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ADDITIONAL AID FOR HURRICANE DISASTER VICTIMS

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HEARING
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS

FIRST SESSION

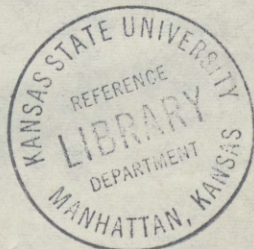
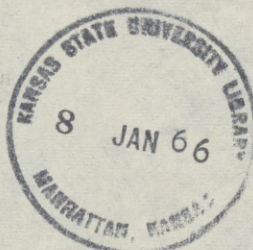
ON

H.R. 11306

A BILL TO AMEND THE SMALL BUSINESS ACT

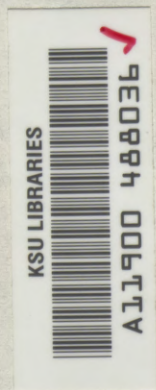
OCTOBER 21, 1965

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ADDITIONAL AID FOR HURRICANE DISASTER VICTIMS

THURSDAY, OCTOBER 21, 1965

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 11 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Mrs. Sullivan, Reuss, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Minish, Hanna, Grabowski, White, Gettys, Todd, Ottinger, Cabell, McGrath, Hansen, Annunzio, Widnall, Fino, Mrs. Dwyer, Halpern, Brock, Clawson, Johnson, and Mize.

The CHAIRMAN. The committee will please come to order.

This morning I have a statement to read and after that I will yield to Mr. Widnall to make any statement that he desires.

This morning's meeting is to consider an emergency financial authorization bill for the Small Business Administration, H.R. 11306. (The bill, H.R. 11306, follows:)

[H.R. 11306, 89th Cong., 1st sess.]

A BILL To amend the Small Business Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4(c) of the Small Business Act is amended by striking out "\$1,721,000,000" and inserting in lieu thereof "\$1,841,000,000".

The CHAIRMAN. In order to expedite matters I think I will ask that the Senate bill be taken up instead. I think it would lend itself to expedition.

The legislation would increase the SBA revolving fund by \$120 million—from \$1,721 to \$1,841 million. This increase would correspond with the change made earlier this year by Public Law 89-78, which increased by \$120 million the limitation on loans from the SBA revolving fund to carry on funding activities of its Investment Division program.

When this committee considered the legislation which ultimately became Public Law 89-78, it did not increase the overall revolving fund authorization of SBA because at that time there was an adequate gap between SBA funds and the revolving fund ceiling. However, an unprecedented demand for business loans in the past several months and heavy disaster loan requests, including loans made to Hurricane Betsy victims, has rapidly depleted SBA's treasury.

Unless H.R. 11306, which has already passed the Senate, is acted upon immediately, the Small Business Administration will shortly

be without funds to conduct even disaster assistance programs. It has already been forced to discontinue its financial assistance programs, that is, loans made to small business concerns.

Earlier, this week the House passed H.R. 11539, known as the Southeast Hurricane Disaster Relief Act of 1965. This legislation provides a broad range of much needed relief for the disaster victims of Hurricane Betsy. Included in the bill are key provisions providing for financial help by the Small Business Administration. However, unless H.R. 11306 becomes law, the Small Business Administration provisions of the Hurricane Disaster Relief Act will be virtually useless since SBA will not have the funds to make loans to disaster victims.

I do not consider H.R. 11306 the ultimate answer to SBA's financial problem. It is merely an emergency measure.

When Congress meets in January, I plan to hold hearings before the Small Business Subcommittee to study the overall funding picture of the agency. In addition, at that time we want to consider a proposal by Mr. Widnall to separate disaster funds from the other lending activities of SBA. Twice during the present session, I had scheduled hearings on these matters but they had to be canceled, unfortunately, at the last minute.

It is my hope that the subcommittee can come up with recommendations that will aid the Small Business Administration in obtaining adequate funds for its overall operation and to avoid the necessity of emergency sessions to meet a financial crisis.

Before hearing from Mr. Ross Davis, Executive Administrator of the Small Business Administration, I would like to suggest to Mr. Davis that his agency give immediate consideration to the formation of a highly specialized disaster task force. Such a group—which might well include damage appraisers, construction experts, loan officers, loan processors, stenographic help, and other personnel—would be available on short notice to fly to any portion of the country to immediately begin processing disaster loan applications.

Such a task force would have aircraft available, either through the Department of Defense or the Federal Aviation Agency, so that the entire team could move swiftly to a disaster site together. During times when the task force was not engaged in disaster work, it would devise ways for improving its performance and minimizing redtape procedures and could also be used to assist in other agency programs. The group could also work closely with other disaster agencies—both on the national and local level—to solve mutual problems. The task force could be set up administratively and would not require legislation; and in view of this, I would hope that the agency will give immediate consideration to establishing such a group.

(The Senate bill, S. 2542, referred to follows:)

[S. 2542, 89th Cong., 1st sess.]

AN ACT To amend the Small Business Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4(c) of the Small Business Act is amended by striking out "\$1,721,000,000" and inserting in lieu thereof "\$1,841,000,000".

Passed the Senate October 1, 1965.

Attest:

FELTON M. JOHNSTON,

Secretary.

The CHAIRMAN. Mr. Widnall, would you like to make a statement before Mr. Davis is asked to testify.

Mr. WIDNALL. Mr. Chairman, I appreciate the opportunity to make a statement.

