

**FULL COMMITTEE MARKUP OF HR. 3567,  
THE SMALL BUSINESS INVESTMENT  
EXPANSION ACT OF 2007**

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**COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF  
REPRESENTATIVES**

**ONE HUNDRED TENTH CONGRESS**

**FIRST SESSION**

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**FULL COMMITTEE MARKUP OF H.R. 3567,  
THE SMALL BUSINESS INVESTMENT  
EXPANSION ACT OF 2007**

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**Thursday, September 20, 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 M. Velázquez [Chairwoman of the Committee] Presiding.

Present: Representatives Velázquez, Shuler, González, Grijalva, Michaud, Cuellar, Lipinski, Moore, Altmire, Braley, Clarke, Ellsworth, Sestak, Chabot, Bartlett, Graves, Akin, Musgrave, Westmoreland, Heller, Davis, Fallin, Buchanan, and Jordan.

**OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ**

Chairwoman VELÁZQUEZ. I am pleased to call this morning's markup to order. In today's markup the Committee will address issues to strengthen and update the SBA's venture capital programs. Perhaps none of the SBA directives have proven more important than the investment mission, because without this vital resource, no business can grow. Would it not be for SBA's access to the capital programs, many of our Nation's leading companies would have never become as successful as they are today. Apple, Costco, Federal Express and Intel are just a few of the companies that have benefited from the SBA's investment programs.

For the SBA's investment mission to have continued success, however, it will be vital that the agency's programs be updated and simplified to meet the growing economic challenges they were originally intended to address. Over the past 5 years the amount of venture capital going to startup small businesses under the SBA's flagship equity investment program, the SBAC program, has steadily declined. This has not only limited the ability of small businesses to expand and grow but also has hindered their ability to generate innovative new ideas and new products. Almost equally troubling has been the decline in the SBA's ability to provide equity capital for specially and economically disadvantaged small businesses.

Without funding, however, the New Markets Venture Capital program has lacked the resources to license new venture capital companies or expand into new low-income communities. In its brief history, however, the New Markets program, has proven its potential to develop vibrant small businesses that can dramatically improve the economic conditions in low-income communities. Most no-

tably, the SBA has continued to apply outdated and unreasonable affiliation policies against venture capital companies and has effectively stifled the free flow of venture capital to small businesses. These policies are not only inconsistent with the affiliation rules that the agency follows in other contexts, but are also unreasonable. These policies impede the flow of venture capital to small businesses for minimal benefit.

The Small Business Investment Expansion Act that we will mark up today is an important step toward reversing these problems.

This legislation will renew our commitment toward small business investment by providing much-needed simplifications to the SBAC and New Markets programs. A new Angel investment program will be established to fill the gap in seed capital that was created by the elimination of the participating securities program. The bill also features a renewed focus on providing equity capital to businesses in low-income areas and minority-owned businesses, two key sectors of the small business community that have continued to face particularly high barriers to securing venture capital.

Small businesses deserve our efforts to listen to their problems and remove barriers. Such cooperation is good for all of us because these businesses are the most innovative that create the new jobs and produce half of our income. They deserve our best efforts.

As this country continues to rely on entrepreneurs to spur economic development and create jobs, the need for venture capital will only continue to grow. Once again, this Committee is demonstrating the strengths that come from working in a bipartisan manner. In particular, I would like to thank Ranking Member Chabot and his staff for their efforts to work with us on this bill. I would also like to thank Mr. Altmire who, with Mr. Graves from Missouri, introduced the Small Business Investment Expansion Act of 2007. Their contributions were and continue to be essential to this legislation's success.

And now I would like to yield to Ranking Member Mr. Chabot for his opening statements.

#### **OPENING STATEMENT OF MR. CHABOT**

Mr. CHABOT. Thank you, Madam Chair. I would first of all like to thank members on both sides of the aisle for their attendance here this morning. I understand this probably won't take too long. But the bill being considered today has many improvements to the program authorized by the Small Business Investment Act of 1958. In addition, the bill under the leadership of Chairwoman Velázquez also incorporates an effort to focus equity investment on small startup businesses, those that may eventually turn into the next Nike or Federal Express or Dell computer.

