

109TH CONGRESS
2^D SESSION

H. R. 5352

To reauthorize programs to assist small business concerns, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2006

Mr. MANZULLO introduced the following bill; which was referred to the Committee on Small Business

A BILL

To reauthorize programs to assist small business concerns, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Small Business Reauthorization Act of 2006”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—AUTHORIZATIONS

Sec. 101. Section 20 reauthorizations.

Sec. 102. Reauthorizations for certain Small Business Act programs.

Sec. 103. Reauthorizations for certain other programs.

TITLE II—FINANCE

Subtitle A—Certified Development Company Program

- Sec. 201. Short title; definition.
- Sec. 202. Development Company Loan Programs.
- Sec. 203. Loan liquidations.
- Sec. 204. Additional equity injections.
- Sec. 205. Businesses in low-income areas.
- Sec. 206. Combinations of certain goals.
- Sec. 207. Maximum 504 and 7(a) loan eligibility.
- Sec. 208. Refinancing.
- Sec. 209. Fees.
- Sec. 210. Technical correction.
- Sec. 211. Small Business Investment Act definition.
- Sec. 212. Repeal of sunset on reserve requirements for premier certified lenders.
- Sec. 213. Eligibility of development companies to be designated as certified development companies and authority to issue debentures; and providing an area of operational authority, funding restrictions, and ethical requirements.
- Sec. 214. Conforming amendments.
- Sec. 215. Closing costs.
- Sec. 216. Definition of rural.
- Sec. 217. Regulations and effective date.

Subtitle B—Small Business Lending Improvement

- Sec. 221. Short title.
- Sec. 222. National preferred lenders program.
- Sec. 223. Maximum loan amount.
- Sec. 224. Alternative size standard.
- Sec. 225. Timely payment of 7(a) secondary market fee.

Subtitle C—Small Business Investment

- Sec. 241. Participating Security Small Business Investment Companies.

TITLE III—ENTREPRENEURSHIP

Subtitle A—National Small Business Regulatory Assistance

- Sec. 301. Short title.
- Sec. 302. Purpose.
- Sec. 303. Definitions.
- Sec. 304. Small business regulatory assistance program.
- Sec. 305. Promulgation of regulations.

Subtitle B—Vocational and Technical Entrepreneurship Development

- Sec. 311. Short title.
- Sec. 312. Vocational and technical entrepreneurship development program.

Subtitle C—Native American Small Business Development

- Sec. 321. Findings and purposes.
- Sec. 322. Small Business Development Center assistance to Indian tribe members, Alaska Natives, and Native Hawaiians.

Sec. 323. State consultation with tribal organizations.

Subtitle D—Second-Stage Small Business Development

- Sec. 331. Short title.
 Sec. 332. Purpose.
 Sec. 333. Pilot program.
 Sec. 334. Regulations.
 Sec. 335. Definitions.
 Sec. 336. Authorization of appropriations.

Subtitle E—Trade Provisions

Sec. 341. Establishment of Associate Administrator for International Trade in Small Business Administration.

TITLE IV—MISCELLANEOUS

- Sec. 401. Small business disaster loans.
 Sec. 402. Disaster loans for incidents of national significance.
 Sec. 403. Small Business Development Center Portability Grants.
 Sec. 404. Assistance to out-of-state businesses.
 Sec. 405. Elimination of unnecessary programs.
 Sec. 406. Technical correction.
 Sec. 407. Combating waste, fraud, and abuse.
 Sec. 408. Relief available against Administrator.
 Sec. 409. Economic injury disaster loans to nonprofits.
 Sec. 410. Extension of co-sponsorship authority.
 Sec. 411. Regulations on size standards of franchisees.
 Sec. 412. District Directors prohibited from being involved in selection of SBDC directors.

1 **TITLE I—AUTHORIZATIONS**

2 **SEC. 101. SECTION 20 REAUTHORIZATIONS.**

3 Section 20 of the Small Business Act (15 U.S.C. 647)

4 is amended by inserting after subsection (e) the following

5 new subsections:

6 “(f) FISCAL YEAR 2007.—

7 “(1) PROGRAM LEVELS.—The following pro-
 8 gram levels are authorized for fiscal year 2007:

9 “(A) For the programs authorized by this

10 Act, the Administrator is authorized to make—

1 “(i) \$80,000,000 in technical assist-
2 ance grants, as provided in section 7(m);
3 and

4 “(ii) \$110,000,000 in direct loans, as
5 provided in section 7(m).

6 “(B) For the programs authorized by this
7 Act, the Administrator is authorized to make
8 \$27,050,000,000 in deferred participation loans
9 and other financings. Of such sum, the Admin-
10 istrator is authorized to make—

11 “(i) \$18,000,000,000 in general busi-
12 ness loans, as provided in section 7(a);

13 “(ii) \$8,500,000,000 in certified de-
14 velopment company financings, as provided
15 in section 7(a)(13) and as provided in sec-
16 tion 504 of the Small Business Investment
17 Act of 1958;

18 “(iii) \$500,000,000 in loans, as pro-
19 vided in section 7(a)(21); and

20 “(iv) \$50,000,000 in loans, as pro-
21 vided in section 7(m).

22 “(C) For the programs authorized by title
23 III of the Small Business Investment Act of
24 1958, the Administrator is authorized to
25 make—

1 “(i) \$300,000,000 in purchases of
2 participating securities; and

3 “(ii) \$4,000,000,000 in guarantees of
4 debentures.

5 “(D) For the programs authorized by part
6 B of title IV of the Small Business Investment
7 Act of 1958, the Administrator is authorized to
8 enter into guarantees not to exceed
9 \$6,500,000,000, of which not more than 50
10 percent may be in bonds approved pursuant to
11 section 411(a)(3) of that Act.

12 “(E) The Administrator is authorized to
13 make grants or enter into cooperative agree-
14 ments for a total amount of \$7,000,000 for the
15 Service Corps of Retired Executives program
16 authorized by section 8(b)(1).

17 “(2) ADDITIONAL AUTHORIZATIONS.—

18 “(A) There are authorized to be appro-
19 priated to the Administrator for fiscal year
20 2007 such sums as may be necessary to carry
21 out the provisions of this Act not elsewhere pro-
22 vided for, including administrative expenses and
23 necessary loan capital for disaster loans pursu-
24 ant to section 7(b), and to carry out the Small

1 Business Investment Act of 1958, including sal-
2 aries and expenses of the Administration.

3 “(B) Notwithstanding any other provision
4 of this paragraph, for fiscal year 2007—

5 “(i) no funds are authorized to be
6 used as loan capital for the loan program
7 authorized by section 7(a)(21) except by
8 transfer from another Federal department
9 or agency to the Administration, unless the
10 program level authorized for general busi-
11 ness loans under paragraph (1)(B)(i) is
12 fully funded; and

13 “(ii) the Administration may not ap-
14 prove loans on its own behalf or on behalf
15 of any other Federal department or agen-
16 cy, by contract or otherwise, under terms
17 and conditions other than those specifically
18 authorized under this Act or the Small
19 Business Investment Act of 1958, except
20 that it may approve loans under section
21 7(a)(21) of this Act in gross amounts of
22 not more than \$2,000,000.

23 “(g) FISCAL YEAR 2008.—

24 “(1) PROGRAM LEVELS.—The following pro-
25 gram levels are authorized for fiscal year 2008:

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

3 “(i) \$80,000,000 in technical assist-
4 ance grants, as provided in section 7(m);
5 and

6 “(ii) \$110,000,000 in direct loans, as
7 provided in section 7(m).

8 “(B) For the programs authorized by this
9 Act, the Administrator is authorized to make
10 \$29,050,000,000 in deferred participation loans
11 and other financings. Of such sum, the Admin-
12 istrator is authorized to make—

13 “(i) \$19,000,000,000 in general busi-
14 ness loans, as provided in section 7(a);

15 “(ii) \$9,500,000,000 in certified de-
16 velopment company financings, as provided
17 in section 7(a)(13) and as provided in sec-
18 tion 504 of the Small Business Investment
19 Act of 1958;

20 “(iii) \$500,000,000 in loans, as pro-
21 vided in section 7(a)(21); and

22 “(iv) \$50,000,000 in loans, as pro-
23 vided in section 7(m).

24 “(C) For the programs authorized by title
25 III of the Small Business Investment Act of

1 1958, the Administrator is authorized to
2 make—

3 “(i) \$300,000,000 in purchases of
4 participating securities; and

5 “(ii) \$4,000,000,000 in guarantees of
6 debentures.

7 “(D) For the programs authorized by part
8 B of title IV of the Small Business Investment
9 Act of 1958, the Administrator is authorized to
10 enter into guarantees not to exceed
11 \$7,000,000,000, of which not more than 50
12 percent may be in bonds approved pursuant to
13 section 411(a)(3) of that Act.

14 “(E) The Administrator is authorized to
15 make grants or enter into cooperative agree-
16 ments for a total amount of \$8,000,000 for the
17 Service Corps of Retired Executives program
18 authorized by section 8(b)(1).

19 “(2) ADDITIONAL AUTHORIZATIONS.—

20 “(A) There are authorized to be appro-
21 priated to the Administrator for fiscal year
22 2008 such sums as may be necessary to carry
23 out the provisions of this Act not elsewhere pro-
24 vided for, including administrative expenses and
25 necessary loan capital for disaster loans pursu-

1 ant to section 7(b), and to carry out the Small
2 Business Investment Act of 1958, including sal-
3 aries and expenses of the Administration.

4 “(B) Notwithstanding any other provision
5 of this paragraph, for fiscal year 2008—

6 “(i) no funds are authorized to be
7 used as loan capital for the loan program
8 authorized by section 7(a)(21) except by
9 transfer from another Federal department
10 or agency to the Administration, unless the
11 program level authorized for general busi-
12 ness loans under paragraph (1)(B)(i) is
13 fully funded; and

14 “(ii) the Administrator may not ap-
15 prove loans on its own behalf or on behalf
16 of any other Federal department or agen-
17 cy, by contract or otherwise, under terms
18 and conditions other than those specifically
19 authorized under this Act or the Small
20 Business Investment Act of 1958, except
21 that it may approve loans under section
22 7(a)(21) of this Act in gross amounts of
23 not more than \$2,000,000.

24 “(h) FISCAL YEAR 2009.—

1 “(1) PROGRAM LEVELS.—The following pro-
2 gram levels are authorized for fiscal year 2009:

3 “(A) For the programs authorized by this
4 Act, the Administrator is authorized to make—

5 “(i) \$80,000,000 in technical assist-
6 ance grants, as provided in section 7(m);
7 and

8 “(ii) \$110,000,000 in direct loans, as
9 provided in section 7(m).

10 “(B) For the programs authorized by this
11 Act, the Administrator is authorized to make
12 \$31,050,000,000 in deferred participation loans
13 and other financings. Of such sum, the Admin-
14 istrator is authorized to make—

15 “(i) \$20,000,000,000 in general busi-
16 ness loans, as provided in section 7(a);

17 “(ii) \$10,500,000,000 in certified de-
18 velopment company financings, as provided
19 in section 7(a)(13) and as provided in sec-
20 tion 504 of the Small Business Investment
21 Act of 1958;

22 “(iii) \$500,000,000 in loans, as pro-
23 vided in section 7(a)(21); and

24 “(iv) \$50,000,000 in loans, as pro-
25 vided in section 7(m).

1 “(C) For the programs authorized by title
2 III of the Small Business Investment Act of
3 1958, the Administrator is authorized to
4 make—

5 “(i) \$300,000,000 in purchases of
6 participating securities; and

7 “(ii) \$4,000,000,000 in guarantees of
8 debentures.

9 “(D) For the programs authorized by part
10 B of title IV of the Small Business Investment
11 Act of 1958, the Administrator is authorized to
12 enter into guarantees not to exceed
13 \$7,500,000,000, of which not more than 50
14 percent may be in bonds approved pursuant to
15 section 411(a)(3) of that Act.

16 “(E) The Administrator is authorized to
17 make grants or enter into cooperative agree-
18 ments for a total amount of \$9,000,000 for the
19 Service Corps of Retired Executives program
20 authorized by section 8(b)(1).

21 “(2) ADDITIONAL AUTHORIZATIONS.—

22 “(A) There are authorized to be appro-
23 priated to the Administrator for fiscal year
24 2009 such sums as may be necessary to carry
25 out the provisions of this Act not elsewhere pro-

1 vided for, including administrative expenses and
2 necessary loan capital for disaster loans pursu-
3 ant to section 7(b), and to carry out the Small
4 Business Investment Act of 1958, including sal-
5 aries and expenses of the Administration.

6 “(B) Notwithstanding any other provision
7 of this paragraph, for fiscal year 2009—

8 “(i) no funds are authorized to be
9 used as loan capital for the loan program
10 authorized by section 7(a)(21) except by
11 transfer from another Federal department
12 or agency to the Administration, unless the
13 program level authorized for general busi-
14 ness loans under paragraph (1)(B)(i) is
15 fully funded; and

16 “(ii) the Administrator may not ap-
17 prove loans on its own behalf or on behalf
18 of any other Federal department or agen-
19 cy, by contract or otherwise, under terms
20 and conditions other than those specifically
21 authorized under this Act or the Small
22 Business Investment Act of 1958, except
23 that it may approve loans under section
24 7(a)(21) of this Act in gross amounts of
25 not more than \$2,000,000.

1 “(i) FISCAL YEAR 2010.—

2 “(1) PROGRAM LEVELS.—The following pro-
3 gram levels are authorized for fiscal year 2010:

4 “(A) For the programs authorized by this
5 Act, the Administrator is authorized to make—

6 “(i) \$80,000,000 in technical assist-
7 ance grants, as provided in section 7(m);
8 and

9 “(ii) \$110,000,000 in direct loans, as
10 provided in section 7(m).

11 “(B) For the programs authorized by this
12 Act, the Administrator is authorized to make
13 \$33,050,000,000 in deferred participation loans
14 and other financings. Of such sum, the Admin-
15 istration is authorized to make—

16 “(i) \$21,000,000,000 in general busi-
17 ness loans, as provided in section 7(a);

18 “(ii) \$11,500,000,000 in certified de-
19 velopment company financings, as provided
20 in section 7(a)(13) and as provided in sec-
21 tion 504 of the Small Business Investment
22 Act of 1958;

23 “(iii) \$500,000,000 in loans, as pro-
24 vided in section 7(a)(21); and

1 “(iv) \$50,000,000 in loans, as pro-
2 vided in section 7(m).

3 “(C) For the programs authorized by title
4 III of the Small Business Investment Act of
5 1958, the Administrator is authorized to
6 make—

7 “(i) \$300,000,000 in purchases of
8 participating securities; and

9 “(ii) \$4,000,000,000 in guarantees of
10 debentures.

11 “(D) For the programs authorized by part
12 B of title IV of the Small Business Investment
13 Act of 1958, the Administrator is authorized to
14 enter into guarantees not to exceed
15 \$8,000,000,000, of which not more than 50
16 percent may be in bonds approved pursuant to
17 section 411(a)(3) of that Act.

18 “(E) The Administrator is authorized to
19 make grants or enter into cooperative agree-
20 ments for a total amount of \$10,000,000 for
21 the Service Corps of Retired Executives pro-
22 gram authorized by section 8(b)(1).

23 “(2) ADDITIONAL AUTHORIZATIONS.—

24 “(A) There are authorized to be appro-
25 priated to the Administrator for fiscal year

1 2010 such sums as may be necessary to carry
2 out the provisions of this Act not elsewhere pro-
3 vided for, including administrative expenses and
4 necessary loan capital for disaster loans pursu-
5 ant to section 7(b), and to carry out the Small
6 Business Investment Act of 1958, including sal-
7 aries and expenses of the Administration.

8 “(B) Notwithstanding any other provision
9 of this paragraph, for fiscal year 2010—

10 “(i) no funds are authorized to be
11 used as loan capital for the loan program
12 authorized by section 7(a)(21) except by
13 transfer from another Federal department
14 or agency to the Administration, unless the
15 program level authorized for general busi-
16 ness loans under paragraph (1)(B)(i) is
17 fully funded; and

18 “(ii) the Administrator may not ap-
19 prove loans on its own behalf or on behalf
20 of any other Federal department or agen-
21 cy, by contract or otherwise, under terms
22 and conditions other than those specifically
23 authorized under this Act or the Small
24 Business Investment Act of 1958, except
25 that it may approve loans under section

1 7(a)(21) of this Act in gross amounts of
2 not more than \$2,000,000.”.