At this time, I would like to call the attention of the members to the fact that on January 14, 1965, I introduced a bill, H.R. 2860, to amend the Small Business Act to authorize additional funds to be available exclusively for disaster loans. This was in the amount of \$200 million additional funding for disaster purposes.

At that time I sent a letter—or subsequent to that date on January 26, 1965—I sent a letter to colleagues in the House calling their attention to the fact that the SBA had only a trickle of funds for payments in the making of loans with which to assist victims of disaster. That was January 26, 1965. The letter also said this situation need never have arisen as it is evident by the recent legislative history of the disaster relief program. Several colleagues warned the House July 16, 1962, the SBA disaster loan program should have remained separate and distinct from other SBA loan activities. With more than \$6 billion of foreign aid appropriations available for people in foreign lands, I found it difficult to conceive no loan funds were available to our own victims of disaster such as those that were caused by such terrible conditions because of the floods in the northwest United States, and I invited attention to the bill I introduced which would segregate the funds and give \$200 million additional authorization.

I received a lot of favorable comment from Members of the House on both sides of the aisle indicating support of the measure. No hearings were ever called on that bill.

When the special SBA disaster authorization came up earlier this year I raised a point at that time that, though subsequently this year there would be a request for a supplemental by the agency, we could consider the question immediately of whether or not the funding should be in a separate fund. I just deplore the fact that there has been what seems to be an unconscionable delay in doing something about this, and this is an emergency that is caused by a failure to act earlier, when we had every bit of notice that we were going to be in trouble in this particular area.

Now, I read in this morning's paper:

Disaster loans dry up SBA aid to Negroes. Emergency disaster loans to Louisiana businessmen hit by Hurricane Betsy in September have dried up funds for the SBA's regular loan programs throughout the Nation.

And then it goes on to say that because of this, we cannot fund things for the small businessmen. I simply cannot believe that if we had handled this wisely and if we had assumed the responsibility that we should as a Congress, we would have run into a situation like this. It was very, very plain earlier in the year that we were in trouble.

What I would like to do, is to offer as a substitute for this enabling legislation by striking out the enacting clause and substituting a proposal to give \$200 million authorization to the SBA in a separate fund for disaster loan purposes. If that were passed in the House and we went to conference with that, with the legislation that was passed in the Senate, I think we could work out something suitable that would do the kind of job that we should be doing now instead of once again having piecemeal legislation.

Mr. Chairman, in your opening statement you said that twice during the year you were scheduling hearings for the supplemental SBA authorization. I do not recall any notices having ever been received by members of the committee with respect to such scheduling, and I would like to ask you at this time when this was done.

The CHAIRMAN. I will be very glad to answer you, Mr. Widnall. I appreciate your concern about this, and I am sorry about the delay. But we got into a bill in the early part of August that has occupied our time, and we have not been able to do everything we would like to do. I think you have a real complaint. You called this to our attention and I am in sympathy with much of what you said but I did ask Mr. Foley to come up here on two different occasions; is that right, Mr. Davis?

Mr. DAVIS. I believe that is correct. Mr. Chairman.

The CHAIRMAN. I beg your pardon?

Mr. DAVIS. I believe that is correct, Mr. Chairman.

The CHAIRMAN. He waited here each time. You see we were going to have the whole committee and we never could get to it.

Mr. WIDNALL. If you would yield, you say you asked them to come up two different times. That was at a scheduled meeting?

The CHAIRMAN. Yes; it was a scheduled meeting of the whole committee and I was going to take up with the committee—Mr. Foley was there on an emergency matter—and ask what they would like to do about it. He was available every time we asked him to but we never just did get to it. I am awfully sorry about it. And if it is all right I would like Mr. Davis to comment on what I have said and what Mr. Widnall has said, if you desire, and, in other words, persuade us, if you can, that this should be passed as quickly as possible.

I wonder if I may have consent to take up the Senate bill instead of the House bill?

Without objection that will be done, so as to expedite the matter so we will now consider the Senate bill.

Mr. Davis, you may proceed.

STATEMENT OF ROSS D. DAVIS, EXECUTIVE ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. DAVIS. Thank you, Mr. Chairman and gentlemen of the committee. It is customary to start out by saying you are happy to appear before the committee. At this time I can say wholeheartedly, I am happy and grateful to be before this committee, and I sincerely thank you.

Mr. Chairman, your suggestions for the future conduct of our disaster program will receive the respectful and receptive consideration on the part of our agency. I would like to assure you of that; and Mr. Widnall, I look forward to an opportunity to examine into and to comment on your proposal as well.

Mr. Chairman, your statement of the need of this legislation was so comprehensive and complete that if it will suit your purposes, I would like to simply submit my statement and conclude my remarks and with just the most brief kind of summary to the effect that it is absolutely essential to the disaster program, particularly in Louisiana, Mississippi, and Florida, but also in many other States of this country that we get this authorization.

Without the authorization we will not have enough money to conduct this program for the balance of the year.

The CHAIRMAN. Without objection it is so ordered. We will now ask you some questions.

(The statement referred to follows:)

STATEMENT OF ROSS D. DAVIS, EXECUTIVE ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

Mr. Chairman and gentlemen of the committee, I am here today in support of S. 2542, a bill to increase by \$120 million the amount authorized to be appropriated to SBA's revolving fund.