The bill makes important technical changes to the small business investment company program. These changes, as we heard in testimony, will make the program more transparent to potential investors, and therefore increase participation in a valuable program.

I would also like to thank the Chair for incorporating a number of very important changes to the New Markets Venture Capital program. These companies will help revitalize poor urban and rural areas, including areas, for example, in the district that I happen



to represent in Cincinnati, which has a number of areas that do need improvement, that need new enterprise.

I look forward to working with all members of the Committee on both sides to ensure the success of this program.

The bill before us takes an interesting approach, similar to the one in the SBIC program, to provide incentives to provide equity to the newest of small businesses. I think the approach in this bill adopts the correct balance between providing incentives while reducing risk to the government and risk to the taxpayer. I would simply note that the Committee should be ready to make mid-course corrections if economic conditions necessitate it.

The SBA's surety bond program provides an important tool that enables small government contractors to compete against much larger businesses that have no problem finding surety bonds. The amendments in this bill, albeit modest, will improve participation in the program by bond underwriters. This ultimately benefits the American public, who will benefit from greater competition among Federal Government contractors.

The same cannot be said, unfortunately, for the final substantive provision in the bill Title V. It is important that my reservations be explained in some detail. Title V provides that a venture capital company owns one or more of the companies that it has provided equity to will not be deemed to be affiliated with this company or any other company it owns. In other words, as long as every company that it owns is small, the venture capital company remains small. Thus, a venture capital company can own dozens, if not more, companies and then bid on a government contract, using any or all of its subsidiaries to perform the work and still be considered a small business.

Thus, a small venture capital company could be a very large defense contractor, for example, competing against much smaller businesses. I do not see how this benefits small businesses or increases competition among Federal Government contractors. I do believe that it will provide an opportunity for venture capital companies to become holding companies for small government contractors. I believe that Title V's effort to resolve a narrow interpretation of SBA's size standards is akin to destroying an ant hill with a thermonuclear device. For this reason, I have significant reservations about that portion of the bill. Despite this, I would vote to report the bill out of the Committee.

Chairwoman VELÁZQUEZ. Will the gentleman yield?

Mr. CHABOT. I will yield.

Chairwoman VELÁZQUEZ. You have my commitment to continue to work with you to find a solution to the problem.

Mr. CHABOT. I greatly appreciate that. And reclaiming my time, that is essentially what I was going to indicate, that I do intend to vote for the bill because the Chairwoman and her staff have promised to ameliorate the concerns that many of us have about those portions of the bill that I just mentioned in its current form as the bill moves through the legislative process. With that promise and the significant changes that the bill makes in other areas, I think it is important to move the legislative process forward in a bipartisan effort to assist America's small businesses.

And before yielding back, I think it is important to note that although there is substantial disagreement with the approach taken in the bill on some of those issues that I just mentioned, the Chairwoman should be commended for her efforts to maintain comity and work in a bipartisan effort to address the serious concerns that have been expressed about the bill. And I look forward to working with the Chair as the legislative process moves forward.

Again, I would urge my colleagues to support this, although everyone obviously has to make their own decision on both sides on that.

And I yield back the balance of my time.

Chairwoman VELÁZQUEZ. Thank you. I would now like to recognize one of the lead sponsors of the legislation, the Chair of the Investigations and Oversight Subcommittee, Mr. Altmire, for his statement and explanation of the legislation.

#### **OPENING STATEMENT OF MR. ALTMIRE**

Mr. ALTMIRE. Thank you, Chairwoman Velázquez and Ranking Member Chabot, for your leadership and the opportunity to work with you and the Committee staff to draft this critically important legislation for our Nation's small businesses.

I would also like to recognize the enormous contributions of Representative Graves and thank him for his support and the key part he played in moving this bill forward.

The Small Business Administration's investment programs have fallen short in addressing the capital needs of small businesses, resulting in nearly \$60 billion in unmet capital needs for small businesses each year.

