

**FULL COMMITTEE MARKUP OF DISASTER RELIEF
AND IMPROVED ACCESS TO
CAPITAL LEGISLATION
H.R. 1361, H.R. 1332 AND H.R. 1468**

**COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF
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**FULL COMMITTEE MARKUP ON
DISASTER RELIEF AND IMPROVED ACCESS
TO CAPITAL LEGISLATION
H.R. 1361, H.R. 1332 AND H.R. 1468**

THURSDAY, MARCH 15, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [Chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Millender-McDonald, Jefferson, Shuler, González, Larsen, Grijalva, Michaud, Bean, Cuellar, Lipinski, Moore, Altmire, Braley, Clarke, Ellsworth, Johnson, Sestak, Chabot, Bartlett, Graves, Akin, Musgrave, Fortenberry, Heller, Davis, Fallin, Buchanan and Jordan.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

Chairwoman VELÁZQUEZ. I call this meeting to order. Today's order of business is the markup of legislation addressing three very different but important roles that the Small Business Administration plays: access to capital, disaster assistance, and contracting.

This Committee has held a number of hearings on these topics, heard from small business owners as well as small business advocates. And these three bills address many of the issues brought up during those discussions.

We did not agree on everything, but in the end, the conversations that we have had and issues discussed were helpful and productive.

It is my hope that our Committee continues to work in this manner on our future legislative endeavors. There is no question that many small businesses were affected by Hurricane Katrina and that the SBA's disaster response was in question.

The RECOVER Act of 2007 requires that the SBA have a plan in place for such disasters and makes tools available to provide relief in a quicker, more efficient manner. I strongly believe the RECOVER Act of 2007 will help prevent a situation like what occurred after Hurricane Katrina from ever happening again.

The devastation cost by Hurricane Katrina resulted in many small firms losing out on a great deal of revenue. The Disadvantaged Business Disaster Eligibility Act introduced by Mr. Jefferson gives more time to entrepreneurs who have been harmed by the Gulf Coast hurricanes to participate in federal contracts.

The third bill, the Small Business Lending Improvements Act of 2007, introduced by Ms. Bean and Mr. Chabot will reduce the financial and regulatory burden placed on small businesses. Most importantly, it will make loans more economical while providing long-term stability.

With the adoption of these bills, we began work on bringing the Small Business Administration back to its original mission, providing entrepreneurs with competitive tools for today's marketplace.

There is no doubt that these programs are valuable for entrepreneurs. And today's legislation will help ensure SBA will be the premier resource for our nation's 26 million small businesses.

I would now like to yield to the ranking member, Mr. Chabot, for his comments.

OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you very much, Madam Chairwoman. And I want to thank you for holding this important markup today to consider a number of bills, among them being an important bipartisan legislation that will improve and strengthen the primary lending programs of the Small Business Administration, the 7(a) and the 504 programs.

In regards to this bill, the Small Business Lending Improvements Act of 2007, which is 1332, while many changes are suggested for the 7(a) loan program, I believe one of the most beneficial aspects of the program, its independence from appropriations, is also an aspect that deserves fierce protection. Nothing in H.R. 1332 alters that principle.

I do have one reservation about Title I of the bill. I am a little concerned that the SBA may have technical difficulties in adequately recalculating the fees to lenders and borrowers on a quarterly basis. Even with this reservation, I believe that the approach adopted in H.R. 1332 is the best means to have the SBA reduce fees to both borrowers and lenders in the 7(a) loan program.

Title II of the bill provides much needed improvements to strengthen the certified development company program, improve its mission of community and local economic development, and lower the costs of the program through improved returns on liquidations of bad loans.

H.R. 1332 is an important bill that deserves strong bipartisan support when it reaches the House floor. The other two bills, we will also have the opportunity to consider the RECOVER Act of 2007, which is 1361.

This bill is designed to improve the SBA's response, one that was unacceptable, I think we all agree, in the aftermath of Hurricane Katrina to future natural disasters.

I believe that this bill is well-intentioned and contains some policies that would improve the agency's response in the future. For example, the legislation would improve coordination between the SBA and FEMA to reduce the loan processing time for disaster victims.

However, despite some beneficial aspects of this legislation, I remain troubled by specific provisions related to grants, double compensation to disaster victims, and certain congressional reporting

requirements, that they be on a monthly basis, rather than quarterly. I will be introducing some amendments to address these issues during the course of this markup.

The final bill that we will be marking up is the Disadvantaged Business Eligibility Act. H.R. 1468 provides a common sense approach to the time limit problem, many 8(a) program participants who were located in Louisiana affected by Hurricane Katrina.

The displacement associated with that hurricane certainly made it difficult for 8(a) program participants to operate their businesses and obtain federal government contracts. It seems equitable to extend their participation by 18 months. In addition, to simple fairness, the extension will help in the necessary recovery of the area.

Finally, I would like to thank Chairwoman Velázquez for incorporating a number of ideas proffered by myself and other Republican members of the Committee into some of the amendments that she will offer today.

Clearly there are disagreements, especially concerning the most financially prudent means to respond to natural disasters. Nevertheless, her staff did not let these differences interfere with the sharing of ideas and legislative drafts needed to improve legislation.

And while I expect other legislation to demonstrate principled disagreements on issues, I am hopeful that we can continue to have a frank and open discussion of legislation among members and between our respective staffs. I want to again commend you for working in a bipartisan manner.

I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chabot.

Do any other members wish to be recognized for the purpose of making a statement?

[No response.]

STATEMENT OF CHAIRWOMAN VELÁZQUEZ ON H.R. 1468

Chairwoman VELÁZQUEZ. Well, our first order of business is to consider H.R. 1468.

Chairwoman VELÁZQUEZ. That is the Disadvantaged Business Disaster Eligibility Act introduced by Representative Jefferson.

This legislation allows 8(a) participants who have been impacted by Hurricane Katrina to have 18 more months in the program. This is not a significant amount of time, but it could play a major role in assuring that these businesses are able to participate in the rebuilding of their home states.

There are fewer than 225 current and former 8(a) participants in the State of Louisiana that could be eligible for this assistance. As currently structured, the program is very limited as part of the length of time that companies are allowed to participate. In this way, it is unlike any other SBA procurement initiative. Others allow recertification in increments of three years.

The 8(a) program is for nine years and nine years only. If a company fails at any point during this time, the individual owners may never be accepted into the program again.

In this respect, the program is unprepared for catastrophic events, which not only force owners of participating businesses to

evacuate their location but also to in many cases rebuild their companies from the ground up. That is why Mr. Jefferson's bill is so important. This legislation is a common sense approach to resolve a problem that the 8(a) program is not currently structured to deal with.

I close by urging members to support this bill as I intend to. I now recognize Mr. Chabot.

STATEMENT OF MR. CHABOT ON H.R. 1468

Mr. CHABOT. Thank you, Madam Chairwoman. I will be very brief.

As I mentioned in my opening statement, I believe that this is a good piece of legislation. I think it is equitable to extend participation by 18 months. It seems like simple fairness to do that when one is considering the devastation that these people went through.

And I would commend Mr. Jefferson for offering this legislation, would urge my colleagues to support it, and yield back my time.

Chairwoman VELÁZQUEZ. I recognize the bill's sponsor, Mr. Jefferson, for a statement.

STATEMENT OF MR. JEFFERSON ON H.R. 1468

Mr. JEFFERSON. Thank you, Madam Chair. And thank you, Mr. Chabot. Particularly I appreciate the bipartisan approach to this. And there is no point in my adding to the explanations that have been made by you and the Chair Lady.

I will simply say that many of the 8(a) firms back home are hoping to have a real chance at participating in the recovery of the area. This permits them an opportunity to be involved in bringing back their city and also into recovering the very fundamentals of that business. So it is pretty important.

I thank the Committee for recognizing me. And I just urge the committee to adopt the bill.

Chairwoman VELÁZQUEZ. Thank you.

Do any other members wish to be recognized on the bill?

[No response.]

Chairwoman VELÁZQUEZ. The bill is now open for amendment at any time. Are there any amendments?

[No response.]

Chairwoman VELÁZQUEZ. Seeing none, I move a Committee vote on final passage of H.R. 1468. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[No response.]

Chairwoman VELÁZQUEZ. The bill is agreed to. I move that the bill be reported and the staff be directed to make any technical corrections prior to the filing of the bill. Without objection, so ordered.

The next piece of legislation that the Committee will consider is the Small Business Lending Improvements Act of 2007.

STATEMENT OF CHAIRWOMAN VELÁZQUEZ ON H.R. 1332

Chairwoman VELÁZQUEZ. While small businesses are this nation's economic drivers, accessing the capital they need to start and grow their firm is always challenging. SBA loan programs are essential for small businesses. There is no question there needs to be a decreasing cost and increasing access to these programs in under-served areas.