The bill would increase from \$1,721 to \$1,841 million the total amount of the revolving fund authorization established by section 4(c) of the Small Business Act for the purposes of the financial assistance programs conducted by the Small Business Administration pursuant to that act and pursuant to the Small Business Investment Act of 1958.

In substance, section 4(c) presently permits SBA to have as much as \$1,841 million outstanding from the fund at any particular time for the purposes of the agency's financial assistance programs under the Small Business Act and the Small Business Investment Act of 1958. Nevertheless, it restricts appropriations for these same purposes to \$1,721 million. Since \$1,645 million have already been appropriated to the revolving fund, the existing authorization maximum of \$1,721 million limits further appropriations to \$76 million.

However, due to Hurricane Betsy and other recent disasters, there is urgent need for an appropriation of \$160 million to SBA's revolving fund. In recognition of this need, and contingent upon enactment of S. 2542, the President has requested these funds from the Congress, and they are included in the Senate version of the supplemental appropriation bill, H.R. 11588. But the appropriation, according to its terms, can only be for \$76 million unless S. 2542 is enacted, since that is the extent of our present remaining authorization.

It may be noted that initially only \$76 million was requested in appropriations, and this is the amount which has been appropriated by the House. However, as the magnitude of need for additional funds became more apparent, the additional \$84 million for SBA was requested by the President, contingent upon enactment of this legislation.

The need for the additional funds can be explained very simply. In comparison with our 1966 budget estimate of \$20 million for the entire year for "natural" disaster loans, we committed funds of \$48 million in the first 3 months alone, and the total requirement in 1966 for such loans from presently declared areas is estimated to be at least \$150 million.

Current resources and those anticipated to become available during the remainder of the fiscal year from repayments and revenue on loans previously made are totally inadequate to meet these estimated disaster loan needs in excess of the budgeted amount and at the same time finance our other vitally important loan programs at approved levels.

To demonstrate, we currently estimate that the loan demands on SBA from victims of Betsy alone will total no less than \$85 million. Through October 11, 1965, we have had about 16,000 interviews and have handed out approximately 13,000 application forms. Over 5,000 home loan applications and 800 business loan applications totalling almost \$42 million have been received, and we had approved in excess of 1,400 home loans for \$5.1 million and nearly 300 business loans for \$2.3 million.

Consequently, if we are to provide the needed relief by way of long-term, low-interest rate loans to disaster victims throughout the Nation without drastic curtailment in our regular business, development company, and investment company loan programs, the additional funds represented by the supplemental requests are essential.

Accordingly, I urge enactment of S. 2542.

The CHAIRMAN. It is my understanding that the Administration is against Mr. Widnall's proposal at this time, and it is anxious to get this \$120 million.

Mr. DAVIS. I think it is so, Mr. Chairman, that we are in a position where we must have further authorization.

The CHAIRMAN. Relief at once.

Mr. DAVIS. Exactly.

The CHAIRMAN. All right.

Any questions on this side of the aisle?

Mr. Reuss?

Mr. REUSS. If this authorization is enacted, and having in mind the fact that, as I understand it, the conferees on the supplemental appropriation are now conferring, is it possible to get the resulting appropriation into the supplemental appropriation bill or would that take another supplemental supplemental?

Mr. DAVIS. I think we are in pretty good position on this. The House, as you know, suggested that we receive \$76 million which is the total under the authorization. But the Senate gave us \$76 million plus an additional \$84 million subject to the enactment of this particular piece of legislation. So if—

Mr. REUSS. So it is within the terms of the conference and could be acted on?

Mr. DAVIS. Yes, Mr. Reuss, it could be.

Mr. REUSS. That is all, Mr. Chairman.

The CHAIRMAN. Any further questions?

Mr. WIDNALL. Thank you, Mr. Chairman.

As I pointed out in a House speech on January 14, 1965 when the method of handling the SBA funds was changed so as to merge the two funds, the disaster fund and the regular fund, a provision was included requiring the SBA to notify the Congress when a stated amount of disaster fund had been committed.

Has any notice been given to the House Banking and Currency Committee as to the nature of these funds, the status of these funds during the current year?

Mr. DAVIS. Mr. Congressman, I would have to check back to confirm my recollection, but if I may be permitted to respond offhand to your question, it is my recollection that this requirement was not a continuing requirement. At the time the stated limitations were reached, we notified the designated committees. At that point this requirement, in effect, was dissipated. I don't believe that there is a continuing requirement for report.

However, we certainly would have no objection to continuing a report if this were the desire of this committee.

Mr. WIDNALL. Well, it is specifically required in the law that Congress be notified so that we know when you are getting out of funds and an additional authorization should be obtained, and I don't believe that that has been done. We would have been in better position to act quickly, I mean, if it had been done.

Let me ask you this further: In the amounts that are requested at this time, how much is made necessary by the recent happenings in the South and three Southern States where a very tragic catastrophe took place?

Mr. DAVIS. We are loath at this point to put a figure, a top figure on that disaster. Currently, we are thinking in terms of \$85 million for the Betsy disaster. But I would not like you to feel that this is a firm figure by any means. It may go considerably beyond this as the people move back into these devastated areas and decide to rebuild. Our best judgment at the moment is \$85 million.

Mr. WIDNALL. You talked to me recently about conditions down there, and I believe at that time you said there were 110,000 homes

that had been affected in the area. Has there been any change in those figures?

