returns on preferred limited partnership interests which are paid only to the extent of earnings. Participating securities guaranteed under this subsection shall be subject to the following restrictions and limitations, in addition to such other restrictions and limitations as the Administration may determine:

(1) * * *

* * * * *

(8) Notwithstanding paragraph (9), if a company is operating as a limited partnership or as a subchapter s corporation or an equivalent pass-through entity for tax purposes and if there are no accumulated and unpaid prioritized payments, the company may, *for each calendar quarter or once annually, as the company may elect*, make annual distributions to the partners, shareholders, or members in amounts not greater than each partner's, shareholder's, or member's maximum tax liability. For purposes of this paragraph, the term "maximum tax liability" means the amount of income allocated to each partner, shareholder, or member (including an allocation to the Administration as if it were a taxpayer) for Federal income tax purposes in the income tax return filed or to be filed by the company with respect to the fiscal year of the company immediately preceding such distribution, multiplied by the highest combined marginal Federal and State income tax rates for corporations or individuals, whichever is higher, on each type of income included in such return. For purposes of this para-

graph, the term "State income tax" means the income tax of the State where the company's principal place of business is located for the preceding quarter or year.

* * * * *

(i) LEVERAGE FEE.—With respect to leverage granted by the Administration to a licensee, the Administration shall collect from the licensee a nonrefundable fee in an amount equal to 3 percent of the face amount of leverage granted to the licensee[, payable upon the earlier of the date of entry into any commitment for such leverage or the date on which the leverage is drawn by the licensee] in the following manner: 1 percent upon the date on which the Administration enters into any commitment for such leverage with the licensee, and the balance of 2 percent (or 3 percent in which case in which no commitment has been entered into by the Administration) on the date on which the leverage is drawn by the licensee.

* * * * *

EXAMINATIONS AND INVESTIGATIONS

SEC. 310. (a) * * *

(b) Each small business investment company shall be subject to examinations made by direction of the Investment Division of the Administration, which may be conducted with the assistance of a private sector entity that has both the qualifications to conduct and expertise in conducting such examinations, and the cost of such examinations, including the compensation of the examiners, may in the discretion of the Administration be assessed against the company examined and when so assessed shall be paid by such company. Fees collected under this subsection shall be deposited in the account for salaries and expenses of the Administration, and shall be available without further appropriation solely to cover the costs of examinations and other program oversight activities. Every such company shall make such reports to the Administration at such times and in such form as the Administration may require; except that the Administration is authorized to exempt from making such reports any such company which is registered under the Investment Company Act of 1940 to the extent necessary to avoid duplication in reporting requirements.

* * * * *

PERIODIC ISSUANCE OF GUARANTEES AND TRUST CERTIFICATES

SEC. 320. The Administration shall issue guarantees under section 303 and trust certificates under section 319 at periodic intervals of not less than every [three months] 6 months and shall do so at such shorter intervals as its deems appropriate, taking into consideration the amount and number of such guarantees or trust certificates.

* * * * *

TITLE V—LOANS TO STATE AND LOCAL DEVELOPMENT COMPANIES

* * * * *

LOANS FOR PLANT ACQUISITION, CONSTRUCTION, CONVERSION, AND EXPANSION

SEC. 502. The Administration may, in addition to its authority under section 501, make loans for plant acquisition, construction, conversion or expansion, including the acquisition of land, to State and local development companies, and such loans may be made or effected either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred basis: *Provided, however,* That the foregoing powers shall be subject to the following restrictions and limitations:

[(1) The proceeds of any such loan shall be used solely by such borrower to assist an identifiable small-business concern and for a sound business purpose approved by the Administration.]

(1) The proceeds of any such loan shall be used solely by such borrower or borrowers to assist an identifiable small-business or businesses and for a sound business purpose approved by the Administration.

* * * * *

(3) CRITERIA FOR ASSISTANCE.—

(A) IN GENERAL.—Any development company assisted under this section or section 503 of this title must meet the criteria established by the Administration, including the extent of participation to be required or amount of paid-in capital to be used in each instance as is determined to be reasonable by the Administration.

* * * * *

(D) SELLER FINANCING.—Seller provided financing may be used to meet the requirements of—

(i) paragraph (B), if the seller subordinates his interest in the property to the debenture guaranteed by the Administration; and

(ii) not to exceed 50 percent of the amounts required by paragraph (C).

(E) COLLATERALIZATION.—The collateral provided by the small business concern generally shall include a subordinate lien position on the property being financed under this title, and is only one of the factors to be evaluated in the credit determination. Additional collateral shall be required only if the Administration determines, on a case by case basis, that additional security is necessary to protect the interest of the Government.