The Small Business Lending Improvements Act of 2007 is a bipartisan effort introduced by Ms. Bean and Mr. Chabot. This bill will make loans more economical while providing long-term stability.

H.R. 1332 will accomplish a number of important public policy initiatives. It will allow for veterans to be able to secure funds to start or expand their firms should they choose to from F.Y. 2005 to F.Y. 2006. The number of loans to veterans steadily decline. With veterans returning from Iraq and Afghanistan, the need for affordable financing is more important than ever. After the commitment they have made to this country, it is important for us to show our commitment to their entrepreneur success.

While enabling small businesses to thrive, H.R. 1332 would also positively impact the community. It provides incentives for medical professionals to locate to low-income areas. As we heard from one of the witnesses in last week's hearing, Kathleen Roth from the American Dental Association in support of this legislation stated that those in under-served areas are especially in need of such a provision.

One of the strengths of the Small Business Lending Improvements Act of 2007 is that it touches every aspect of the SBA lending initiatives. By making much needed and long overdue changes, it secures ties between local CDCs and the community. It also keeps the initiative affordable by enabling CDCs to improve the liquidation process, making fees reasonable.

An important component of this bill is that it increases the access to capital for socially and economically disadvantaged small business owners and establishes a rural lender program to attract small lenders back into the program.

Clearly the legislation under consideration today strengthens the SBA access to capital programs, giving small businesses the tools they need to be competitive and successful. It ensures SBA programs are the premier lending tool for entrepreneurs. And I strongly urge support of this bill.

I would now like to yield to the ranking member, Mr. Chabot, and sponsor of the bill for his comments.

STATEMENT OF MR. CHABOT ON H.R. 1332

Mr. CHABOT. Thank you, Madam Chairman. I think you have summed up what the bill does very well. And we agree with your comments. So I won't repeat them in order to save time here.

I would note that one of our colleagues, Ms. Fallin from Oklahoma, does have an amendment to offer at the appropriate time.

Thank you. I yield back.

Chairwoman VELÁZQUEZ. Mr. González?

STATEMENT OF MR. GONZÁLEZ ON H.R. 1332

Mr. GONZÁLEZ. Yes. I seek recognition at this time, Madam Chairwoman, to enter a colloquy with you regarding section 104 of the proposed bill. And the question would go, as I understand it—

Chairwoman VELÁZQUEZ. The gentleman from Texas is recognized.

Mr. GONZÁLEZ. I'm sorry. Thank you very much, Madam Chair.

Section 104, medical professionals in designated shortage area programs. And, of course, this is about loans to doctors and dentists in these designated areas. And what I wanted to make clear—and I know this is a pet project of mine, and so I ask my colleagues to bear with me. But I wanted to make absolutely clear that the purpose of these loans could go again for the purchase and such and acquiring and obtaining health information technology because I would hate to think that these individuals in the under-served areas would be deprived of what no doubt will be one of the most necessary tools to health care professionals.

Chairwoman VELÁZQUEZ. The loans that are provided under this section of the bill can be used for the purposes mentioned by the gentleman. And I agree about importance of health information technology. I will make it clear that in the Committee report language on the bill, it states that these loans can be used for health IT.

Those in under-served areas should have access to the best health care available. And it is clear that is the intent of the gentleman from Texas.

Mr. GONZÁLEZ. Thank you very much. I yield back.

Chairwoman VELÁZQUEZ. And now I will recognize one of the sponsors of the bill, Ms. Bean, for an opening statement or a statement on the bill.

STATEMENT OF MS. BEAN ON H.R. 1332

Ms. BEAN. Thank you, Madam Chair. I want to thank Chairman Velázquez and Ranking Member Chabot for scheduling today's markup on the Small Business Lending Improvements Act of 2007, which I introduced earlier this month.

The expedited consideration of this bill as well as the bipartisan support that it has received underscores the importance of ensuring access to capital to our small business community.

Coming from a business background, I have a special appreciation for the need for entrepreneurs and small business owners to have access to affordable capital. That is why I have long been active in my support of measures to improve and expand SBA loan programs which offer low interest, long-term loans to business owners that many times wouldn't qualify for assistance elsewhere. This bill is no exception.

H.R. 1332 makes much needed changes to SBA's lending initiatives and, most importantly, helps preserve the original intent of these programs to help make available affordable sources of financing. This is of particular importance as the cost of capital through these programs has risen rapidly over the last few years. This bill

helps to reverse this trend and create long-term stability in the program in a fiscally sound way.

In addition, H.R. 1332 addresses the need for lending in our rural communities by restoring the low doc program and by strengthening the 504 initiative, which is integral in stimulating economic development in communities throughout the nation. Together these initiatives will bring small lenders back into SBA's lending programs and can spur economic development in areas that need it the most.

Again, I commend this Committee under the leadership of Chairwoman Velázquez for recognizing the importance of this legislation. Small businesses are the backbone of our economy driving domestic job growth. And their success as well as the success of our economy is dependent upon their ability to grow and expand. This legislation helps provide them with the fundamental tools to do just that.

I urge your support of the bill. Thank you. And I yield back my time.

Chairwoman VELÁZQUEZ. Do any other members wish to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. The Committee will now take up the manager's amendment, which makes a series of technical changes.

Chairwoman VELÁZQUEZ. Section 103 will be amended to provide the SBA with additional flexibility that it needs to ensure that the community express program can achieve its mission of improving access to capital for socially and economically disadvantaged small business owners.

Other changes were suggested by the minority and will revise Title II of the bill to ensure that the appropriate terminology is used in referring to the certified development, economic development, loan program.

I urge adoption of the manager's amendment. And I yield to the ranking member for his comments.

Mr. CHABOT. Thank you, Madam Chair. We agree with the manager's amendment. We appreciate your incorporating some of our suggestions in that and yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you. Do any other members wish to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. If no further members wish to be recognized, we will move to the adoption of the manager's amendment. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All opposed say "Nay."

[No response.]

Chairwoman VELÁZQUEZ. The manager's amendment is agreed. I ask unanimous consent that the text that is amended by the manager's amendment be considered as the original text for the purposes of amendments. The bill will be open for amendment at any time.

Are there any amendments?

Mr. CHABOT. Madam Chairman?

Chairwoman VELÁZQUEZ. Yes?

Mr. CHABOT. I believe Ms. Fallin has an amendment on our side. Chairwoman VELÁZQUEZ. Ms. Fallin, you will be recognized. And I ask the Clerk to distribute the amendment.

STATEMENT OF MS. FALLIN ON H.R. 1332

Ms. FALLIN. Thank you, Madam Chairman, Chairman Velázquez. I appreciate the time today. And thank you, Ranking Member Chabot for the opportunity to speak.

I have an amendment on the floor that I would like to offer and then immediately withdraw. And it's amendment H.R. 1332 that addresses the issue of certain franchises who, by all intents and purposes, are small businesses but not being allowed to receive the 7(a) loans to do their affiliation with larger franchisers.

The intention of the amendment of H.R. 1332 was to modify the SBA's affiliation standard to allow a business that if it is affiliated with another business and, therefore, determined to be something other than small, to still be eligible for a loan if it had no financial recourse to its affiliates for repayment of any of its debt.

And I understand, Ms. Chairman, that there are technical issues that need to be addressed. And I would appreciate the Chairwoman continuing to work with me and my staff in order to ensure the legislation comes to the House floor and contains language that would address this problem.

Chairwoman VELÁZQUEZ. I thank the gentle lady for withdrawing the amendment and also raising this important issue. I agree this is an issue that we need to address. And I will make a commitment that I will work with you and your staff on this matter before the bill is considered on the floor.

Ms. FALLIN. Thank you, Ms. Chairman.

Chairwoman VELÁZQUEZ. Any other amendments?

[No response.]

Chairwoman VELÁZQUEZ. Seeing no further amendments, I move that the Committee vote on final passage of H.R. 1332. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[No response.]

Chairwoman VELÁZQUEZ. The bill is agreed to. I move that the bill be reported as amended and the staff be directed to make any technical corrections prior to the filing of the bill.

STATEMENT OF CHAIRWOMAN VELÁZQUEZ ON H.R. 1361

Our next order of business is to consider H.R. 1361, the RECOVER Act.

Chairwoman VELÁZQUEZ. The 2005 Gulf Coast hurricanes exposed numerous problems with the SBA ability to provide timely and effective assistance to small businesses devastated by a major disaster. In many instances, these problems could have been avoided through improved planning.