Mr. DAVIS. The figure now would be, including minor damage, which as I understand it means about \$1,500 worth of damage, the figure is now approaching 150,000 homes, so that it has been revised upward. Our applications are continuing to come in at the rate of 250 to 350 a day, and this is unprecedented.

Mr. WIDNALL. It is conceivable that just in applications to take care of the emergency down there you might not have sufficient funds out of supplemental appropriations?

Mr. DAVIS. I am confident we will have sufficient funds to carry us into the next legislative session, and we will just have to reevaluate the situation at that point.

One of the things we do not know is the effect of the recently passed legislation to help the people in the devastated areas by basically a forgiveness provision of \$1,800; the chairman referred to this legislation.

Mr. WIDNALL. As a longtime supporter of Small Business Administration legislation, and of the field in which they have devoted their efforts, I sincerely feel you would be much better off if we give you a single amount for disaster funds and if we go into conference with the Senate and we work out something where you have segregated funds available to take care of the emergency at this time and keep your other funds to small businessmen throughout the country separate, and I do intend, Mr. Chairman, to offer this amendment at this time.

The CHAIRMAN. All right, sir. We haven't reached that point, I don't think, Mr. Widnall. You will be recognized first.

Mr. Gonzalez?

Mr. GONZALEZ. Mr. Chairman, I know that this is an emergency and all, but the experience that the ranking minority member, Mr. Widnall, has reported, the case of the American of Negro descent in Louisiana, is very much echoed in the case of the American of Mexican descent in San Antonio in a recent flood we had in the city. I have great reservations about this SBA and, frankly, I hesitate very much to vote for this at this time.

My experience in my district with SBA has been very disappointing. In fact, I have felt for some time now that the loans and the help that have been extended through SBA in my district, I don't know of one but what a bank could not have done it.

The whole purpose and the intent of Congress, as I read the history of the legislation setting up SBA has either been lost sight of in the administration of it back home or some of us up here are not reminding the administrators what the congressional intent is.

Now, I know that we have had flood victims but the flood victims cut across all kinds of social and economic sections, and it seems to me if in the administering of these funds, the funds somehow or other dry up by the time they get down to the area of greatest need, that then it is time to relook into this whole setup before we appropriate wholesale and in a rapid fashion, a quickie fashion, this heavy amount of money. I have very serious reservations.

I certainly don't want to be an impediment to doing what ought to be done. But I feel impelled to speak this way by the experiences I have had in my own district back right at the roots, and I feel that no matter how well it sounds up here in Washington that the only realistic

way to translate the effectiveness of a congressional program is by a total net impact it has back home at the grassroots.

The CHAIRMAN. I want to assure the gentleman that when the Congress meets again, we will go into all those questions and we will be glad to take up any question that Mr. Gonzalez presents at that time.

Mr. Fino?

Mr. FINO. Thank you, Mr. Chairman.

Mr. Davis, recently you wrote a letter to the chairman in which you set forth this tremendous problem of the emergency and you stated in this letter that—

This is an emergency situation we are faced with today.

I again urge upon you the critical need for the action that has been requested.

Let me ask you, is the situation so critical that there is need to push the panic buttons as you have done here today?

Mr. DAVIS. My answer, Mr. Congressman, is yes, indeed, it is that critical, if we are to continue our disaster loan program and help the people in Louisiana, Mississippi, and Florida restore their devastated States. This is particularly true with Louisiana.

The funds presently are being made available through this legislation, if you should see fit to adopt it, will be used only for disaster loans.

Mr. FINO. Are you telling this committee that your agency, SBA, is the only agency in this complex government that has any authority or has any power or has any right to help out in these problems?

Mr. DAVIS. I am saying that we are the only agency that makes this type of disaster loan. These are long-term, soft, low-interest-rate loans to businessmen and homeowners who have suffered the impact of these natural disasters.

Mr. FINO. Well, you are telling this committee that if you don't get the money you can't help out these people?

In other words, you are telling this committee that you must have the money in order to help out? What about the banks? Why can't your agency, the Small Business Administration, go down to the banks and say, "I want you to make a loan." After all, you are not loaning this money to these business people to help set them up in business.

Mr. DAVIS. That is right.

Mr. FINO. Why can't you go down to these banks, go down there and say, "Lend money to X, Y, and Z, we guarantee the money."

Mr. DAVIS. For one reason, the maximum interest rate chargeable on those soft loans is 3 percent. For another reason, this would, in effect, frustrate the desires of the Congress as expressed in the remission provision which you have recently passed.

In other words, I do not know offhand how we could utilize the banks and still provide for the \$1,800 forgiveness feature which the Congress has found desirable and necessary to help these people in in Louisiana and Florida and Mississippi.

So, I cannot find any vehicle other than through this legislative proposal and through our authority to accomplish what I understand to be the aims of the Congress in this matter.

Mr. FINO. Would you say that the ARA has no jurisdiction to go into this field?

Mr. DAVIS. As I understand their legislation, and of course, I am not an expert on their legislation, they cannot fill this gap. The Farmers Home Administration in a limited way can help certain of the farmers, but the vast bulk of the victims will come to the Small Business Administration.

Mr. FINO. Well, the Farm Loan Administration, if I recall correctly, when they testified before this committee, indicated that they made loans outside the farm areas.

Why can't they go into this problem?

Mr. DAVIS. As I understand it and this would be subject to correction by the experts, they have a rather limited jurisdiction. Now, I can illustrate the limits in this respect.