This week I introduced the Small Business Investment Expansion Act to address many of the challenges our Nation's small businesses face when trying to obtain investment capital. This bill will connect small businesses with the capital investment necessary to start and grow their operations. Through this legislation, we can provide the financial assistance small firms need by making the SBA a partner in their business development and by improving access to venture capital and Angel investments.

The Small Business Investment Expansion Act addresses the current shortfall in capital investment by revamping the SBA's Small Business Investment Company, SBIC, and the New Markets Venture Capital programs, NMVC. Both are public-private partnerships designed to aid small firms, in particular those owned by veterans, women and minorities.

In acquiring venture capital, the bill also creates a new Office of Angel Investment to build the first-ever nationwide network of Angel groups and enhance awareness about the available investment opportunities. Angel investors are high net worth individuals who invest in and support startup companies. It is estimated that Angel investors account for more than 51,000 entrepreneurial ventures each year and are rapidly becoming a common way for startups to obtain capital.

Additionally, the act will ensure firms that receive venture capital are able to maintain their small business classification, removing current disincentives to seeking this kind of financing. Small

businesses are the backbone of our economy, and the Federal Government must do more to connect them with the capital investment required for them to succeed.

My bill is necessary to improve SBA's current investment programs, facilitate links to Angel networks and create an environment in which small businesses go from startup to success. I urge all Committee members to support this bill.

And again, I want to thank Chairwoman Velázquez, the Ranking Member and Representative Graves for your leadership.

Chairwoman VELÁZQUEZ. I would now like to recognize the lead cosponsor of this legislation, Mr. Graves, for his statement on the legislation.

#### **OPENING STATEMENT OF MR. GRAVES**

Mr. GRAVES. Thank you, Madam Chairwoman. Chairwoman Velázquez, Ranking Member Chabot, I appreciate all that you have done and allowing me an opportunity to speak.

Let me start by saying this truly has been a bipartisan effort, and I appreciate all the Committee has done on my behalf on this bill. It has been a work in progress, and I am glad that everyone was able to get their concerns addressed. I hope we can continue to work on it, and I obviously think we will, in a bipartisan fashion, as this bill moves forward on the House floor.

Investments in our small businesses are important to their growth and sustainability. The bill reauthorizes and establishes several programs, and directly investing in those businesses creates so many jobs in this country. Through this bill we should see increased investment in veteran, minority and women-owned small businesses plus investments in low-income communities and for the small manufacturing companies.

Title V of this bill, which deals with SBA affiliation rules, has been an issue that has been of concern to me for a long, long time. Private investments in small businesses are a good thing and should be encouraged and not discouraged. The language will exclude employees of these private investors when determining the size of the small businesses, thus allowing them continued access to important programs under the SBA. The SBA has a number of programs that have proven vital to small business success, and I want to ensure our small businesses have continued access to them.

Again, thank you for bringing this important issue before us. It is very important to me and my constituents, and I look forward to its passage. And I particularly thank Representative Altmire for working with me on this.

Chairwoman VELÁZQUEZ. Thank you. Are there any other members that wish to be recognized on the legislation? The Committee now moves to consideration of the bill H.R. 35—

Ms. MOORE. Madam Chair, I do have an amendment.

Chairwoman VELÁZQUEZ. It is not—no. We need to report the title of the bill, and we haven't—

Ms. MOORE. I just want to make sure that you remember. Thank you.

Chairwoman VELÁZQUEZ. The Committee now moves to consideration of the bill H.R. 3567. The Clerk will report the title of the bill.

The CLERK. H.R. 3567, a bill to amend the Small Business Investment Act of 1958 to expand opportunities for investments in small businesses and for other purposes. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, section 1. Short title; Table of Contents.

Chairwoman VELÁZQUEZ. I ask unanimous consent for the bill to be considered as read. Without objection.

Chairwoman VELÁZQUEZ. Does any member seek recognition for the purpose of offering an amendment? The gentlelady from Wisconsin is recognized.

Ms. MOORE. Thank you so much, Madam Chair.

Chairwoman VELÁZQUEZ. The Clerk will report the amendment.