3 **SEC. 102. REAUTHORIZATIONS FOR CERTAIN SMALL BUSI-**
4 **NESS ACT PROGRAMS.**

5 (a) SMALL BUSINESS DEVELOPMENT CENTER PRO-
6 GRAM.—Section 21 of the Small Business Act (15 U.S.C.
7 648) is amended in subsection (a)(4)(C)(vii)—

8 (1) in subclause (I) by striking “and” at the
9 end;

10 (2) in subclause (II) by striking the period at
11 the end; and

12 (3) by adding at the end the following:

13 “(III) \$135,000,000 for fiscal
14 year 2007; and

15 “(IV) \$114,000,000 for each of
16 fiscal years 2008 through 2010.”.

17 (b) DISASTER MITIGATION PILOT PROGRAM.—

18 (1) IN GENERAL.—Section 7 of the Small Busi-
19 ness Act (15 U.S.C. 636) is amended in subsection
20 (b)(1)(C) by striking “2000 through 2004” and in-
21 serting “2007 through 2010”.

22 (2) AUTHORIZATION LEVELS.—Section 20 of
23 the Small Business Act (15 U.S.C. 631 note) is
24 amended in subsection (c) by striking the colon and
25 all that follows through the period at the end and

1 inserting “: \$15,000,000 for each of fiscal years
2 2007 through 2010.”.

3 (c) MICROLOAN PROGRAM SUPPLEMENTAL
4 GRANTS.—Section 7 of the Small Business Act (15 U.S.C.
5 636) is amended in subsection (m)(4)(F)(ii) by striking
6 “not more than 20” and all that follows through the pe-
7 riod at the end and inserting “not more than 30 grantees
8 in each of fiscal years 2007 through 2010, each of whom
9 may receive a grant under this subparagraph in an
10 amount not to exceed \$150,000 per year.”.

11 (d) MICROLOAN PROGRAM DEFERRED PARTICIPA-
12 TION LOAN PILOT.—Section 7 of the Small Business Act
13 (15 U.S.C. 636) is amended in subsection (m)(12) by
14 striking “1998 through 2000” and inserting “2007
15 through 2010”.

16 (e) BUSINESS GRANTS AND COOPERATIVE AGREE-
17 MENTS.—Section 8 of the Small Business Act (15 U.S.C.
18 637) is amended in subsection (n)(3) by striking “2006”
19 and inserting “2010”.

20 (f) PAUL D. COVERDELL DRUG-FREE WORKPLACE
21 PROGRAM.—Section 27 of the Small Business Act (15
22 U.S.C. 654) is amended in subsection (g), in each of para-
23 graphs (1), (2), and (3), by striking “2006” and inserting
24 “2010”.

1 (g) WOMEN’S BUSINESS CENTER PROGRAM.—Sec-
2 tion 29 of the Small Business Act (15 U.S.C. 656) is
3 amended—

4 (1) in subsection (k)(1) by striking subpara-
5 graphs (A) through (D) and inserting the following:

6 “(A) \$16,500,000 for fiscal year 2007;

7 “(B) \$16,750,000 for fiscal year 2008;

8 “(C) \$17,000,000 fiscal year 2009; and

9 “(D) \$17,250,000 for fiscal year 2010.”;

10 (2) in subsection (k)(2)(B) by striking “over-
11 sight” and all that follows through the period at the
12 end and inserting “oversight: 1.4 percent for each of
13 fiscal years 2007 through 2010.”; and

14 (3) in subsection (k)(4)(A) by striking clauses
15 (i) through (iv) and inserting the following:

16 “(i) For fiscal year 2007, 48 percent.

17 “(ii) For fiscal year 2008, 42 percent.

18 “(iii) For fiscal year 2009, 36 per-
19 cent.

20 “(iv) For fiscal year 2010, 30 per-
21 cent.”.

22 (h) HUBZONE PROGRAM.—Section 31 of the Small
23 Business Act (15 U.S.C. 657a) is amended in subsection
24 (d) by striking “2006” and inserting “2010”.

1 (i) VETERANS PROGRAMS.—Section 32 of the Small
2 Business Act (15 U.S.C. 657b) is amended in subsection
3 (c) by striking “to carry out this section” and all that fol-
4 lows through the period at the end and inserting “to carry
5 out this section \$2,000,000 for each of fiscal years 2006
6 through 2010.”.

7 (j) NATIONAL VETERANS BUSINESS DEVELOPMENT
8 CORPORATION.—Section 33 of the Small Business Act (15
9 U.S.C. 657c) is amended—

10 (1) in subsection (k)(1), by striking subpara-
11 graphs (A) through (D) and inserting the following:

12 “(A) \$1,500,000 for fiscal year 2007;

13 “(B) \$1,000,000 for fiscal year 2008; and

14 “(C) \$500,000 for fiscal year 2009.”; and

15 (2) in subsection (k)(2)(B) by striking “fiscal
16 year 2003 or 2004” and inserting “any fiscal year
17 after 2002”.

18 (k) FEDERAL AND STATE TECHNOLOGY PARTNER-
19 SHIP (FAST) PROGRAM.—Section 34 of the Small Busi-
20 ness Act (15 U.S.C. 657d) is amended—

21 (1) in subsection (h)(1) by striking “2001
22 through 2005” and inserting “2007 through 2010”;
23 and

24 (2) in subsection (i) by striking “September 30,
25 2005” and inserting “September 30, 2010”.

1 **SEC. 103. REAUTHORIZATIONS FOR CERTAIN OTHER PRO-**
2 **GRAMS.**

3 (a) NEW MARKETS VENTURE CAPITAL PROGRAM.—
4 Section 368 of the Small Business Investment Act of 1958
5 (15 U.S.C. 689q) is amended in subsection (a) by striking
6 “2001 through 2006” and inserting “2007 through
7 2010”.

8 (b) PILOT PROGRAM FOR VERY SMALL BUSINESS
9 CONCERNS.—Section 304 of the Small Business Adminis-
10 tration Reauthorization and Amendments Act of 1994 (15
11 U.S.C. 644 note) is amended in subsection (i) by striking
12 “2003” and inserting “2010”.

13 **TITLE II—FINANCE**
14 **Subtitle A—Certified Development**
15 **Company Program**

16 **SEC. 201. SHORT TITLE; DEFINITION.**

17 (a) SHORT TITLE.—This subtitle may be cited as the
18 “Certified Development Company Program Act”.

19 (b) DEFINITION.—In this subtitle, the term “Admin-
20 istrator” means the Administrator of the Small Business
21 Administration.

22 **SEC. 202. DEVELOPMENT COMPANY LOAN PROGRAMS.**

23 Title V of the Small Business Investment Act of 1958
24 (15 U.S.C. 695 et seq.) is amended by inserting before
25 section 501 the following:

1 **“SEC. 500. PROGRAM TITLE.**

2 “The programs authorized by this title shall be
3 known as the ‘Certified Development Company Pro-
4 gram’.”.

5 **SEC. 203. LOAN LIQUIDATIONS.**

6 Section 510 of the Small Business Investment Act
7 of 1958 (15 U.S.C. 697g) is amended—

8 (1) by redesignating subsection (e) as sub-
9 section (g); and

10 (2) by inserting after subsection (d) the fol-
11 lowing:

12 “(e) PARTICIPATION.—

13 “(1) IN GENERAL.—Any certified development
14 company which elects not to apply for authority to
15 foreclose and liquidate defaulted loans under this
16 section, or which the Administrator determines to be
17 ineligible for such authority, shall contract with a
18 qualified third party to perform foreclosure and liq-
19 uidation of defaulted loans in its portfolio. The con-
20 tract shall be contingent upon approval by the Ad-
21 ministrator with respect to the qualifications of the
22 contractor and the terms and conditions of liquida-
23 tion activities.

24 “(2) COMMENCEMENT.—The provisions of this
25 subsection shall not require any certified develop-
26 ment company to liquidate defaulted loans until the

1 Administrator has adopted and implemented a pro-
2 gram to compensate and reimburse certified develop-
3 ment companies, as provided under subsection (f).

4 “(f) COMPENSATION AND REIMBURSEMENT.—

5 “(1) REIMBURSEMENT OF EXPENSES.—

6 “(A) IN GENERAL.—The Administrator
7 shall reimburse each certified development com-
8 pany for all expenses paid by such company as
9 part of the foreclosure and liquidation activities,
10 if the expenses—

11 “(i) were specifically approved in ad-
12 vance by the Administrator, in which case
13 the reimbursement shall be made within 30
14 days after reimbursement is requested;

15 “(ii) were derived from a contract de-
16 scribed in subsection (e)(1) that was ap-
17 proved in advance by the Administrator
18 under subsection (e)(1), in which case the
19 reimbursement shall be made within 30
20 days after reimbursement is requested; or

21 “(iii) were incurred by the certified
22 development company on an emergency
23 basis and the expenses were reasonable
24 and appropriate, in which case the reim-
25 bursement shall be made within 30 days

1 after the expenses are determined to be
2 reasonable and appropriate.

3 “(B) DETERMINATION.—A determination
4 whether expenses are reasonable and appro-
5 priate shall be made by the Administrator with-
6 in 30 days after reimbursement is requested for
7 those expenses.

8 “(2) COMPENSATION FOR RESULTS.—The Ad-
9 ministrator shall develop a schedule to compensate
10 and provide an incentive to certified development
11 companies that foreclose and liquidate defaulted
12 loans. The schedule shall be based on a percentage
13 of the net amount recovered, but shall not exceed a
14 maximum amount. The schedule shall not apply to
15 any foreclosure which is conducted pursuant to a
16 contract between a certified development company
17 and a qualified third party to perform the fore-
18 closure and liquidation.”.

19 **SEC. 204. ADDITIONAL EQUITY INJECTIONS.**

20 Section 502(3)(B)(ii) of the Small Business Invest-
21 ment Act of 1958 (15 U.S.C. 696(3)(B)(ii)) is amended
22 to read as follows:

23 “(ii) FUNDING FROM INSTITU-
24 TIONS.—If a small business concern—

1 “(I) provides the minimum con-
2 tribution required under subpara-
3 graph (C), not less than 50 percent of
4 the cost of the project shall be pro-
5 vided by institutions described in sub-
6 clauses (I), (II), and (III) of clause
7 (i); and

8 “(II) provides more than the
9 minimum contribution required under
10 subparagraph (C), any excess con-
11 tribution may be used to reduce the
12 amount required from the institutions
13 described in subclauses (I), (II), and
14 (III) of clause (i), except that the
15 amount from such institutions may
16 not be reduced to an amount that is
17 less than the amount of the loan made
18 by the Administrator.”.

19 **SEC. 205. BUSINESSES IN LOW-INCOME AREAS.**

20 Section 501(d)(3)(A) of the Small Business Invest-
21 ment Act of 1958 (15 U.S.C. 695(d)(3)(A)) is amended
22 by inserting after “business district revitalization,” the
23 following: “or expansion of businesses in low-income com-
24 munities as described in section 45D(e) of the Internal

1 Revenue Code of 1986, or implementing regulations issued
2 thereunder.”.

3 **SEC. 206. COMBINATIONS OF CERTAIN GOALS.**

4 Section 501(e) of the Small Business Investment Act
5 of 1958 (15 U.S.C. 695(e)) is amended by adding at the
6 end the following:

7 “(7) A small business concern that is uncondi-
8 tionally owned by more than 1 individual, or a cor-
9 poration, the stock of which is owned by more than
10 1 individual, shall be deemed to have achieved a
11 public policy goal required under subsection (d)(3) if
12 a combined ownership share of not less than 51 per-
13 cent is held by individuals who are in 1 of the
14 groups described in subparagraph (C) or (E) of sub-
15 section (d)(3).”.

16 **SEC. 207. MAXIMUM 504 AND 7(a) LOAN ELIGIBILITY.**

17 Section 502(2) of the Small Business Investment Act
18 of 1958 (15 U.S.C. 696(2)) is amended by adding at the
19 end the following:

20 “(C) COMBINATION FINANCING.—Notwith-
21 standing any other provision of law, financing
22 under this title may be provided to a borrower
23 in the maximum amount provided in this sub-
24 section, and a loan guarantee under section
25 7(a) of the Small Business Act may be provided

1 to the same borrower in the maximum amount
2 provided in section 7(a)(3)(A) of such Act, to
3 the extent that the borrower otherwise qualifies
4 for such assistance.”.

5 **SEC. 208. REFINANCING.**

6 Section 502 of the Small Business Investment Act
7 of 1958 (15 U.S.C. 696) is amended by adding at the end
8 the following:

9 “(7) PERMISSIBLE DEBT REFINANCING.—

10 “(A) IN GENERAL.—Any financing ap-
11 proved under this title may include a limited
12 amount of debt refinancing.

13 “(B) EXPANSIONS.—If the project involves
14 expansion of a small business concern which
15 has existing indebtedness collateralized by fixed
16 assets, any amount of existing indebtedness
17 that does not exceed one-half of the project cost
18 of the expansion may be refinanced and added
19 to the expansion cost, providing that—

20 “(i) the proceeds of the indebtedness
21 were used to acquire land, including a
22 building situated thereon, to construct a
23 building thereon, or to purchase equip-
24 ment;

1 “(ii) the borrower has been current on
2 all payments due on the existing debt for
3 at least the preceding year;

4 “(iii) the financing under section 504
5 will provide better terms or rate of interest
6 than exists on the debt at the time of refi-
7 nancing; and

8 “(iv) the existing indebtedness was
9 not financed under the Small Business Act
10 or this Act.”.

11 **SEC. 209. FEES.**

12 (a) IN GENERAL.—Section 503(d) of the Small Busi-
13 ness Investment Act of 1958 (15 U.S.C. 697(d)) is amend-
14 ed—

15 (1) by striking paragraph (2);

16 (2) by redesignating paragraph (3) as para-
17 graph (2); and

18 (3) in paragraph (2), as so redesignated, by
19 striking “0.125 percent” and inserting “0.155 per-
20 cent”.

21 (b) EFFECTIVE DATE.—The amendments made by
22 subsection (a) shall take effect and apply to loans under
23 section 503(d) of the Small Business Investment Act of
24 1958 (15 U.S.C. 697(d)) approved on or after 30 days
25 after the date of enactment of this Act.

1 (c) RECOMPUTATION.—Notwithstanding any other
2 provision of law, the Administrator shall recalculate the
3 amount of the fee paid by the borrower under section
4 503(b)(7) of the Small Business Investment Act of 1958
5 in order that the cost of making guarantees under Title
6 V of the Small Business Investment Act of 1958 remains
7 at zero for each fiscal year after the effective date of the
8 amendments to the Small Business Investment Act of
9 1958 made by this Act.

10 **SEC. 210. TECHNICAL CORRECTION.**

11 Section 501(e)(2) of the Small Business Investment
12 Act of 1958 (15 U.S.C. 695(e)(2)) is amended by striking
13 “outstanding”.

14 **SEC. 211. SMALL BUSINESS INVESTMENT ACT DEFINITION.**

15 Section 103 of the Small Business Investment Act
16 of 1958 (15 U.S.C. 662) is amended by striking para-
17 graph (6) and inserting the following:

18 “(6) the term ‘certified development company’
19 means an entity that—

20 “(A) the Administrator has certified meets
21 the criteria of section 506; or

22 “(B) as of January 1, 1987, was providing
23 loans under this title and was a for-profit enter-
24 prise, and otherwise meets the criteria of sec-
25 tion 506;”.

1 **SEC. 212. REPEAL OF SUNSET ON RESERVE REQUIRE-**
2 **MENTS FOR PREMIER CERTIFIED LENDERS.**

3 Section 508(c)(6)(B) of the Small Business Invest-
4 ment Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amend-
5 ed—

6 (1) in the heading, by striking “TEMPORARY
7 REDUCTION” and inserting “REDUCTION”; and

8 (2) by striking “Notwithstanding subparagraph
9 (A), during the 2-year period beginning on the date
10 that is 90 days after the date of enactment of this
11 subparagraph, the” and inserting “The”.