Coming again to "Betsy," when we attempted to put a figure on the costs of this \$1,800 remission figure, the Farmers Loan Administration judged their costs at approximately a half million dollars. Our best estimate, keyed of course to the volume of lending we would expect, would be something in excess of \$70 million.

So, you see, that the burden of this program will fall on the Small Business Administration and its resources.

Mr. FINO. Did the Small Business Administration ask the Budget Director for an opinion on this, or their thoughts on it?

Mr. DAVIS. Yes, we have been working closely with the Bureau of the Budget and the Farmers Home Administration, the Office of Emergency Planning, the Housing Agency and many other agencies on this problem, I think it is pretty clear, Mr. Congressman, that in the absence of some substantive legislative change that if this relief is to go forward it must come from the Small Business Administration.

Mr. FINO. That is all.

The CHAIRMAN. Mr. Widnall, do you want to offer your amendment?

Any other comments or questions before the amendment is offered?

Mr. Annunzio?

Mr. ANNUNZIO. I would like to ask you this question. What is the difference between the Small Business Administration and the Small Business Investment Corporation?

Does that come under your jurisdiction?

Mr. DAVIS. It comes under our jurisdiction in the sense that we regulate these companies, but these are privately owned, privately operated companies that are chartered by us.

Mr. ANNUNZIO. Operating with 50 percent of the Government's money?

Mr. DAVIS. Well, they are financed to some extent by us. Some of them are publicly owned and have no taxpayer's money, others—

Mr. ANNUNZIO. This additional money—this appropriation for which you are asking today—will any of this money be diverted to the SBIC?

Mr. DAVIS. No, it will not. These funds under the appropriation will be available only for disaster use. I would like to make this point clear so that I don't in any way mislead you.

Mr. ANNUNZIO. I don't want to be misled. I want a yes or no answer. I am not going to vote for this bill if one penny goes for the SBIC. I want that positively understood.

Mr. DAVIS. I can assure you it will not.

Mr. ANNUNZIO. Thank you.

The CHAIRMAN. Mr. Brock?

Mr. BROCK. If I might pursue the point a second, there is nothing in the legislation, though, that restricts it, is there, Mr. Davis?

Mr. DAVIS. No, there is nothing in the legislation. It is the nature of the appropriations which we are getting that restricts it.

Mr. BROCK. Well, if that is the case, why would you object to the Widnall amendment which legislatively restricts it and sets up a special fund? It is larger in fact, and is limited to this type loan.

Mr. DAVIS. My feeling is that given the need and the position in which this agency finds itself, and the time of the year, I must strongly urge that this legislation be adopted in lieu of any other so that we can be sure that this proposal will get through and the funds will be available. I would be happy at some future time to work on and consider Mr. Widnall's proposal.

But I think that as of today, since I have not been able to do this, and since as I have emphasized, the emergency requires that this legislation go through, not from a general SBA point of view but from the point of view of the disaster victims, I cannot find myself free to recommend any procedure but to enact the legislation before us.

Mr. BROCK. I would simply make two points.

The first you have had since January to study the Widnall proposal and you also have said in your own words that this will only go to disaster loans although we don't require it and there is no guarantee in the legislation to that effect.

And I simply fail to see what the difference is.

Why you object to it.

The CHAIRMAN. Mr. Hanna?

Mr. HANNA. May I tarry and deal with you as to what your situation really is in terms of this portion of the legislative session? As I understand it the appropriation measure passed by the House would carry in it the sum fund to augment your present moneys, is that not true?

Mr. DAVIS. That is correct.

Mr. HANNA. And that amount was \$60-some million?

Mr. DAVIS. \$76 million.

Mr. HANNA. \$76 million.

In the Senate, in addition to the \$76 million, the Senate version of the appropriation measure carried an additional sum of—

Mr. DAVIS. \$84 million.

Mr. HANNA. \$84 million.

Now, I ask you in connection with that, and you are in a position as far as the present appropriation measure is concerned to have the sum of \$76 million plus the \$84 million available, is that right?

Mr. DAVIS. It is clear that we will get the \$76 million.

Mr. HANNA. Yes.

Mr. DAVIS. But the \$84 million cannot be given to us unless the authorization is increased.

Mr. HANNA. Well, this will be a matter of the conference between the difference in the House appropriation measure and the Senate, will it not?

Mr. DAVIS. Not if this legislative proposal before this committee is—

Mr. HANNA. Does not pass?

Mr. DAVIS. That is right.

Mr. HANNA. In other words, there is no authorization?

Mr. DAVIS. Exactly.

Mr. HANNA. For anything more than the \$76 million?

Mr. DAVIS. Exactly, and that is less than half of what we need.

Mr. GETTYS. Will the gentleman yield?

Mr. HANNA. As soon as I get this next point. I want to know where I stand on this thing. If we passed the bill as suggested by Mr. Widnall where would that place us in terms of the present status of the appropriation measure?

Mr. DAVIS. As I understand it, and subject to again being corrected, I do not believe that the appropriation provision which came out of the Senate, which provided not only for the \$76 million with which we have no problem, but with respect to the \$84 million, I do not believe that that would be available to us under Mr. Widnall's proposal.

Now, this is something that concerns me very much, because—

Mr. HANNA. I think that is really at the crux of the whole matter. If, as a matter of fact, under the Widnall proposal we are out of joint with the appropriation matter then I am going to be very critical about the Widnall measure.