The CLERK. Amendment to H.R. 3567, offered by Ms. Moore of Wisconsin.

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

The gentlewoman is recognized.

Ms. MOORE. Thank you so much, Madam Chair and Ranking Member. And we do want to thank the prime sponsors, Mr. Altmire and Mr. Graves, for their diligence in putting this very important legislation together. I think everybody here will agree that this is the mother's milk of development in our country. We have so little venture capital, and I am so pleased.

As the Chair knows from her previous experience with me that I am very passionate about venture capital, very passionate about her Title III Angel investment that the authors have incorporated in this bill; and indeed, when I was a freshman, I was the lead author of the reauthorization of the New Markets Venture Capital program.

Now, the difference in the original New Markets Venture Capital program and the SEED Act, which is securing equity for the economic development of low-income areas, the SEED Act, which I introduced, was reflected in the bill that we saw the other day. And it was a compromise that I made with the industry to try to bring it in sync with the New Markets Tax Credits program. Originally the New Markets Venture Capital program said that 50 percent of the households in a Census tract had to have a 60 percent less-than-median income in order for that Census tract to qualify for the New Markets Venture Capital program. And in the language of the bill that we had originally, the compromise was made because the venture capital community said that we need to bring it in line with the New Markets Tax Credits program.

What my amendment does is to replace the language because I didn't want to go that far. The industry then came back and wanted to not only change the definition of the low-income geographic areas in terms of the median income but to change what counts as an investment in the community.

For example, the bill as it is currently written, says that at least 50 percent of the business' income is derived from low-income individuals. So in other words, you could be Wal-Mart, and if 50 per-

cent of the people who come and shop at your place are low-income, then that would qualify for the New Markets Venture Capital program. Or at least 40 percent of the business' employees are low-income.

So if you have got a business that—you want to start up a small business, and 10 of the employees, you could have 10 of them making \$250,000, and you have got the truck driver, the elevator operator, the receptionist and the janitor, that would qualify. At least 50 percent of the businesses owned by low-income individuals, well, that would be marvelous.

I just think the reason that I didn't include those provisions in the SEED Act, which my SEED Act was exactly what Mr. Altmire and Mr. Graves put in their bill prior to some changes that were made before we got here today, is because of the huge, huge opportunity that this would allow for very wealthy people to take advantage of a program that was designed—and I know that you, Madam Chair, I have worked with you long enough to know what your values are and what you would like to do.

So I would love to work with you, Madam Chair, to try to get a sense, some report language that really, really puts this Committee on record as wanting to make sure that these loopholes are not interpreted as the examples that I have given that seem preposterous and ridiculous. But we have been on this planet long enough to know that people, you know, rejoice in these kinds of loopholes and take advantage of them.

Chairwoman VELÁZQUEZ. Are you prepared to withdraw the amendment with the commitment that I will work with you and the Committee on Ways and Means so that the definition of low-income area could be resolved?

Ms. MOORE. I am willing to work with you. But I also want, Madam Chair, a commitment that you will provide some report language, and I surely would welcome adding language, talking about the need for Ways and Means to work with us, but I want some report language that reflects this Committee's desire to have this program benefit low-income areas.

Chairwoman VELÁZQUEZ. As I explained to the gentlelady on my way here, the issue here is that in order to achieve what you intend to do with your amendment, we will have to get the Ways and Means Committee to change the definition of low-income area. So that is beyond the jurisdiction of this Committee.

Ms. MOORE. Reclaiming my time, Madam Chair. This Committee has jurisdiction over the New Markets Venture Capital program. We are not discussing the New Markets Tax—both these programs were authorized in the Clinton administration, both of them operated in the Clinton administration. It is not the case that these two programs couldn't operate with different definitions. They, in fact, have done it. And to the extent that there has been any coming together or bringing together of these definitions, I am the one who has done it.

When I introduced my SEED Act, and that language was lifted, my bill was lifted totally and placed in this bill. So you know, I am taking responsibility and great pride in the fact that I have worked with the industry to try to bring these two together. I just wasn't willing to open the door completely to that.