Experts from small business and disaster readiness organizations, including James Lee Witt, the former Director of FEMA, has

testified before this Committee that comprehensive disaster planning will enable SBA to provide timely assistance after a variety of different kinds of incidents. Many of the problems that SBA borrowers experience began with root causes, like failures to plan ahead for additional staff and space needs.

The RECOVER Act provides for thorough disaster planning and directs the SBA to ensure that they are prepared for a wide range of disasters.

This legislation also adds to the tools SBA can use to help small businesses who are facing difficult circumstances after a disaster.

For many economically viable small businesses along the Gulf Coast, SBA loans and state-run programs were not the right solution. This legislation creates a grant program that will allow the SBA to help those businesses that could be successful contributors to their community's recovery barring any need of an infusion of resources to get started again.

This new grant program is carefully targeted and will enable small firms to grow stronger, hiring more employees, and giving back to their neighborhoods. Both Congressman Richard Baker and the National Black Chamber of Commerce made it clear in their testimony that this program has brought and gives support because it is vital to the recovery of the Gulf Coast.

I recognize that there is a cost associated with the grant program proposed in this legislation. That cost has been carefully considered. And we took steps to ensure that it was as minimal as possible while still providing the assistance the Gulf region needs.

The grant program is at the discretion of the SBA. If the agency—and I just want to make this clear. If the administrator and the agency decide that grants are not needed, then it does not have to provide those grants.

In addition, the grant program is only for the major 2005 hurricanes. It does not create a permanent program going forward.

Finally, based on specific criteria in the bill, only a small subset of those businesses affected by Hurricane Katrina, Rita, and Wilma will be able to actually receive a grant.

This bill also creates a one-time program to resolve the problem with SBA coordination with state grants programs, specifically the road home grants. Again, this provision just applies to the major 2005 hurricanes and does not create a permanent authority.

The bill permits the administrator to exclude these forms of assistance, which in most cases are not duplicative when considering the total damages victims are contending with. The changes allow states and the federal government to work together to get as much assistance as needed to capitalize rebuilding to business owners as quickly as possible. This measure, while limited, will remove an obstacle that has caused frustration and confusion.

In response to concerns raised by borrowers who found themselves lost in the long processing system, the RECOVER Act creates a private lending program to supplement SBA's lending in times of heightened demand. In addition, this bill also creates a short-term bridge loan to speed small loans to businesses and help them return to work faster.

I urge my colleagues to consider the problems that small businesses have asked us to address and to support this important leg-

isolation. It is essential that we take steps now to modernize and reform the SBA disaster program before the next Katrina hits.

I now yield to Mr. Chabot.

STATEMENT OF MR. CHABOT ON H.R. 1332

Mr. CHABOT. Thank you very much, Madam Chairwoman. I will be brief.

As I mentioned in my opening statement, I do believe that this bill is well-intentioned and contains some policies that would improve the agency's response in the future; for example, requiring better coordination between FEMA and the Small Business Administration. We would be very supportive of that. And reducing the loan processing time for disaster victims I think also is very commendable.

However, there are a number of aspects which we will be addressing in three amendments relative to the grants and also the double compensation to disaster victims and the congressional reporting requirements requiring that to be monthly reports back to Congress at a time when a disaster could be ongoing. And we are afraid that might slow our process down.

So, for those reasons, we will be offering a few amendments at the appropriate time. And I yield back. Thank you.

Chairwoman VELÁZQUEZ. Thank you.

Are there any other members who wish to be recognized? Yes, Mr. Akin?

Mr. AKIN. Thank you, Madam Chair. I wanted to thank you for working with us and our staff on essentially what was a bill that we introduced the last year or two, which I believe you've got in your manager's amendment, which is coming up. I just wanted to thank you for the bipartisan way that you worked with us.

Chairwoman VELÁZQUEZ. That's correct.

Mr. AKIN. And that is a provision which allows if somebody is in the Reserve and they may be a key player in a small business and, all of a sudden, they get a call that they are going to go East about 8,000 miles, this is a way that we can try to give a little bit of protection in a loan that they can take to help cover their company in their absence.

And I think that is important, particularly with the people that are on Reserve that are deployed now. And I thank you for working with us on that.

Chairwoman VELÁZQUEZ. Thank you.

Any other member who wishes to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. The Committee will now take up the manager's amendment, which makes a series of changes that will achieve three goals.

Chairwoman VELÁZQUEZ. First, these changes will strengthen the underlying bill and will make disaster assistance more readily available to veterans.

Second, these changes will help ensure that taxpayers' dollars are used responsibly in assisting the most severely affected victims of the 2005 hurricanes.

Finally, this manager's amendment continues our efforts to achieve bipartisan cooperation and has been shared with and includes provisions from the minority.

Section 101 will be amended to require that the comprehensive disaster response plan be developed and maintained by an individual with substantial knowledge in the field of disaster readiness and emergency response. This amendment will assure that the SBA's disaster plan is developed with the knowledge and expertise that a skilled disaster planner can provide.

Improving the SBA disaster program will require enhanced agency organization at the highest levels but should not result in increased bureaucracy. For these reasons, section 106 will be amended to clarify that the newly established director of disaster planning and the director of disaster lending should not directly result in an increase in the number of agency full-time employees.

To ensure that the grant assistance only goes to the most needy small businesses and is only used to spur redevelopment in communities that have experienced a failure of market forces, section 210 will be limited to businesses located in the communities that were most severely affected by Hurricanes Katrina, Rita, or Wilma.

Additionally, section 211, which addresses the duplication of benefits by state grants programs, will be narrowed to only include disaster victims affected by Hurricanes Katrina, Rita, or Wilma.

To make the disaster program more responsive to the needs of businesses affected by military deployments, a new provision will be added extending to one year the period during which a small business may apply for an economic injury loan as the result of an essential employee being deployed for military services. This provision will also enable these businesses to file a preliminary application so that the disaster assistance can be expedited when the employee is actually deployed.

Taken together, these amendments make H.R. 1361 a more balanced and effective piece of legislation for ensuring that the SBA has the tools it needs to carry out its disaster assistance mission. I urge adoptions of the manager's amendment. And I yield to the ranking member for his statement.

Mr. CHABOT. Thank you, Madam Chairwoman. Once again, I will be brief.

Because it narrows the scope of the applicability of the bill, we would be supportive of this. In addition to that, it includes a very welcome amendment by the gentleman from Missouri, Mr. Akin, which we think is a very good amendment. And so, for those reasons and others, we would welcome the manager's amendment and support it.

Chairwoman VELÁZQUEZ. Thank you. Do any other members wish to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. If no further members wish to be recognized, we will move to the adoption of the manager's amendment. All in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All opposed say "Nay."

[No response.]

Chairwoman VELÁZQUEZ. The manager's amendment is agreed to.

I ask unanimous consent that the text as amended by the manager's amendment be considered as the original text for the purposes of amendments. The bill will be open for amendment at any time.

Are there any amendments?

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Yes? Mr. Chabot, you will be recognized.

Mr. CHABOT. Thank you, Madam Chair. I have three amendments at the desk. I would like to start with amendment number 15.[The amendment offered by Mr. Chabot follows:]

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. An amendment is offered by Mr. Chabot of Ohio to strike section 210—

Chairwoman VELÁZQUEZ. I ask unanimous consent to dispense the reading. Without objection, so ordered.

Mr. CHABOT. Thank you, Madam Chairman. Move to strike the last word.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. CHABOT. Thank you.

Madam Chair, I offer an amendment to strike section 210 of H.R. 1361, the bill that we are considering at this time. The grants are offered to those businesses that otherwise are not eligible for an SBA loan.

In essence, this would authorize the administrator to give grants to businesses that the administrator determined would not have sufficient resources and prospects to repay a loan. I cannot in good conscience support that type of government spending.

We also have heard that large sums of grant money have not been distributed to victims of Hurricane Katrina. And I think the Congress should figure that out before launching yet another program to offer grants.

And, finally, history demonstrates that Congress passes special legislation to reply to disasters. And if grants are needed, they should be considered at that time, not in legislation designed to improve the overall capacity of the SBA to respond to all disasters.

And, for those reasons, I would offer this amendment, urge my colleagues to support it, and yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you.

Let me just say, Mr. Chabot, what this grant does is that it gives the administrator a choice. He could decide whether or not to provide grants. It is a choice. It is not a mandate. And while I appreciate your concern for this issue, this amendment will eliminate an important tool for helping otherwise viable businesses rebuilt in the most devastated communities. These businesses need financial assistance that the disaster loan program cannot provide.

