Public Law 100-590
100th Congress

An Act

To amend the Small Business Act and the Small Business Investment Act of 1958, 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.

(a) SHORT TITLE.—This Act may be cited as the “Small Business Administration Reauthorization and Amendment Act of 1988”.
(b) TABLE OF CONTENTS.—

TITLE I—GENERAL REAUTHORIZATION PROVISIONS
Sec. 101. Program levels and authorizations.
Sec. 102. Form simplification and preferred financing.
Sec. 103. Guarantee percentages for preferred lenders.
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Sec. 105. Minimum life of limited partnership small business investment companies.
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TITLE II—PREFERRED SURETY BOND GUARANTEE PROGRAM
Sec. 201. Short title.
Sec. 202. Authority of the administration.
Sec. 203. Indemnification.
Sec. 204. Reports and audits of participating sureties.
Loans.

Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended by striking the first sentence of subsection (a), by striking subsections (b) through (x), by redesignating subsections (y) and (z) as subsections (b) and (c), and by adding the following new subsections: 

"(d) The following program levels are authorized for fiscal year 1989—

(1) for the programs authorized by section 7(a) of this Act, the Administration is authorized to make $62,000,000,000 in direct and immediate participation loans; and of such sum, the Administration is authorized to make $17,000,000 in loans as provided in paragraph (10), $24,000,000 in loans as provided in paragraph (11), and $21,000,000 in loans to disabled veterans and Vietnam era veterans as defined in section 1841, title 38, United States Code, under the general terms and conditions of section 7(a) of this Act;

(2) for the programs authorized by section 7(a) of this Act and section 504 of the Small Business Investment Act of 1958, the Administration is authorized to make $3,407,000,000 in deferred participation loans and guarantees of debentures; and of such sum, the Administration is authorized to make $5,000,000 in loans as provided in paragraph (10), $65,000,000 in loans as provided in paragraph (11), $60,000,000 in loans as provided in paragraph (12), and $460,000,000 in loans as provided in paragraphs (13) and guarantees of debentures as provided in section 504;

(3) for the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make $39,000,000 in direct purchases of debentures and preferred securities and to make $272,000,000 in guarantees of debentures;

(4) for the programs authorized by part B of title IV of the Small Business Investment Act of 1958, the Administration is authorized to enter into guarantees not to exceed $1,500,000,000; and

(5) for the programs authorized in sections 404 and 405 of the Small Business Investment Act of 1958, the Administration is not authorized to enter into any guarantees.

(e) There are authorized to be appropriated to the Administration for fiscal year 1989 such sums as may be necessary to carry out the provisions of this Act and the Small Business Investment Act of 1958, including $222,000,000 for salaries and expenses of the Administration, of which up to $2,600,000 may be available for the operations of the Service Corps of Retired Executives. There also are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes, including administrative expenses, of sections 7(b)(1) and
7(b)(2) of this Act; and there are authorized to be transferred from the disaster loan revolving fund such sums as may be necessary and appropriate for such administrative expenses.

"(f) The following program levels are authorized for fiscal year 1990—

"(1) for the programs authorized by section 7(a) of this Act, the Administration is authorized to make $65,000,000 in direct and immediate participation loans; and of such sum, the Administration is authorized to make $18,000,000 in loans as provided in paragraph (10), $25,000,000 in loans as provided in paragraph (11), and $22,000,000 in loans to disabled veterans and Vietnam era veterans as defined in section 1841, title 38, United States Code, under the general terms and conditions of section 7(a) of this Act;

"(2) for the programs authorized by section 7(a) of this Act and section 504 of the Small Business Investment Act of 1958, the Administration is authorized to make $3,543,000,000 in deferred participation loans and guarantees of debentures; and of such sum, the Administration is authorized to make $5,000,000 in loans as provided in paragraph (10), $68,000,000 in loans as provided in paragraph (11), $62,000,000 in loans as provided in paragraph (12), and $478,000,000 in loans as provided in paragraph (13) and guarantees of debentures as provided in section 504;

"(3) for the programs authorized by title III of the Small Business Investment Act of 1958, the Administration is authorized to make $41,000,000 in direct purchases of debentures and preferred securities and to make $283,000,000 in guarantees of debentures;

"(4) for the programs authorized by part B of title IV of the Small Business Investment Act of 1958, the Administration is authorized to enter into guarantees not to exceed $1,560,000,000; and

"(5) for the programs authorized in sections 404 and 405 of the Small Business Investment Act of 1958, the Administration is not authorized to enter into any guarantees.