I am certainly willing to work with the Ways and Means Committee, but we are not considering the New Markets Tax Credits program today. We are talking about the New Markets Venture Capital program, and all I am asking you for is not to change tax law today, I am just asking you to place in some report language that our intent is to provide this venture capital to benefit low-income communities.

Madam Chair, you know, you are from New York, and maybe this is not a problem that affects your area. But we had testimony here that indicated that venture capital was very much aligned with the East Coast, with the Silicon Valley, and that places in the Midwest, like I live, there is a dearth of venture capital.

And this program, you know, we don't have any problem finding venture capital for wealthy Census tracts. This is a government program, and all I want is to place that sense of Congress, that intent in the record. And I am puzzled and bewildered why—apparently your staff is whispering in your ear. I am just puzzled and bewildered as to why this is such a great commitment to be made, why this is so difficult to make a commitment that we will report our intent to have New Markets Venture Capital benefit low-income Census tracts. And to work with them—I think that is marvelous to include that language about them. But what is wrong with including my concern?

Chairwoman VELÁZQUEZ. Your concern—

Ms. MOORE. Is within the jurisdiction of this Committee.

Chairwoman VELÁZQUEZ. —does not strike the balance that we intend in the bill that we are considering today. So if the gentlelady is prepared to offer her amendment, then let's do that, and we call a vote.

Ms. MOORE. Well, Madam Chair, begging your indulgence, begging your indulgence, I just want to, you know—

I know what time it is, actually. And I just want to repeat that this particular version of the bill, whether it is the New Markets Venture Capital program or the New Markets Tax program, you could drive a Mack truck through the definition of a geographic low-income area and that very, very wealthy individuals will not have to locate within low-income Census tracts. And all they have got to do is hire a handful of low-income people outside of poor communities in order to qualify for these benefits.

So I just want to clarify that that is indeed the loophole that we have left in here. And like I said, I have worked on it for 2 years, so it is not like I woke up this morning and ran in here with this idea.

And so apparently you are not going to accept that, and you are the Chair of the Committee. I do respect you as the Chair of the Committee. And I know what that means if I were to put my amendment to a vote. So I wouldn't want to jeopardize my well-thought-out legislation by putting it to a vote here in the Committee. So I will withdraw it without that commitment from you, Madam Chair, and let you proceed on with your business. Thank you.

Chairwoman VELÁZQUEZ. My commitment to the gentlelady is to work with her and to address some of the issues that you raised. But as I said to you before, we can work together with the Ways

and Means Committee. We updated the program. We made the changes that were asked from the industry and the community-based organizations that came before this Committee. We strike a balance. And it doesn't matter if we are going to provide tax credits so that people will not be able to use them. So what we achieve with this legislation is striking a balance between the tax credits and the amount of individuals that will benefit from using the tax credit.

So this amendment is inconsistent with the original intent of the program. The program was originally intended to work hand in hand with the New Markets Tax Credits. The two definitions must be aligned, and that is the balance that we are achieving under this legislation.

So I will continue to work with the gentlelady and see how can we work with the Ways and Means Committee so that her concerns are addressed, but that goes beyond the jurisdiction of this Committee right now.

And I thank the gentlelady for her effort, her work and her commitment to bring venture capital to low-income communities.

Ms. MOORE. Thank you.

Chairwoman VELÁZQUEZ. Are there any other members that wish to be recognized at this point?

Without objection, the amendment will withdraw.

Are there any other members who wish to offer amendments at this point?

The Committee now moves to consideration of the bill H.R. 3567. The Clerk will report the title of the bill.

No. Sorry.

Seeing no amendments, the question is on passing and reporting the bill, H.R. 3567.

All those in favor say aye.

All those opposed, no.

The ayes have it, and H.R. 3567 is adopted and ordered.

I ask unanimous consent that the Committee be authorized to correct section numbers, punctuation and cross-references and to make other necessary technical and conforming corrections on the bills considered today. Without objection, so ordered.

[Whereupon, at 10:38 a.m., the Committee was adjourned.]