* * * * *

(5) Not to exceed 25 percent of any project may be permanently leased by the assisted small business: Provided, That the assisted small business shall be required to occupy and use not less than 55 percent of the space in the project after the execution of any leases authorized in this section.

(6) Any loan authorized under this section shall not be denied or delayed for approval by the Administration due to concerns over preexisting environmental conditions: Provided, That the development company provides the Administration a letter is-

sued by the appropriate State or Federal environmental protection agency specifically stating that the environmental agency will not institute any legal proceedings against the borrower or, in the event of a default, the development company or the Administration based on the preexisting environmental conditions: Provided further, That the borrower shall agree to provide environmental agencies access to the property for any reasonable and necessary remediation efforts or inspections.

DEVELOPMENT COMPANY DEBENTURES

SEC. 503. (a)(1) * * *

* * * * *

(b) No guarantee may be made with respect to any debenture under subsection (a) unless—

(1) * * *

* * * * *

(7) with respect to each loan made from the proceeds of such debenture, the Administration—

[(A) assesses and collects a fee, which shall be payable by the borrower, in an amount equal to the lesser of—

[(i) 0.9375 percent per year of the outstanding balance of the loan; or

[(ii) such percentage per year of the outstanding balance of the loan as the Administrator may determine to be necessary to reduce the cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of purchasing and guaranteeing debentures under this Act to an amount that, taking into consideration any available appropriated funds, would permit the Administration to purchase or guarantee \$2,000,000,000 of debentures in fiscal year 1997; and]

(A) assesses and collects a fee, which shall be payable by the borrower, in an amount equal to 0.9375 percent per year of the outstanding balance of the loan; and

* * * * *

(d) CHARGES FOR ADMINISTRATION EXPENSES.—

(1) LEVEL OF CHARGES.—The Administration may impose an additional charge for administrative expenses with respect to each debenture for which payment of principal and interest is guaranteed under subsection (a).

(2) PARTICIPATION FEE.—The Administration shall collect a one-time fee in an amount [equal to 50 basis points] *equal to not more than 50 basis points*, on the total participation in any project of any institution described in subclause (I), (II), or (III) of section 502(3)(B)(i). Such fee shall be imposed only when the participation of the institution will occupy a senior credit position to that of the development company. All proceeds of the fee shall be used to offset the cost (as that term is defined in section 502 of the Credit Reform Act of 1990) to the Administration of making guarantees under subsection (a). *The amount of the fee authorized herein shall be established annually by the*

Administration in the minimal amount necessary to reduce the cost (as that term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of purchasing and guaranteeing debentures under this Act to zero.

* * * * *

(f) EFFECTIVE DATE.—The fees authorized by subsections (b) and (c) shall apply to financings approved by the Administration on or after October 1, 1996, but shall not apply to financings approved by the Administration on or after October 1, [1997] 2000.

* * * * *

SEC. 508. PREMIER CERTIFIED LENDERS PROGRAM.

(a) ESTABLISHMENT.—On a pilot program basis, the Administration may establish a Premier Certified Lenders Program for [not more than 15] certified development companies that meet the requirements of subsection (b).

(b) REQUIREMENTS.—

(1) APPLICATION.—To be eligible to participate in the Premier Certified Lenders Program established under subsection (a), a certified development company shall prepare and submit to the Administration an application at such time, in such manner, and containing such information as the Administration may require.

(2) DESIGNATION.—The Administration may designate a certified development company as a premier certified lender if such company—

[(A) has been an active participant in the accredited lenders program during the 12-month period preceding the date on which the company submits an application under paragraph (1), except that, prior to January 1, 1996, the Administration may waive this requirement if the company is qualified to participate in the accredited lenders program;

[(B) has a history of submitting to the Administration adequately analyzed debenture guarantee application packages; and]

(A) is an active certified development company in good standing and has been an active participant in the accredited lenders program during the entire 12-month period preceding the date on which the company submits an application under paragraph (1), except that the Administration may waive this requirement if the company is qualified to participate in the accredited lenders program;

(B) has a history (i) of submitting to the Administration adequately analyzed debenture guarantee application packages and (ii) of properly closing section 504 loans and servicing its loan portfolio; and

* * * * *

[(c) LOSS RESERVE.—

(1) ESTABLISHMENT.—A company designated as a premier certified lender shall establish a loss reserve for financings approved pursuant to this section.

【(2) AMOUNT.—The amount of the loss reserve shall be based upon the greater of—

【(A) the historic loss rate on debentures issued by such company; or

【(B) 10 percent of the amount of the company's exposure as determined under subsection (b)(2)(C).