"(g) There are authorized to be appropriated to the Administration for fiscal year 1990 such sums as may be necessary to carry out the provisions of this Act and the Small Business Investment Act of 1958, including $238,000,000 for salaries and expenses of the Administration, of which $2,700,000 shall be available for the operations of the Service Corps of Retired Executives. There also are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes, including administrative expenses, of sections 7(b)(1) and 7(b)(2) of this Act; and there are authorized to be transferred from the disaster loan revolving fund such sums as may be necessary and appropriate for such administrative expenses.

"(h) There are authorized to be appropriated to the Administration for fiscal year 1991 such sums as may be necessary to carry out the provisions of this Act and the Small Business Investment Act of 1958. There also are hereby authorized to be appropriated such sums as may be necessary and appropriate for the carrying out of the provisions and purposes, including administrative expenses, of sections 7(b)(1) and 7(b)(2) of this Act; and there are authorized to be transferred from the disaster loan revolving fund such sums as may be necessary and appropriate for such administrative expenses."
SEC. 102. FORM SIMPLIFICATION AND PREFERRED FINANCING.

(a) CERTIFIED LOAN PROGRAM.—Section 7 of the Small Business Act (15 U.S.C. 636) is amended by adding to subsection (a) the following new paragraph:

"(19) During fiscal years 1989, 1990, and 1991, in addition to the preferred lenders program authorized by the proviso in section 5(b)(7), the Administration is authorized to establish a certified loan program for lenders who establish their knowledge of Administration laws and regulations concerning the loan guarantees program and their proficiency in program requirements. In order to encourage certified lenders and preferred lenders to provide loans of $50,000 or less in guarantees to eligible small business loan applicants, the Administration (A) shall develop and shall allow participating lenders in the certified loan program and in the preferred loan program to solely utilize a uniform and simplified loan form for such loans and (B) shall allow such lenders to retain one-half of the fee collected pursuant to section 7(a)(16) on such loans: Provided, That a participating lender may not retain any fee pursuant to this paragraph if the amount committed and outstanding to the applicant would exceed $50,000 unless such excess amount was not approved under the provisions of this paragraph. The designation of a lender as a certified lender shall be suspended or revoked at any time that the Administration determines that the lender is not adhering to its rules and regulations or if the Administration determines that the loss experience of the lender is excessive as compared to other lenders: Provided further, That any suspension or revocation of the designation shall not affect any outstanding guarantee: And, provided further, That the Administration may not reduce the per centum of guarantee as a criterion of eligibility for participation in this program, except as otherwise provided by law."

(b) REPORTS.—The Administration shall take appropriate steps to expand participation in the certified loan program and shall report to the Small Business Committees of the Senate and the House of Representatives on the amount of loans approved and the amount of losses sustained under the provisions of section 7(a)(19) of the Small Business Act. An interim report shall be submitted not later than one year after date of enactment of this Act and a final report shall be submitted not later than 18 months after the date of enactment.

SEC. 103. GUARANTEE PERCENTAGES FOR PREFERRED LENDERS.

Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended by inserting after the word "thereto" in the second proviso, ", but any such reduction shall not exceed five points".

SEC. 104. EXAMINATIONS OF SMALL BUSINESS INVESTMENT COMPANIES.

Section 310 of the Small Business Investment Act of 1958 (15 U.S.C. 687b) is amended by striking the second sentence of subsection (b) and by adding the following new subsection to such section:

"(c) Each small business investment company shall be examined at least every two years in such detail so as to determine whether or not—

"(1) it has engaged solely in lawful activities and those contemplated by this title;

"(2) it has engaged in prohibited conflicts of interest;

"(3) it has acquired or exercised illegal control of an assisted small business;
“(4) it has made investments in small businesses for not less than four years in the case of section 301(d) licensees and in all other cases, not less than five years;
“(5) it has invested more than 20 per centum of its capital in any individual small business;
“(6) it has engaged in relending, foreign investments, or passive investments; or
“(7) it has charged an interest rate in excess of the maximum permitted by law:
Provided, That the Administration may waive the examination (A) for up to one additional year if, in its discretion, it determines such a delay would be appropriate, based upon the amount of debentures being issued by the company and its repayment record, the prior operating experience of the company, the contents and results of the last examination and the management expertise of the company, or (B) if it is a company whose operations have been suspended while the company is involved in litigation or is in receivership.”.

SEC. 105. MINIMUM LIFE OF LIMITED PARTNERSHIP SMALL BUSINESS INVESTMENT COMPANIES.

Section 301 of the Small Business Investment Act of 1958 (15 U.S.C. 681) is amended by striking from subsection (a) “has succession for a period of not less than thirty years unless sooner dissolved by its shareholders or partners” and inserting in lieu thereof “, if incorporated, has succession for a period of not less than thirty years unless sooner dissolved by its shareholders, and if a limited partnership, has succession for a period of not less than ten years.”.