12 **SEC. 213. ELIGIBILITY OF DEVELOPMENT COMPANIES TO**
13 **BE DESIGNATED AS CERTIFIED DEVELOP-**
14 **MENT COMPANIES AND AUTHORITY TO ISSUE**
15 **DEBENTURES; AND PROVIDING AN AREA OF**
16 **OPERATIONAL AUTHORITY, FUNDING RE-**
17 **STRICTIONS, AND ETHICAL REQUIREMENTS.**

18 (a) IN GENERAL.—Section 506 of the Small Business
19 Investment Act of 1958 (15 U.S.C. 697c) is amended—

20 (1) in the heading, by striking “RESTRICTIONS
21 ON DEVELOPMENT COMPANY ASSISTANCE” and in-
22 serting “CERTIFIED DEVELOPMENT COMPANIES”;
23 and

24 (2) by amending such section to read as follows:

1 “(a) AUTHORITY TO ISSUE DEBENTURES.—A cer-
2 tified development company (as defined in section 103(6))
3 may issue debentures under this title.

4 “(b) CRITERIA TO BE TREATED AS CERTIFIED DE-
5 VELOPMENT COMPANY.—

6 “(1) IN GENERAL.—The Administrator shall es-
7 tablish procedures under which an entity, incor-
8 porated under State law with the authority to pro-
9 mote and assist the growth and development of
10 small business concerns in the areas in which it is
11 authorized to operate by the Administrator, may
12 apply to be treated as a certified development com-
13 pany. Upon application of such an entity, the Ad-
14 ministrator shall determine whether the entity meets
15 each of the criteria specified in paragraph (2). If the
16 Administrator determines that the entity does meet
17 each of the criteria, the Administrator shall so cer-
18 tify, and the entity shall thereby be treated as a cer-
19 tified development company as provided by section
20 103(6)(A).

21 “(2) SPECIFIC CRITERIA.—The criteria referred
22 to in paragraph (1) are as follows:

23 “(A) SIZE.—The entity is a small concern
24 (as defined by the Administrator) with fewer
25 than 500 employees and is not under the con-

1 trol of an entity that is not a small business
2 concern (as defined by the Administrator). Any
3 company that was certified by the Adminis-
4 trator on or before the date of enactment of the
5 Small Business Reauthorization Act of 2006
6 shall continue to be treated as a certified devel-
7 opment company without regard to any affili-
8 ation that existed on such date.

9 “(B) PURPOSE.—The entity has as a pri-
10 mary purpose to benefit the community by fos-
11 tering economic development to create and pre-
12 serve jobs and stimulate private investment.

13 “(C) PRIMARY FUNCTION.—The entity has
14 as a primary function to accomplish that pri-
15 mary purpose by providing long term financing
16 to small business concerns under the Certified
17 Development Company Program. The entity
18 may also provide or support other local eco-
19 nomic development activities to assist the com-
20 munity.

21 “(D) NONPROFIT STATUS.—The entity is
22 nonprofit.

23 “(E) GOOD STANDING.—The entity—

24 “(i) is in good standing in the State
25 in which it is incorporated and in every

1 other State in which it conducts business;
2 and

3 “(ii) is in compliance with all laws, in-
4 cluding taxation requirements, in the State
5 in which it is incorporated and in every
6 other State in which it conducts business.

7 “(F) MEMBERSHIP.—The entity has—

8 “(i) not fewer than 25 members (or
9 stockholders, if the company is a for-profit
10 entity), none of whom own or control more
11 than 10 percent of the voting membership
12 (or stock, for those companies that are for-
13 profit entities), and each of whom—

14 “(I) have knowledge of the eco-
15 nomic development needs of the small
16 businesses served by the company;
17 and

18 “(II) is a resident of the State in
19 which the company is incorporated or
20 otherwise has sufficient contacts with
21 the State in which the company oper-
22 ates; and

23 “(ii) at least 1 member, who is not in
24 a position to control the entity, from each
25 of the following:

1 “(I) Government organizations
2 that are responsible for economic de-
3 velopment.

4 “(II) Financial institutions that
5 provide commercial long term fixed
6 asset financing.

7 “(III) Community organizations
8 that are dedicated to economic devel-
9 opment.

10 “(IV) Businesses.

11 “(G) BOARD OF DIRECTORS.—

12 “(i) IN GENERAL.—The entity has a
13 board of directors.

14 “(ii) MEMBERS OF BOARD.—Each di-
15 rector is—

16 “(I) a member of the entity; and

17 “(II) elected a director by the
18 members of the entity (or for those
19 companies which are for-profit by the
20 stockholders according to the bylaws
21 of those companies).

22 “(iii) REPRESENTATION OF ORGANI-
23 ZATIONS AND INSTITUTIONS.—

24 “(I) IN GENERAL.—The entity
25 has at least 1 director, who is not in

1 a position to control the entity, from
2 at least 3 of the categories described
3 in subparagraph (F)(ii).

4 “(II) MAXIMUM PERCENTAGE.—

5 For each category described in sub-
6 paragraph (F)(ii), not more than 50
7 percent of the directors are from that
8 category.

9 “(iv) MEETINGS.—The board of direc-

10 tors meets on a regular basis to make pol-
11 icy decisions for the entity.

12 “(H) PROFESSIONAL MANAGEMENT AND

13 STAFF.—The entity has full-time professional
14 management, including a chief executive officer
15 to manage daily operations, and a professional
16 staff that is qualified to market the Certified
17 Development Company Program and handle all
18 aspects of loan approval and servicing, includ-
19 ing liquidation, as described in section 510,
20 which work for the entity—

21 “(i) as employees;

22 “(ii) as contractors, through con-
23 tracting with an entity with which the de-
24 velopment company is affiliated if such en-
25 tity is—

1 “(I) a local nonprofit service cor-
2 poration;

3 “(II) a for-profit corporation, but
4 only if the contracting was in effect,
5 and the entity was certified by the
6 Administrator, on or before December
7 31, 2005;

8 “(III) a nonprofit affiliate of a
9 local nonprofit service corporation;

10 “(IV) an entity wholly or par-
11 tially operated by a government agen-
12 cy; or

13 “(V) another entity approved by
14 the Administrator, so long as the
15 other entity also supports local eco-
16 nomic development; or

17 “(iii) if the entity is in a rural area,
18 as contractors, through contracting with
19 another certified development company
20 that is located in the State in which the
21 entity is located or in a State contiguous
22 to that State.

23 “(I) INDEPENDENT MANAGEMENT AND OP-
24 ERATION.—The entity employs directly the
25 chief executive officer, and is managed and op-

1 erated to pursue the primary purpose referred
2 to in subparagraph (B), and—

3 “(i) is independent; or

4 “(ii) is an affiliate of another local
5 nonprofit service corporation, so long as
6 the board of directors of the entity has at
7 least 1 director not on the board of direc-
8 tors of the service corporation, and the
9 board of the directors of the service cor-
10 poration has at least 1 director not on the
11 board of directors of the entity.

12 “(3) DEFINITION.—In this subsection, the term
13 ‘local nonprofit service corporation’ means a local
14 nonprofit service corporation (other than a certified
15 development company), a purpose of which is to sup-
16 port economic development in the area in which the
17 entity operates.

18 “(c) USE OF EXCESS FUNDS.—

19 “(1) IN GENERAL.—Any funds generated by a
20 certified development company from making loans
21 under section 503 or 504 that remain unexpended
22 after payment of staff, operating, and overhead ex-
23 penses shall be retained by the certified development
24 company as a reserve for—

25 “(A) future operations;

1 “(B) expanding the area in which the cer-
2 tified development company operates through
3 the methods authorized by this title; or

4 “(C) investment in other community or
5 local economic development activity in the State
6 or associated local economic area from which
7 such funds were generated.

8 “(2) DEFINITION.—For purposes of this sub-
9 section, the term ‘local economic area’ means an
10 area that is part of a local trading area that is in
11 a State other than the State of incorporation of a
12 certified development company but which is contig-
13 uous to a part of the company’s State of incorpora-
14 tion.

15 “(d) ETHICAL REQUIREMENTS.—

16 “(1) IN GENERAL.—A certified development
17 company and the officers, employees, and other staff
18 of the company shall at all times act ethically and
19 avoid activities which constitute a conflict of interest
20 or appear to constitute a conflict of interest.

21 “(2) PROHIBITED CONFLICT IN PROJECT
22 LOANS.—

23 “(A) IN GENERAL.—A certified develop-
24 ment company may not—

1 “(i) recommend or approve a guar-
2 antee of a debenture by the Administrator
3 under the Certified Development Company
4 Program that is collateralized by a second
5 lien position on the property being con-
6 structed or acquired; and

7 “(ii) provide, or be affiliated with a
8 corporation or other entity which provides,
9 financing collateralized by a first lien on
10 the same property.

11 “(B) EXCEPTION.—A certified develop-
12 ment company that was participating as a first
13 mortgage lender, either directly or through an
14 affiliate, for the Certified Development Com-
15 pany Program in either of fiscal years 2004 or
16 2005 may continue to do so.

17 “(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-
18 TIES.—It shall not be a conflict of interest for a cer-
19 tified development company to operate multiple pro-
20 grams to assist small business concerns as part of
21 carrying out its economic development purpose.

22 “(4) ACCEPTANCE OF FUNDING SUBJECT TO
23 RESTRICTIONS.—

24 “(A) IN GENERAL.—A certified develop-
25 ment company may not accept funding that is

1 subject to a restriction described in subpara-
2 graph (B) from a source (including a source
3 that is a department or agency of the Federal
4 Government) unless the source also provides all
5 of the financial assistance to be delivered by the
6 certified development company under this title
7 and the restriction is limited solely to the finan-
8 cial assistance so provided.

9 “(B) RESTRICTIONS COVERED.—A restric-
10 tion referred to in subparagraph (A) is—

11 “(i) a condition, priority, or restric-
12 tion upon the types of small businesses to
13 which the certified development company
14 may deliver financial assistance under this
15 title; or

16 “(ii) a condition or requirement, di-
17 rectly or indirectly, upon the small busi-
18 ness to which financial assistance is to be
19 delivered under this title.

20 “(e) MULTISTATE OPERATIONS.—

21 “(1) AUTHORIZATION.—Notwithstanding any
22 other provision of law, the Administrator shall per-
23 mit a certified development company to make loans
24 in any State that is contiguous to the State of incor-

1 poration of that certified development company, only
2 if such company—

3 “(A) is—

4 “(i) an accredited lender under section
5 507; or

6 “(ii) a premier certified lender under
7 section 508;

8 “(B) meets or exceeds performance stand-
9 ards established by the Administrator;

10 “(C) has a membership that contains not
11 fewer than 25 members from each State in
12 which the company makes loans and meets the
13 requirements of paragraph (6)(B) for member-
14 ship in each State;

15 “(D) has a board of directors that contains
16 not fewer than 1 member from each State in
17 which the company makes loans;

18 “(E) has not fewer than 1 loan com-
19 mittee—

20 “(i) that considers loan applications
21 from small businesses in States other than
22 the State of incorporation of the certified
23 development company;

24 “(ii) that has at least one member
25 with commercial lending experience; and

1 “(iii) that does not have any staff of
2 the certified development company serving
3 on the loan committee; and

4 “(F) submits to the Administrator, in writ-
5 ing—

6 “(i) a notice of the intention of the
7 company to make loans in multiple States;

8 “(ii) the names of the States in which
9 the company intends to make loans;

10 “(iii) a detailed statement of how the
11 company will comply with this paragraph,
12 including a list of the members described
13 in subparagraph (C).

14 “(2) REVIEW.—The Administrator shall verify
15 whether a certified development company satisfies
16 the requirements of paragraph (1) on an expedited
17 basis and, not later than 30 days after the date on
18 which the Administrator receives the statement de-
19 scribed in paragraph (1)(E)(iii), the Administrator
20 shall determine whether such company satisfies such
21 criteria and provide notice to such company.

22 “(3) LOAN COMMITTEE OPERATION.—

23 “(A) APPROVAL REQUIRED.—Any loan
24 made by a certified development company in a
25 State other than its State of incorporation shall

1 be approved by a loan committee established
2 pursuant to subsection (e)(1)(E) of this section.
3 No such loan shall be approved if the loan com-
4 mittee does not have at least one member from
5 the State in which the loan is made and such
6 member participates in the review of the loan.

7 “(B) RATIFICATION BY BOARD.—Any loan
8 made in a State other than the State of incor-
9 poration must be ratified by the Board of Di-
10 rectors of the certified development company.

11 “(4) AGGREGATE ACCOUNTING.—A company
12 described in paragraph (1) may maintain an aggre-
13 gate accounting of all revenue and expenses of the
14 company for purposes of this title.

15 “(5) LOCAL JOB CREATION REQUIREMENTS.—

16 “(A) IN GENERAL.—Any certified develop-
17 ment company making loans in multiple States
18 shall satisfy any applicable job creation or re-
19 tention requirements separately for each such
20 State. Such a company shall not count jobs cre-
21 ated or retained in 1 State towards any applica-
22 ble job creation or retention requirement in an-
23 other State.

24 “(B) TRANSITION PERIOD.—The require-
25 ment of subparagraph (A) does not apply dur-

1 ing the 2-year period beginning with the date
2 on which the Administrator authorizes multi-
3 State operations.

4 “(6) CONTROL OF MULTIPLE COMPANIES.—

5 “(A) IN GENERAL.—No one either directly
6 or indirectly may exercise a position of control
7 on more than one certified development com-
8 pany.

9 “(B) CLOSE RELATIVES.—No close relative
10 of an individual who holds a position of control
11 in a certified development company may hold a
12 position of control on a certified development
13 company other than the company on which the
14 individual serves.

15 “(C) DEFINITIONS.—In this paragraph—

16 “(i) the term ‘close relative’ means a
17 spouse, parent, child, or sibling, or the
18 spouse of a parent, child, or sibling; and

19 “(ii) the term ‘position of control’
20 means a certified development company’s
21 officer, member of the board of directors,
22 manager, chief executive officer, agent in-
23 volved in the loan process, key employee or
24 similar management position, or, if the cer-
25 tified development company is a for-profit

1 entity, a holder of 20 percent or more of
2 the value of the certified development com-
3 pany's stock.

4 “(7) CONTIGUOUS STATES.—For the purposes
5 of this subsection, the States of Alaska and Hawaii
6 and the territories of American Samoa and Guam
7 shall be deemed to be contiguous to California, Or-
8 egon, and Washington.

9 “(8) LOCAL ECONOMIC AREA OPERATION.—A
10 certified development company that is operating or
11 applies for authority to operate in a local economic
12 area (as defined in subsection (c)(2)) shall not be
13 deemed to be conducting a multistate operation and
14 shall not be subject to the eligibility criteria or oper-
15 ating requirements in this subsection.”.

16 (b) TEMPORARY GRANDFATHER CLAUSE.—An entity
17 that, as of December 31, 2005, was certified by the Ad-
18 ministrators for purposes of title V of the Small Business
19 Investment Act of 1958 shall continue to be treated as
20 a certified development company for purposes of that Act
21 until the 1-year period beginning with the date of the en-
22 actment of this Act expires.

23 **SEC. 214. CONFORMING AMENDMENTS.**

24 (a) TITLE HEADING.—The title heading for title V
25 of the Small Business Investment Act of 1958 is amended

1 by striking “State and Local Development Companies”
2 and inserting “Certified Development Companies”.

3 (b) SECTION 501.—Section 501 of such Act is
4 amended—

5 (1) in the section heading by striking “state de-
6 velopment companies” and inserting “certified devel-
7 opment companies”;

8 (2) in subsection (b) by striking “State develop-
9 ment companies” and inserting “certified develop-
10 ment companies”; and

11 (3) in subsection (c) by striking “State develop-
12 ment company” both places such term appears and
13 inserting “certified development company”.

14 (c) SECTION 502.—Section 502 of such Act is
15 amended in the first sentence by striking “State and local
16 development companies” and inserting “certified develop-
17 ment companies”.