This Committee is well-aware of the damage caused by the 2005 hurricanes. Entire communities were destroyed. In many places, no homes, no businesses, no public institutions were left standing. In these circumstances, ordinary market forces cannot spur redevelop-

ment. In these circumstances, there are no market forces because there are no businesses and there are no people.

This Committee has heard victims and experts testify that the SBA's current disaster loan program is inadequate to help victims in these circumstances. In this community, no small business owner is willing to risk what little they have for a loan to rebuild in a community where there are no homes for their customers, no school for their children, and no place to buy supplies for their businesses.

Under these circumstances, the disaster assistance program cannot pursue a one size fits all approach. The SBA must have tools that are more responsive to victims' needs.

H.R. 1361 will provide the SBA with authority to administer a limited grant program to help the most severely affected small businesses damaged by Katrina. To ensure that the grant assistance only goes to the neediest small businesses and is only used to spur redevelopment in communities where market forces have failed, this legislation has been limited to very narrow circumstances. So this program has been narrowly tailored to ensure that the taxpayers' dollars are spent in a responsible manner while providing vital support to the small businesses.

So I urge members to oppose this amendment. Yes, Mr. González, you are recognized.

Mr. GONZÁLEZ. Thank you, Madam Chair.

I would oppose the amendment by Mr. Chabot. Let me explain why. Any of us who were present during the impassioned testimony by our colleague Representative Baker I think would understand that the relief that we are attempting to provide a specific area, victims of specific hurricanes is really extraordinary in many ways.

Mr. Baker even pointed out himself that for the first time in his life, politically and otherwise, he realized there had to be extraordinary measures, both from the government and the private sector, to address the enormity of the problem and the challenge. Otherwise the rebuilding of New Orleans and the rest of the affected areas is not going to occur.

So I appreciate Mr. Chabot's good faith objection, philosophically and otherwise, to this particular provision. But I would ask that all of us would keep an open mind and be more flexible when it comes to specific circumstances that require extraordinary remedies. And if you want to classify this as extraordinary, that's fine. But I think you are going to see this replicated in other pieces of legislation.

And either we are truly dedicated to the proposition that we can address the aftermath of these hurricanes or we shouldn't be introducing the legislation and giving false hope to the many people who are affected.

And, with that, I would yield back?

Chairwoman VELÁZQUEZ. Any other member who seeks recognition? And I would ask to be very brief because I would like to take a vote before we go.

Mr. JEFFERSON. Madam Chair?

Chairwoman VELÁZQUEZ. Mr. Buchanan?

Mr. BUCHANAN. Yes. I would only like to support Mr. Chabot on this because in Florida, we have been hit by eight hurricanes in a

period of two years, completely devastated a lot of our areas, like an area I represent. Charlie hit there. We still have tarps on building. Unless the federal assistance can be evenly handed, what right do we have to choose between winners and losers?

And I just want to be careful about that because I think our governor of state has been prepared. In dealing with these disasters, I think Jeb Bush has done a great job, but we still have a lot of folks who need help down in those areas. In a lot of these areas, people are still waiting on assistance in Florida. So I want to duly note that.

Mr. JEFFERSON. Madam Chair?

Chairwoman VELÁZQUEZ. Yes, Mr. Jefferson?

Mr. JEFFERSON. If I might say briefly, the New Orleans experience was extraordinary. We lost 80 percent of our city under water. Twenty thousand businesses were lost. They lost records. Most of the small business people now who would attempt to go back are basically pioneers because the customers aren't there.

They are ineligible for loans in many cases because they can't make the argument that you usually make pro forma when you gauge how many customers are going to be there to buy your product. It is impossible to do it.

The SBA representative testified here that usually they approve 60 percent of the loans that are made for after disasters. In this case, 38 percent were approved because of those reasons, some of which I have just mentioned.

Chairwoman VELÁZQUEZ. But, Mr.—

Mr. JEFFERSON. So I will just leave it here, Madam Chair, and urge the Committee to reject the amendment.

Chairwoman VELÁZQUEZ. If we are doing a grant program for Iraq business people, we can do it for the people of the Gulf Coast.

Mr. Bartlett?

Mr. BARTLETT. Thank you. Thank you, Madam Chair. I would like to yield my time to Mr. Chabot.

Mr. CHABOT. Thank you. Thanks for yielding. I will be very brief.

I just want to reiterate that what we are talking about, it has already been recognized that these are businesses that, in all likelihood, won't be able to repay the loans. And when you are giving tax dollars out in something like this, I just think we have to be very prudent in our responsibility and how we handle those tax dollars. And I don't think that is particularly prudent.

The other thing is that also we know we have had testimony here that a lot of the money that is available out there hasn't even been given out. And it is not really a matter of just throwing more money at the problem here. It is a matter of getting to the bottom of why the money hasn't been distributed that has already been allocated for this.

So I just think that this particular thing is unhelpful. And so I would ask for a vote on the amendment.

Chairwoman VELÁZQUEZ. The question is on the amendment offered by Mr. Chabot. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the noes have it.

Mr. CHABOT. Ask for a recorded vote.

Chairwoman VELÁZQUEZ. Yes, a recorded vote is requested. The Clerk shall call the roll.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. No.

The CLERK. Ms. Velázquez votes no. Ms. Millender-McDonald.

Ms. MILLENDER-McDONALD. No.

The CLERK. Ms. Millender-McDonald votes no. Mr. Jefferson.

Mr. JEFFERSON. No.

The CLERK. Mr. Jefferson votes no. Mr. Shuler.

Mr. SHULER. No.

The CLERK. Mr. Shuler votes no. Mr. González.

Mr. GONZÁLEZ. No.

The CLERK. Mr. González votes no. Mr. Larsen.

Mr. LARSEN. No.

The CLERK. Mr. Larsen votes no. Mr. Grijalva.

Mr. GRIJALVA. No.

The CLERK. Mr. Grijalva votes no. Mr. Michaud.

Mr. MICHAUD. No.

The CLERK. Mr. Michaud votes no. Ms. Bean.

[No response.]

The CLERK. Mr. Cuellar.

Mr. CUELLAR. No.

The CLERK. Mr. Cuellar votes no. Mr. Lipinski.

Mr. LIPINSKI. No.

The CLERK. Mr. Lipinski votes no. Ms. Moore.

[No response.]

The CLERK. Mr. Altmire.

Mr. ALTMIRE. No.

The CLERK. Mr. Altmire votes no. Mr. Braley.

Mr. BRALEY. No.

The CLERK. Mr. Braley votes no. Ms. Clarke.

Ms. CLARKE. No.

The CLERK. Ms. Clarke votes no. Mr. Ellsworth.

Mr. ELLSWORTH. No.

The CLERK. Mr. Ellsworth votes no. Mr. Johnson.

Mr. JOHNSON. No.

The CLERK. Mr. Johnson votes no. Mr. Sestak.

Mr. SESTAK. No.

The CLERK. Mr. Sestak votes no. Ms. Moore.

Ms. MOORE. No.

The CLERK. Ms. Moore votes no. Mr. Chabot.

Mr. CHABOT. Aye.

The CLERK. Mr. Chabot votes yes. Mr. Bartlett.

Mr. BARTLETT. Yes.

The CLERK. Mr. Bartlett votes yes. Mr. Graves.

Mr. GRAVES. Yes.

The CLERK. Mr. Graves votes yes. Mr. Akin.

Mr. AKIN. Yes.

The CLERK. Mr. Akin votes yes. Mr. Shuster.

[No response.]

The CLERK. Ms. Musgrave.

Ms. MUSGRAVE. Yes.

The CLERK. Ms. Musgrave votes yes. Mr. King.

[No response.]

The CLERK. Mr. Fortenberry.

Mr. FORTENBERRY. Yes.

The CLERK. Mr. Fortenberry votes yes. Mr. Westmoreland.

[No response.]

The CLERK. Mr. Gohmert.

[No response.]

The CLERK. Mr. Heller.

[No response.]

The CLERK. Mr. David Davis.

Mr. DAVIS. Yes.

The CLERK. Mr. Davis votes yes. Ms. Fallin.

Ms. FALLIN. Yes.

The CLERK. Ms. Fallin votes yes. Mr. Buchanan.

Mr. BUCHANAN. Yes.

The CLERK. Mr. Buchanan votes yes. Mr. Jordan.

Mr. JORDAN. Yes.

The CLERK. Mr. Jordan votes yes.

Chairwoman VELÁZQUEZ. The Clerk will report the vote.

The CLERK. Madam Chair, there are 10 yes votes and 17 no votes.

Chairwoman VELÁZQUEZ. The amendment is not agreed to. And we will take a recess and go to the House and vote and then come back here. Thank you.

[Brief recess.]