SEC. 106. PERIODIC SMALL BUSINESS INVESTMENT COMPANY DEBENTURE SALES.

(a) IN GENERAL.—Title III of the Small Business Investment Act of 1958 is amended by adding at the end thereof the following new section:

“PERIODIC ISSUANCE OF GUARANTEES AND TRUST CERTIFICATES

“Sec. 322. The Administration shall issue guarantees under section 303 and trust certificates under section 321 at periodic intervals of not less than every three months and shall do so at such shorter intervals as its deems appropriate, taking into consideration the amount and number of such guarantees or trust certificates.”.

(b) CLERICAL AMENDMENT.—The table of sections for title III is amended by adding the following new item:

“Sec. 322. Periodic issuance of guarantees and trust certificates.”.

SEC. 107. GENERAL ACCOUNTING OFFICE EVALUATION OF THE SERVICE CORPS OF RETIRED EXECUTIVES.

The Comptroller General shall, not later than December 1, 1989, transmit a report to the Small Business Committees of the Senate and the House of Representatives on the functions being performed by volunteers in the Service Corps of Retired Executives and the Active Corps of Executives. Such report shall include his evaluation of the programs and shall include conclusions and recommendations concerning the efficiency and cost effectiveness of such volunteers.
SEC. 108. PARTICIPATION IN THE SMALL BUSINESS INNOVATION AND RESEARCH PROGRAM.

Subsection (j) of section 9 of the Small Business Act (15 U.S.C. 638(j)) is amended as follows:

(1) by striking "and" at the end of paragraph (4);
(2) by striking the period at the end of paragraph (5) and inserting a semicolon; and
(3) by adding the following new paragraphs:
"(6) standardized and orderly withdrawal from program participation by an agency having a SBIR program; at the discretion of the Administration, such directives may require a phased withdrawal over a period of time sufficient in duration to minimize any adverse impact on small business concerns; and
(7) the voluntary participation in a SBIR program by a Federal agency not required to establish such a program pursuant to subsection (f)."

SEC. 109. SBA PROGRAM DATA AND EVALUATION.

The Small Business Administration shall develop a comprehensive system to systematically acquire data on the number of small businesses which participate in Administration programs, the nature and extent of their participation, the type of business, the results of such participation, and such other information as the Administration deems appropriate. It shall also include the number and dollar amount of guaranteed loans by lender, and the interest rate thereon, and the number and dollar amount of sales in the secondary market both by lender and by purchaser. The data shall be compiled and maintained to permit a statistically valid analysis and computation and evaluation of costs and benefits. The Administration shall submit a report to the Small Business Committees of the Senate and the House of Representatives not later than March 31, 1989, such report to include its conclusions and recommendations and estimate of the costs involved in implementing such a program and shall implement the system for all program assistance made available on or after October 1, 1989.

SEC. 110. BREAKOUT PROCUREMENT CENTER REPRESENTATIVES.

Subsection (l) of section 15 of the Small Business Act (15 U.S.C. 644) is amended—

(1) by striking the term "unrestricted" from subparagraph (D) of paragraph (2) each place such term appears;
(2) by amending subparagraph (E) of paragraph (2) to read as follows:
"(E) have access to procurement records and other data of the procurement center commensurate with the level of such representative's approved security clearance classification;"
(3) by amending paragraph (3) to read as follows:
"(3) A breakout procurement center representative is authorized to appeal the failure to act favorably on any recommendation made pursuant to paragraph (2). Such appeal shall be filed and processed in the same manner and subject to the same conditions and limitations as an appeal filed by the Administrator pursuant to subsection (a)."
(4) by amending paragraph (6) to read as follows:
"(6) For purposes of this subsection, the term 'major procurement center' means a procurement center that, in the opinion of the Administrator, purchases substantial dollar amounts of other than
commercial items and which has the potential to incur significant savings as the result of the placement of a breakout procurement center representative"; and

(5) by adding the following new paragraph:

"(7XA) At such times as the Administrator deems appropriate, the breakout procurement center representative shall conduct familiarization sessions for contracting officers and other appropriate personnel of the procurement center to which such representative is assigned. Such sessions shall acquaint the participants with the provisions of this subsection and shall instruct them in methods designed to further the purposes of such subsection.

"(B) The breakout procurement center representative shall prepare and personally deliver an annual briefing and report to the head of the procurement center to which such representative is assigned. Such briefing and report shall detail the past and planned activities of the representative and shall contain such recommendations for improvement in the operation of the center as may be appropriate. The head of such center shall personally receive such briefing and report and shall, within sixty calendar days after receipt, respond, in writing, to each recommendation made by such representative.".