18 (d) SECTION 503.—Section 503 of such Act is
19 amended—

20 (1) in subsection (a)(1), by striking “qualified
21 State or local development company” and inserting
22 “certified development company”; and

23 (2) by striking subsection (e) and inserting the
24 following:

1 “(e) SECTION 7(a) LOANS.—The Administrator shall
2 not prevent or in any manner impede a certified develop-
3 ment company from providing assistance to a business
4 with respect to preparing applications for loans under sec-
5 tion 7(a) of the Small Business Act, or for servicing such
6 loans so long as the fee that the certified development
7 company charges the business for providing that assist-
8 ance or servicing is no more than reasonable. Nothing in
9 this provision shall authorize a certified development com-
10 pany to issue loans pursuant to section 7(a) of the Small
11 Business Act.”.

12 (e) SECTION 505.—Section 505 of such Act is
13 amended in subsection (a) by striking “State or local de-
14 velopment companies” and inserting “certified develop-
15 ment companies”.

16 (f) SECTION 507.—Section 507 of such Act is amend-
17 ed—

18 (1) in subsection (a) by striking “State and
19 local development companies” and inserting “cer-
20 tified development companies”;

21 (2) in subsection (b) by striking “qualified
22 State or local development company” and inserting
23 “certified development company”;

1 (3) in subsection (c) by striking “qualified
2 State or local development company” and inserting
3 “certified development company”;

4 (4) in subsection (d)(1) by striking “qualified
5 State or local development company” and inserting
6 “certified development company”; and

7 (5) by striking subsection (e).

8 (g) SECTION 509.—Section 509 of such Act is
9 amended in subsection (e)(1)(A) by striking “qualified
10 State or local development company” and inserting “cer-
11 tified development company”.

12 (h) SECTION 510.—Section 510 of such Act is
13 amended—

14 (1) in subsection (a) by striking “qualified
15 State or local development company (as defined in
16 section 503(e))” and inserting “certified develop-
17 ment company”;

18 (2) in subsection (b)(1) by striking “qualified
19 State or local development company” and inserting
20 “certified development company”;

21 (3) in subsection (b)(1)(B)(i)(II) by striking
22 “qualified State and local development companies”
23 and inserting “certified development companies”;

24 (4) in subsection (c)(1) in the matter preceding
25 subparagraph (A) by striking “qualified State or

1 local development company” and inserting “certified
2 development company”;

3 (5) in subsection (c)(1)(B)(i)(II) by striking
4 “qualified State or local development company” both
5 places such term appears and inserting “certified de-
6 velopment company”;

7 (6) in subsection (c)(2)(A)(i), by striking
8 “qualified State or local development company” and
9 inserting “certified development company”;

10 (7) in subsection (c)(2)(A)(iii), by striking
11 “qualified State or local development company” and
12 inserting “certified development company”;

13 (8) in subsection (c)(2)(B)(i), by striking
14 “qualified State or local development company” and
15 inserting “certified development company”;

16 (9) in subsection (c)(2)(C)(i), by striking
17 “qualified State or local development company” and
18 inserting “certified development company”;

19 (10) in subsection (c)(2)(D), by striking “quali-
20 fied State or local development company” and in-
21 serting “certified development company”;

22 (11) in subsection (c)(3), by striking “qualified
23 State or local development company” and inserting
24 “certified development company”;

1 (12) in subsection (d), by striking “qualified
2 State or local development company” and inserting
3 “certified development company”;

4 (13) in subsection (e)(1), by striking “qualified
5 State and local development companies” and insert-
6 ing “certified development companies”;

7 (14) in subsection (e)(2)(A), by striking “quali-
8 fied State or local development company” and in-
9 serting “certified development company”; and

10 (15) in subsection (e)(2)(B), by striking “quali-
11 fied State or local development company” and in-
12 serting “certified development company”.

13 **SEC. 215. CLOSING COSTS.**

14 Section 503(b) of the Small Business Investment Act
15 of 1958 (15 U.S.C. 697(b)) is amended by striking para-
16 graph (4) and inserting the following:

17 “(4) the aggregate amount of such debenture
18 does not exceed the amount of the loans to be made
19 from the proceeds of such debenture plus, at the
20 election of the borrower, other amounts attributable
21 to the administrative and closing costs of such loans,
22 except for the attorney fees of the borrower;”.

1 **SEC. 216. DEFINITION OF RURAL.**

2 Section 501 of the Small Business Investment Act
3 of 1958 (15 U.S.C. 695) is amended by adding at the end
4 the following:

5 “(f) As used in this title, the terms ‘rural’ and ‘rural
6 area’ have the meaning given such terms in section
7 343(a)(13) of the Consolidated Farm and Rural Develop-
8 ment Act (7 U.S.C. 1991(a)(13)).”.

9 **SEC. 217. REGULATIONS AND EFFECTIVE DATE.**

10 (a) IN GENERAL.—The Administrator shall, after no-
11 tice and comment, publish rules to implement this subtitle
12 and the amendments made by this subtitle in final form.

13 (b) CONSEQUENCE OF DELAY.—If the Administrator
14 has not complied with subsection (a) as of the date that
15 is 180 days after the enactment of this Act, any entity,
16 then, from that date until the date on which the Adminis-
17 trator has complied with subsection (a), any entity that
18 applies to be treated as a certified development company
19 shall be treated as a certified development company.

20 **Subtitle B—Small Business**
21 **Lending Improvement**

22 **SEC. 221. SHORT TITLE.**

23 This subtitle may be cited as the “Small Business
24 Lending Improvement Act”.

1 **SEC. 222. NATIONAL PREFERRED LENDERS PROGRAM.**

2 Section 7(a)(2) of the Small Business Act (15 U.S.C.
3 636(a)(2)) is amended by adding at the end the following:

4 “(E) NATIONAL PREFERRED LENDERS
5 PROGRAM.—The Administrator shall establish a
6 National Preferred Lenders Program by regula-
7 tion or procedural notice. Any preferred lender
8 authorized by the Administrator to operate as a
9 preferred lender on a national basis prior to the
10 date of the enactment of the Small Business
11 Reauthorization Act of 2006 shall continue that
12 status to the extent that the lender continues to
13 meet the qualifications for preferred lender sta-
14 tus under this section. ”.

15 **SEC. 223. MAXIMUM LOAN AMOUNT.**

16 Section 7(a)(3) of the Small Business Act (15 U.S.C.
17 636(a)(3)(A)) is amended—

18 (1) in subparagraph (A), by striking
19 “\$1,500,000 (or if the gross loan amount would ex-
20 ceed \$2,000,000)” and inserting “\$2,250,000 (or if
21 the gross loan amount would exceed \$3,000,000)”;
22 and

23 (2) in subparagraph (B), by striking
24 “\$1,750,000, of which not more than \$1,250,000”
25 and inserting “\$2,500,000, of which not more than
26 \$2,000,000”.

1 **SEC. 224. ALTERNATIVE SIZE STANDARD.**

2 Section 3(a)(3) of the Small Business Act (15 U.S.C.
3 632(a)(3)) is amended—

4 (1) by striking “When establishing” and insert-
5 ing the following:

6 “ESTABLISHMENT OF SIZE STANDARDS.—

7 “(A) IN GENERAL.—When establishing”; and

8 (2) by adding at the end the following:

9 “(B) ALTERNATIVE SIZE STANDARD.—

10 “(i) IN GENERAL.—Not later than 180
11 days after the date of enactment of this sub-
12 paragraph, the Administrator shall establish an
13 alternative size standard under paragraph (2),
14 that shall be applicable to loan applicants under
15 section 7(a) or under title V of the Small Busi-
16 ness Investment Act of 1958 (15 U.S.C. 695 et
17 seq.).

18 “(ii) CRITERIA.—The alternative size
19 standard established under clause (i) shall uti-
20 lize the maximum net worth and maximum net
21 income of the prospective borrower as an alter-
22 native to the use of industry standards.

23 “(iii) AFFILIATION.—In developing the size
24 standard, the Administrator shall not take into
25 account any affiliation between the prospective
26 borrower and any other entity if the prospective

1 borrower has no legal recourse to an affiliate to
2 repay the loan made pursuant to section 7(a).

3 “(iv) INTERIM RULE.—Until the Adminis-
4 trator establishes an alternative size standard
5 under clause (i), the Administrator shall use the
6 alternative size standard in section 121.301(b)
7 of title 13, Code of Federal Regulations, for
8 loan applicants under section 7(a) or under title
9 V of the Small Business Investment Act of
10 1958 (15 U.S.C. 695 et seq.).”.

11 **SEC. 225. TIMELY PAYMENT OF 7(a) SECONDARY MARKET**

12 **FEE.**

13 Section 5(g)(2) of the Small Business Act is amend-
14 ed—

15 (1) by inserting “(A)” before “The Administra-
16 tion”; and

17 (2) by adding at the end the following:

18 “(B)(i) With respect to the Administration’s guar-
19 anty of the timely payment of the principal and interest
20 on trust certificates issued under this subsection on or
21 after October 1, 2007, the Administration may assess, col-
22 lect, and retain a fee in the amount and frequency, as es-
23 tablished annually by the Administration, as necessary to
24 reduce to zero the cost (as defined in section 502 of the
25 Federal Credit Reform Act of 1990) to the Administration

1 of making this guaranty. The Administration may con-
 2 tract with an agent to carry out, on behalf of the Adminis-
 3 tration, the assessment and collection of such fee.

4 “(ii) The fee specified in clause (i) shall be—

5 “(I) payable by the holders of such trust certifi-
 6 cates; and

7 “(II) deducted from the amounts otherwise pay-
 8 able to the holders of such trust certificates, until
 9 the fee is paid in full.

10 “(iii) The fee specified in clause (i) shall not be
 11 charged to any borrower whose loan is represented in the
 12 secondary market by a trust certificate authorized under
 13 subparagraph (A).”.

14 **Subtitle C—Small Business**

15 **Investment**

16 **SEC. 241. PARTICIPATING SECURITY SMALL BUSINESS IN-** 17 **VESTMENT COMPANIES.**

18 Part A of title III of the Small Business Investment
 19 Act of 1958 (15 U.S.C. 681 et seq.) is amended by adding
 20 at the end the following:

21 **“SEC. 321. PARTICIPATING SECURITY SMALL BUSINESS IN-** 22 **VESTMENT COMPANIES.**

23 “(a) APPLICATION.—This section applies to compa-
 24 nies licensed to use participating securities pursuant to
 25 this title after September 30, 2004. Except as provided

1 in this section, all other provisions of this title apply to
2 companies licensed to use participating securities after
3 September 30, 2004.

4 “(b) AUTHORITY TO GUARANTEE.—

5 “(1) IN GENERAL.—

6 “(A) In order to encourage small business
7 investment companies to provide equity capital
8 to small businesses, the Administrator is au-
9 thorized to guarantee the payment of the re-
10 demption price and prioritized payments on
11 participating securities issued by such compa-
12 nies which are licensed pursuant to section
13 301(c) of this Act, and a trust or a pool acting
14 on behalf of the Administrator is authorized to
15 purchase such securities.

16 “(B) Participating securities guaranteed
17 under this section may not exceed 100 percent
18 of the regulatory capital of the company as de-
19 fined by the Administrator.

20 “(2) TERMS AND CONDITIONS OF THE GUAR-
21 ANTEE.—Such guarantees and purchases shall be
22 made on such terms and conditions as the Adminis-
23 trator shall establish by regulation.

24 “(c) RESTRICTIONS ON PARTICIPATING SECURI-
25 TIES.—In addition to any limitations imposed by the Ad-

1 administrator that are not inconsistent with this section,
2 participating securities guaranteed under this section shall
3 be subject to the following restrictions and limitations:

4 “(1) OBLIGATIONS OF WITH RESPECT TO PAR-
5 TICIPATING SECURITIES AND PRIORITIZED PAY-
6 MENTS.—

7 “(A) IN GENERAL.—Participating securi-
8 ties shall be redeemed not later than 10 years
9 after their date of issuance for an amount equal
10 to 100 percent of the original issue price plus
11 the amount of any accrued prioritized payment.

12 “(B) OBLIGATION TO MAKE PRIORITIZED
13 PAYMENTS AND REDEEM PARTICIPATING SECURITIES.—

14 “(i) IN GENERAL.—A company li-
15 censed under this section shall be obligated
16 to pay accrued and unpaid prioritized pay-
17 ments and redeem its participating securi-
18 ties irrespective of the profitability of the
19 company.
20 company.

21 “(ii) LIMITATION ON IN-KIND DIS-
22 TRIBUTIONS.—A company may not make
23 any in-kind distributions unless all accrued
24 prioritized payments and leverage out-
25 standing as of the date of distribution have

1 been paid in full by cash payment by the
2 company.

3 “(2) PRIORITIZED PAYMENTS.—

4 “(A) IN GENERAL.—Prioritized payments
5 on participating securities shall be preferred
6 and cumulative and payable out of any gross re-
7 ceipts of the issuing company.

8 “(B) INTEREST RATE OF PRIORITY PAY-
9 MENTS.—Prioritized payments shall accrue at a
10 rate determined by the Secretary of the Treas-
11 ury taking into consideration the current aver-
12 age market yield on outstanding marketable ob-
13 ligations of the United States with remaining
14 periods to maturity comparable to the average
15 maturities on such securities, adjusted to the
16 nearest one-eighth of 1 percent, plus an addi-
17 tional charge, in an amount established annu-
18 ally by the Administrator, as necessary to re-
19 duce to zero the cost (as defined in section 502
20 of the Federal Credit Reform Act of 1990 (2
21 U.S.C. 661a)) to the Administrator of pur-
22 chasing and guaranteeing participating securi-
23 ties under this section, which amount may not
24 exceed 1.5 percent per year, and which shall be
25 paid to and retained by the Administrator.

1 “(C) PAYMENT OF ACCRUED PRIORITIZED
2 PAYMENTS.—Any accrued but unpaid
3 prioritized payments shall be due and payable
4 on the seventh anniversary of the date of
5 issuance of the participating security to which
6 they apply. Prioritized payments accruing after
7 the seventh anniversary shall be paid semiannu-
8 ally thereafter until the participating security to
9 which they apply has been redeemed.

10 “(3) SENIORITY OF PARTICIPATING SECU-
11 RITY.—In the event of liquidation of the company,
12 participating securities and accrued but unpaid
13 prioritized payments shall be senior in priority for
14 all purposes to all other equity interests in the
15 issuing company, whenever created.

16 “(4) INVESTMENT IN EQUITY CAPITAL.—Any
17 company issuing a participating security under this
18 section shall commit to invest or shall invest an
19 amount equal to the outstanding face value of such
20 security solely in equity capital.

21 “(5) LIMITATIONS ON OUTSIDE DEBT.—The
22 only debt other than leverage obtained in accordance
23 with this title which any company issuing a partici-
24 pating security under this section may have out-

1 standing shall be temporary debt in amounts limited
2 to not more than 50 percent of private capital.

3 “(d) DISTRIBUTIONS BY LICENSEE.—

4 “(1) ORDER AND TYPES OF DISTRIBUTIONS.—

5 “(A) PAYMENT OF PRIORITIZED PAY-
6 MENTS.—Accrued but unpaid prioritized pay-
7 ments shall be paid whenever a company has
8 gross receipts on payment dates prescribed by
9 the Administrator. If not previously paid in full,
10 accrued but unpaid prioritized payments shall
11 be paid upon the seventh anniversary of the
12 issuance of the participating security to which
13 they apply and semiannually thereafter until
14 the participating security is redeemed in full.

15 “(B) TAX DISTRIBUTIONS.—

16 “(i) IN GENERAL.—If a company is
17 operating as a limited partnership or as a
18 subchapter S corporation or an equivalent
19 pass-through entity for tax purposes and if
20 there are no accumulated and unpaid
21 prioritized payments, the company may
22 make annual distributions to the partners,
23 shareholders, or members in amounts not
24 greater than each partner’s, shareholder’s,
25 or member’s maximum tax liability attrib-

1 utable to the operations of the company;
2 provided, however, that such distributions
3 shall not be permitted in any period in
4 which distributions characterized as either
5 return of capital or profit are sufficient to
6 pay the liability calculated in accordance
7 with this paragraph.