Chairwoman VELÁZQUEZ. This hearing will come back to order. I recognize Mr. Chabot for the purpose of offering his amendment.

Mr. CHABOT. Thank you, Madam Chair. I would move to have an amendment at the desk, number 16.

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. An amendment is offered by Mr. Chabot of Ohio to strike section 211 of H.R.—

Chairwoman VELÁZQUEZ. I ask unanimous consent to dispense with the reading.

Mr. CHABOT. I move to strike the last word.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. CHABOT. Thank you, Madam Chair. And again I'll be brief.

I certainly empathize with those who suffered as a result of Hurricane Katrina. I know that we all do. We heard many stories in committee about the devastation that was reaped there. However, those who suffered should not be compensated twice.

And, as I understand H.R. 1361, it prohibits the SBA from counting grants as a duplication of benefits. Under the bill, an applicant for an SBA disaster loan also could receive a grant from some other source. Both would have been offered as compensation for damages.

And a strong possibility exists that the individual would have received compensation, once in a grant and once in a low-cost loan twice for the same injury. We certainly don't allow that in our courts. And I think in good conscience, we shouldn't here. And, therefore, I can't support it.

And so I offer this amendment on that one narrow issue. And I yield back.

Chairwoman VELÁZQUEZ. Thank you. Let me just say again this grant is optional. It gives the authority to the administrator. And he will decide whether or not to issue waivers.

Let me talk about the road home grant. This was developed primarily for housing assistance. We shouldn't penalize a small business owner for needing assistance for both their home and businesses.

So if a person in Louisiana lost his home, he cannot access any grant to rebuild his home because he also lost his business. And so he will have to make a choice whether he goes for a small business loan for his business or a road grant to rebuild his home. Well, if he doesn't have a business, why does he want to rebuild his home if he can pay or sustain his business to help him?

The adoption of this amendment will put a small business owner in the predicament of having to choose between repairing their home and repairing their business. And this is not a situation that we should put them in.

Let me remind you that Mr. Baker came here. And he testified. And he made it clear that there was not duplication of benefits for victims who receive no assistance in the first place.

So I will urge my colleagues to vote no on this amendment. And any members who will seek recognition? Mr. Jefferson?

Mr. JEFFERSON. Thank you, Madam Chair Lady. I want to subscribe to your remarks and to say that it is even more complicated than that in some respects because people back home now—remember, we lost 220,000 houses back home.

For small business people, when they go into business, the home is usually the collateral for the loan. And most of them now have to pay their mortgage in addition to seeking new sources of support to get back in the house and back in the business.

So assume you are a person who had a business and a loan on it, your house collateralized it, and your home flooded. What you do now is your home mortgage still stays there. You don't get away from that. You still must pay that.

So you go to the SBA. And you don't qualify for as much as you as need to build back your house because you still have this outstanding requirement to pay your home mortgage. So you always fall short on the SBA. So there is very little chance of a duplication occurring here because you aren't going to usually make it to that point.

And so the way the bill is tailored I think, as the Chair Lady has said, there is a lot of discretion with the secretary. There is a very limited opportunity here for any such problem spoken of here. And on the up side, for the most part, this is going to be extraordinarily helpful to the recovery.

And I appreciate this conclusion in the bill. And I will join the Chair Lady in objecting to this amendment's adoption.

Chairwoman VELÁZQUEZ. Does any other member seek recognition on this amendment? Mr. Akin?

Mr. AKIN. Madam Chair, would it be all right to inquire of the maker of the amendment? I am just curious. Is this theoretically somebody could get a state grant, somebody could get a federal

grant, and it could be both grants for the same thing? Is that correct?

Chairwoman VELÁZQUEZ. No. The state grant, in this case the road grant, will be for rebuilding their homes. And the business grant will be to help rebuild their businesses.

Mr. Chabot?

Mr. CHABOT. My understanding is that yes, that is possible. Now, before it gets to the floor, we can get more clarification on that. But it is my understanding that is possible.

Mr. AKIN. So this is to prevent double dipping, is what you are trying to do?

Mr. CHABOT. That's correct, yes. Again, if any of these things come up, we can always get clarification prior to the floor. But that is the reason for offering the amendment, that we're trying to be as prudent as possible with limited tax dollars and to avoid double dipping, which isn't fair to the taxpayer.

Mr. AKIN. If somebody had a home, would they have flood insurance on that? So would insurance have covered that or was that couldn't you get flood insurance down there?

Mr. CHABOT. Would the gentleman yield?

Mr. AKIN. Yes.

Mr. CHABOT. Well, certainly it is possible. Many people had. A lot of people didn't have flood insurance either. And you couldn't double dip in that circumstance. But under this, perhaps you could.

Mr. AKIN. Thank you. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Any other member who seeks recognition on this amendment?

[No response.]

Chairwoman VELÁZQUEZ. Well, the question is on the amendment offered by Mr. Chabot. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the noes have it.

Mr. CHABOT. Madam Chair, ask for a recorded vote.

Chairwoman VELÁZQUEZ. The Clerk shall call the roll.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. No.

The CLERK. Ms. Velázquez votes no. Ms. Millender-McDonald.

Ms. MILLENDER-McDONALD. No.

The CLERK. Ms. Millender-McDonald votes no. Mr. Jefferson. Mr. Jefferson.

Mr. JEFFERSON. No.

The CLERK. Mr. Jefferson votes no. Mr. Shuler.

[No response.]

The CLERK. Mr. González.

Mr. GONZÁLEZ. No.

The CLERK. Mr. González votes no. Mr. Larsen.

[No response.]

The CLERK. Mr. Grijalva.

Mr. GRIJALVA. No.

The CLERK. Mr. Grijalva votes no. Mr. Michaud.

Mr. MICHAUD. No.

The CLERK. Mr. Michaud votes no. Ms. Bean.
Ms. BEAN.. No.
The CLERK. Ms. Bean votes no. Mr. Cuellar.
Mr. CUELLAR. No.
The CLERK. Mr. Cuellar votes no. Mr. Lipinski.
[No response.]
The CLERK. Ms. Moore.
[No response.]
The CLERK. Mr. Altmire.
[No response.]
The CLERK. Mr. Braley.
Mr. BRALEY. No.
The CLERK. Mr. Braley votes no. Ms. Clarke.
Ms. CLARKE. No.
The CLERK. Ms. Clarke votes no. Mr. Ellsworth.
Mr. ELLSWORTH. No.
The CLERK. Mr. Ellsworth votes no. Mr. Johnson.
[No response.]
The CLERK. Mr. Sestak.
[No response.]
The CLERK. Mr. Shuler.
Mr. SHULER. No.
[No response.]
The CLERK. Mr. Shuler votes no. Ms. Moore.
Ms. MOORE. A question, please. Sorry.
[Laughter.]
Ms. MOORE. No.
The CLERK. Ms. Moore votes no. Mr. Chabot.
Mr. CHABOT. Aye.
The CLERK. Mr. Chabot votes yes. Mr. Bartlett.
Mr. BARTLETT. Yes.
The CLERK. Mr. Bartlett votes yes. Mr. Graves.
[No response.]
The CLERK. Mr. Akin.
Mr. AKIN. Aye.
The CLERK. Mr. Akin votes yes. Mr. Shuster.
[No response.]
The CLERK. Ms. Musgrave.
Ms. MUSGRAVE. Yes.
The CLERK. Ms. Musgrave votes yes. Mr. King.
[No response.]
The CLERK. Mr. Fortenberry.
Mr. FORTENBERRY. Yes.
The CLERK. Mr. Fortenberry votes yes. Mr. Westmoreland.
[No response.]
The CLERK. Mr. Gohmert.
[No response.]
The CLERK. Mr. Heller.
Mr. HELLER.. Yes.
The CLERK. Mr. Heller votes yes. Mr. David Davis.
Mr. DAVIS. Yes.
The CLERK. Mr. Davis votes yes. Ms. Fallin.
[No response.]
The CLERK. Mr. Buchanan.

[No response.]

The CLERK. Mr. Jordan.

[No response.]

The CLERK. Mr. Larsen.

Mr. LARSEN. No.

The CLERK. Mr. Larsen votes no.

Chairwoman VELÁZQUEZ. The Clerk will report the vote.

The CLERK. Madam Chair, there are 14 no and 7 yes.

Chairwoman VELÁZQUEZ. The amendment is not agreed to.

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Yes, Mr. Chabot?

Mr. CHABOT. Thank you. I have one additional amendment at the desk, amendment 17.[The amendment offered by Mr. Chabot follows:]

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. Mr. Chabot from Ohio has offered an amendment to on page 26 of H.R. 1361 to strike—

Chairwoman VELÁZQUEZ. I ask unanimous consent that the amendment be considered as read.