【(3) ASSETS.—The loss reserve shall be comprised of segregated assets of the company which shall be securitized in favor of the Administration.

【(4) CONTRIBUTIONS.—The company shall make contributions to the loss reserve in the following amounts and at the following intervals:

【(A) 50 percent when a debenture is closed.

【(B) 25 percent not later than 1 year after a debenture is closed.

【(C) 25 percent not later than 2 years after a debenture is closed.】

(c) *LOSS RESERVE.*—

(1) *ESTABLISHMENT.*—A company designated as a premier certified lender shall establish a loss reserve for financing approved pursuant to this section.

(2) *AMOUNT.*—The amount of the loss reserve shall be equal to 10 percent of the amount of the company's exposure as determined under subsection (b)(2)(C).

(3) *ASSETS.*—The loss reserve shall be comprised of any combination of the following types of assets:

(A) segregated funds on deposit in an account or accounts with a federally insured depository institution or institutions selected by the company, subject to a collateral assignment in favor of, and in a format acceptable to, the Administration; or

(B) irrevocable letter or letters of credit, with a collateral assignment in favor of, and a commercially reasonable format acceptable to, the Administration.

(4) *CONTRIBUTIONS.*—The company shall make contributions to the loss reserve, either cash or letters of credit as provided above, in the following amounts and at the following intervals:

(A) 50 percent when a debenture is closed;

(B) 25 percent additional not later than 1 year after a debenture is closed; and

(C) 25 percent additional not later than 2 years after a debenture is closed.

(5) *REPLENISHMENT.*—If a loss has been sustained by the Administration, any portion of the loss reserve, and other funds provided by the premier company as necessary, may be used to reimburse the Administration for the company's 10 percent share of the loss as provided in subsection (b)(2)(C). If the company utilizes the reserve, within 30 days it shall replace an equivalent amount of funds.

(6) *DISBURSEMENTS.*—The Administration shall allow the certified development company to withdraw from the loss reserve amounts attributable to any debenture which has been repaid.

(d) *LOAN APPROVAL AUTHORITY.*—

(1) **IN GENERAL.**—Notwithstanding section 503(b)(6), and subject to such terms and conditions as the Administration may establish, the Administration may permit a company designated as a premier certified lender under this section **to approve loans** to approve, authorize, close, service, foreclose, litigate, and liquidate loans that are funded with the proceeds of a debenture issued by such company and may authorize the guarantee of such debenture.

(2) **SCOPE OF REVIEW.**—The approval of a loan by a premier certified lender shall be subject to final approval as to eligibility of any guarantee by the Administration pursuant to section 503(a), but such final approval shall not include review of decisions by the lender involving creditworthiness, loan closing, or compliance with legal requirements imposed by law or regulation.

(e) **PROGRAM GOALS.**—*Certified development companies participating in this program shall establish a goal of processing 50 percent of their loan applications for section 504 assistance pursuant to the premier certified lender program authorized in this section.*

(e) (f) REVIEW.—After the issuance and sale of debentures under this section, the Administration, at intervals not greater than 12 months, shall review the financings made by each premier certified lender. The review shall include the lender's credit decisions and general compliance with the eligibility requirements for each financing approved under the program authorized under this section. The Administration shall consider the findings of the review in carrying out its responsibilities under subsection (f), but such review shall not affect any outstanding debenture guarantee.

(f) (g) SUSPENSION OR REVOCATION.—The designation of a **[State or local] certified** development company as a premier certified lender may be suspended or revoked if the Administration determines that the company—

(1) * * *

* * * * *

(g) (h) [EFFECT OF SUSPENSION OR DESIGNATION] EFFECT OF SUSPENSION OR REVOCATION.—A suspension or revocation under subsection **(f) (g)** shall not affect any outstanding debenture guarantee.

(h) REGULATIONS.—Not later than 180 days after the date of enactment of this section, the Administration shall promulgate regulations to carry out this section.

(i) REGULATIONS.—Not later than 90 days after the date of enactment of this section, the Administration shall promulgate regulations to carry out this section. Not later than 120 days after the date of enactment, the Administration shall issue program guidelines and implement the changes made herein.