If, as a matter of fact, his would not put us out of joint that would give a different view of the matter. So, I think that is very important, Mr. Chairman, that we understand it.

The CHAIRMAN. Yes, sir.

Are there any other questions?

Mr. St GERMAIN. I would like to ask a question of either Mr. Davis or Mr. Widnall.

In discussing the Widnall proposal or proposed amendment if this \$200 million were set aside for the specific purpose of disaster loans, would this in effect exclude the use of any other funds now being used for disaster loans. In other words, could you then, if at the present time you have authority to take from your general revolving fund money for disaster loans, should this amendment be adopted, the Widnall amendment in the amount of \$200 million for this specific purpose, would then this preclude the use of any other funds from the general revolving fund for disaster loans in excess of this \$200 million?

Mr. DAVIS. Well, I, of course, would defer to Mr. Widnall's opinion to this, but my understanding of the proposition is that it would.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. St GERMAIN. Yes.

Mr. WIDNALL. That is certainly not the intention and I do not believe that it would.

Mr. Davis, I would just like to point this out. If we pass this in committee, if we go to conference with the Senate bill, the clear intent of this is to make sure that there are going to be disaster funds available that are earmarked for that purpose.

Now, I am very sure that within conference we can do exactly what Mr. Hanna is worried about and get this thing straightened out and in the end give your Administration far more authorization to operate in the disaster area than they are getting under this bill, and it is clear to me that if we have another disaster, unfortunate catastrophe, somewhere here in the United States, you are not going to be anywhere near having the funds you should have available for this purpose. You still do not know exactly what the problems will be in Louisiana, Mississippi, and Florida, and you indicated about 150,000 homes are affected; your present estimates are \$86 million, I believe, but you have no idea whether this is a true figure or not,

and I think it would be very wise to act at this time rather than doing a hodgepodge job we have been doing in the past.

Mr. ST GERMAIN. In pursuing a point, by the same token, you provide for \$200 million.

At the present time the appropriations bill contains \$74 and \$86 million or \$76 and \$84 million, approximately \$160 million. The appropriation bill, now the supplemental appropriation bill, is in conference. They cannot add the extra \$40 million that would be necessary in order to fulfill the provisions of your amendments. I don't think. I could be in error, but my opinion is that \$160 million is the total that is going to be added to this fund under the appropriation bill.

Mr. WIDNALL. This is not an appropriation bill we have before us.

Mr. ST GERMAIN. It is an authorization. But without the authorization you cannot have the appropriation.

Mr. WIDNALL. But we have authorization; there will be sufficient authorization without coming back to Congress again to handle it.

Mr. MOORHEAD. I would like to ask the gentleman from New Jersey, is it your position that either the amendment as now drafted or as it could be amended in conference, is such that the Appropriations Committee need take no further action at least so far as this supplemental bill is concerned and that money will be available? Is that the position of the gentleman from New Jersey?

Mr. WIDNALL. It is not my position that this would interfere with the present appropriation bill that is being considered by the conference committee.

Mr. MOORHEAD. Well, does the appropriation bill which is presently in conference, that is an appropriation to SBA subject to an authorization—is it your position that if we adopt your amendment that will be the authorization that is needed to make the appropriation effective?

Mr. WIDNALL. This will earmark for authorization additional funds for emergency purposes. It will not affect the present situation except to give the ability to give more to the Appropriations Committee.

Now, I do not maintain that right now in conference as far as the SBA appropriation is concerned that you can increase that appropriation.

Mr. MOORHEAD. No; I didn't mean that.

I mean, will your amendment if enacted breathe life, into the appropriation, the \$84 million appropriation?

Mr. WIDNALL. Undoubtedly.

Mr. MOORHEAD. Undoubtedly, I thank you.

The CHAIRMAN. All right, any other questions?

Mr. OTTINGER. I don't quite understand the figures here. You either need an additional \$84 million or \$60 million. In either case why do you ask for \$120 million additional rather than the amount that you actually need?

Mr. DAVIS. Well, the \$120 million figure for increasing our authorization stems from the action of the Congress which increased the amount available for the use of funds under the Small Business Investment Act of 1958. What happened was, in effect, we made more money available within the total revolving fund for the use of SBIC's. But there was not a commensurate adjustment of the overall author-

ization. You see, we have authorizations at two levels. So this simply brings these two things into line.

Mr. OTTINGER. Why with the \$160 million do you ask for \$120 million?

Mr. DAVIS. Simply because over the years the Congress has had a pattern of whenever they increase the amount, let us say, to be available from the revolving fund for small business loans by \$100 million, at the same time they increase the total authorization for appropriations by \$100 million; that has been the practice, and, therefore, since we got an increase of \$120 million for the purposes of the Investment Act, there should be, let us say on the theory of legislative neatness—

Mr. OTTINGER. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, I would like to offer an amendment to S. 2542, and a copy of this amendment has been placed in front of each member.

I would like to make a correction in the amendment to bring it completely up to date with the present situation.

On the next to the last line the figure \$1,666 million should be changed to \$1,721 million, and the last line \$1,921 million.