Mr. CHABOT. Thank you, Madam Chair. Move to strike the last word.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. CHABOT. Thank you again. And I will try to be brief.

I certainly understand the need for Congress to be informed of how Executive Branch agencies are carrying out their statutory mandates. That requires these agencies to report to Congress to report to us.

Given the recent history of the SBA, it certainly makes sense to have the agency report annually to Congress on its disaster response. However, the bill also requires the administrator to report monthly during an incident of national significance.

Given this Committee's complaint that the SBA's disaster response, it seems somewhat illogical to divert resources, even small amounts, from the pressing disasters, those that rise to the level of an incident of national significance. I just think it doesn't make sense to require a monthly type of report at a time when their full resources ought to be devoted to addressing the disaster and helping those who really need the help.

So, for that reason, I would urge passage of this amendment and yield back the balance of my time.

Chairwoman VELÁZQUEZ. I will oppose this amendment. And, Mr. Chabot, I understand your concern about the burden that it might impose, but let me be clear. This amendment has no burden on SBA. These are reports that they produce in a daily basis.

After Katrina, this Committee under the previous administrator, we held so many hearings. Hector Barreto came before this Committee and told us that everything was fine, that nothing was creating any problems in terms of the disaster relief that they were providing to the victims of Katrina.

And report after report, paper after paper in this country, victims spoke about the inefficiency coming out of SBA. In hearings after hearings, Katrina, the SBA told this Committee that everything was fine.

Let me just say what this means is oversight. And the problems that we saw during Katrina and the lack and inadequate response that came out of SBA was a result of the lack of oversight coming out of this Committee. And that is not going to happen anymore.

So this agency in its oversight, especially during major disaster, the American public and the American people, they need to know that the federal government will do everything they can to provide the assistance that we promise to them and that we committed to provide.

Mr. CHABOT. Would the gentle lady yield?

Chairwoman VELÁZQUEZ. Sure.

Mr. CHABOT. Okay. I thank the gentle lady for yielding. And, again, I will be very brief.

I would just note that, even though it is a written report that the administrator has to put together, I think the time and effort that goes into that and the time of people underneath the administrator to do that does take some considerable period of time. And so I think that monthly is just too often.

Chairwoman VELÁZQUEZ. I respectfully disagree with the gentleman. You know quite well that the DCMNS generates this data on a daily basis, that if they have a disaster plan in place, there has to be communication between the administrator and the director of the disaster relief effort, that this communication and information that they share is all we are asking them to provide to us. So this provision has no cost. This provision doesn't impose any burden upon the work that the SBA and the administrator have to provide.

If any other member wishes to seek recognition? Yes?

Mr. ELLSWORTH. Madam Chair?

Chairwoman VELÁZQUEZ. Mr. Ellsworth?

Mr. ELLSWORTH. As someone who has been through a natural disaster not nearly the size of Katrina, but certainly in our community it was devastating, this was something that required a report in the days when we were talking about food, medicine, and shelter, I could agree.

But in this world of mass media, they are asking us questions immediately and for reports and expect us to know that. So I don't think a 30-day report is too much to ask when we are asked the questions when we go back home.

So I would not support this amendment.

Chairwoman VELÁZQUEZ. Any other member wish to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. The question is on the amendment offered by Mr. Chabot. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the noes have it. The amendment is not agreed to.

If there is any other member who wishes to be recognized for the purpose of any amendment? Mr. Michaud?

Mr. MICHAUD. Thank you very much, Madam Chair. I have an amendment at the desk numbered—[The amendment offered by Mr. Michaud follows:]

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. An amendment is offered by Mr. Michaud of Maine at the end of Title II to add the following, section 216, “Economic Injury”—

Chairwoman VELÁZQUEZ. We ask unanimous consent that the amendment be considered as read. Without objection, so ordered. The gentleman is recognized for five minutes to discuss his amendment.

Mr. MICHAUD. Thank you, Madam Chair.

The RECOVER Act is a great bill that makes a lot of needed changes to the SBA disaster planning and assistance program. I want to thank you and Mr. Chabot for having this markup today.

As you know, the SBA makes economic injury disaster loans to small businesses that have been adversely affected by specific disaster events. Last year SBA was newly authorized to provide these loans in cases of drought. My amendment simply adds the lack of snowfall as a category eligible for economic injury disaster loan assistance.

Small community and businesses in the State of Maine, in the north part of the state, and other states depend on winter tourism traffic and other weekend outdoor activities. The lack of snowfall can severely threaten their well-being. And, unfortunately, these businesses cannot qualify currently under SBA authority for drought assistance since lack of snowfall doesn’t meet the criteria of drought assistance.

My amendment simply offers equal treatment for small businesses affected by the lack of snowfall that are currently falling through the cracks. I hope the Committee will accept the amendment.

I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. Does anyone else seek to be recognized on this amendment?

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Mr. Chabot?

Mr. CHABOT. Thank you, Madam Chair. I move opposition of this particular amendment.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. CHABOT. Thank you.

The concept behind this amendment is to address the problem of lack of snowfall in areas that rely on providing winter sports recreation. There are a number of problems with this amendment in my view.

First, how does one measure the lack of snowfall, especially in ski areas that can make snow?

Second, a lack of snowfall in areas actually affects all businesses, including those that sell winter sports equipment, even if they are not located in the area hit by a lack of snowfall. Should those businesses be eligible? And if not, why should only businesses located in an area with lack of snowfall be subject to the disaster declaration?

Thirdly, how does one determine the scope of the area? What happens if some facilities can make snow and others cannot? Should the federal government declare a disaster area because of lack of investment, for example? Does this mean that recreational areas without snow-making equipment can apply for a disaster mitigation loan to purchase such equipment?

Fourth, would a place that people who winter to avoid harsh snow conditions be able to apply for a disaster loan because people did not travel to avoid snow because of the lack of snow in other areas? In other words, would parts of Florida be able to claim a natural disaster for the lack of snow in the Northeast because it cut down on the number of individuals vacationing in Florida to avoid winter weather?

Obviously you could go on and on with this. So I just think there is too much mischief possible in this particular amendment and would strongly urge my colleagues to oppose it and yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you.

Well, what I see here is another instance of language within the Small Business Act being too restrictive for many small businesses in need of assistance. And it will be important that we look at areas of improvement within the act as we continue our work on the reauthorization of the Small Business Administration statute.

So given that fact, I just would ask the members of the Committee to support this amendment.

Yes, Mr. Fortenberry?

Mr. FORTENBERRY. Madam Chairwoman, I actually intended to support the underlying bill. However, if this amendment passes, I will not because throwing open the door this wide with limited ability to define or these definitions being so broad in their scope and with, actually, a limited ability to have a clear definition here, it would be just as easy for me to put in a lack of rainfall as an amendment to this one.

And then suddenly the narrow scope of this bill, which I think has some very good provisions that I intend to support, in spite of some concerns brought up by the ranking member, this would in my view undermine the very purposes, again, of the narrow tailoring of the larger bill.

I yield back.

Chairwoman VELÁZQUEZ. Does anyone else seek recognition on this amendment? Mr. Michaud?

Mr. MICHAUD. Yes. Thank you. Just to address the concerns that were raised, there is a process that you have to go to through, the government would have to go through, as far as declaring a natural disaster. And the process is already in the statute. And this would follow through for that same process.

So I don't envision it to open up a wide door. This definitely has affected a lot of small businesses in Maine because of the lack of snow. And I would encourage my members to support it because there is a process already in place to declare a natural disaster. And I just want to include snowfall in that.

Thank you.

Chairwoman VELÁZQUEZ. Any other member who wishes to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. The question is on the amendment offered by Mr. Michaud. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the ayes have it.

Mr. MICHAUD. Madam Chair?

Chairwoman VELÁZQUEZ. Yes?

Mr. MICHAUD. Ask for a recorded vote on it.

Chairwoman VELÁZQUEZ. A recorded vote is requested. The Clerk will call the vote.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. Aye.

The CLERK. Chairwoman Velázquez votes yes. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. Aye.

The CLERK. Ms. Millender-McDonald votes yes. Mr. Jefferson.

Mr. JEFFERSON. Aye.

The CLERK. Mr. Jefferson votes yes. Mr. Shuler.

Mr. SHULER. No.

The CLERK. Mr. Shuler votes no. Mr. González.

Mr. GONZÁLEZ. Aye.

The CLERK. Mr. González votes yes. Mr. Larsen.

Mr. LARSEN. Yes.

The CLERK. Mr. Larsen votes yes. Mr. Grijalva.

[No response.]

The CLERK. Mr. Michaud.

Mr. MICHAUD. Yes.