(i) (j) REPORT.—Not later than 1 year after the date of enactment of this Act, and annually thereafter, the Administration shall report to the Committees on Small Business of the Senate and the House of Representatives on the implementation of this section. Each report shall include—

(1) * * *

* * * * *

(3) a comparison of the loss rate for premier certified lenders to the loss rate for accredited and **other lenders** *other lenders, specifically comparing default rates and recovery rates on liquidations*; and

* * * * *

SMALL BUSINESS ADMINISTRATION REAUTHORIZATION AND AMENDMENTS ACT OF 1994

* * * * *

TITLE II—FINANCIAL ASSISTANCE PROGRAMS

* * * * *

SEC. 217. PREMIER CERTIFIED LENDERS PROGRAM.

(a) * * *

[(b) REPEAL.—Effective on October 1, 1997, section 508 of the Small Business Investment Act of 1958, as added by subsection (a), is repealed.]

TITLE III—SIZE STANDARDS AND BOND GUARANTEES

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

* * * * *

(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, **[1998] 2000**.

* * * * *

WOMEN’S BUSINESS OWNERSHIP ACT OF 1988

TITLE IV—DEVELOPMENT OF WOMEN’S BUSINESS ENTERPRISE

* * * * *

SEC. 404. REPORTS FROM THE INTERAGENCY COMMITTEE.

Not later than September 30, 1995, and annually thereafter, the Interagency Committee shall transmit, *through the Small Business Administration*, to the President and to the Committees on Small Business of the Senate and the House of Representatives, a report containing—

[(1) any recommendations of the Council and any comments of the Interagency Committee thereon;]

[(2) (1) a detailed description of the activities of the Interagency Committee, *including a status report on the progress of*

the Interagency Committee in meeting its responsibilities and duties under section 402(a);

[(3)] (2) the findings and conclusions of the Interagency Committee; and

[(4)] (3) the Interagency Committee's recommendations for such legislation and administrative actions as the Interagency Committee considers appropriate to promote the development of small business concerns owned and controlled by women.

* * * * *

SEC. 406. DUTIES OF THE COUNCIL.

(a) * * *

* * * * *

(c) **RECOMMENDATIONS.**—The Council shall make annual recommendations for consideration by the Interagency Committee. The Council shall also provide reports and make such other recommendations as it deems appropriate to the Interagency Committee, to the President, to the Administrator (*through the Assistant Administrator for the Office of Women's Business Ownership*), and to the Committees on Small Business of the Senate and the House of Representatives.

(d) **OTHER DUTIES.**—The Council shall—

(1) * * *

* * * * *

(4) develop and promote new initiatives, policies, programs, and plans designed to foster women's business enterprise; **[and]**

(5) advise and consult with the Interagency Committee in the design of a comprehensive plan for a joint public-private sector effort to facilitate growth and development of women's business enterprise**[,]**; and

(6) *submit to the President and to the Committee on Small Business of the Senate and the Committee on Small Business of the House of Representatives, an annual report containing—*

(A) *a detailed description of the activities of the council, including a status report on the Council's progress toward meeting its duties outlined in subsections (a) and (d) of section 406;*

(B) *the findings, conclusions, and recommendations of the Council; and*

(C) *the Council's recommendations for such legislation and administrative actions as the Council considers appropriate to promote the development of small business concerns owned and controlled by women.*

(e) **SUBMISSION OF REPORTS.**—*The annual report required by subsection (d) shall be submitted not later than 90 days after the end of each fiscal year.*

* * * * *

SEC. 407. MEMBERSHIP OF THE COUNCIL.

(a) **CHAIRPERSON.**—Not later than 45 days after the date of enactment of the Small Business Administration Reauthorization **[and Amendments Act of 1994]** *Act of 1997*, the President shall ap-

point an individual to serve as chairperson of the Council, in consultation with the Administrator. The chairperson of the Council shall be a prominent business woman who is qualified to head the Council by virtue of her education, training, and experience.

(b) OTHER MEMBERS.—Not later than 60 days after the date of enactment of the Small Business Administration Reauthorization **[and Amendments Act of 1994]** *Act of 1997*, the Administrator shall, *after receiving the recommendations of the Chair and the Ranking Member of the Minority of the Committees on Small Business of the House of Representatives and the Senate*, appoint, in consultation with the Assistant Administrator of the Office of Women’s Business Ownership and the chairperson of the Council appointed under subsection (a), **[9]** 14 members of the Council, of whom—

- (1) **[2]** 4 shall be—
 - (A) owners of small businesses, as such term is defined in section 3 of the Small Business Act; and
 - (B) members of the same political party as the President;
- (2) **[2]** 4 shall—
 - (A) be owners of small businesses, as such term is defined in section 3 of the Small Business Act; and
 - (B) not be members of the same political party as the President; **[and]**
- (3) **[5]** 6 shall be representatives of **[national]** women’s business organizations.

