

AMENDING THE SMALL BUSINESS ACT TO EXPAND AND IMPROVE THE AS-
 SISTANCE PROVIDED BY SMALL BUSINESS DEVELOPMENT CENTERS TO
 INDIAN TRIBE MEMBERS, ALASKA NATIVES, AND NATIVE HAWAIIANS

JUNE 15, 2007.—Committed to the Committee of the Whole House on the State of
 the Union and ordered to be printed

Ms. VELÁZQUEZ, from the Committee on Small Business,
 submitted the following

R E P O R T

[To accompany H.R. 2284]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill
 (H.R. 2284) to amend the Small Business Act to expand and im-
 prove the assistance provided by Small Business Development Cen-
 ters to Indian tribe members, Alaska Natives, and Native Hawai-
 ians, having considered the same, report favorably thereon without
 amendment and recommend that the bill do pass.

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I. PURPOSE AND SUMMARY

The purpose of H.R. 2284 (the Act or H.R. 2284) is to create jobs,
 to foster entrepreneurship, and to stimulate economic development
 on Indian lands. It facilitates the creation of new small businesses

owned and managed by Indian tribe members, Native Alaskans, and Native Hawaiians or expands such existing businesses. The Act will provide needed management, technical, and research assistance to small businesses owned by Indian tribe members, Native Alaskans, and Native Hawaiians. It will provide them better access to existing counseling and technical assistance provided through the Small Business Development Center (SBDC) program. Tribal Councils will be consulted about the use of grants provided to an SBDC program in an eligible State by the Act to ensure that they have a say in the development assistance that is provided.

To accomplish this purpose, the Act establishes a three-year authorization for project providing grants to SBDCs for assisting Indian tribe members, Native Alaskans, and Native Hawaiian populations with their entrepreneurial needs. Any SBDC in a State whose Indian tribe members, Native Alaskan, and Native Hawaiian populations are one percent of the State's total population can apply for a grant from the SBA. Such grants must be used to provide SBDC program assistance to Native Americans. Grants under the Act are limited to \$300,000 and the amount authorized to be appropriated annually, in each of the fiscal years 2008, 2009, and 2010, is \$7 million.

Services by SBDCs are to be provided to benefit the target population on tribal lands and reservations, but an individual center need not be located on each tribal land location or reservation. If the target population is in more than one location or reservation within a State, the center should be situated in a location that optimizes access by all those serviced by the center. The Act does not limit in any way, the number of centers or subcenters a state program may implement. The Committee expects the Administrator to balance the need for multiple sites with the quality of assistance and counseling when awarding grants. Consultation with the local Tribal Council is required in determining those locations with the most need and where the best access to targeted populations and businesses may be attained.

SBA is responsible for designing the grant application which should provide essential information, but should not be burdensome to applicants. At a minimum, the application should contain information concerning the applicant's (1) goals and objectives, (2) prior experience in providing entrepreneurial and technical assistance to small businesses, (3) the ability to provide training and services to Indian tribe members, Native Alaskans, and Native Hawaiians, and (4) the extent of consultation with local Tribal Councils. In addition, the applicant should identify the location of a proposed center, and the amount of funding required to accomplish its goals and objectives.

Within 180 days after the enactment of the Act, the Administrator is required to issue final regulations, after a notice and comment period, that implement the requirements of the Act. Such regulations shall include standards for the educational, technical, and support services to be provided and for a work plan for providing assistance to the targeted community.

II. BACKGROUND AND NEED FOR LEGISLATION

The majority of Indian tribe members and Native Alaskans live on or in the immediate vicinity of Indian lands and suffer from un-

employment that is at least twice the national average. The most recent figures show that Indian tribe members and Native Alaskans own more than 201,000 business enterprises and generate revenues in excess of \$26 billion annually. Though the number of businesses increased slightly (by 4%) the gross revenues decreased by over 10% since the previous U.S. Census Department Survey of Small Business Owners.¹ On average, for every dollar a white-owned business earns, an Indian Tribe member or Native Alaskan earns a little more than half.² These facts contribute to the overriding reality that 25% of Native Americans live below the poverty level and 11.2 percent are at least 50 percent below the poverty level, almost twice the national average.