SEC. 111. AMENDMENTS RELATING TO REVOLVING FUNDS.

(a) TECHNICAL AMENDMENT.—Section 4(c) of the Small Business Act (15 U.S.C. 633(c)) is amended—

(1) by striking from paragraph (1) "III" and inserting in lieu thereof "III, IV"; and

(2) by striking from paragraph (2) "III" and inserting in lieu thereof "III, IV"; and

(b) REPEALER.—Section 403 of the Small Business Investment Act of 1958 (15 U.S.C. 694) is hereby repealed. Any moneys remaining in the Lease Guarantee Fund on the date of enactment of this Act shall be transferred to the Small Business Administration's business loan and investment fund.

(c) POLLUTION CONTROL GUARANTEED LOANS.—Section 7(a)(12) of the Small Business Act (15 U.S.C. 636(a)(12)) is amended—

(1) by inserting "(A)" after "(12)"; and

(2) by adding at the end thereof the following new subparagraph:

"(b) The Administration may provide deferred participation loans under this subsection to finance the planning, design, or installation of pollution control facilities for the purposes set forth in section 404 of the Small Business Investment Act of 1958. Notwithstanding the limitation expressed in paragraph (3) of this subsection, a loan made under this paragraph may not result in a total amount outstanding and committed to a borrower from the business loan and investment fund of more than $1,000,000.".

(d) TECHNICAL AMENDMENTS TO SECTION 505.—(1) Section 505 of the Small Business Investment Act of 1958 is amended by striking from subsection (a) "all of a" and by inserting in lieu thereof "all or a".

(2) Such section is further amended by inserting the following title at the beginning of such section:
SEC. 112. DEVELOPMENT COMPANY LOAN PROGRAM.

(a) PERMANENT EXTENSION OF PILOT PROGRAM.—Section 504 of the Small Business Investment Act of 1958 (15 U.S.C. 697a) is amended to read as follows:

"PRIVATE DEBENTURE SALES

"Sec. 504. (a) Notwithstanding any other law, rule, or regulation, the Administration shall sell to investors, either publicly or by private placement, debentures pursuant to section 503 of this title as follows:

"(1) Of the program levels otherwise authorized by law for fiscal year 1986, an amount not to exceed $200,000,000.

"(2) Of the program levels otherwise authorized by law for each of fiscal years 1987 and 1988, an amount not to exceed $425,000,000.

"(3) All of the program levels authorized for fiscal year 1989 and subsequent fiscal years.

"(b) Nothing in any provision of law shall be construed to authorize the Federal Financing Bank to acquire—

"(1) any obligation the payment of principal or interest on which at any time has been guaranteed in whole or in part under section 503 of this title and which is being sold pursuant to the provisions of the program authorized in this section;

"(2) any obligation which is an interest in any obligation described in paragraph (1); or

"(3) any obligation which is secured by, or substantially all of the value of which is attributable to, any obligation described in paragraph (1) or (2)."

(b) The table of contents for title V of such Act is amended by adding after the item relating to section 503 the following new item:

"Sec. 504. Private debenture sales.".

(c) COMMERCIAL LOAN INTEREST RATE.—

(1) IN GENERAL.—Section 503 of the Small Business Investment Act of 1958 (15 U.S.C. 697) is amended—

(A) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and

(B) by inserting after subsection (b) the following new subsection:

"(c)(1) The purpose of this subsection is to facilitate the orderly and necessary flow of long-term loans from certified development companies to small business concerns.

"(2) Notwithstanding the provisions of the constitution or laws of any State limiting the rate or amount of interest which may be charged, taken, received, or reserved, the maximum legal rate of interest on any commercial loan which funds any portion of the cost of the project financed pursuant to this section or section 504 which is not funded by a debenture guaranteed under this section shall be a rate which is established by the Administrator of the Small Business Administration under the authority of this section.

"(3) The Administrator is authorized and directed to establish and publish quarterly a maximum legal interest rate for any commercial
loan which funds any portion of the cost of the project financed pursuant to this section or section 504 which is not funded by a debenture guaranteed under this section.'

(2) REPEALER.—The amendment made by paragraph (1) shall be repealed on October 1, 1990.

SEC. 112. SECONDARY MARKET IN DEVELOPMENT COMPANY LOANS.

Section 5 of the Small Business Act (15 U.S.C. 634) is amended by striking from subsection (g) "except those" and by inserting in lieu thereof "except separate trust certificates shall be issued for loans approved".

SEC. 114. DEVELOPMENT COMPANY DEBENTURES.