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SEC. 409. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated for each of fiscal years **[1995 through 1997]** *1998 through 2000*, to carry out this title, **[\$350,000]** *\$600,000*, of which *\$200,000 shall be for grants for research of women’s procurement or finance issues.*

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**SMALL BUSINESS COMPETITIVENESS DEMONSTRATION
PROGRAM ACT OF 1988**

**TITLE VII—SMALL BUSINESS COMPETI-
TIVENESS DEMONSTRATION PRO-
GRAM**

PART A—SHORT TITLE AND FINDINGS

SEC. 701. SHORT TITLE.

This title may be cited as the “Small Business Competitiveness Demonstration Program Act of 1988”.

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PART B—DEMONSTRATION PROGRAM

SEC. 711. SMALL BUSINESS COMPETITIVENESS DEMONSTRATION PROGRAM.

(a) * * *

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(c) **PROGRAM TERM.**—The Program shall commence on January 1, 1989[, and terminate on September 30, 1997].

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SEC. 712. ENHANCED SMALL BUSINESS PARTICIPATION GOALS.

(a) * * *

* * * * *

(d) **MONITORING AGENCY PERFORMANCE.**—

【(1) Participating agencies shall monitor the attainment of their small business participation goals on a quarterly basis. The initial review by each participating agency shall be completed not later than June 30, 1989, based on the data for the period January 1 through March 31, 1989. Thereafter, each review shall be based on the aggregate of contract award data from the 4 fiscal year quarters preceding the date of the review for which data is available.】

(1) Participating agencies shall monitor the attainment of their small business participation goals on an annual basis. An annual review by each participating agency shall be completed not later than January 31 of each year, based on the data for the preceding fiscal year, from October 1 through September 30.

* * * * *

SEC. 717. DESIGNATED INDUSTRY GROUPS.

(a) **IN GENERAL.**—For the purposes of participation in this Program, the designated industry groups are—

- (1) construction (excluding dredging);
- (2) refuse systems and related services;
- (3) architectural and engineering services (including surveying and mapping); and
- (4) non-nuclear ship repair.

(b) CONSTRUCTION.—Construction shall include contract awards assigned one of the [standard industrial classification codes] *North American Industrial Classification Codes* that comprise—

- (1) Major Group 15 (Building Construction—General Contractors and Operative Builders);
- (2) Major Group 16 (Heavy Construction Other Than Building Construction—Contractors) (excluding dredging); and
- (3) Major Group 17 (Construction—Special Trade Contractors).

(c) REFUSE.—Refuse systems and related services shall include contract awards assigned to [standard industrial classification code] *North American Industrial Classification Code* 4212 or 4953.

(d) ARCHITECTURAL AND ENGINEERING.—Architectural and engineering services (including surveying and mapping) shall include contract awards assigned to [standard industrial classification code] *North American Industrial Classification Code* 7389 (if identified as pertaining to mapping services), 8711, 8712, or 8713, and such contract was awarded under the qualification-based selection procedures required by title IX of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 541 et seq.).

(e) ALTERNATIVE DATA.—In the event that [standard industrial classification codes] *North American Industrial Classification Codes* are not assigned to individual contract awards reported to the Federal Procurement Data Center by January 1, 1989, the Program may be conducted on the basis of the product and service codes used to report data pertaining to such contract awards, related to the maximum practicable extent to the [standard industrial classification code] *North American Industrial Classification Code* for the service being provided by the contractor.

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PART C—ALTERNATIVE PROGRAM FOR CLOTHING AND TEXTILES

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SEC. 722. EXPANDING SMALL BUSINESS PARTICIPATION IN DREDGING.

(a) ESTABLISHMENT.—The Secretary of the Army (hereafter in this section referred to as the “Secretary”) shall conduct a program to expand the participation of small business concerns and emerging small business concerns in contracting opportunities for dredging solicited on or after January 1, 1989, commencing on October 1, 1989 [and terminating on September 30, 1997].

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SECTION 207 OF THE SMALL BUSINESS ADMINISTRATION REAUTHORIZATION AND AMENDMENT ACT OF 1988

SEC. 207. SUNSET.

The provisions contained in section 411(a)(3) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(a)(3)) shall cease to be effective after September 30, **[1997]** 2000.

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SECTION 401 OF THE SMALL BUSINESS ADMINISTRATION REAUTHORIZATION AND AMENDMENTS ACT OF 1994

SEC. 401. SUNSET ON COSPONSORED TRAINING.

(a) IN GENERAL.—

(1) * * *

(2) EFFECTIVE DATE.—Paragraph (1) shall take effect on September 30, **[1997]** 2000.

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