STATEMENT  
of the  
Honorable Nydia M. Velázquez, Chair  
House Committee on Small Business  
Markup of H.R. 3567, "The Small Business Investment Expansion Act of 2007"  
September 20, 2007

In today's markup, the Committee will address issues to strengthen and update the SBA's venture capital programs. Perhaps none of the SBA's directives have proven more important than the investment mission, because without this vital resource, no business can grow. Were it not for the SBA's access to capital programs many of our nation's leading companies would have never become as successful as they are today. Apple, Costco, Federal Express, and Intel are just a few of the companies that have benefited from the SBA's investment programs.

For the SBA's investment mission to have continued success, however, it will be vital that the agency's programs be updated and simplified to meet the growing economic challenges they were originally intended to address. Over the past five years the amount of venture capital going to startup small businesses under the SBA's flagship equity investment program, the SBIC program, has steadily declined. This has not only limited the ability of small businesses to expand and grow, but also has hindered their ability to generate innovative new ideas and new products.

Almost equally troubling has been the decline in the SBA's ability to provide equity capital for socially and economically disadvantaged small businesses. Without funding, however, the New Markets Venture Capital program has lacked the resources to license new venture capital companies or expand into new low income communities.

In its brief history, however, the New Markets program has proven its potential to develop vibrant small businesses that can dramatically improve the economic conditions in low income communities.

Most notably, the SBA has continued to apply outdated and unreasonable affiliation policies against venture capital companies and has effectively stifled the free flow of venture capital to small businesses. These policies are not only inconsistent with the affiliation rules that the agency follows in other contexts, but are also unreasonable. These policies impede the flow of venture capital to small businesses for minimal benefit.

The Small Business Investment Expansion Act that we will mark up today is an important step toward reversing these problems. This legislation will renew our commitment toward small business investment by providing much needed simplifications to the SBIC and New Markets programs.



A new Angel Investment Program will be established to would fill the gap in seed capital that was created by the elimination of the Participating Securities program. The bill also features a renewed focus on providing equity capital to businesses in low-income areas and minority-owned businesses – two key sectors of the small business community that have continued to face particularly high barriers to securing venture capital.

Small businesses deserve our efforts to listen to their problems and remove barriers. Such cooperation is good for all of us because it is these businesses that are the most innovative, that create new jobs, and produce half our income. They deserve our best efforts.

As this country continues to rely on entrepreneurs to spur economic development and create jobs, the need for venture capital will only continue to grow. The progress that this Committee has made in addressing this is a testament to the Committee's hard work and cooperation.

I would like to specifically thank our Ranking Member Chabot, and his staff for their willingness to work together on this legislation. Also, thanks to Mr. Altmire, the Chair of our Subcommittee on Investigations and Oversight, who with Mr. Graves from Missouri introduced Small Business Investment Expansion Act of 2007. But as significant as the work we have done to date is, there is still more to do. I look forward to our continuing collaboration to do what best serves our nation's small businesses.

U.S. House of Representatives

**SMALL BUSINESS COMMITTEE**

Representative Steve Chabot, Republican Leader

Thursday,  
September 20,  
2007

**Opening Statement of Ranking Member Steve Chabot**

*Small Business Committee Markup: The Small Business Investment Expansion Act of 2007*

"The bill being considered today has many improvements to the programs authorized by the Small Business Investment Act of 1958. In addition, the bill, under the leadership of the Chairwoman, also incorporates an effort to focus equity investment on small start-up businesses – those that may eventually turn into the next Nike, Federal Express, or Dell Computer.

"The bill makes important technical changes to the Small Business Investment Company program. These changes, as we heard in testimony, will make the program more transparent to potentially investors and therefore increase participation in a valuable program.

"I also would like to thank the Chairwoman for incorporating very important changes to the New Market Venture Capital Company program. These companies will help revitalize poor urban and rural areas, including areas in Cincinnati that need new enterprise. I look forward to working with all members of the Committee to ensure the success of this program.