Growth of Indian businesses has slowed significantly when compared to encouraging signs of a decade ago. For example, according to the previous Survey of Small Business Owners, between 1992 and 1997 businesses owned by Indian tribe members and Native Alaskans grew by 84 percent while businesses, generally, grew by only seven percent. During the same period, the gross receipts for Indian tribe members and Native Alaskan business owners increased by 179 percent, in comparison with the business community, as a whole, where the gross receipts for the same period grew only by 40 percent.³

The construction industry is the largest business sector and accounts for about one sixth of all firms and one fifth of total revenues. The second largest is health and social assistance services which accounts for about one eighth of all businesses but only 5% of total revenues and finally, the third largest sector, the retail trades, accounts for one tenth of the businesses and one sixth of total revenues.⁴ The Committee found that these types of businesses could benefit from technical advice and assistance and their growth could spur employment in Native American communities.

The Small Business Administration's SBDC program network which has more than 1000 offices throughout the United States provides cost-effective business counseling and technical assistance to small businesses. For example, clients receiving long-term counseling under the program in 2005 generated additional tax revenues of \$248 million, which was approximately three times the cost of the program to the Federal government. The Committee also believes this counseling has additional long-term benefits because advice once incorporated by the business continues to help it grow and strengthen in the future.

By using the existing infrastructure of the SBDC program, it is anticipated that small businesses owned by Indian tribe members, Native Alaskans, and Native Hawaiians, who receive services under the Act, will have a higher survival rate than the average small businesses not receiving such services. Further, increased assistance through SBDC counseling has in the past been able to reduce defaults under Small Business Administration (SBA) lending

¹ 2002 Economic Census; Survey of Business Owners: American Indian- and Alaskan Native Owned Firms Bureau of the Census—August, 2006.

² Minorities in Business, a Demographic Review of Minority Business Ownership; Office of Advocacy; Small Business Administration; Dr. Ying Lowry; April 2007.

³ 1997 Economic Census; Survey of Business Owners: American Indian- and Alaskan Native Owned Firms; Bureau of the Census—2000.

⁴ 2002 Economic Census; Survey of Business Owners: American Indian- and Alaskan Native Owned Firms; Bureau of the Census—August, 2006 (see Table 1).

programs. The Committee considered both these to be significant benefits.

The business counseling and technical assistance, provided for under this Act, is critical on Indian land where, without such assistance, similar services are scarce and expensive. Past and current efforts by SBDCs to assist Native American populations located on or along reservation lands have proven difficult. In addition, the lack of resources makes it difficult to raise an equal amount of matching funds that could be dedicated specifically to assist Native Americans as required by the regular SBDC program.

III. HEARINGS

In the 110th Congress, the full Committee on Small Business held a hearing on May 14, 2007 to examine entrepreneurial development needs of all small business owners, including Native Americans. The hearing focused in part on challenges Native Americans face in today's economy and recommendations for improvements to federal assistance programs specifically targeting Native American groups. The Committee has also held a number of hearings over the years on this issue which has included the testimony of Tribal leaders, Mr. Udall, author of H.R. 2284, representatives from Small Business Development Centers and their Association. Measures substantially similar to H.R. 2284 have been reported favorably out of Committee four times and were passed by the House twice.

IV. COMMITTEE CONSIDERATION

On May 14, 2007, the Committee on Small Business met in open session to consider H.R. 2284 and any amendments.

V. COMMITTEE VOTES

The Committee on Small Business ordered H.R. 2284 reported to the House, by a voice vote at 10:30 a.m., May 23, 2007 and no amendments were offered.