8 “(ii) INTERIM TAX DISTRIBUTIONS.—

9 A company may also elect to make a dis-
10 tribution under this paragraph at any time
11 during any calendar quarter based on an
12 estimate of the maximum tax liability. If a
13 company makes one or more interim dis-
14 tributions for a calendar year, and the ag-
15 gregate amount of those distributions ex-
16 ceeds the maximum amount that the com-
17 pany could have distributed based on a sin-
18 gle annual computation, any subsequent
19 distribution by the company under this
20 paragraph shall be reduced by an amount
21 equal to the excess amount distributed.

22 “(C) PAYMENT OF OUTSTANDING LEVER-
23 AGE AND RETURN OF CAPITAL.—After making
24 any distributions pursuant to subparagraphs
25 (A) and (B), whenever a company with partici-

1 participating securities outstanding has gross receipts
2 it shall return capital to its investors, specifi-
3 cally including the Administrator. Any distribu-
4 tions made under this subparagraph shall be
5 made to private investors and to the Adminis-
6 trator in the ratio of private capital to leverage
7 as of the date of the distribution until leverage
8 outstanding as of the date of distribution has
9 been redeemed in full.

10 “(D) DISTRIBUTION OF PROFITS.—After
11 making distributions pursuant to subpara-
12 graphs (A), (B), and (C), a company shall dis-
13 tribute any profits in excess reserves for reason-
14 ably anticipated expenses and other liabilities
15 for the following 12 months to its investors and
16 to the Administrator in accordance with the fol-
17 lowing:

18 “(i) To the Administrator, 50 percent
19 of the leverage percent reduced by the
20 weighted average of all prioritized payment
21 rates paid by the company with respect to
22 participating securities issued by the com-
23 pany to the date of distribution.

1 “(ii) The balance to the company’s
2 private investors in accordance with the
3 company’s controlling documents.

4 “(iii) A company operating under this
5 section shall be entitled to subtract from
6 any calculation of profit management ex-
7 penses not more than 2.5 percent of the
8 combined capital of the company plus an
9 additional \$125,000 if the combined cap-
10 ital of the company is less than
11 \$20,000,000.

12 “(E) IN-KIND PROFIT DISTRIBUTIONS.—

13 “(i) A licensee may elect to may make
14 all or part of distribution under subpara-
15 graph (C), including any distribution to
16 the Administrator, as an in-kind distribu-
17 tion only to the extent that such securities
18 are publicly traded and marketable.

19 “(ii) In-kind distributions to the Ad-
20 ministrator shall be deposited with a trust-
21 ee designated by the Administrator that
22 has substantial expertise and experience in
23 the sale of thinly traded securities. Des-
24 ignation of the trustee must occur not

1 later than 180 days after the effective date
2 of this section.

3 “(iii) If the Administrator receives in-
4 kind distributions and upon sale of such
5 securities realizes less than the value of
6 such securities at the date of the distribu-
7 tion, the Administrator shall not be per-
8 mitted to seek from the licensee the dif-
9 ference between the value of such securi-
10 ties on the date of the in-kind distribution
11 and the value on the date of sale by the
12 Administrator.

13 “(iv) If the Administrator receives in-
14 kind distributions and upon sale of such
15 securities realizes more than the value of
16 such securities at the date of distribution,
17 the Administrator shall be entitled to re-
18 tain the difference between the value of
19 such securities on the date of the in-kind
20 distribution and the value on the date of
21 sale by the Administrator. Any excess
22 value received by the Administrator shall
23 not reduce any liability of the company
24 with respect to prioritized payments or re-
25 demption of participating securities.

1 “(e) LEVERAGE FEES.—

2 “(1) IN GENERAL.—The Administrator shall
3 collect a fee of three percent of the face amount of
4 any leverage granted to a licensee pursuant to this
5 section.

6 “(2) TIMING OF FEE PAYMENT.—

7 “(A) One-third of such fee is payable upon
8 the date at which the Administrator and li-
9 censee enter into a commitment for such lever-
10 age.

11 “(B) Two-thirds of such fee is payable
12 upon the date such leverage is drawn.

13 “(C) If there is no commitment between
14 the Administrator and the licensee under sub-
15 paragraph (A), all of such fee is due on the
16 date on which the leverage is drawn by the li-
17 censee.

18 “(f) CALCULATION OF SUBSIDY RATE.—All fees, in-
19 terest, and profits received and retained by the Adminis-
20 trator under this section shall be included in the calcula-
21 tions made by the Director of the Office of Management
22 and Budget to offset the cost (as that term is defined in
23 section 502 of the Federal Credit Reform Act of 1990)
24 to the Administrator of purchasing and guaranteeing de-
25 bentures and participating securities under this Act.

1 “(g) DEFINITIONS.—In this section:

2 “(1) The term ‘participating security’ means a
3 participating debt security issued to the Adminis-
4 trator that obligates the issuing company to pay
5 prioritized payments and principal when due and a
6 percentage of the profits, if any, of the company to
7 the Administrator as provided in this section.

8 “(2) The term ‘prioritized payments’ means in-
9 terest payable on such participating securities in ac-
10 cordance with this section.

11 “(3) The term ‘gross receipts’ means any cash
12 received by a small business investment company, in-
13 cluding investment proceeds (both return of capital
14 and profit), interest, dividends, and fees, other than
15 capital contributed by a partner, the proceeds of the
16 issuance of participating securities, and other money
17 (if any) borrowed by the small business investment
18 company.

19 “(4) The term ‘equity capital’ means common
20 or preferred stock or a similar instrument, including
21 subordinated debt with equity features which is not
22 amortized and which provides for interest payments
23 from appropriate sources, as determined by the Ad-
24 ministrator.

1 “(5) The term ‘combined capital’ means the ag-
2 gregate amount of private capital, outstanding lever-
3 age, and commitments of the Administrator held by
4 the company.

5 “(6) The term ‘management expenses’ includes
6 salaries, office expenses, travel, business develop-
7 ment, office and equipment rental, bookkeeping and
8 the development, investigation and monitoring of in-
9 vestments, but does not include the cost of services
10 provided by specialized outside consultants, outside
11 lawyers, and outside auditors, who perform services
12 not generally expected of a venture capital company,
13 nor does such term include the cost of services pro-
14 vided by any affiliate of the company that are not
15 part of the normal process of making and moni-
16 toring venture capital investments.

17 “(7) The term ‘leverage percent’ means the per-
18 cent calculated by dividing the aggregate amount of
19 participating security leverage previously drawn by
20 the company (including leverage previously repaid)
21 by that same amount plus the aggregate amount of
22 capital previously contributed to the company by its
23 private investors (including capital previously re-
24 turned to those investors).

1 “(8) The term ‘maximum tax liability’ means
2 the amount of income allocated to each partner,
3 shareholder, or member (including an allocation to
4 the Administration as if it were a taxpayer) for Fed-
5 eral income tax purposes in the income tax return
6 filed or to be filed by the company with respect to
7 the fiscal year of the company immediately pre-
8 ceding such distribution, multiplied by the highest
9 combined marginal Federal and State income tax
10 rates for corporations or individuals, whichever is
11 higher, on each type of income included in such re-
12 turn.

13 “(9) The term ‘State income tax’ means the in-
14 come tax of the State where the company’s principal
15 place of business is located.”.

16 **TITLE III—ENTREPRENEURSHIP**

17 **Subtitle A—National Small**

18 **Business Regulatory Assistance**

19 **SEC. 301. SHORT TITLE.**

20 This subtitle may be cited as the “National Small
21 Business Regulatory Assistance Act”.

22 **SEC. 302. PURPOSE.**

23 The purpose of this subtitle is to establish a program
24 to—

1 (1) provide confidential assistance to small
2 business concerns;

3 (2) provide small business concerns with the in-
4 formation necessary to improve their rate of compli-
5 ance with Federal and State regulations;

6 (3) create a partnership among Federal agen-
7 cies to increase outreach efforts to small business
8 concerns with respect to regulatory compliance;

9 (4) provide a mechanism for unbiased feedback
10 to Federal agencies on the regulatory environment
11 for small business concerns; and

12 (5) utilize the service delivery network of Small
13 Business Development Centers to improve access of
14 small business concerns to programs to assist them
15 with regulatory compliance.

16 **SEC. 303. DEFINITIONS.**

17 In this subtitle, the definitions set forth in section
18 37(a) of the Small Business Act (as added by section 304
19 of this subtitle) shall apply.

20 **SEC. 304. SMALL BUSINESS REGULATORY ASSISTANCE PRO-**
21 **GRAM.**

22 The Small Business Act (15 U.S.C. 637 et seq.) is
23 amended—

24 (1) by redesignating section 37 as section 99;
25 and

1 (2) by inserting after section 36 the following
2 new section:

3 **“SEC. 37. SMALL BUSINESS REGULATORY ASSISTANCE PRO-**
4 **GRAM.**

5 “(a) DEFINITIONS.—In this section, the following
6 definitions apply:

7 “(1) ASSOCIATION.—The term ‘Association’
8 means the association recognized by the Adminis-
9 trator of the Small Business Administration under
10 section 21(a)(3)(A).

11 “(2) PARTICIPATING SMALL BUSINESS DEVEL-
12 OPMENT CENTER.—The term ‘participating Small
13 Business Development Center’ means a Small Busi-
14 ness Development Center participating in the pro-
15 gram.

16 “(3) PROGRAM.—The term ‘program’ means
17 the regulatory assistance program established under
18 this section.

19 “(4) REGULATORY COMPLIANCE ASSISTANCE.—
20 The term ‘regulatory compliance assistance’ means
21 assistance provided by a Small Business Develop-
22 ment Center to a small business concern to enable
23 the concern to comply with Federal regulatory re-
24 quirements.

1 “(5) SMALL BUSINESS DEVELOPMENT CEN-
2 TER.—The term ‘Small Business Development Cen-
3 ter’ means a Small Business Development Center
4 described in section 21.

5 “(6) STATE.—The term ‘State’ means each of
6 the several States, the District of Columbia, the
7 Commonwealth of Puerto Rico, the Virgin Islands,
8 Guam, and American Samoa.

9 “(b) AUTHORITY.—In accordance with this section,
10 the Administrator shall establish a program to provide
11 regulatory compliance assistance to small business con-
12 cerns through selected Small Business Development Cen-
13 ters, the Association of Small Business Development Cen-
14 ters, and Federal compliance partnership programs.

15 “(c) SMALL BUSINESS DEVELOPMENT CENTERS.—

16 “(1) IN GENERAL.—In carrying out the pro-
17 gram, the Administrator shall enter into arrange-
18 ments with selected Small Business Development
19 Centers under which such Centers shall provide—

20 “(A) access to information and resources,
21 including current Federal and State nonpuni-
22 tive compliance and technical assistance pro-
23 grams similar to those established under section
24 507 of the Clean Air Act (42 U.S.C. 7661f);

25 “(B) training and educational activities;

1 “(C) confidential, free-of-charge, one-on-
2 one, in-depth counseling to the owners and op-
3 erators of small business concerns regarding
4 compliance with Federal and State regulations,
5 as long as such counseling is not considered to
6 be the practice of law in a State in which a
7 Small Business Development Center is located
8 or in which such counseling is conducted;

9 “(D) technical assistance;

10 “(E) referrals to experts and other pro-
11 viders of compliance assistance who meet such
12 standards for educational, technical, and profes-
13 sional competency as are established by the Ad-
14 ministrator; and

15 “(F) access to the Internet and training on
16 Internet use, including the use of the Internet
17 website established by the Administrator under
18 subsection (d)(1)(C).

19 “(2) REPORTS.—

20 “(A) IN GENERAL.—Each selected Small
21 Business Development Center shall transmit to
22 the Administrator a quarterly report that in-
23 cludes—

1 “(i) a summary of the regulatory com-
2 pliance assistance provided by the center
3 under the program; and

4 “(ii) any data and information ob-
5 tained by the center from a Federal agency
6 regarding regulatory compliance that the
7 agency intends to be disseminated to small
8 business concerns.

9 “(B) ELECTRONIC FORM.—Each report re-
10 quired under subparagraph (A) shall be trans-
11 mitted in electronic form.

12 “(C) INTERIM REPORTS.—A participating
13 Small Business Development Center may trans-
14 mit to the Administrator such interim reports
15 as the Center considers appropriate.

16 “(d) DATA REPOSITORY AND CLEARINGHOUSE.—

17 “(1) IN GENERAL.—In carrying out the pro-
18 gram, the Administrator shall—

19 “(A) act as the repository of and clearing-
20 house for data and information submitted by
21 Small Business Development Centers;

22 “(B) submit to the President, the Com-
23 mittee on Small Business and Entrepreneurship
24 of the Senate, and the Committee on Small

1 Business of the House of Representatives an
2 annual report that includes—

3 “(i) a description of the types of as-
4 sistance provided by participating Small
5 Business Development Centers under the
6 program;

7 “(ii) data regarding the number of
8 small business concerns that contacted
9 participating Small Business Development
10 Centers regarding assistance under the
11 program;

12 “(iii) data regarding the number of
13 small business concerns assisted by partici-
14 pating Small Business Development Cen-
15 ters under the program;

16 “(iv) data and information regarding
17 outreach activities conducted by partici-
18 pating Small Business Development Cen-
19 ters under the program, including any ac-
20 tivities conducted in partnership with Fed-
21 eral agencies;

22 “(v) data and information regarding
23 each case known to the Administrator in
24 which one or more Small Business Devel-
25 opment Centers offered conflicting advice

1 or information regarding compliance with a
2 Federal or State regulation to one or more
3 small business concerns; and

4 “(vi) any recommendations for im-
5 provements in the regulation of small busi-
6 ness concerns;

7 “(C) establish an Internet website that—

8 “(i) provides access to Federal, State,
9 academic, and industry association Inter-
10 net websites containing industry-specific
11 regulatory compliance information that the
12 Administrator deems potentially useful to
13 small businesses attempting to comply with
14 Federal regulations; and

15 “(ii) arranges such Internet websites
16 in industry-specific categories.

17 “(e) ELIGIBILITY.—

18 “(1) IN GENERAL.—A Small Business Develop-
19 ment Center shall be eligible to receive assistance
20 under the program only if the center is certified
21 under section 21(k)(2).

22 “(2) WAIVER.—With respect to a Small Busi-
23 ness Development Center seeking assistance under
24 the program, the administrator may waive the cer-
25 tification requirement set forth in paragraph (1) if

1 the Administrator determines that the center is
2 making a good faith effort to obtain such certifi-
3 cation.

4 “(3) EFFECTIVE DATE.—The restriction de-
5 scribed in paragraph (1) shall not apply to any
6 Small Business Development Center before October
7 1, 2005.

8 “(f) SELECTION OF PARTICIPATING STATE PRO-
9 GRAMS.—

10 “(1) ESTABLISHMENT OF PROGRAM.—In con-
11 sultation with the Association and giving substantial
12 weight to the Association’s recommendations, the
13 Administrator shall select the Small Business Devel-
14 opment Center programs of 2 States from each of
15 the following groups of States to participate in the
16 program:

17 “(A) Group 1: Maine, Massachusetts, New
18 Hampshire, Connecticut, Vermont, and Rhode
19 Island.

20 “(B) Group 2: New York, New Jersey,
21 Puerto Rico, and the Virgin Islands.

22 “(C) Group 3: Pennsylvania, Maryland,
23 West Virginia, Virginia, the District of Colum-
24 bia, and Delaware.

1 “(D) Group 4: Georgia, Alabama, North
2 Carolina, South Carolina, Mississippi, Florida,
3 Kentucky, and Tennessee.

4 “(E) Group 5: Illinois, Ohio, Michigan, In-
5 diana, Wisconsin, and Minnesota.

6 “(F) Group 6: Texas, New Mexico, Arkan-
7 sas, Oklahoma, and Louisiana.

8 “(G) Group 7: Missouri, Iowa, Nebraska,
9 and Kansas.

10 “(H) Group 8: Colorado, Wyoming, North
11 Dakota, South Dakota, Montana, and Utah.