The CHAIRMAN. Without objection, these corrections will be made. (The amendment referred to follows:)

AMENDMENT OFFERED BY MR. WIDNALL TO S. 2542

Strike out all after the enacting clause and insert in lieu thereof the following: "That section 4(c) of the Small Business Act is amended by inserting after the fourth sentence the following new sentence: 'In addition to any amounts outstanding under the preceding sentence, an aggregate of \$200,000,000 may be outstanding from the fund at any time in the form of loans made for the purposes enumerated in section 7(b) after the date of the enactment of this sentence.'

"Sec. 2. The third sentence of section 4(c) of the Small Business Act is amended by striking out '\$1,721,000,000' and inserting in lieu thereof '\$1,921,000,000'."

Mr. WIDNALL. I would like to move the amendment, Mr. Chairman.

Mr. GONZALEZ. Mr. Chairman, I would like to be heard both on the amendment and the bill as amended.

I intend to vote against both because it will still give the agency money in greater amounts without accountability.

The Small Business Administration could be one of the most effective and one of the best servants of all of the agencies in our Government. It can represent the little man in a giant economy and it can help him in his time of need.

I say it can because so far as I can determine the SBA has been a dismal failure. In San Antonio the SBA office has proved to me time and time again that it is anything but sympathetic to the needs of the area.

In one instance a man applied for a loan and then was denied it. He asked for reconsideration. He was told by the SBA representative that he should not have asked for my help in the matter because I could do nothing about SBA decisions. I don't deny that. But what I resent is the fact that it appeared in this case and in others that my interest in an applicant has resulted in his being turned down or in the very least resulted in his application receiving less than sympathetic attention.

In another instance an SBA employee was accused of having offered to obtain private financing after the SBA had turned down

a loan. The SBA man had formerly held stock in that company in question and would have taken a half interest in the venture under his proposal. I don't know how that turned out.

But I have not investigated it for fear of jeopardizing the interest of other applicants.

But now that SBA is paralyzed, I think, it might be a good thing to look into these matters. It seems to me, Mr. Chairman, that the SBA could have given us some more time on this bill. They surely knew well in advance of last week or even the week before that they were in trouble. Yet only after they had closed down all loan programs did they come here for an increase of their authorization. I don't like being whipsawed and I feel that that is what is being done here today.

We are being asked to create in great haste something that should have had deliberate action and deliberate consideration.

Finally, Mr. Chairman, all I know of SBA leads me to believe that it feels it is a closed corporation and not a public servant. In the San Antonio office the average customer is given cold service, if any at all.

He would be much better treated in Scrooge's countinghouse as far as I am concerned. I believe that SBA was constituted to render public service. It is there to serve and not to be served; it is there to help and not hinder its clients.

But at least in San Antonio and to a large extent here in Washington, it is impossible to convince an SBA man that he is a public servant and not a man who is hired to sit on his regulations, he is not a man who is employed only to say no, but that is what has happened to this agency.

I believe that this committee should undertake at once an effort to ventilate the musty countinghouse that calls itself the SBA.

The CHAIRMAN. Mr. Widnall.

Mr. WIDNALL. Mr. Chairman, I move that the amendment be considered as read inasmuch as each member has had a chance to read it.

The CHAIRMAN. Without objection.

Are you ready to vote? As many as favor the Widnall amendment say "aye."

Mr. WIDNALL. I ask a rollcall.

The CLERK. Mr. Patman?

The CHAIRMAN. No.

The CLERK. Mr. Multer?

The CHAIRMAN. I have a proxy for Mr. Multer to vote no.

The CLERK. Mr. Barrett?

The CHAIRMAN. I have a proxy for Mr. Barrett; no.

The CLERK. Mrs. Sullivan?

Mrs. SULLIVAN. No.

The CLERK. Mr. Reuss?

Mr. REUSS. No.

The CLERK. Mr. Ashley?

Mr. ASHLEY. Aye.

The CLERK. Mr. Moorhead?

Mr. MOORHEAD. Aye.

The CLERK. Mr. Stephens?

Mr. STEPHENS. Aye.

The CLERK. Mr. St Germain?

Mr. ST GERMAIN. No.

The CLERK. Mr. Gonzalez?
 Mr. GONZALEZ. No.
 The CLERK. Mr. Minish?
 Mr. MINISH. No.
 The CLERK. Mr. Weltner?
 The CHAIRMAN. I have that proxy, no.
 The CLERK. Mr. Hanna?
 Mr. HANNA. Pass.
 The CLERK. Mr. Grabowski?
 Mr. GRABOWSKI. No.
 The CLERK. Mr. White?
 Mr. WHITE. No.
 The CLERK. Mr. Gettys?
 Mr. GETTYS. No.
 The CLERK. Mr. Todd?
 Mr. TODD. No.
 The CLERK. Mr. Ottinger?
 Mr. OTTINGER. No.
 The CLERK. Mr. Cabell?
 Mr. CABELL. No.
 The CLERK. Mr. McGrath?
 Mr. McGRATH. No.
 The CLERK. Mr. Hansen?
 Mr. HANSEN. No.
 The CLERK. Mr. Annunzio?
 Mr. ANNUNZIO. No.
 The CLERK. Mr. Widnall?
 Mr. WIDNALL. Yes.
 The CLERK. Mr. Fino?
 Mr. FINO. Yes.
 The CLERK. Mrs. Dwyer?
 Mrs. DWYER. Yes.
 The CLERK. Mr. Halpern?
 Mr. HALPERN. Yes.
 The CLERK. Mr. Harvey?
 Mr. BROCK?
 Mr. BROCK. Yes.
 The CLERK. Mr. Talcott?
 Mr. CLAWSON?
 Mr. CLAWSON. Aye.
 The CLERK. Mr. Johnson?
 Mr. JOHNSON. Aye.
 The CLERK. Mr. Stanton?
 Mr. MIZE?
 Mr. MIZE. Aye.
 The CLERK. Eleven ayes, eighteen nays, Mr. Chairman.
 The CHAIRMAN. The amendment is defeated.
 Are you ready for the vote on the resolution?
 Would you want to have a rollcall on this?
 As many as favor the passage of the bill, the Senate bill, say "aye"
 when your name is called.
 Call the roll, Mr. Clerk.
 The CLERK. Mr. Patman?
 The CHAIRMAN. Aye.
 The CLERK. Mr. Multer?