VI. SECTION-BY-SECTION ANALYSIS OF THE NATIVE AMERICANS SMALL BUSINESS DEVELOPMENT ACT—H.R. 2284

A bill to amend the Small Business Act to expand and improve the assistance provided by Small Business Development Centers to Indian tribe members, Alaska Natives, and Native Hawaiians.

Section 1: Findings and purposes

This section makes findings about the high rates of poverty and unemployment for Native Americans and Alaskan Natives which are nearly double that of the general population. Additionally, it finds that the SBDC program is a cost effective method of delivering technical assistance and that its existing infrastructure can provide counseling and services that may help small businesses owned by Native Americans, Alaska Natives, and Native Hawaiians to attain a higher survival rate than the average small business not receiving such services.

The section also states the purposes of the legislation to stimulate economies and foster economic development on Indian lands and assist in the creation of new small businesses owned by Native

Americans, Alaska Natives, and Native Hawaiians and expand existing ones. It states a further purpose that advice of local Tribal Councils shall be sought out and considered.

Section 2: Small Business Development Center assistance to Indian tribe members, Alaska Natives, and Native Hawaiians

This section sets up a procedure within the Small Business Act whereby SBDCs funded by the SBA that are in “eligible” states can apply for an additional grant to be used solely to provide services to assist with outreach, development, and enhancement on Indian lands of small business startups and expansions owned by Indian tribe members, Alaska Natives, and Native Hawaiians. It defines eligible states as those that have a combined population of Indian tribe members, Alaska Natives, and Native Hawaiians comprising at least 1 percent of the state’s total population, as shown by the latest available census. The section places a cap on the program of \$300,000 per year but no matching funds are required. The Committee intends to provide special help in those states that have a significant Native American population by adding a technical business assistance capability to the SBDC system within the state in places where Native American populations can easily access this assistance. The Committee believes levels of poverty within these communities can be reduced by providing such assistance in these identified communities. Because many Native Americans live on or adjacent to Indian lands, where economic opportunities are limited, the Committee expects the SBDCs to be located on or in close proximity to Indian lands. Although Native Americans who do not live on Indian lands may seek the assistance of these centers, the Committee believes that assistance should go to aid with outreach, development, and enhancement on Indian lands of small business startups and expansions owned by Indian tribe members, Native Alaskans, and Native Hawaiians. Native Americans located near existing centers or subcenters are encouraged to continue to utilize those existing resources.

The section sets out that the application for the grant must include information regarding the applicant’s goals and objectives for the services to be provided using the grant, including: (1) the capability of the applicant to provide training and services to a representative number of Indian tribe members, Alaska Natives, and Native Hawaiians; (2) the location of the SBDC site proposed by the applicant; (3) the required amount of grant funding needed to implement the program; and (4) the extent to which the applicant has consulted with local Tribal Councils. The Committee feels that certain basic criteria must be considered when evaluating a grant proposal and sets out specifically what those criteria are and directs that they be included in the application documents. The Committee feels that it is particularly important that local Tribal Councils actively participate from the outset.

Within 180 days of enactment, the SBA must issue regulations pertaining to the program, including: standards relating to educational, technical, and support services to be provided by SBDCs receiving assistance; and standards relating to any work plan that the Administration may require a SBDC receiving assistance to develop. The Committee intends to have the SBA move forward as quickly as possible with this program. The Committee believes that

setting standards will help ensure that the grants will be awarded to the most qualified SBDC programs and provide a mechanism by which the Administrator can evaluate the success of the program.

The legislation authorizes \$7,000,000 for each of fiscal years 2008 through 2010 for the program. The Administration can carry out this program only with amounts appropriated in advance specifically to carry it out. The Committee intends that any funds appropriated to support this program be in addition to funds allocated to SBDCs under the normal formula for those funds and that such funds be specifically appropriated for this program.