12 “(I) Group 9: California, Guam, Hawaii,
13 Nevada, and Arizona.

14 “(J) Group 10: Washington, Alaska,
15 Idaho, and Oregon.

16 “(2) DEADLINE FOR INITIAL SELECTIONS.—
17 The Administrator shall make selections under para-
18 graph (1) not later than 60 days after promulgation
19 of regulations under section 305 of the National
20 Small Business Regulatory Assistance Act.

21 “(3) ADDITIONAL SELECTIONS.—Not earlier
22 than the date 3 years after the date of the enact-
23 ment of this paragraph, the Administrator may se-
24 lect Small Business Development Center programs
25 of States in addition to those selected under para-

1 graph (1). The Administrator shall consider the ef-
2 fect on the programs selected under paragraph (1)
3 before selecting additional programs under this
4 paragraph.

5 “(4) COORDINATION TO AVOID DUPLICATION
6 WITH OTHER PROGRAMS.—In selecting programs
7 under this subsection, the Administrator shall give a
8 preference to Small Business Development Center
9 programs that have a plan for consulting with Fed-
10 eral and State agencies to ensure that any assist-
11 ance provided under this section is not duplicated by
12 an existing Federal or State program.

13 “(g) MATCHING NOT REQUIRED.—Subparagraphs
14 (A) and (B) of section 21(a)(4) shall not apply to assist-
15 ance made available under the program.

16 “(h) DISTRIBUTION OF GRANTS.—

17 “(1) IN GENERAL.—Except as provided in para-
18 graph (2), each State program selected to receive a
19 grant under subsection (f) in a fiscal year shall be
20 eligible to receive a grant in an amount not to ex-
21 ceed the product obtained by multiplying—

22 “(A) the amount made available for grants
23 under this section for the fiscal year; and

24 “(B) the ratio that the population of the
25 State bears to the population of all the States

1 with programs selected to receive grants under
2 subsection (f) for the fiscal year.

3 “(2) MINIMUM AMOUNT.—The minimum
4 amount that a State program selected to receive a
5 grant under subsection (f) shall be eligible to receive
6 under this section for any fiscal year shall be
7 \$200,000. The Administrator shall reduce the
8 amount described in paragraph (1) as appropriate to
9 carry out the purposes of this paragraph and sub-
10 section (i)(2).

11 “(i) EVALUATION AND REPORT.—Not later than 3
12 years after the establishment of the program, the Comp-
13 troller General of the United States shall conduct an eval-
14 uation of the program and shall transmit to the Adminis-
15 trator, the Committee on Small Business and Entrepre-
16 neurship of the Senate, and the Committee on Small Busi-
17 ness of the House of Representatives a report containing
18 the results of the evaluation along with any recommenda-
19 tions as to whether the program, with or without modifica-
20 tion, should be extended to include the participation of all
21 Small Business Development Centers.

22 “(j) AUTHORIZATION OF APPROPRIATIONS.—

23 “(1) IN GENERAL.—Subject to paragraph (2),
24 there is authorized to be appropriated to carry out

1 this section \$5,000,000 for fiscal year 2008 and
2 each subsequent fiscal year.

3 “(2) AMOUNTS AUTHORIZED ONLY IF SECTION
4 21 FULLY FUNDED.—No funds are authorized to be
5 appropriated to carry out this section for a fiscal
6 year unless the program level authorized to be ap-
7 propriated to carry out section 21 is fully funded for
8 that fiscal year.

9 “(3) LIMITATION ON USE OF OTHER FUNDS.—
10 The Administrator shall carry out the program only
11 with amounts appropriated in advance specifically to
12 carry out this section.”.

13 **SEC. 305. PROMULGATION OF REGULATIONS.**

14 After providing notice and an opportunity for com-
15 ment and after consulting with the Association (but not
16 later than 180 days after the date of the enactment of
17 this Act), the Administrator shall promulgate final regula-
18 tions to carry out this subtitle, including regulations that
19 establish—

20 (1) priorities for the types of assistance to be
21 provided under the program;

22 (2) standards relating to educational, technical,
23 and support services to be provided by participating
24 Small Business Development Centers;

1 (3) standards relating to any national service
2 delivery and support function to be provided by the
3 Association under the program;

4 (4) standards relating to any work plan that
5 the Administrator may require a participating Small
6 Business Development Center to develop; and

7 (5) standards relating to the educational, tech-
8 nical, and professional competency of any expert or
9 other assistance provider to whom a small business
10 concern may be referred for compliance assistance
11 under the program.

12 **Subtitle B—Vocational and Tech-**
13 **nical Entrepreneurship Devel-**
14 **opment**

15 **SEC. 311. SHORT TITLE.**

16 This subtitle may be cited as the “Vocational and
17 Technical Entrepreneurship Development Act”.

18 **SEC. 312. VOCATIONAL AND TECHNICAL ENTREPRENEUR-**
19 **SHIP DEVELOPMENT PROGRAM.**

20 (a) IN GENERAL.—The Small Business Act (15
21 U.S.C. 631 et seq.) is amended by inserting after section
22 37 (as added by section 304) the following new section:

1 **“SEC. 38. VOCATIONAL AND TECHNICAL ENTREPRENEUR-**
2 **SHIP DEVELOPMENT PROGRAM.**

3 “(a) DEFINITIONS.—In this section, the following
4 definitions apply:

5 “(1) ASSOCIATION.—The term ‘Association’
6 means the association of small business development
7 centers recognized under section 21(a)(3)(A).

8 “(2) PROGRAM.—The term ‘program’ means
9 the program established under subsection (b).

10 “(3) SMALL BUSINESS DEVELOPMENT CEN-
11 TER.—The term ‘small business development center’
12 means a small business development center described
13 in section 21.

14 “(4) STATE SMALL BUSINESS DEVELOPMENT
15 CENTER.—The term ‘State small business develop-
16 ment center’ means a small business development
17 center from each State selected by the Adminis-
18 trator, in consultation with the Association and giv-
19 ing substantial weight to the Association’s rec-
20 ommendations, to carry out the program on a state-
21 wide basis in such State.

22 “(b) ESTABLISHMENT.—In accordance with this sec-
23 tion, the Administrator shall establish a program under
24 which the Administrator shall make grants to State small
25 business development centers to enable such centers to
26 provide, on a statewide basis, technical assistance to sec-

1 onday schools, postsecondary vocational schools, or tech-
2 nical schools, for the development and implementation of
3 curricula designed to promote vocational and technical en-
4 trepreneurship.

5 “(c) GRANT AMOUNT.—

6 “(1) MINIMUM GRANT.—Each grant awarded
7 by the Administrator under the program shall be in
8 an amount not less than \$200,000.

9 “(2) NO MATCHING REQUIREMENT.—The Ad-
10 ministrator shall not require, as a condition of re-
11 ceiving a grant under this section, that the applicant
12 provide a matching amount, either in cash or as in-
13 kind contributions.

14 “(d) APPLICATION.—Each State small business de-
15 velopment center seeking a grant under the program shall
16 submit to the Administrator an application in such form
17 as the Administrator may require. The application shall
18 include information regarding the applicant’s goals and
19 objectives for the educational programs to be assisted.

20 “(e) REPORT TO ADMINISTRATOR.—As a condition of
21 each grant awarded under the program, the Administrator
22 shall require the recipient to transmit to the Adminis-
23 trator, not later than 18 months after the date of receipt
24 of the grant, a report describing how the grant funds were
25 used.

1 “(f) COOPERATIVE AGREEMENTS AND CON-
2 TRACTS.—The Administrator may enter into a cooperative
3 agreement or contract with any State small business devel-
4 opment center receiving a grant under this section to pro-
5 vide additional assistance that furthers the purposes of
6 this section.

7 “(g) EVALUATION OF PROGRAM.—Not later than
8 March 31, 2010, the Administrator shall transmit to Con-
9 gress a report containing an evaluation of the program.

10 “(h) CLEARINGHOUSE.—The Association shall act as
11 a clearinghouse of information and expertise regarding vo-
12 cational and technical entrepreneurship education pro-
13 grams. In each fiscal year in which grants are made under
14 the program, the Administrator shall provide additional
15 assistance to the Association to carry out the functions
16 described in this subsection.

17 “(i) AUTHORIZATION OF APPROPRIATIONS.—There is
18 authorized to be appropriated to carry out this section
19 \$7,000,000 for each of fiscal years 2008 through 2010.
20 Such sums shall remain available until expended.

21 “(j) FUNDING LIMITATIONS.—

22 “(1) NONAPPLICABILITY OF CERTAIN LIMITA-
23 TIONS.—Subject to paragraph (2), amounts made
24 available under this section are in addition to any
25 amounts available under section 21(a)(4).

1 “(2) AMOUNTS AUTHORIZED ONLY IF SECTION
2 21 FULLY FUNDED.—No funds are authorized to be
3 appropriated to carry out this section for a fiscal
4 year unless the program level authorized to be ap-
5 propriated to carry out section 21 is fully funded for
6 that fiscal year.

7 “(3) LIMITATION ON USE OF FUNDS.—The Ad-
8 ministrators shall carry out this section using only
9 amounts appropriated in advance specifically for the
10 purpose of carrying out this section.”.

11 **Subtitle C—Native American Small** 12 **Business Development**

13 **SEC. 321. FINDINGS AND PURPOSES.**

14 (a) FINDINGS.—Congress finds the following:

15 (1) Approximately 60 percent of Indian tribe
16 members and Alaska Natives live on or adjacent to
17 Indian lands, which suffer from an average unem-
18 ployment rate of 45 percent.

19 (2) Indian tribe members and Alaska Natives
20 own more than 197,000 businesses and generate
21 more than \$34,000,000,000 in revenues. The service
22 industry accounted for 17 percent of these busi-
23 nesses (of which 40 percent were engaged in busi-
24 ness and personal services) and 15.1 percent of their
25 total receipts. The next largest was the construction

1 industry (13.9 percent and 15.7 percent, respec-
2 tively). The third largest was the retail trade indus-
3 try (7.5 percent and 13.4 percent, respectively).

4 (3) The number of businesses owned by Indian
5 tribe members and Alaska Natives grew by 84 per-
6 cent from 1992 to 1997, and their gross receipts
7 grew by 179 percent in that period. This is com-
8 pared to all businesses which grew by 7 percent, and
9 their total gross receipts grew by 40 percent, in that
10 period.

11 (4) The Small Business Development Center
12 program is cost effective. Clients receiving long-term
13 counseling under the program in 1998 generated ad-
14 ditional tax revenues of \$468,000,000, roughly 6
15 times the cost of the program to the Federal Gov-
16 ernment.

17 (5) Using the existing infrastructure of the
18 Small Business Development Center program, small
19 businesses owned by Indian tribe members, Alaska
20 Natives, and Native Hawaiians receiving services
21 under the program will have a higher survival rate
22 than the average small business not receiving such
23 services.

1 (6) Business counseling and technical assist-
2 ance is critical on Indian lands where similar serv-
3 ices are scarce and expensive.

4 (7) Increased assistance through counseling
5 under the Small Business Development Center pro-
6 gram has been shown to reduce the default rate as-
7 sociated with lending programs of the Small Busi-
8 ness Administration.

9 (b) PURPOSES.—The purposes of this subtitle are as
10 follows:

11 (1) To stimulate economies on Indian lands.

12 (2) To foster economic development on Indian
13 lands.

14 (3) To assist in the creation of new small busi-
15 nesses owned by Indian tribe members, Alaska Na-
16 tives, and Native Hawaiians and expand existing
17 ones.

18 (4) To provide management, technical, and re-
19 search assistance to small businesses owned by In-
20 dian tribe members, Alaska Natives, and Native Ha-
21 waiians.

22 (5) To seek the advice of local Tribal Councils
23 on where small business development assistance is
24 most needed.

1 (6) To ensure that Indian tribe members, Alas-
2 ka Natives, and Native Hawaiians have full access
3 to existing business counseling and technical assist-
4 ance available through the Small Business Develop-
5 ment Center program.

6 **SEC. 322. SMALL BUSINESS DEVELOPMENT CENTER AS-**
7 **SISTANCE TO INDIAN TRIBE MEMBERS, ALAS-**
8 **KA NATIVES, AND NATIVE HAWAIIANS.**

9 (a) IN GENERAL.—Section 21(a) of the Small Busi-
10 ness Act (15 U.S.C. 648(a)) is amended by adding at the
11 end the following:

12 “(8) ADDITIONAL GRANT TO ASSIST INDIAN
13 TRIBE MEMBERS, ALASKA NATIVES, AND NATIVE HA-
14 WAIANS.—

15 “(A) IN GENERAL.—Any applicant in an
16 eligible State that is funded by the Administra-
17 tion as a Small Business Development Center
18 may apply for an additional grant to be used
19 solely to provide services described in subsection
20 (c)(3) to assist with outreach, development, and
21 enhancement on Indian lands of small business
22 startups and expansions owned by Indian tribe
23 members, Alaska Natives, and Native Hawai-
24 ians.

1 “(B) ELIGIBLE STATES.—For purposes of
2 subparagraph (A), an eligible State is a State
3 that has a combined population of Indian tribe
4 members, Alaska Natives, and Native Hawai-
5 ians that comprises at least 1 percent of the
6 State’s total population, as shown by the latest
7 available census.

8 “(C) GRANT APPLICATIONS.—An applicant
9 for a grant under subparagraph (A) shall sub-
10 mit to the Administration an application that is
11 in such form as the Administration may re-
12 quire. The application shall include information
13 regarding the applicant’s goals and objectives
14 for the services to be provided using the grant,
15 including—

16 “(i) the capability of the applicant to
17 provide training and services to a rep-
18 resentative number of Indian tribe mem-
19 bers, Alaska Natives, and Native Hawai-
20 ians;

21 “(ii) the location of the Small Busi-
22 ness Development Center site proposed by
23 the applicant;

1 “(iii) the required amount of grant
2 funding needed by the applicant to imple-
3 ment the program; and

4 “(iv) the extent to which the applicant
5 has consulted with local Tribal Councils.

6 “(D) APPLICABILITY OF GRANT REQUIRE-
7 MENTS.—An applicant for a grant under sub-
8 paragraph (A) shall comply with all of the re-
9 quirements of this section, except that the
10 matching funds requirements under paragraph
11 (4)(A) shall not apply.

12 “(E) MAXIMUM AMOUNT OF GRANTS.—No
13 applicant may receive more than \$300,000 in
14 grants under this paragraph for one fiscal year.

15 “(F) REGULATIONS.—After providing no-
16 tice and an opportunity for comment and after
17 consulting with the Association recognized by
18 the Administration pursuant to paragraph
19 (3)(A) (but not later than 180 days after the
20 date of enactment of this paragraph), the Ad-
21 ministration shall issue final regulations to
22 carry out this paragraph, including regulations
23 that establish—

24 “(i) standards relating to educational,
25 technical, and support services to be pro-

1 vided by Small Business Development Cen-
2 ters receiving assistance under this para-
3 graph; and

4 “(ii) standards relating to any work
5 plan that the Administration may require a
6 Small Business Development Center receiv-
7 ing assistance under this paragraph to de-
8 velop.

9 “(G) DEFINITIONS.—In this section, the
10 following definitions apply:

11 “(i) INDIAN LANDS.—The term ‘In-
12 dian lands’ has the meaning given the term
13 ‘Indian country’ in section 1151 of title 18,
14 United States Code, the meaning given the
15 term ‘Indian reservation’ in section 151.2
16 of title 25, Code of Federal Regulations
17 (as in effect on the date of enactment of
18 this paragraph), and the meaning given
19 the term ‘reservation’ in section 4 of the
20 Indian Child Welfare Act of 1978 (25
21 U.S.C. 1903).

22 “(ii) INDIAN TRIBE.—The term ‘In-
23 dian tribe’ means any band, nation, or or-
24 ganized group or community of Indians lo-
25 cated in the contiguous United States, and

1 the Metlakatla Indian Community, whose
2 members are recognized as eligible for the
3 services provided to Indians by the Sec-
4 retary of the Interior because of their sta-
5 tus as Indians.

6 “(iii) INDIAN TRIBE MEMBER.—The
7 term ‘Indian tribe member’ means a mem-
8 ber of an Indian tribe (other than a Alaska
9 Native).