Section 503(a)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 697(a)(2)) is amended by inserting before the period at the end thereof the following: "Provided, That the Administration shall not decline to issue such guarantee when the ownership interests of the small business concern and the ownership interests of the property to be financed with the proceeds of a loan made pursuant to subsection (b)(1) are not identical because one or more of the following classes of relatives have an ownership interest in either the small business concern or the property: father, mother, son, daughter, wife, husband, brother, or sister: Provided further, That the Administrator or his designee has determined on a case-by-case basis that such ownership interest, such guarantee, and the proceeds of such loan, will substantially benefit the small business concern".

SEC. 115. DEVELOPMENT COMPANY LOANS—POLICY.

(a) POLICY.—Section 501 of the Small Business Investment Act of 1958 (15 U.S.C. 695) is amended by redesignating subsections (a) and (b) as subsections (b) and (c), respectively, and by adding the following new subsection prior thereto:

"(a) The Congress hereby finds and declares that the purpose of this title is to foster economic development in both urban and rural areas by providing long term financing for small business concerns through the development company program authorized by this title. In order to carry out this objective, the Administration is hereby directed to place greater emphasis on the needs of rural areas and the promotion of the development company program in such areas, and is further directed to develop a plan for greater outreach of procurement and export trade seminars in such areas. As used in this title, the term 'rural areas' means those localities with populations of less than 20,000.

(b) TECHNICAL AMENDMENTS TO THE SECTION.—(1) Title V of such Act is further amended by inserting the following heading at the beginning of section 501:

"STATE DEVELOPMENT COMPANIES".

(2) The table of contents of such Act is amended by inserting before the item relating to section 502 the following new item:

"Sec. 502. State development companies."

SEC. 116. DEVELOPMENT COMPANY LOANS—LEASED PREMISES.

(a) IN GENERAL.—Section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696) is further amended by adding the following at the end thereof:
“(4) If the project is to construct a new facility, up to 33 percent of the total project may be leased, if reasonable projections of growth demonstrate that the assisted small business concern will need additional space within three years and will fully utilize such additional space within ten years.”.

(b) **Technical Amendments to the Section.**—(1) Title V of such Act is further amended by inserting the following heading at the beginning of section 502:

“LOANS FOR PLANT ACQUISITION, CONSTRUCTION, CONVERSION, AND EXPANSION”.

(2) The table of contents of such Act is amended by inserting before the item relating to section 503 the following new item: “Sec. 502. Loans for plant acquisition, construction, conversion, and expansion.”.

**SEC. 117. Development Companies—Staff and Overhead.**

(a) **Staff.**—Section 503(d) of the Small Business Investment Act of 1958 (15 U.S.C. 697(d)) is amended—

(1) by inserting “(1)” after “(d)”;

(2) by redesignating paragraphs (1), (2), and (3) as subparagraphs (A), (B), and (C), respectively; and

(3) by adding at the end thereof the following new paragraph:

“(2) A company in a rural area shall be deemed to have satisfied the requirements of a full-time professional staff and professional management ability if it contracts with another certified development company which has such staff and management ability and which is located in the same general area to provide such services.”.

(b) **Overhead.**—The Small Business Investment Act of 1958 is amended by adding at the end thereof the following new section:

“RESTRICTIONS ON DEVELOPMENT COMPANY ASSISTANCE

15 USC 697c.

“Sec. 506. Notwithstanding any other provision of law: (1) on or after May 1, 1991, no development company may accept funding from any source, including but not limited to any department or agency of the United States Government, if such funding includes any conditions, priorities or restrictions upon the types of small businesses to which they may provide financial assistance under this title or if it includes any conditions or imposes any requirements, directly or indirectly, upon any recipient of assistance under this title; and (2) before such date, no department or agency of the United States Government which provides funding to any development company shall impose any condition, priority or restriction upon the type of small business which receives financing under this title nor shall it include any condition or impose any requirement, directly or indirectly, upon any recipient of assistance under this title: Provided, That the foregoing shall not affect any such conditions, priorities or restrictions if the department or agency also provides all of the financial assistance to be delivered by the development company to the small business and such conditions, priorities or restrictions are limited solely to the financial assistance so provided.”.

(c) **Report.**—Not later than one hundred and eighty days after the effective date of this Act, the Small Business Administration shall report to the Small Business Committees of the Senate and the House of Representatives on the amount and nature of all financial
assistance or income being received by certified development companies from sources other than the Small Business Administration or those being assisted by the programs authorized in title V of the Small Business Investment Act of 1958. The report shall include any conditions or restrictions imposed on the development companies due to such financial assistance, a comparison of all sources of income which comprise the development companies' budgets, an analysis of the financial impact of various sources of financial assistance, and the feasibility of restricting assistance received from the Federal Government solely to Small Business Administration funding.