The CLERK. Mr. Michaud votes yes. Ms. Bean.

Ms. BEAN. Aye.

The CLERK. Ms. Bean votes yes. Mr. Cuellar.

Mr. CUELLAR. Aye.

The CLERK. Mr. Cuellar votes yes. Mr. Lipinski.

Mr. LIPINSKI. Aye.

The CLERK. Mr. Lipinski votes yes. Ms. Moore.

Ms. MOORE. Aye.

The CLERK. Ms. Moore votes yes. Mr. Altmire.

[No response.]

The CLERK. Mr. Braley.

Mr. BRALEY. Aye.

The CLERK. Mr. Braley votes yes. Ms. Clarke.

Ms. CLARKE. Aye.

The CLERK. Ms. Clarke votes yes. Mr. Ellsworth.

Mr. ELLSWORTH. Yes.

The CLERK. Mr. Ellsworth votes yes. Mr. Johnson.

Mr. JOHNSON. Aye.

The CLERK. Mr. Johnson votes yes. Mr. Sestak.

Mr. SESTAK. No.

The CLERK. Mr. Sestak votes no. Mr. Chabot.

Mr. CHABOT. No.

The CLERK. Mr. Chabot votes no. Mr. Bartlett.

Mr. BARTLETT. No.

The CLERK. Mr. Bartlett votes no. Mr. Graves.
 [No response.]
 The CLERK. Mr. Akin.
 Mr. AKIN. No.
 The CLERK. Mr. Akin votes no. Mr. Shuster.
 [No response.]
 The CLERK. Ms. Musgrave.
 Ms. MUSGRAVE. No.
 The CLERK. Ms. Musgrave votes no. Mr. King.
 [No response.]
 The CLERK. Mr. Fortenberry.
 Mr. FORTENBERRY. No.
 The CLERK. Mr. Fortenberry votes no. Mr. Westmoreland.
 [No response.]
 The CLERK. Mr. Gohmert.
 [No response.]
 The CLERK. Mr. Heller.
 Mr. HELLER. No.
 The CLERK. Mr. Heller votes no. Mr. David Davis.
 Mr. DAVIS. No.
 The CLERK. Mr. Davis votes no. Ms. Fallin.
 [No response.]
 The CLERK. Mr. Buchanan.
 Mr. BUCHANAN. No.
 The CLERK. Mr. Buchanan votes no. Mr. Jordan.
 Mr. JORDAN. No.
 The CLERK. Mr. Jordan votes no.
 Chairwoman VELÁZQUEZ. Any other member who wish to cast their vote or change their vote?
 [No response.]
 Chairwoman VELÁZQUEZ. The Clerk will report the vote.
 The CLERK. Madam Chair, there are 14 yes votes, 11 no votes.
 Chairwoman VELÁZQUEZ. The amendment is agreed to.
 Mr. CHABOT. We are getting closer.
 Chairwoman VELÁZQUEZ. Yes. Are there any other members who wish to be recognized for the purpose of offering amendments?
 Mr. BRALEY. Yes.
 Chairwoman VELÁZQUEZ. Mr. Braley?
 Mr. BRALEY. Yes. Madam Chair, I have an amendment at the desk.
 Chairwoman VELÁZQUEZ. The Clerk will report the amendment.
 The CLERK. There is an amendment offered by Mr. Braley of Iowa. At the end of Title II, add the following in section 216, "Economic injury disaster"—
 Chairwoman VELÁZQUEZ. I ask unanimous consent that the amendment be considered as read. Mr. Braley, you will be recognized for five minutes.
 Mr. BRALEY. Thank you.
 Madam Chairwoman, Ranking Member Chabot, I am here today as a voice for 350,000 Iowans who lost power during the recent ice storm to offer an amendment to H.R. 1361, the RECOVER Act, which would revise the language within the Small Business Act to clarify the definition of the term "disaster" to include blizzards and ice storms.

Just a couple of weeks ago, Iowa was hit with a massive ice storm, one of the worst in its history, which caused extensive damage throughout the state and left hundreds without power.

Weather in Iowa can be unpredictable and dangerous. And this was no exception. I was personally affected by this ice storm when a 40-foot ice-coated branch struck my home in Waterloo. With the help of my neighbors and our chain saws, I was able to cope with some personal property damage and inconvenience. But my situation paled in comparison to the constituents I met while visiting storm emergency shelters in Iowa's First Congressional District.

These Iowans were there because they had been displaced from their homes as a result of their ice storm, including many from their businesses. Currently the SBA has to wait for the President to declare something a disaster area before giving disaster loans to small businesses.

There are well-known exceptions. These include severe situations, such as floods, hurricanes, tornadoes, earthquakes, fires, explosions, volcanoes, windstorms, landslides or mud slides, tidal waves, commercial fishery failures, fishery resource disasters, riots, civil disorders, etcetera.

This language in my amendment gives the SBA the authority to make disaster loans in certain situations, even if the President has not authorized the area as a disaster area. Unfortunately, the terms "ice storm" and "blizzard" do not appear on this list of exceptions.

The amendment I propose today would include these terms in the definition of a disaster, strongly benefiting small business owners who are trying to get back on their feet following an ice storm or blizzard.

I urge my colleagues to recognize that some disasters, which profoundly impact small businesses occur in the winter and ask them to support this amendment. And I yield the balance of my time.

Chairwoman VELÁZQUEZ. Thank you.

I will support this amendment. I think that it is important. Winter storm had a dramatic impact on Iowa's economy. At the peak of losses, 250,000 customers were without power, 60 counties were declared disaster areas.

Currently SBA is able to make disaster loans. When the President has declared a disaster area or in certain other specific situations, including everything from floods to commercial fishery failures, extending this language to include ice storms and blizzards fits within existing rationale.

So I will ask my colleagues to support this amendment. And I will recognize Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chairwoman. And I move to strike the last word.

Chairwoman VELÁZQUEZ. The gentleman is recognized for five minutes.

Mr. CHABOT. Thank you. I won't take that time. I commend Mr. Braley for offering an amendment. I think it is a good one. Ice storms can and in many areas do as much damage, if not more, than other events classified as natural disasters. It seems to make sense that the definition of a disaster be expanded to include ice storms.

It is important to note that an ice storm represents a very measurable event. One knows when it starts. One knows when it ends. And one can ascertain the damage from, for example, lost fruit in the case of Florida or California, damage to goods that lose refrigeration, et cetera, from the loss of electricity. Blizzards are somewhat harder to define to be getting around.

And it may be somewhat more difficult to assess the damage associated with blizzards, but I still believe this is a very good amendment and would urge my colleagues to support it and yield back the balance of my time.

Chairwoman VELÁZQUEZ. Any other member who seeks recognition on this amendment, Mr. Braley's amendment?

[No response.]

Chairwoman VELÁZQUEZ. The question is on the amendment offered by Mr. Braley. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the ayes have it.

Any other amendments or comments? Mr. Fortenberry?

Mr. FORTENBERRY. Thank you, Madam Chair.

Again I just want to say I was prepared to support the underlying legislation, but given the fourth amendment that was considered, it's too broad. I think it undermines the purpose of why we are meeting today in this more narrow tailored bill.

I do appreciate all of the content, much of the content, of this bill. And regarding the comments of the ranking member, I supported his amendments as well but do note that his concerns are mitigated by the fact that the administrator can waive the provisions. It is up to his discretion, rather.

But, with that said, again, this last amendment regarding snowfall is far too broad. It is inconsistent in my view with the underlying legislation. And I cannot support it.

Thank you.

Chairwoman VELÁZQUEZ. Any other member who wishes to be recognized?

[No response.]

Chairwoman VELÁZQUEZ. Seeing no further amendments, I move that the Committee vote on final passage of H.R. 1361. All of those in favor say "Aye."

[Chorus of "Ayes."]

Chairwoman VELÁZQUEZ. All those opposed say "No."

[Chorus of "Noes."]

Chairwoman VELÁZQUEZ. In the opinion of the Chair, the ayes have it.

Mr. BRALEY. Madam Chair, I ask—

Chairwoman VELÁZQUEZ. A recorded vote is requested. The Clerk shall call the roll.

The CLERK. Ms. Velázquez.

Chairwoman VELÁZQUEZ. Aye.

The CLERK. Chairwoman Velázquez votes yes. Ms. Millender-McDonald.

Ms. MILLENDER-MCDONALD. Aye.