10 “(iv) ALASKA NATIVE.—The term
11 ‘Alaska Native’ has the meaning given the
12 term ‘Native’ in section 3(b) of the Alaska
13 Native Claims Settlement Act (43 U.S.C.
14 1602(b)).

15 “(v) NATIVE HAWAIIAN.—The term
16 ‘Native Hawaiian’ means any individual
17 who is—

18 “(I) a citizen of the United
19 States; and

20 “(II) a descendant of the aborigi-
21 nal people, who prior to 1778, occu-
22 pied and exercised sovereignty in the
23 area that now constitutes the State of
24 Hawaii.

1 “(vi) TRIBAL ORGANIZATION.—The
2 term ‘tribal organization’ has the meaning
3 given that term in section 4(l) of the In-
4 dian Self-Determination and Education
5 Assistance Act (25 U.S.C. 450b(l)).

6 “(H) AUTHORIZATION OF APPROPRIA-
7 TIONS.—There is authorized to be appropriated
8 to carry out this paragraph \$7,000,000 for each
9 of fiscal years 2008 through 2010.

10 “(I) FUNDING LIMITATIONS.—

11 “(i) NONAPPLICABILITY OF CERTAIN
12 LIMITATIONS.—Subject to clause (ii), fund-
13 ing under this paragraph shall be in addi-
14 tion to the dollar program limitations spec-
15 ified in paragraph (4).

16 “(ii) AMOUNTS AUTHORIZED ONLY IF
17 REST OF SECTION 21 FULLY FUNDED.—No
18 funds are authorized to be appropriated to
19 carry out this paragraph for a fiscal year
20 unless the program level authorized to be
21 appropriated to carry out the other activi-
22 ties under this section is fully funded for
23 that fiscal year.

24 “(iii) LIMITATION ON USE OF
25 FUNDS.—The Administration may carry

1 out this paragraph only with amounts ap-
2 propriated in advance specifically to carry
3 out this paragraph.”.

4 **SEC. 323. STATE CONSULTATION WITH TRIBAL ORGANIZA-**
5 **TIONS.**

6 Section 21(c) of the Small Business Act (15 U.S.C.
7 648(c)) is amended by adding at the end the following:
8 “(9) ADVICE OF LOCAL TRIBAL ORGANIZA-
9 TIONS.—A Small Business Development Center re-
10 ceiving a grant under this section shall request the
11 advice of tribal organization on how best to provide
12 assistance to Indian tribe members, Alaska Natives,
13 and Native Hawaiians and where to locate satellite
14 centers to provide such assistance.”.

15 **Subtitle D—Second-Stage Small**
16 **Business Development**

17 **SEC. 331. SHORT TITLE.**

18 This subtitle may be cited as the “Second-Stage
19 Small Business Development Act”.

20 **SEC. 332. PURPOSE.**

21 The purpose of this subtitle is to establish a four-
22 year pilot program to—

23 (1) identify second-stage small business con-
24 cerns that have the capacity for significant business
25 growth and job creation;

1 (2) facilitate business growth and job creation
2 by second-stage small business concerns through the
3 development of peer learning opportunities; and

4 (3) utilize the network of small business devel-
5 opment centers to expand access to peer learning op-
6 portunities for second-stage small business concerns.

7 **SEC. 333. PILOT PROGRAM.**

8 (a) **ESTABLISHMENT.**—The Administrator shall es-
9 tablish and carry out a pilot program (referred to in this
10 subtitle as the “pilot program”) to make grants to eligible
11 entities for the development of peer learning opportunities
12 for second-stage small business concerns in accordance
13 with this subtitle.

14 (b) **SELECTION OF GRANT RECIPIENTS.**—

15 (1) **IN GENERAL.**—From the eligible entities lo-
16 cated in the States in each of the 10 regions under
17 paragraph (3), the Administrator shall select 2 eligi-
18 ble entities to receive grants.

19 (2) **ELIGIBLE ENTITIES.**—In this subtitle, the
20 term “eligible entity” means an entity that—

21 (A) is eligible to receive funding under sec-
22 tion 21 of the Small Business Act (15 U.S.C.
23 648); and

24 (B) submits to the Secretary an applica-
25 tion that includes—

- 1 (i) a plan to—
2 (I) offer peer learning opportuni-
3 ties to second-stage small business
4 concerns; and
5 (II) transition to providing such
6 opportunities using non-governmental
7 funding; and
8 (ii) any other information and assur-
9 ances that the Secretary may require.

10 (3) CRITERIA FOR SELECTION.—The Adminis-
11 trator shall evaluate the plans submitted by the eli-
12 gible entities under paragraph (2) and select eligible
13 entities to receive grants on the basis of the merit
14 of such plans.

15 (4) REGIONS DESCRIBED.—The regions re-
16 ferred to in paragraph (1) are as follows:

17 (A) REGION 1.—Maine, Massachusetts,
18 New Hampshire, Connecticut, Vermont, and
19 Rhode Island.

20 (B) REGION 2.—New York, New Jersey,
21 Puerto Rico, and the Virgin Islands.

22 (C) REGION 3.—Pennsylvania, Maryland,
23 West Virginia, Virginia, the District of Colum-
24 bia, and Delaware.

1 (D) REGION 4.—Georgia, Alabama, North
2 Carolina, South Carolina, Mississippi, Florida,
3 Kentucky, and Tennessee.

4 (E) REGION 5.—Illinois, Ohio, Michigan,
5 Indiana, Wisconsin, and Minnesota.

6 (F) REGION 6.—Texas, New Mexico, Ar-
7 kansas, Oklahoma, and Louisiana.

8 (G) REGION 7.—Missouri, Iowa, Nebraska,
9 and Kansas.

10 (H) REGION 8.—Colorado, Wyoming,
11 North Dakota, South Dakota, Montana, and
12 Utah.

13 (I) REGION 9.—California, Guam, Hawaii,
14 Nevada, Arizona, and American Samoa.

15 (J) REGION 10.—Washington, Alaska,
16 Idaho, and Oregon.

17 (5) CONSULTATION.—If small business develop-
18 ment centers have formed an association to pursue
19 matters of common concern as authorized under sec-
20 tion 21(a)(3)(A) of the Small Business Act (15
21 U.S.C. 648(a)(3)(A)), the Administrator shall con-
22 sult with such association and give substantial
23 weight to the recommendations of such association
24 in selecting the grant recipients.

1 (6) DEADLINE FOR INITIAL SELECTIONS.—The
2 Administrator shall make selections under paragraph
3 (1) not later than 60 days after the promulgation of
4 regulations under section 334.

5 (c) USE OF FUNDS.—An eligible entity that receives
6 a grant under the pilot program shall use the grant to—

7 (1) identify second-stage small business con-
8 cerns in the service delivery areas of the eligible enti-
9 ty; and

10 (2) establish and conduct peer learning oppor-
11 tunities for such second-stage small business con-
12 cerns.

13 (d) AMOUNT OF GRANT.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), a grant under the pilot program shall be
16 in an amount that does not exceed the product ob-
17 tained by multiplying—

18 (A) the amount made available for grants
19 under the pilot program for the fiscal year for
20 which the grant is made; and

21 (B) the ratio that the population of the
22 State in which the eligible entity is located
23 bears to the aggregate population the States in
24 which eligible entities receiving grants for that
25 fiscal year are located.

1 (2) MINIMUM AMOUNT OF GRANT.—A grant
2 under the pilot program shall be in an amount not
3 less than \$50,000.

4 (e) MATCHING REQUIREMENT.—As a condition of a
5 grant under the pilot program, the Administrator shall re-
6 quire that a matching amount be provided from sources
7 other than the Federal Government that—

8 (1) is equal to the amount of the grant, or in
9 the case of an eligible entity that is a community
10 college, historically Black college, Hispanic-serving
11 institution, or other minority institution, is equal to
12 50 percent of the amount of the grant;

13 (2) is not less than 50 percent cash;

14 (3) is not more than 50 percent comprised of
15 indirect costs and in-kind contributions; and

16 (4) does not include any indirect cost or in-kind
17 contribution derived from any Federal program.

18 (f) QUARTERLY REPORT TO ADMINISTRATOR.—

19 (1) IN GENERAL.—Each eligible entity that re-
20 ceives a grant under the pilot program shall submit
21 to the Administrator a quarterly report that in-
22 cludes—

23 (A) a summary of the peer learning oppor-
24 tunities established by the eligible entity using
25 grant funds;

1 (B) the number of second-stage small busi-
2 ness concerns assisted using grant funds; and

3 (C) in the case of an eligible entity that re-
4 ceives a grant for a second fiscal year or any
5 subsequent fiscal year—

6 (i) any measurable economic impact
7 data resulting from the peer learning op-
8 portunities established using grant funds;
9 and

10 (ii) the number of peer learning op-
11 portunities established by the eligible enti-
12 ty that have transitioned from operating
13 using Government funds to operating with-
14 out using Government funds.

15 (2) FORM OF REPORT.—The report required
16 under paragraph (1) shall be transmitted in elec-
17 tronic form.

18 (g) DATA REPOSITORY AND CLEARINGHOUSE.—In
19 carrying out the pilot program, the Administrator shall act
20 as the repository of and clearinghouse for data and infor-
21 mation submitted by the eligible entities.

22 (h) ANNUAL REPORT ON PILOT PROGRAM.—Not
23 later than November 1 of each year, the Administrator
24 shall submit to the President and to Congress, a report

1 evaluating the success of the pilot program during the pre-
2 ceding fiscal year, which shall include the following:

3 (1) A description of the types of peer learning
4 opportunities provided with grant funds.

5 (2) The number of second-stage small business
6 concerns assisted with grant funds.

7 (3) For fiscal year 2009 and each subsequent
8 fiscal year of the pilot program—

9 (A) data regarding the economic impact of
10 the peer learning opportunities provided with
11 grant funds; and

12 (B) the number of peer learning opportuni-
13 ties established by grant recipients that have
14 transitioned from operating using Government
15 funds to operating without using Government
16 funds.

17 (i) **PRIVACY REQUIREMENT.**—The privacy require-
18 ments that apply under subparagraphs (A) and (B) of sec-
19 tion 21(a)(7) of the Small Business Act to financial assist-
20 ance under section 21 of that Act also apply to financial
21 assistance under this section.

22 (j) **EVALUATION AND REPORT.**—Not later than 3
23 years after the establishment of the pilot program, the
24 Comptroller General of the United States shall—

1 (1) conduct an evaluation of the pilot program;
2 and

3 (2) transmit to Congress and the Administrator
4 a report containing the results of such evaluation
5 along with any recommendations as to whether the
6 pilot program, with or without modification, should
7 be extended to include the participation of all small
8 business development centers.

9 (k) **TERMINATION.**—The pilot program shall termi-
10 nate on September 30, 2011.

11 **SEC. 334. REGULATIONS.**

12 After providing notice and an opportunity for com-
13 ment and after consulting with the association described
14 in section 333(b)(5) (if any such association has been
15 formed), the Administrator shall promulgate final regula-
16 tions to carry out this subtitle, including regulations that
17 establish—

18 (1) standards relating to the establishment and
19 conduct of peer learning opportunities to be provided
20 by grant recipients, including the number of individ-
21 uals that may participate in a peer group that is
22 part of a peer learning opportunity;

23 (2) standards relating to the educational, tech-
24 nical, and professional competency of any facilitator

1 who delivers peer learning opportunities under the
2 pilot program; and

3 (3) requirements for transitioning peer learning
4 opportunities funded under the pilot program to
5 non-governmental funding.

6 **SEC. 335. DEFINITIONS.**

7 In this subtitle:

8 (1) The term “Administrator” means the Ad-
9 ministrator of the Small Business Administration.

10 (2) The term “peer learning opportunities”
11 means formally organized peer groups of owners,
12 presidents and chief executive officers in non-com-
13 peting second-stage business concerns, meeting regu-
14 larly with a professionally trained facilitator.

15 (3) The term “second-stage small business con-
16 cern” means a small business concern that—

17 (A) has experienced high growth dem-
18 onstrated by—

19 (i) an average annual revenue or em-
20 ployee growth rate of at least 15 percent
21 during the preceding 3 years; or

22 (ii) any 3 of—

23 (I) owning proprietary intellec-
24 tual property;

1 (II) addressing an underserved or
2 growing market;

3 (III) having a sustainable com-
4 petitive advantage;

5 (IV) exporting goods or services
6 outside of its community; and

7 (V) having a product or service
8 that is scalable to a large market; and

9 (B) does not exceed the size standard for
10 the North American Industrial Classification
11 System code of such concern, as established
12 pursuant to section 3(a) of the Small Business
13 Act (15 U.S.C. 632(a)).

14 (4) The term “small business concern” has the
15 meaning given that term under section 3 of the
16 Small Business Act (15 U.S.C. 632).

17 (5) The term “State” means each of the several
18 States, the District of Columbia, the Commonwealth
19 of Puerto Rico, the Virgin Islands, Guam, and
20 American Samoa.

21 (6) The term “community college” has the
22 meaning given that term in section 3301(3) of the
23 Higher Education Act of 1965 (20 U.S.C. 7011(3)).

24 (7) The term “historically Black college” means
25 a part B institution, as defined in section 322(2) of

1 the Higher Education Act of 1965 (20 U.S.C.
2 1061(2)).

3 (8) The term “Hispanic-serving institution” has
4 the meaning given that term in section 502(a)(5) of
5 the Higher Education Act of 1965 (20 U.S.C.
6 1101a(a)(5)).

7 (9) The term “minority institution” has the
8 meaning given that term in section 365(3) of the
9 Higher Education Act of 1965 (20 U.S.C.
10 1067k(3)).

11 **SEC. 336. AUTHORIZATION OF APPROPRIATIONS.**

12 (a) IN GENERAL.—Subject to subsection (b), there
13 is authorized to be appropriated to carry out this subtitle
14 \$1,500,000 for each of fiscal years 2008 through 2011.

15 (b) AMOUNTS AUTHORIZED ONLY IF SECTION 21
16 FULLY FUNDED.—No funds are authorized to be appro-
17 priated to carry out this section for a fiscal year unless
18 the program level authorized to be appropriated to carry
19 out section 21 is fully funded for that fiscal year.

20 (c) LIMITATION ON USE OF OTHER FUNDS.—The
21 Administrator shall carry out this subtitle using only
22 amounts appropriated in advance specifically for the pur-
23 pose of carrying out this subtitle.

1 **Subtitle E—Trade Provisions**

2 **SEC. 341. ESTABLISHMENT OF ASSOCIATE ADMINISTRATOR**
3 **FOR INTERNATIONAL TRADE IN SMALL BUSI-**
4 **NESS ADMINISTRATION.**

5 (a) ESTABLISHMENT.—Section 22(a) of the Small
6 Business Act (15 U.S.C. 649(a)) is amended by adding
7 at the end the following: “The head of the Office shall
8 be the Associate Administrator for International Trade,
9 who shall be responsible to the Administrator.”.

10 (b) AUTHORITY FOR ADDITIONAL ASSOCIATE AD-
11 MINISTRATOR.—Section 4(b)(1) of the Small Business Act
12 (15 U.S.C. 633(b)(1)) is amended—

13 (1) in the fifth sentence, by striking “five Asso-
14 ciate Administrators” and inserting “Associate Ad-
15 ministrators”; and

16 (2) by adding at the end the following: “One of
17 the Associate Administrators shall be the Associate
18 Administrator for International Trade, who shall be
19 the head of the Office of International Trade estab-
20 lished under section 22.”.

21 (c) DISCHARGE OF ADMINISTRATION INTER-
22 NATIONAL TRADE RESPONSIBILITIES.—Section 22 of the
23 Small Business Act, as amended by subsection (a), is fur-
24 ther amended by adding at the end the following new sub-
25 section:

1 “(h) The Administrator shall ensure that—

2 “(1) the responsibilities of the Administration
3 regarding international trade are carried out
4 through the Associate Administrator for Inter-
5 national Trade;

6 “(2) the Associate Administrator for Inter-
7 national Trade has sufficient resources to carry out
8 such responsibilities; and

9 “(3) the Associate Administrator for Inter-
10 national Trade has direct supervision and control
11 over the staff of the Office of International Trade,
12 and over any employee of the Administration whose
13 principal duty station is a United States Export As-
14 sistance Center or any successor entity.”.