(d) The table of contents of such Act is amended by inserting the following new item at the end thereof:

"Sec. 506. Restrictions on development company assistance."

SEC. 118. DISASTER LOAN POLICY.

Section 2 of the Small Business Act (15 U.S.C. 631) is amended by adding the following new subsection:

"(g) In administering the disaster loan program authorized by section 7 of this Act, to the maximum extent possible, the Administration shall provide assistance and counseling to disaster victims in filing applications, providing information relevant to loan processing, and in loan closing and prompt disbursement of loan proceeds and shall give the disaster program a high priority in allocating funds for administrative expenses.".

SEC. 119. DEFINITION OF DISASTERS.

(a) NATURAL DISASTERS.—Section 7 of the Small Business Act (15 U.S.C. 636) is amended by striking from paragraph (1) of subsection (b) "floods, riots or civil disorders, or other catastrophes:" and inserting in lieu thereof "natural or other disasters:".

(b) IN GENERAL.—Section 3 of the Small Business Act (15 U.S.C. 632) is amended—

(1) by adding the following new subsection:

"(k) For the purposes of this Act, the term 'disaster' means a sudden event which causes severe damage including, but not limited to, floods, hurricanes, tornadoes, earthquakes, fires, explosions, volcanoes, windstorms, landslides or mudslides, tidal waves, ocean conditions resulting in the closure of customary fishing waters, riots, civil disorders or other catastrophes, except it does not include economic dislocations."; and

(2) by redesignating the second subsection "(j)" as subsection "(l)".

SEC. 120. DISASTER ASSISTANCE.

(a) ECONOMIC INJURY.—Section 7(c) of the Small Business Act (15 U.S.C. 636(c)) is amended by adding the following new paragraph:

"(7) The Administration shall not withhold disaster assistance pursuant to this paragraph to nurseries who are victims of drought disasters. As used in section 7(b)(2) the term "an area affected by a disaster" includes any county, or county contiguous thereto, determined to be a disaster by the President, the Secretary of Agriculture or the Administrator of the Small Business Administration.".

(b) INTEREST RATES.—Section 7(c) of the Act is further amended by striking "business concern" from paragraph (5)(C) and inserting in lieu thereof "business or other concern, including agricultural cooperatives,".
SEC. 121. DISASTER MITIGATION ACTIONS.

Section 7 of the Small Business Act (15 U.S.C. 636) is further amended by inserting prior to the semicolon at the end of subsection (b)(1)(A) the following:

"And provided further, That the Administration may increase the amount of the loan by up to an additional 20 per centum if it determines such increase to be necessary or appropriate in order to protect the damaged or destroyed property from possible future disasters by taking mitigating measures, including, but not limited to, construction of retaining walls and sea walls, grading and contouring land, relocating utilities and modifying structures".

SEC. 122. UNSECURED DISASTER LOANS.

Section 7(c) of the Small Business Act (15 U.S.C. 636(c)) is further amended by striking from paragraph (6) "refinancing," and inserting in lieu thereof "refinancing: Provided further, That the Administration shall not require collateral for loans of $10,000 or less which are made under paragraph (1) of subsection (b).".

SEC. 123. NATIONAL DIRECTORY OF SMALL BUSINESSES.

The Small Business Administration shall undertake a study to determine the feasibility and need for developing an expanded national directory of small businesses to effectuate fully the purposes of section 15(a) of the Small Business Act. The Agency shall examine existing resources such as the PASS system, the advocacy data base, and other resources to ascertain the costs and other requirements necessary to effectuate such a directory, including a concern's capability, standard industrial codes and Federal supply numbers identifying such capability, and other data deemed relevant. The Small Business Administration shall submit a report to the Small Business Committees of the Senate and the House of Representatives not later than June 1, 1989. This report shall include conclusions and recommendations and an estimate of the costs involved in implementing such a system.

SEC. 124. WOMEN-OWNED BUSINESS.

Section 303 of Public Law 96-302 (15 U.S.C. 631b) is amended by adding the following new subsection:

"(e) The information and data required to be reported pursuant to subsection (a) shall separately detail those portions of such information and data that are relevant to—

"(1) small business concerns owned and controlled by socially and economically disadvantaged individuals as defined pursuant to section 8(d) of the Small Business Act; and

"(2) small business concerns owned and controlled by women.".

SEC. 125. ANALYSIS OF FINANCING SOURCES.

