116TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
116–115

ACCESS TO SUFFICIENT CAPITAL FOR EVERYONE IN NATURAL DISASTER AREAS ACT OF 2019

JUNE 13, 2019.—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. 277]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, to whom was referred the bill (H.R. 277) to adjust collateral requirements under the Small Business Act for disaster loans, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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89–006

I. Purpose and Bill Summary

The purpose of H.R. 277, the "Access to Sufficient Capital for Everyone in Natural Disaster Areas Act of 2019," or the "ASCEND Act of 2019," is to make permanent the temporary increase of the unsecured loan limit to $25,000 for physical damage loans in SBA agency disaster declarations.

II. Background and Need for Legislation

H.R. 277 was introduced by Rep. Nydia M. Velázquez (D–NY) and Rep. Steve Chabot (R–OH) on January 8, 2019 after a hearing held in the 115th Congress examining SBA's disaster response to the 2017 disasters. As part of that hearing, the Committee received a report and heard testimony from SBA's Office of Disaster Assistance regarding a temporary increase in the unsecured credit threshold that applies to certain disasters. In the report and in testimony, SBA recommended making permanent the $25,000 unsecured credit threshold.

A. Background on SBA's Disaster Loan Program

Disaster Assistance has been part of SBA's mission since its creation in 1953. Through the agency's Office of Disaster Assistance (ODA), SBA provides low-interest loans to homeowners, renters, businesses of all sizes, and private, nonprofit organizations following a disaster. The impact of natural disasters on small businesses is typically two-fold—direct physical damage to their business, and loss of customers who were also impacted by the storm. Commonly, the electric grid and surface transportation infrastructure are severely damaged, preventing owners and customers from resuming operations quickly. With an expectation of reduced sales due to outside forces, coupled with increased costs to rebuild structures and inventories, SBA disaster loans can be the critical lifeline that helps small business survive the physical and economic impact of a natural disaster.

The first few months following a natural disaster are a critical period for small businesses. According to a recent survey of small businesses, nearly 75 percent do not have a disaster recovery plan, yet 70 percent indicated they felt vulnerable to a natural disaster.[1] The Federal Emergency Management Agency (FEMA) estimates roughly 40 to 60 percent of small businesses never reopen following a natural disaster.[2] For those that reopen, recovery costs are exorbitant. For example, about half of respondents to one post-Superstorm Sandy survey indicated they spent between $101,000 and $250,000 on recovery costs.[3]

SBA has responded to hundreds of natural disasters over the past twenty years, including several major storms. In 2017 alone, the U.S. experienced three of the five costliest hurricanes on record.[4] After insurance proceeds, SBA serves as the primary source of financing for affected businesses and homeowners. In many instances, however, the agency's response to these major

[1] Cynthia Scarinci, A Post-Superstorm Sandy study of Small Business Disaster Preparedness and Perspectives on Planning for Future Incidents, 3 J. Int'l & Interdis. Res., 61 (2016).
[2] Federal Emergency Management Agency, *Make Your Business Resilient,* (Sep. 2, 2015).
[3] *See supra* note 1.
[4] National Hurricane Center, *Costliest U.S. tropical cyclones tables updated,* (Jan. 26, 2018).

events has not been uniform. Furthermore, in recent years, the SBA Disaster Loan Program has been the subject of congressional interest because of concerns expressed about the time it takes for SBA to process disaster loan applications, and the agency's failure to implement statutory provisions enacted to quickly disburse disaster funds.

B. THE NEED FOR THE CHANGES OUTLINED IN THE BILL

H.R. 208, the Recovery Improvements for Small Entities After Disaster Act of 2015 raised the collateralization threshold on disaster loans from $14,000 to $25,000 to make it easier for victims to obtain capital to rebuild their homes and businesses. That provision was set to expire in 2018. However, a one-year extension was enacted in December 2018, making the new expiration December 2019. Without action, the unsecured loan limit for agency declarations will revert to the lower limits and create an unfair discrepancy for disaster survivors in areas of an SBA declaration and that of a Major Disaster declaration. Permanency guarantees that disaster funds will apply equally to disaster victims no matter the declaration type.