15 (d) ROLE OF ASSOCIATE ADMINISTRATOR IN CAR-
16 RYING OUT INTERNATIONAL TRADE POLICY.—Section
17 2(b)(1) of such Act (15 U.S.C. 631(b)(1)) is amended in
18 the matter preceding subparagraph (A)—

19 (1) by inserting “the Administrator of” before
20 “the Small Business Administration”; and

21 (2) by inserting “through the Associate Admin-
22 istrator for International Trade” before “in coopera-
23 tion with”.

1 (e) CONFORMING AMENDMENTS.—Section 22 of the
2 Small Business Act (15 U.S.C. 649), as amended by sub-
3 sections (a) and (c) is further amended—

4 (1) in subsection (b)—

5 (A) in the matter preceding paragraph (1),
6 by striking “The Office” and inserting “The
7 Associate Administrator”; and

8 (B) in paragraph (3), by striking “the di-
9 rector of the Office” and inserting “the Asso-
10 ciate Administrator”;

11 (2) in subsection (c) in the matter preceding
12 paragraph (1), by striking “The Office” and insert-
13 ing “The Associate Administrator”;

14 (3) in subsection (d), by striking “Office” both
15 places it appears and inserting “Associate Adminis-
16 trator”;

17 (4) in subsection (e), in the matter preceding
18 paragraph (1), by striking “The Office” and insert-
19 ing “The Associate Administrator”; and

20 (5) in subsections (f) and (g), by striking “The
21 Office” and inserting “The Associate Adminis-
22 trator”.

23 (f) TECHNICAL AMENDMENT.—Section 22 of the
24 Small Business Act (15 U.S.C. 649), as amended by sub-
25 sections (a), (c), and (e), is further amended by striking

1 the period at the end of subsection (c)(5) and inserting
2 a semicolon.

3 (g) EFFECTIVE DATE.—The Administrator shall ap-
4 point an Associate Administrator for International Trade
5 pursuant to sections 4 and 22 of the Small Business Act
6 (15 U.S.C. 648) (as amended by this section) not later
7 than 90 days after the date of the enactment of this Act.

8 **TITLE IV—MISCELLANEOUS**

9 **SEC. 401. SMALL BUSINESS DISASTER LOANS.**

10 (a) INCREASE IN CERTAIN ECONOMIC INJURY DIS-
11 ASTER LOAN AMOUNTS.—Section 7(b)(2) of the Small
12 Business Act (15 U.S.C. 636(b)(2)) is amended—

13 (1) by redesignating subparagraphs (A), (B),
14 (C), and (D) as clauses (i), (ii), (iii), and (v), respec-
15 tively;

16 (2) by striking “(2) to make sure loans” and
17 inserting the following: “(2)(A) to make such loans”;

18 (3) by striking “or” at the end of each of
19 clauses (i), (ii), and (iii), as redesignated by para-
20 graph (1);

21 (4) by inserting after clause (iii) the following
22 new clause (iv):

23 “(iv) an incident of national significance as
24 declared by the Secretary of Homeland Security
25 that is an actual or potential high-impact event

1 that requires a coordinated and effective re-
2 sponse by an appropriate combination of Fed-
3 eral, State, local, tribal, nongovernmental, or
4 private-sector entities in order to save lives and
5 minimize damage and provide the basis for
6 long-term community recovery and mitigation
7 activities.”;

8 (5) by adding at the end the following new sub-
9 paragraphs:

10 “(B) In the case of an incident of national sig-
11 nificance described in subparagraph (A)(iv), a loan
12 or guarantee under this paragraph may be made to
13 a small business concern or small agricultural coop-
14 erative located inside or outside the declared disaster
15 area, if the small business concern or small agricul-
16 tural cooperative suffered substantial economic in-
17 jury as a direct result of the incident of national sig-
18 nificance.

19 “(C) The aggregate amount of the following
20 shall not exceed \$10,000,000:

21 “(i) Any loan or guarantee made to a
22 small business concern or small agricultural co-
23 operative pursuant to a determination of sub-
24 stantial economic injury as a result of an inci-

1 dent of national significance described in sub-
2 paragraph (A)(iv).

3 “(ii) Any loan or guarantee made to such
4 small business concern or small agricultural co-
5 operative under paragraph (1)(D).”; and

6 (6) by striking “: *Provided* That no loan” and
7 all that follows and inserting the following new sub-
8 paragraph:

9 “(D) No loan or guarantee shall be made to a
10 small business concern or small agricultural coopera-
11 tive under this paragraph pursuant to a determina-
12 tion of substantial economic injury as a result of a
13 disaster described in subparagraph (A) if the Ad-
14 ministrator finds such concern or cooperative is able
15 to obtain credit elsewhere.”.

16 (b) TECHNICAL AMENDMENTS.—Section 7(b) of such
17 Act is further amended—

18 (1) by striking “the, Administration” and in-
19 serting “the Administration”; and

20 (2) in paragraph (2)(A)(i), as redesignated by
21 subsection (a), by striking “Disaster Relief and
22 Emergency Assistance Act” and inserting “Robert
23 T. Stafford Disaster Relief and Emergency Assist-
24 ance Act (42 U.S.C. 5121 et seq.)”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 subsections (a) and (b) shall apply with respect to a loan
3 or guarantee made on or after the date of the enactment
4 of this Act.

5 **SEC. 402. DISASTER LOANS FOR INCIDENTS OF NATIONAL**
6 **SIGNIFICANCE.**

7 (a) DISASTER LOANS FOR PRIVATE NONPROFIT OR-
8 GANIZATIONS.—The Administrator of the Small Business
9 Administration may make or guarantee an economic in-
10 jury disaster loan under section 7(b)(2) of the Small Busi-
11 ness Act (15 U.S.C. 636(b)(2)) to a private nonprofit or-
12 ganization (as that term is defined in section 29(a)(2) of
13 such Act (15 U.S.C. 656(a)(2))) that is located in an area
14 affected by an incident of national significance (as de-
15 clared by the Secretary of Homeland Security).

16 (b) DISASTER MITIGATION LOANS FOR SMALL BUSI-
17 NESSES.—

18 (1) AUTHORITY.—The Administrator of the
19 Small Business Administration may make or guar-
20 antee a mitigation loan to a small business concern
21 (as defined in section 3 of the Small Business Act
22 (15 U.S.C. 632)) that receives a loan under section
23 7(b)(1)(A) of that Act (15 U.S.C. 636(b)(1)(A)) for
24 the damage or destruction, by reason of an incident
25 of national significance (as declared by the Secretary

1 of Homeland Security), of property owned by the
2 small business concern.

3 (2) AMOUNT OF LOAN.—The amount of a loan
4 under paragraph (1) shall not exceed 20 percent of
5 the total amount of the cost of the damage or de-
6 struction referred to in paragraph (1). The total
7 amount shall be calculated without regard for any
8 costs for which the small business concern is reim-
9 bursed under any insurance policy or otherwise.

10 (c) APPLICABILITY FOR FISCAL YEAR 2006 TO HUR-
11 RICANES KATRINA AND RITA.—

12 (1) IN GENERAL.—For fiscal year 2006, the
13 Administrator—

14 (A) may carry out subsection (a) with re-
15 spect to a private nonprofit organization that
16 was located, as of August 28, 2005, in a hurri-
17 cane-affected area; and

18 (B) may carry out subsection (b) with re-
19 spect to a small business concern that was lo-
20 cated, as of August 28, 2005, in a hurricane-
21 affected area, for damage or destruction by rea-
22 son of Hurricane Katrina or Hurricane Rita.

23 (2) HURRICANE-AFFECTED AREA DEFINED.—
24 The term “hurricane-affected area” means a county
25 or parish in the State of Alabama, Mississippi, Lou-

1 isiana, or Texas, that has been designated by the
2 Administrator of the Small Business Administration
3 as a disaster area by reason of Hurricane Katrina
4 or Hurricane Rita under disaster declaration 10176,
5 10177, 10178, 10179, 10180, 10181, 10203, 10204,
6 10205, or 10206.

7 **SEC. 403. SMALL BUSINESS DEVELOPMENT CENTER PORT-**
8 **ABILITY GRANTS.**

9 Section 21 of the Small Business Act (15 U.S.C.648)
10 is amended in subsection (a)(4)(C)(viii)—

11 (1) by striking “as a result of a business or
12 government facility down sizing or closing, which has
13 resulted in the loss of jobs or small business insta-
14 bility” and inserting “as a result of events that have
15 resulted, or will result, in business or government fa-
16 cility downsizing or closing”; and

17 (2) by adding at the end the following: “At the
18 discretion of the Administrator, awards in excess of
19 the \$100,000 limit imposed by the preceding sen-
20 tence may be made to recipients to accommodate ex-
21 traordinary occurrences having catastrophic impact
22 on the communities’ small businesses.”.

23 **SEC. 404. ASSISTANCE TO OUT-OF-STATE BUSINESSES.**

24 Section 21 of the Small Business Act (15 U.S.C.
25 648(b)(3)) is amended in subsection (b)(3) by adding at

1 the end the following: “The Administrator may also, in
2 the Administrator’s discretion, authorize a small business
3 development center to provide such assistance to small
4 businesses located outside the State without regard to geo-
5 graphic proximity where the small businesses are located
6 in a disaster area declared under section 7(b)(2)(A).”

7 **SEC. 405. ELIMINATION OF UNNECESSARY PROGRAMS.**

8 The following provisions of the Small Business Act
9 are repealed:

10 (1) Subsection (h) and (i) of section 7 (15
11 U.S.C. 636).

12 (2) Section 24 (15 U.S.C. 651).

13 (3) Section 25 (15 U.S.C. 652).

14 **SEC. 406. TECHNICAL CORRECTION.**

15 Section 3 of the Small Business Act (15 U.S.C. 632)
16 is amended in subsection (p)(4)(D)(iv) by striking “base
17 closures of redevelopment” and inserting “base closures
18 or redevelopment”.

19 **SEC. 407. COMBATING WASTE, FRAUD, AND ABUSE.**

20 (a) IN GENERAL.—Section 16 of the Small Business
21 Act (15 U.S.C. 645) is amended—

22 (1) in subsection (a)—

23 (A) by inserting after “false” the following:

24 “or knowingly causes another to make a false
25 statement”;

1 (B) by inserting after “this Act” the fol-
2 lowing: “or the Small Business Investment Act
3 of 1958”; and

4 (C) by striking “\$5,000” and inserting
5 “\$250,000”;

6 (2) in subsection (b)—

7 (A) by inserting after “being” the fol-
8 lowing: “an officer, agent, or employee of the
9 Administration or”; and

10 (B) by striking “\$10,000” and inserting
11 “\$250,000”;

12 (3) in subsection (c), by striking “the Adminis-
13 tration,” and all that follows through the period at
14 the end and inserting “the Administration, or any
15 property mortgaged or pledged as security for any
16 promissory note, or other evidence of indebtedness,
17 which has been given in order to obtain a loan under
18 this Act or the Small Business Investment Act of
19 1958, shall be fined not more than \$250,000 or im-
20 prisoned not more than five years, or both; but if the
21 value of such property does not exceed \$5,000, he
22 shall be fined not more than \$10,000 or imprisoned
23 not more than one year, or both.”; and

24 (4) in subsection (d)(2)(C), by inserting after
25 “(or any successor regulation)” the following: “, or

1 as specified in part 145 of title 13, Code of Federal
2 Regulations (or any successor regulation),”.

3 (b) AUTHORITY OF ADMINISTRATION TO REQUIRE
4 IDENTIFICATION OF REFERRAL AGENTS AND PACK-
5 AGERS.—Section 5 of the Small Business Act (15 U.S.C.
6 634) is amended in subsection (b)—

7 (1) in paragraph (13) by striking “and” at the
8 end;

9 (2) in paragraph (14) by striking the period at
10 the end and inserting “; and”; and

11 (3) by adding after paragraph (14) the fol-
12 lowing:

13 “(15) require an individual who is a referral
14 agent or packager (as those terms are defined by the
15 Administrator) who provides assistance to a small
16 business concern that applies for a loan under sec-
17 tion 7 of this Act, or a loan made under the author-
18 ity of title V of the Small Business Investment Act
19 of 1958, to provide to the Administrator the individ-
20 ual’s name, date of birth, and Social Security num-
21 ber.”.

22 **SEC. 408. RELIEF AVAILABLE AGAINST ADMINISTRATOR.**

23 Section 5 of the Small Business Act (15 U.S.C. 634)
24 is amended in subsection (b)(1) by striking “but no at-

1 tachment” and all that follows through the semicolon at
2 the end.

3 **SEC. 409. ECONOMIC INJURY DISASTER LOANS TO NON-**
4 **PROFITS.**

5 (a) IN GENERAL.—Section 7 of the Small Business
6 Act (15 U.S.C. 636) is amended in subsection (b)(2)—

7 (1) in the matter preceding subparagraph (A)—

8 (A) by inserting after “small business con-
9 cern” the following: “, private nonprofit organi-
10 zation,”; and

11 (B) by inserting after “the concern” the
12 following: “, organization,”; and

13 (2) in subparagraph (D) by inserting after
14 “small business concerns” the following: “, private
15 nonprofit organizations,”.

16 (b) CONFORMING AMENDMENT.—Such section is fur-
17 ther amended in subsection (c)(5)(C) by inserting after
18 “business” the following: “, organization,”.

19 **SEC. 410. EXTENSION OF CO-SPONSORSHIP AUTHORITY.**

20 Section 132 of the Small Business Reauthorization
21 and Manufacturing Assistance Act of 2004 (division K of
22 Public Law 108–447; 118 Stat. 3453; 15 U.S.C. 633
23 note) is amended in subsection (c) by striking “2006” and
24 inserting “2010”.

1 **SEC. 411. REGULATIONS ON SIZE STANDARDS OF**
2 **FRANCHISEES.**

3 (a) PROMULGATION.—Not later than 180 days after
4 the date of the enactment of this Act, the Administrator
5 of the Small Business Administration shall repeal section
6 121.103(i) of title 13, Code of Federal Regulations (as
7 in effect on the date of the enactment of this Act), and
8 promulgate a new regulation, after opportunity for notice
9 and comment, taking into account whether the franchisee
10 or licensee—

11 (1) retains the majority of its profits but not
12 less than 51 percent;

13 (2) bears the burdens of its losses;

14 (3) shares no common ownership or manage-
15 ment personnel with the franchisor or licensor;

16 (4) maintains daily control of its operations in-
17 cluding determining who its customers will be; and

18 (5) is subject to excessive restrictions on the
19 sale of its business given the interest of the
20 franchisor or licensor in protecting the goodwill of
21 its trademarks, tradenames, or service marks.

22 (b) FAILURE TO PROMULGATE NEW STANDARD.—If
23 the Administrator fails to comply with subsection (a), any
24 franchisee or licensee shall be treated as small for pur-
25 poses of the Small Business Act until the Administrator

1 has issued a final regulation as required under subsection
2 (a).

3 **SEC. 412. DISTRICT DIRECTORS PROHIBITED FROM BEING**
4 **INVOLVED IN SELECTION OF SBDC DIREC-**
5 **TORS.**

6 Section 21(c)(2) of the Small Business Act (15
7 U.S.C. 648(c)(2)) is amended by amending subparagraph
8 (A) to read as follows:

9 “(A) a full-time staff, including a full-time
10 director who—

11 “(i) shall have the authority to make
12 expenditures under the center’s budget and
13 shall manage the program activities; and

14 “(ii) shall be selected only by the re-
15 cipient of the grant funds allocated pursu-
16 ant to subsection (a) of this section and
17 approved by the Associate Administrator of
18 the Office of Small Business Development
19 Centers, through a process under which
20 employees in district and regional offices of
21 the Administration, including District Di-
22 rectors and Regional Administrators, may
23 provide advice to the Associate Adminis-
24 trator but shall have no authority to select,

1 approve, or disapprove of any person as
2 full-time director;”.

○