Section 3: State consultation with tribal organizations

A Small Business Development Center receiving a grant must request the advice of tribal organizations on how best to provide assistance to Indian tribe members, Alaska Natives, and Native Hawaiians and where to locate satellite centers to provide such assistance. The Committee intends that the SBDC programs receiving grants give an active role to the local Tribal Councils in placing additional centers to carry out the programs created by this legislation. While it will be up to these SBDC programs to decide the number and location of centers to provide the new services, these decisions must be taken after careful consideration of the advice provided Native American groups that are the intended beneficiaries of this program.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

JUNE 4, 2007.

Hon. NYDIA M. VELÁZQUEZ,
Chairwoman, Committee on Small Business,
House of Representatives, Washington, DC.

DEAR MADAM CHAIRWOMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2284, a bill to amend the Small Business Act to expand and improve the assistance provided by Small Business Development Centers to Indian tribe members, Alaska Natives, and Native Hawaiians.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

PETER R. ORSZAG.

Enclosure.

H.R. 2284—A bill to amend the Small Business Act to expand and improve the assistance provided by Small Business Development Centers to Indian tribe members, Alaska Natives, and Native Hawaiians

Summary: H.R. 2284 would authorize the appropriation of \$21 million over the period of fiscal years 2008 through 2010 to assist small businesses owned by Indian tribe members, Alaska Natives, and Native Hawaiians. Under the bill, the Small Business Administration would make grants to eligible Small Business Development Centers (SBDC) to assist those groups with start-up and expansion activities. Assuming appropriation of the specified amounts, CBO estimates that implementing H.R. 2284 would cost

\$18 million over the 2008–2012 period. Enacting H.R. 2284 would not affect revenues or direct spending.

H.R. 2284 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would benefit state, local, and tribal governments.

Estimated cost to the Federal Government: For this estimate CBO assumes that the bill will be enacted prior to the start of fiscal year 2008, that the specified amounts will be appropriated each year, and that spending will follow historical patterns for similar programs. CBO estimates that implementing the bill would cost \$18 million over the 2008–2012 period to award grants to SBDCs to assist small business-owners who are members of Indian tribes, Alaska Natives, or Native Hawaiians.

	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	7	7	7	0	0
Estimated Outlays	*	3	5	6	4

Note.—* = less than \$500,000.

Intergovernmental and private-sector impact: H.R. 2284 contains no intergovernmental or private-sector mandates as defined in UMRA. By authorizing appropriations for grants to existing SBDCs that meet certain requirements, and by waiving requirements that eligible entities provide matching funds, the bill would benefit state, local, and tribal governments.

Estimate prepared by: Federal costs: Susan Willie. Impact on state, local, and tribal governments: Elizabeth Cove. Impact on the private sector: Amy Petz.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

VIII. COMMITTEE ESTIMATE OF COSTS

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 2284. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

IX. OVERSIGHT FINDINGS

In accordance with clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 2284 are incorporated into the descriptive portions of this report.

X. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legis-

lation in Article I, Section 8, clause 18, of the Constitution of the United States.

XI. COMPLIANCE WITH PUBLIC LAW 104-4

H.R. 2284 contains no unfunded mandates.

XII. CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 2284 does not relate to the terms and conditions of employment or access to public services or accommodations with the meaning of section 102(b)(3) of P.L. 104-1.

XIII. FEDERAL ADVISORY COMMITTEE STATEMENT

H.R. 2284 does not establish or authorize the establishment of any new advisory committees.

XIV. STATEMENT OF NO EARMARKS

Pursuant to clause 9 of rule XXI, H.R. 2284 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of Rule XXI.

XV. PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation: H.R. 2284 includes a number of provisions designed to update and to improve the Small Business Administration's entrepreneurial assistance programs particularly in the delivery of assistance to Indian tribe members, Alaska Natives and Native Hawaiians.

XVI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS ACT

* * * * *
 SEC. 21. (a)(1) * * *
 * * * * *

(8) *ADDITIONAL GRANT TO ASSIST INDIAN TRIBE MEMBERS, ALASKA NATIVES, AND NATIVE HAWAIIANS.*—

(A) *IN GENERAL.*—Any applicant in an eligible State that is funded by the Administration as a Small Business Development Center may apply for an additional grant to be used solely to provide services described in subsection (c)(3) to assist with outreach, development, and enhancement on Indian lands of small business startups and expansions owned by Indian tribe members, Alaska Natives, and Native Hawaiians.