(a) Study.—Not later than June 1, 1989, or one hundred and eighty days after the effective date of this section (whichever is later), the Office of the Chief Counsel for Advocacy of the Small Business Administration (hereinafter referred to in this section as the "Office") shall conduct and complete a study to determine, with respect to the service sector of the economy—
(1) the level of demand for debt capital by small business concerns;
(2) the level of availability of such capital for such concerns; and
(3) how new or innovative financing techniques or the improvement of existing techniques can be used to satisfy the unmet demand for such capital by such concerns consistent with acceptable standards of safety and soundness for loans and investments made by commercial and business lenders and institutional investors.

(b) Consultation and Cooperation.—In performing such study, the Office shall consult with the Federal Reserve Board, the Comptroller of the Currency, the Department of Commerce, other relevant agencies and departments of Government, trade and professional associations, and other organizations representing the interest of such business and service sector business concerns. Each department and agency shall afford the Office such assistance and cooperation as may be necessary to achieve the purposes of this subsection.

(c) Report.—The study performed pursuant to subsection (a) shall be reported to the Committees on Small Business of the Senate and House of Representatives within one hundred and eighty days after the effective date of this section.

SEC. 126. EFFECTIVE DATA COLLECTION ON WOMEN-OWNED BUSINESS.

(a) Study.—Not later than June 1, 1989, or one hundred and eighty days after the effective date of this section (whichever is later), the Office of the Chief Counsel for Advocacy of the Small Business Administration (hereinafter referred to in this section as the “Office”) shall conduct and complete a study to determine the most cost effective and accurate means to gather and present data on women-owned businesses, including data on sole proprietorship, partnership, Sub S corporations and regular corporations.

(b) Consultation and Cooperation.—In performing such study, the Office shall consult with the Department of Labor, including the Bureau of Labor Statistics, the Department of Commerce, including the Bureau of the Census, the Internal Revenue Service, other relevant agencies and departments of Government, trade and professional associations, and other organizations representing the interest of women-owned businesses. Each department and agency shall afford the Office such assistance and cooperation as may be necessary to achieve the purposes of this subsection.

(c) Report.—The study performed pursuant to subsection (a), together with such recommendations for legislative or administrative change as may be appropriate, shall be reported to the Committees on Small Business of the Senate and House of Representatives within one hundred and eighty days after the effective date of this section.

SEC. 127. MANAGEMENT AND TECHNICAL ASSISTANCE FOR WOMEN-OWNED SMALL BUSINESS.

(a) Establishment.—Subsection (c) of section 8 of the Small Business Act (15 U.S.C. 637(c)) is amended to read as follows:

“(c)(1) Subject to the requirements of paragraph (2), the Administration shall provide financial assistance to private organizations to
conduct demonstration projects for the benefit of small business concerns owned and controlled by women.

“(2) No amount of financial assistance shall be provided pursuant to this subsection unless the recipient organization agrees, as a condition of receiving such assistance, that—

“(A) it will obtain, after its application has been approved but prior to the disbursement of funds pursuant to this subsection, cash contributions from private sector sources in an amount at least equal to the amount of funds such organization will receive under this subsection; and

“(B) it will provide the types of services and assistance to present and potential women owners of small business concerns as are described in paragraph (3). For the purposes of this subsection such concerns may be either ‘start-up’ businesses or established ‘on-going’ concerns.

“(3) The types of services and assistance referred to in paragraph (2)(B) shall include the following:

“(A) financial assistance, which assistance shall include training and counseling in how to apply for and secure business credit and investment capital; prepare and present financial statements; manage cash flow and otherwise manage the financial operations of a business concern;

“(B) management assistance, which assistance shall include training and counseling in how to plan, organize, staff, direct and control each major activity and function of a small business concern; and

“(C) marketing assistance, which assistance shall include training and counseling in how to identify and segment domestic and international market opportunities; prepare and execute marketing plans; develop pricing strategies; locate contract opportunities; negotiate contracts; and utilize varying public relations and advertising techniques.

“(4) Applications for financial assistance pursuant to this subsection shall be evaluated and ranked in accordance with predetermined selection criteria that shall be stated in terms of relative importance. Such criteria and their relative importance shall be made publicly available and stated in each solicitation for applications made by the Administration. Such criteria shall include—

“(A) a criterion that specifically refers to the experience of the offering organization in conducting programs or on-going efforts designed to impart or upgrade the business skills of women business owners or potential owners;

“(B) a criterion that specifically refers to the present ability of the offering organization to commence a demonstration project within a minimum amount of time; and

“(C) a criterion that specifically refers to the ability of the applicant organization to provide training and services to a representative number of women who are both socially and economically disadvantaged.

“(5) The financial assistance authorized pursuant to this subsection shall be made by grant, contract, or cooperative agreement and may contain such provision, as necessary, to provide for payments in lump sum or installments, and in advance or by way or reimbursement.