"The bill before us takes an interesting approach, similar to the one in the SBIC program, to provide incentives to provide equity to the newest of small businesses. I think the approach in this bill adopts the correct balance between providing incentives while reducing risk to the government and the taxpayer. I would simply note that the Committee should be ready to make mid-course corrections if economic conditions necessitate it.

"The SBA's Surety Bond program provides an important tool that enables small government contractors to compete against much larger businesses that have no problem finding surety bonds. The amendments in this bill, albeit modest, will improve participation in the program by bond underwriters. The ultimately beneficiary of this will be the American public who will benefit from greater competition among federal government contractors.

"The same cannot be said for the final substantive provision in the bill – Title V. It is important that my reservations be explained in great detail.

"Title V provides that a venture capital company that "owns" one or more of the companies that it has provided equity to will not be deemed to be affiliated with this company or any other company it owns. In other words, as long as every company that it "owns" is small, the venture capital company remains small. Thus, a venture capital company can own dozens, if not more, companies and then bid on a government contract using any or all of its subsidiaries to perform the work and still be considered a small business. Thus, a small venture capital company could be a very large defense contractor competing against much smaller businesses. I do not see how this benefits small businesses or increase competition among federal government contractors. I do believe that it will provide an opportunity for venture capital companies to become "holding" companies for small government contractors.

"I believe that Title V's effort to resolve a narrow interpretation of SBA size standards is akin to destroying an ant hill with a thermonuclear device. For this reason, I have significant and grave reservations about the bill.

"Despite this, I will vote to report the bill out of committee because the Chairwoman and her staff have promised to ameliorate the concerns that I have about the bill in its current form as the bill moves through the legislative process. With that promise and the significant changes that the bill makes in other areas, I think it is important to move the legislative process forward in a bipartisan effort to assist America's small businesses.

"Before yielding back, I think it is important to note that, although there is substantial disagreement with the approach taken in this bill on some issues, the Chairwoman should be commended for her efforts to maintain comity and work in a bipartisan effort to address the serious concerns that have been expressed about the bill. I look forward to working with the Chairwoman as the legislative process moves forward and I yield back the balance of my time."

Statement of the Honorable Jason Altmire  
House Committee on Small Business Markup  
The Small Business Investment Expansion Act of 2007 (H.R. 3567)  
September 20, 2007

Thank you, Chairwoman Velasquez and Ranking Member Chabot, for your leadership and the opportunity to work with you and the committee staff to draft this critically important legislation for our nation's small businesses. I would also like to thank Rep. Graves for his support and for his part in moving this bill forward.

The Small Business Administration's investment programs have fallen short in addressing the capital needs of small businesses, resulting in nearly \$60 billion in unmet capital needs for small businesses each year. This week, I introduced the Small Business Investment Expansion Act to address many of the challenges our nation's small businesses face when trying to obtain investment capital. This bill will connect small businesses with the capital investment necessary to start or grow their operations. Through this legislation, we can provide the financial assistance small firms need by making the SBA a partner in their business development and by improving access to venture capital and angel investments.

The Small Business Investment Expansion Act addresses the current shortfall in capital investment by revamping the SBA's Small Business Investment Company (SBIC) and the New Markets Venture Capital (NMVC) programs. Both are public-private partnerships designed to aid small firms – in particular those owned by veterans and women – in acquiring venture capital. The bill also creates a new Office of Angel Investment to build the first-ever nationwide network of angel groups and enhance awareness about available investment opportunities. Angel investors are high net worth individuals who invest in and support start-up companies. It is estimated that angel investors account for more than 51,000 entrepreneurial ventures a year and are rapidly becoming a common way for startups to obtain capital. Additionally, the Act would ensure firms that receive venture capital are able to maintain their small business classification, removing current disincentives to seeking this kind of financing.

Small businesses are the backbone of our economy and the federal government must do more to connect them with the capital investment required for them to succeed. My bill is necessary to improve SBA's current investment programs, facilitate links to angel networks, and create an environment in which small businesses go from start-up to success. I urge all committee members to support this bill. Thank you, Chairwoman Velasquez and Rep. Graves for your leadership.

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