(B) *ELIGIBLE STATES.*—For purposes of subparagraph (A), an eligible State is a State that has a combined popu-

lation of Indian tribe members, Alaska Natives, and Native Hawaiians that comprises at least 1 percent of the State's total population, as shown by the latest available census.

(C) GRANT APPLICATIONS.—An applicant for a grant under subparagraph (A) shall submit to the Administration an application that is in such form as the Administration may require. The application shall include information regarding the applicant's goals and objectives for the services to be provided using the grant, including—

(i) the capability of the applicant to provide training and services to a representative number of Indian tribe members, Alaska Natives, and Native Hawaiians;

(ii) the location of the Small Business Development Center site proposed by the applicant;

(iii) the required amount of grant funding needed by the applicant to implement the program; and

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

(D) APPLICABILITY OF GRANT REQUIREMENTS.—An applicant for a grant under subparagraph (A) shall comply with all of the requirements of this section, except that the matching funds requirements under paragraph (4)(A) shall not apply.

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

(F) REGULATIONS.—After providing notice and an opportunity for comment and after consulting with the Association recognized by the Administration pursuant to paragraph (3)(A) (but not later than 180 days after the date of enactment of this paragraph), the Administration shall issue final regulations to carry out this paragraph, including regulations that establish—

(i) standards relating to educational, technical, and support services to be provided by Small Business Development Centers receiving assistance under this paragraph; and

(ii) standards relating to any work plan that the Administration may require a Small Business Development Center receiving assistance under this paragraph to develop.

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

(i) INDIAN LANDS.—The term "Indian lands" has the meaning given the term "Indian country" in section 1151 of title 18, United States Code, the meaning given the term "Indian reservation" in section 151.2 of title 25, Code of Federal Regulations (as in effect on the date of enactment of this paragraph), and the meaning given the term "reservation" in section 4 of the Indian Child Welfare Act of 1978 (25 U.S.C. 1903).

(ii) INDIAN TRIBE.—The term "Indian tribe" means any band, nation, or organized group or community of Indians located in the contiguous United States, and the Metlakatla Indian Community, whose members are

recognized as eligible for the services provided to Indians by the Secretary of the Interior because of their status as Indians.

(iii) INDIAN TRIBE MEMBER.—The term “Indian tribe member” means a member of an Indian tribe (other than an Alaska Native).

(iv) ALASKA NATIVE.—The term “Alaska Native” has the meaning given the term “Native” in section 3(b) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(b)).

(v) NATIVE HAWAIIAN.—The term “Native Hawaiian” means any individual who is—

(I) a citizen of the United States; and

(II) a descendant of the aboriginal people, who prior to 1778, occupied and exercised sovereignty in the area that now constitutes the State of Hawaii.

(vi) TRIBAL ORGANIZATION.—The term “tribal organization” has the meaning given that term in section 4(l) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(l)).

(H) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph \$7,000,000 for each of fiscal years 2008 through 2010.

(I) FUNDING LIMITATIONS.—

(i) NONAPPLICABILITY OF CERTAIN LIMITATIONS.—Funding under this paragraph shall be in addition to the dollar program limitations specified in paragraph (4).

(ii) LIMITATION ON USE OF FUNDS.—The Administration may carry out this paragraph only with amounts appropriated in advance specifically to carry out this paragraph.

* * * * *
(c)(1) * * *
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(9) ADVICE OF LOCAL TRIBAL ORGANIZATIONS.—A Small Business Development Center receiving a grant under this section shall request the advice of tribal organizations on how best to provide assistance to Indian tribe members, Alaska Natives, and Native Hawaiians and where to locate satellite centers to provide such assistance.

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