In a report assessing the SBA Disaster Loan Program since the enactment of the RISE After Disaster Act (Pub. Law No. 114–88) and in Congressional testimony, SBA stated that an increase in the unsecured loan limit for disaster loans should be made permanent to assist disaster survivors faster. H.R. 277 would permanently raise the minimum disaster loan amount that the SBA may require collateral from $14,000 to $25,000. Raising the unsecured loan amount will guarantee disaster victims can continue to receive a $25,000 loan—rather than just $14,000—within 5 days of closing to speed up a reconstruction project.

III. HEARINGS

In the 115th Congress, the Committee held a hearing examining SBA's oversight and management of its Disaster Loan Program. On September 5, 2018, the Committee on Small Business met for a hearing titled "Surveying Storms: A Deeper Dive into SBA's Disaster Response." This hearing continued the Committee's longstanding oversight over the effectiveness and efficiency of SBA's Disaster Loan Program. Specifically, program performance was evaluated in the context of the serious challenges the Office of Disaster Assistance faced in 2017, with a combination of three major hurricanes impacting the United States and its territories, a series of devastating wildfires in Western states, and others.

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on May 1, 2019 and ordered H.R. 277 favorably reported to the House. During the markup, no amendments were offered.

V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted by voice vote to favorably report H.R. 277 to the House at 11:49 A.M.

COMMITTEE ON SMALL BUSINESS
TALLY SHEET

DATE: 05-01-19 **QUORUM:** 13 agreed to,
BILL NUMBER: H.R. 277 **AMENDMENT NUMBER:** reported to house
ROLL CALL: ✓
VOTE: (AYE) (NO) 11:49

MEMBER	AYE	NO	NOT VOTING
Ms. Velázquez, Chairwoman			
Ms. Finkenauer			
Mr. Golden			
Mr. Kim			
Mr. Crow			
Ms. Davids			
Ms. Chu			
Mr. Veasey			
Mr. Evans			
Mr. Schneider			
Mr. Espaillat			
Mr. Delgado			
Ms. Houlahan			
Ms. Craig			
MR. Chabot Ranking Member			
Ms. Radewagen			
Mr. Kelly			
Mr. Balderson			
Mr. Hern			
Mr. Hagedorn			
Mr. Stauber			
Mr. Burchett			
Mr. Spano			
Mr. Joyce			
TOTALS			

On this vote there were _______ ayes and ______ nos.

VI. Section-by-Section of H.R. 277

Sec. 1. Short title

This section designates the bill as the "Access to Sufficient Capital for Everyone in Natural Disaster areas Act of 2019" or the "ASCEND Act of 2019".

Sec. 2. Collateral requirements for disaster loans under the Small Business Act

This section permanently raises the minimum disaster loan amount for which the SBA may require collateral from $14,000 to $25,000 (or, as under existing law, any higher amount the SBA determines appropriate in the event of a disaster). This is in response to the SBA's request to make the threshold increase permanent.

VII. Congressional Budget Office Cost Estimate

The Congressional Budget Office pursuant to 402 of the Congressional Budget Act of 1974, submitted a cost estimate for H.R. 277 that stated enacting the legislation would not increase net direct spending or on budget deficits in any of the four consecutive 10-year periods beginning in 2030.

U.S. Congress,
Congressional Budget Office,
Washington, DC, May 14, 2019.

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. 277, the ASCEND Act of 2019.

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

Sincerely,

Keith Hall,
Director.

Enclosure.

Under its disaster loan program, the Small Business Administration (SBA) does not require collateral for loans of $25,000 or less. For home or business loans provided in response to certain disasters, that threshold will revert to $14,000 on November 25, 2019. H.R. 277 would make the $25,000 threshold permanent.

Using information from the SBA, CBO expects that implementing H.R. 277 could slightly increase the volume of loans made under the program in each year after enactment. However, under current SBA regulations, the agency typically does not decline an application if the borrower lacks the specified collateral. CBO therefore estimates that enacting H.R. 277 would have an insignificant effect on the estimated subsidy cost of disaster loans. Such spending would be subject to the availability of appropriated funds because the disaster loan program is considered a discretionary credit program under the Federal Credit Reform Act of 1990. In 2019, Congress provided a subsidy appropriation of $10 million for the disaster loan program.