The CHAIRMAN. Aye. I have a proxy.
 The CLERK. Mr. Barrett?
 The CHAIRMAN. I have a proxy, aye.
 The CLERK. Mrs. Sullivan?
 Mrs. SULLIVAN. Aye.
 The CLERK. Mr. Reuss?
 Mr. REUSS. Aye.
 The CLERK. Mr. Ashley?
 Mr. ASHLEY. Aye.
 The CLERK. Mr. Moorhead?
 Mr. MOORHEAD. Aye.
 The CLERK. Mr. Stephens?
 Mr. STEPHENS. Aye.
 The CLERK. Mr. St Germain?
 Mr. ST GERMAIN. Aye.
 The CLERK. Mr. Gonzalez?
 Mr. GONZALEZ. No.
 The CLERK. Mr. Minish?
 Mr. MINISH. Aye.
 The CLERK. Mr. Weltner?
 The CHAIRMAN. Aye.
 The CLERK. Mr. Hanna?
 Mr. HANNA. Aye.
 The CLERK. Mr. Grabowski?
 Mr. GRABOWSKI. Aye.
 The CLERK. Mr. White?
 Mr. WHITE. Aye.
 The CLERK. Mr. Gettys?
 Mr. GETTYS. Aye.
 The CLERK. Mr. Todd?
 Mr. TODD. Aye.
 The CLERK. Mr. Ottinger?
 Mr. OTTINGER. Aye.
 The CLERK. Mr. Cabell?
 Mr. CABELL. Aye.
 The CLERK. Mr. McGrath?
 Mr. McGRATH. Aye.
 The CLERK. Mr. Hansen?
 Mr. HANSEN. Aye.
 The CLERK. Mr. Annunzio?
 Mr. ANNUNZIO. Aye.
 The CLERK. Mr. Widnall?
 Mr. WIDNALL. Aye.
 The CLERK. Mr. Fino?
 Mr. FINO. Aye.
 The CLERK. Mrs. Dwyer?
 Mrs. DWYER. Aye.
 The CLERK. Mr. Halpern?
 Mr. HALPERN. Aye.
 The CLERK. Mr. Harvey?
 Mr. BROCK?
 Mr. BROCK. Aye.
 The CLERK. Mr. Talcott?
 Mr. CLAWSON
 Mr. CLAWSON. Aye.

The CLERK. Mr. Johnson?

Mr. JOHNSON. Aye.

The CLERK. Mr. Stanton?

Mr. Mize?

Mr. MIZE. Aye.

The CLERK. Twenty-nine ayes, one nay, Mr. Chairman.

The CHAIRMAN. Twenty-nine to one, the bill is passed.

Under the rules of the House the chairman will take such action as may be necessary to assure early and favorable action on this bill.

Mrs. Sullivan?

Mrs. SULLIVAN. Mr. Chairman, earlier this month in the final minute of a rather stormy executive session on the banking bill I received the committee's approval of three minor bills authorizing commemorative medals. I would like to ask unanimous consent that a typographical error in one of the bills be corrected before we actually report it. It is H.R. 139, a bill by Mr. Pucinski to permit the striking of medals commemorating the 1,000th anniversary of the founding of Poland.

The error is on page 1, line 9, and I ask unanimous consent that the committee approve amending the bill to strike the word "communication" and insert the word "commemoration".

The CHAIRMAN. Is there objection, the Chair hears none.

The committee will stand in recess subject to the call of the Chair.

(Whereupon, at 11:55 a.m., the committee adjourned, subject to call of the Chair.)



THE CHAIRMAN: Mr. Johnson

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THE CHAIRMAN: Twenty minutes, one day, Mr. Johnson

THE CHAIRMAN: Twenty minutes, one day, Mr. Johnson

Under the rules of the House the Chairman will take such action as may be necessary to secure fairly and favorable action on this bill.

THE CHAIRMAN: Mr. Johnson

THE CHAIRMAN: Mr. Johnson, under this month in the final minutes of a rather stormy session on the banking bill, I received the committee's report of three minor bills authorizing commemorative medals. I would like to ask unanimous consent that a typographical error in one of the bills be corrected before we actually report it. It is H.R. 139, a bill by Mr. Tamm to permit the striking of medals commemorating the 500th anniversary of the founding of Poland.

The error is on page 1, line 9, and I ask unanimous consent that the committee approve amending the bill to strike the word "commemorative" and insert the word "commemoration".

THE CHAIRMAN: Is there objection, Mr. Johnson?

THE CHAIRMAN: The committee will stand in recess subject to the call of the Chair. (Whereupon, at 11:55 a.m., the committee adjourned, subject to call of the Chair.)