The CLERK. Ms. Millender-McDonald votes yes. Mr. Jefferson.
Mr. JEFFERSON. Aye.
The CLERK. Mr. Jefferson votes yes. Mr. Shuler.
Mr. SHULER. Aye.
The CLERK. Mr. Shuler votes yes. Mr. González.
Mr. GONZÁLEZ. Aye.
The CLERK. Mr. González votes yes. Mr. Larsen.
Mr. LARSEN. Aye.
The CLERK. Mr. Larsen votes yes. Mr. Grijalva.
[No response.]
The CLERK. Mr. Michaud.
Mr. MICHAUD. Aye.
The CLERK. Mr. Michaud votes yes. Ms. Bean.
Ms. BEAN. Aye.
The CLERK. Ms. Bean votes yes. Mr. Cuellar.
Mr. CUELLAR. Aye.
The CLERK. Mr. Cuellar votes yes. Mr. Lipinski.
Mr. LIPINSKI. Aye.
The CLERK. Mr. Lipinski votes yes. Ms. Moore.
Ms. MOORE. Aye.
The CLERK. Ms. Moore votes yes. Mr. Altmire.
Mr. ALTMIRE. Aye.
The CLERK. Mr. Altmire votes yes. Mr. Braley.
Mr. BRALEY. Aye.
The CLERK. Mr. Braley votes yes. Ms. Clarke.
Ms. CLARKE. Aye.
The CLERK. Ms. Clarke votes yes. Mr. Ellsworth.
Mr. ELLSWORTH. Yes.
The CLERK. Mr. Ellsworth votes yes. Mr. Johnson.
Mr. JOHNSON. Aye.
The CLERK. Mr. Johnson votes yes. Mr. Sestak.
Mr. SESTAK. Yes.
The CLERK. Mr. Sestak votes yes. Mr. Chabot.
Mr. CHABOT. No.
The CLERK. Mr. Chabot votes no. Mr. Bartlett.
Mr. BARTLETT. No.
The CLERK. Mr. Bartlett votes no. Mr. Graves.
Mr. GRAVES. No.
The CLERK. Mr. Graves votes no. Mr. Akin.
Mr. AKIN. No.
The CLERK. Mr. Akin votes no. Mr. Shuster.
[No response.]
The CLERK. Ms. Musgrave.
Ms. MUSGRAVE. No.
The CLERK. Ms. Musgrave votes no. Mr. King.
[No response.]
The CLERK. Mr. Fortenberry.
Mr. FORTENBERRY. No.
The CLERK. Mr. Fortenberry votes no. Mr. Westmoreland.
[No response.]
The CLERK. Mr. Gohmert.
[No response.]
The CLERK. Mr. Heller.
Mr. HELLER. No.

The CLERK. Mr. Heller votes no. Mr. David Davis.

Mr. DAVIS. No.

The CLERK. Mr. Davis votes no. Ms. Fallin.

[No response.]

The CLERK. Mr. Buchanan.

[No response.]

The CLERK. Mr. Jordan.

Mr. JORDAN. No.

The CLERK. Mr. Jordan votes no.

Chairwoman VELÁZQUEZ. Any other member who wish to cast their vote or change their vote?

[No response.]

The CLERK. Madam Chair, the vote is 17 yes votes, 9 no votes.

Chairwoman VELÁZQUEZ. The bill is agreed to. I move that the bill be reported as amended and the staff be directed to make any technical corrections prior to the filing of the bill. The markup adjourns.

[Whereupon, at 11:39 a.m., the foregoing matter was concluded.]

STATEMENT
of the
Honorable Nydia M. Velázquez, Chairwoman
House Committee on Small Business
Markup of SBA Disaster Assistance and Loan Program Legislation
March 15, 2007

Today's order of business is the mark-up of legislation addressing 3 very different but important roles that the Small Business Administration (SBA) plays, access to capital, disaster assistance and contracting. This committee has held a number of hearings on these topics, heard from small business owners as well as small business advocates and these 3 bills address many of the issues brought up during those discussions.

The legislation being marked up today was a bipartisan effort. I want to thank Mr. Chabot for all of his input. We did not agree on everything but, in the end, the conversations that we had and issues discussed were helpful and productive. It is my hope that our committee continues to work in this manner on our future legislative endeavors.

There is no question that many small businesses were affected by Hurricane Katrina and that the SBA's disaster response was in question. *The RECOVER Act of 2007* requires that the SBA have a plan in place for such disasters and makes tools available to provide relief in a quicker more efficient manner. I strongly believe the *RECOVER Act of 2007* will help prevent a situation like what occurred after Hurricane Katrina from ever happening again.

The devastation caused by Hurricane Katrina resulted in many small firms losing out on a great deal of revenue. *The Disadvantaged Business Disaster Eligibility Act* introduced by Rep. Jefferson, gives more time to entrepreneurs who have been harmed by the Gulf Coast hurricanes to participate in federal contracts.

The third bill, *The Small Business Lending Improvements Act of 2007*, introduced by Ms. Bean and Mr. Chabot, will reduce the financial and regulatory burden placed on small businesses. Most importantly, it will make loans more economical while providing long term stability.

With the adoption of these bills we begin work on bringing the Small Business Administration back to its original mission – providing entrepreneurs with competitive tools for today's marketplace. There is no doubt that these programs are valuable for entrepreneurs and today's legislation helps ensure the SBA will be the premier resource for our nation's 26 million small businesses.

Statement – Ranking Member Chabot

I would like to thank Chairwoman Velazquez for holding this markup today enabling us to consider some very important pieces of legislation. We have a great responsibility before us. Our evaluations of SBA policies will directly affect many small business owners some of which we had the opportunity to hear from in hearing this year.

While, the legislation we will be discussing today is varied including the RECOVER Act of 2007, the Small Business Lending Improvements Act of 2007, and the Disadvantaged Business Disaster Eligibility Act they contain changes in existing law that I am confident many of us will view as important improvements.

Specifically, many Americans if asked today would agree that the SBA's response in the aftermath of the Gulf Coast Storms could have been better. It could have been more timely, organized and effective in getting funds to those who needed them the most. I firmly believe the RECOVER Act of 2007 contains policies that if were in use by the SBA in the late summer of 2005 would have prevented many hardships for small business owners in the gulf coast. For instance, as suggested in the RECOVER Act of 2007, coordination between the SBA and FEMA would greatly reduce the loan processing time for disaster victims. Despite the number of beneficial aspects of this legislation, I remain troubled by specific provisions related to grants, double compensation to disaster victims, and certain congressional reporting requirements. I will be introducing amendments on those issues during the course of this markup.

In regards to the Small Business Lending Improvement Act of 2007, while many changes are suggested for the 7(a) Loan Program, I believe one of the most beneficial aspects of the program, its independence from appropriations, is also an aspect that deserves fierce protection. Nothing in H.R. 1332 alters that principle. I do have one reservation about Title I of the bill. I am concerned that the SBA may have technical difficulties in adequately recalculating the fees to lenders and borrowers on a quarterly basis. Even with this reservation, I believe that the approach adopted in H.R. 1332 is the best means to have the SBA reduce fees to both borrowers and lenders in the 7(a) loan program. Title II of the bill provides much needed improvements to strengthen the certified development company program, improve its mission of community and local economic development, and lower the costs of the program through improved returns on liquidations of bad loans. H.R. 1332 is an important bill that deserves strong bipartisan support when it reaches the House floor.

The Disadvantaged Business Eligibility Act, H.R. 1648, provides a common sense approach to the time limit problem many 8(a) program participants who were located in Louisiana and affected by Hurricane Katrina. The displacement associated with that Hurricane certainly made it difficult for 8(a) program participants to operate their businesses and obtain federal government contracts. It seems equitable to extend their participation by 18 months. In addition to the simple fairness, the extension will help in the necessary recovery of the area.

Finally, I would like to thank the Chairwoman for incorporating into amendments that she will offer a number of ideas proffered by myself and other Republican members of the Committee. Clearly, there are disagreements, especially concerning the most financially prudent means to respond to natural disasters. Nevertheless, her staff did not let these differences interfere with the sharing of ideas and legislative drafts needed to improve legislation. And while I expect other legislation to demonstrate principled disagreements on issues, I certainly hope that we can continue to have a frank and open discussion of legislation among members and between our respective staffs.

Congressman Sam Graves
Statement for the Record
March 15, 2007
Small Business Committee Hearing Markup

Madam Chairman Velázquez and Ranking Member Chabot: On March 15, 2007 I was attending two hearings scheduled during the same time in the House Transportation and Infrastructure Committee and House Small Business Committee. Unfortunately, this conflict caused me to miss two votes in the House Small Business Committee. If I were present I would have voted in favor of an amendment offered by Ranking Member Chabot, which would have eliminated any double compensation, and I would have voted against Congressman Michaud's amendment that would have included "lack of snowfall" in the definition of a natural disaster.
Thank you.