On May 1, 2019, CBO transmitted a cost estimate for S. 862, the Rebuilding Small Businesses After Disasters Act, as reported by the Senate Committee on Small Business and Entrepreneurship on April 3, 2019. The two bills are similar and CBO's estimates of the budgetary effects are the same.

The CBO staff contact for this estimate is Jon Sperl. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VIII. Unfunded Mandates

H.R. 277 contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act, Public Law No. 104–4, and would impose no costs on state, local, or tribal governments.

IX. New Budget Authority, Entitlement Authority, and Tax Expenditures

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to § 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any additional costs attributable to this legislation. H.R. 277 does not direct new spending, but instead reallocates funding independently authorized and appropriated.

X. Oversight Findings

In accordance with clause 2(b)(1) of rule X of the Rules of the House, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 277 are incorporated into the descriptive portions of this report.

XI. Statement of Constitutional Authority

Pursuant to clause 7 of rule XII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Art. I, § 8, cl. 1 of the Constitution of the United States.

XII. Congressional Accountability Act

H.R. 277 does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of § 102(b)(3) of Public Law No. 104–1.

XIII. Federal Advisory Committee Act Statement

H.R. 277 does not establish or authorize the establishment of any new advisory committees as that term is defined in the Federal Advisory Committee Act, 5 U.S.C. App.2.

XIV. Statement of No Earmarks

Pursuant to clause 9 of rule XXI, H.R. 277 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in subsections (d), (e), or (f) of clause 9 of rule XXI of the Rules of the House.

XV. Statement of Duplication of Federal Programs

Pursuant to clause 3 of rule XIII of the Rules of the House, no provision of H.R. 277 establishes or reauthorizes a program of the federal government known to be duplicative of another federal program, a program that was included in any report from the United States Government Accountability Office pursuant to § 21 of Pub. L. No. 111–139, or a program related to a program identified in the most recent catalog of federal domestic assistance.

XVI. Disclosure of Directed Rulemakings

Pursuant to clause 3 of rule XIII of the Rules of the House, H.R. 277 does not direct any rulemaking.

XVII. Performance Goals and Objectives

Pursuant to clause 3(c)(4) of rule XII of the Rules of the House, the Committee establishes the following performance-related goals and objectives for this legislation:

H.R. 277 includes a provision designed to increase access to capital for small businesses and homeowners who have been impacted by a natural disaster.

XVIII. 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, changes in existing law made by the bill, as reported, as shown as follows: existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman:

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 (existing law proposed to be omitted is enclosed in black brackets and existing law in which no change is proposed is shown in roman):

RISE AFTER DISASTER ACT OF 2015

* * * * * * *

DIVISION B—RECOVERY IMPROVEMENTS FOR SMALL ENTITIES

* * * * * * *

TITLE I—IMPROVEMENTS OF DISASTER RESPONSE AND LOANS

*   *   *   *   *   *   *

SEC. 2102. COLLATERAL REQUIREMENTS FOR DISASTER LOANS.

(a) IN GENERAL.—Section 7(d)(6) of the Small Business Act (15 U.S.C. 636(d)(6)) is amended in the third proviso—

(1) by striking "$14,000" and inserting "$25,000"; and

(2) by striking "major disaster" and inserting "disaster".

⟦(b) SUNSET.—Effective on the date that is 4 years after the date of enactment of this Act, section 7(d)(6) of the Small Business Act (15 U.S.C. 636(d)(6)) is amended in the third proviso—

⟦(1) by striking "$25,000" and inserting "$14,000"; and

⟦(2) by inserting "major" before "disaster".

⟦(c) REPORT.—Not later than 180 days before the date on which the amendments made by subsection (b) are to take effect, the Administrator of the Small Business Administration shall submit to Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives a report on the effects of the amendments made by subsection (a), which shall include—

⟦(1) an assessment of the impact and benefits resulting from the amendments; and

⟦(2) a recommendation as to whether the amendments should be made permanent.⟧

*   *   *   *   *   *   *

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