“(6)(A) The Administration shall prepare and transmit a report to the Committees on Small Business of the Senate and House of Representatives on the effectiveness of all demonstration projects
conducted under the authority of this subsection. Such report shall provide information concerning—

“(i) the number of individuals receiving assistance;
“(ii) the number of start-up business concerns formed;
“(iii) the gross receipts of assisted concerns;
“(iv) increases or decreases in profits of assisted concerns; and
“(v) the employment increases or decreases of assisted concerns.

“(B) The report required pursuant to paragraph (A) shall cover at least a twenty-four month period and shall be submitted not later than thirty months after the effective date of this paragraph.

“(7) This subsection shall cease to be effective after September 30, 1991.”

(b) TECHNICAL AMENDMENT.—Subsection (b) of section 8 of the Small Business Act (15 U.S.C. 637(b)) is amended by—

(1) striking out “and” at the end of paragraph (14);
(2) striking out “public.” at the end of paragraph (15) and inserting in lieu thereof “public; and”; and
(3) by adding the following new paragraph:

“(16) to make studies of matters materially affecting the competitive strength of small business, and of the effect on small business of Federal laws, programs, and regulations, and to make recommendations to the appropriate Federal agency or agencies for the adjustment of such programs and regulations to the needs of small business.”

(c) AUTHORIZATION.—There is authorized to be appropriated $10,000,000 to carry out the demonstration projects required pursuant to subsection (a). The initial projects authorized to be financed by this section shall be funded by January 31, 1989. Notwithstanding any other provision of law, the Small Business Administration may use such expedited acquisition methods as it deems appropriate to achieve the purposes of this subsection, except that it shall insure that all eligible sources are provided a reasonable opportunity to submit proposals.

(d) DEFINITION.—For the purposes of this section, the term “small business concern owned and controlled by women” means any small business concern—

(1) that is at least 51 per centum owned by one or more women; and
(2) whose management and daily business operations are controlled by one or more of such women.

(e) New spending authority or authority to enter into contracts as authorized in this section shall be effective only to such extent and in such amounts as are provided in advance in appropriation Acts.

SEC. 128. NEW PROCUREMENT CENTER REPRESENTATIVES.

(a) EMPLOYMENT OF REPRESENTATIVE.—(1) Within one hundred and eighty days after the effective date of this title, the Small Business Administration shall have completed such measures as may be necessary to employ seven procurement center representatives to be stationed in States where no such representatives are stationed or designated to be stationed as of such effective date.

(2) The representatives employed pursuant to paragraph (1) shall be in addition to and not in lieu of any representatives that may be employed pursuant to any other provision of law or under any exercise of administrative discretion and stationed in such States at the present time.
SEC. 129. RURAL AREA BUSINESS DEVELOPMENT PLANS.

Within six months of the effective date of this Act, the Administrator shall identify each Federal agency having substantial procurement or grantmaking authority and shall notify each agency so identified. Within six months of notification, each agency shall develop rural area business enterprise development plans. Such plans shall establish rural area enterprise development objectives for the agency and methods for encouraging prime contractors, subcontractors and grant recipients to use small business concerns located in rural areas as subcontractors, suppliers, and otherwise. Such plans shall, to the extent the agency deems appropriate and feasible, include incentive techniques as encouragement.

SEC. 130. INCREASED CONTRACT OPPORTUNITIES.

(1) REPORT.—Not later than one hundred and eighty days after the effective date of this section, the Chief Counsel for Advocacy of the Small Business Administration (hereinafter referred to as the "Chief Counsel") shall report to the Small Business Committees of the Senate and the House of Representatives, including—

(a) an assessment (based on information available to him) of the extent to which the employees of Federal agencies and departments are performing professional and technical services for foreign governments (or other non-domestic entities) for which there are responsible domestic sources, and

(b) recommendations for specific steps by the Administration or other agencies to develop further information with respect to the foregoing issue.

(2) COOPERATION.—In preparing the report, the Chief Counsel shall consult with the Office of Management and Budget, the Department of Commerce, Department of the Interior, other relevant agencies of the Government, and trade and professional associations representing the interests of small business concerns. Each agency and department head shall afford the Chief Counsel assistance and cooperation to facilitate compilation and submission of his report.

SEC. 131. PRIVATE SECTOR COOPERATION.

(a) EXTENSION OF EFFECTIVE DATE.—Section 7(b) of the Small Business Computer Security and Education Act of 1984 (15 U.S.C. 633 note) is amended by striking the first sentence and inserting the following: "The amendments made to section 4(b)(3) of the Small Business Act by section 3 of this Act are repealed on October 1, 1988. The amendments made to section 8(b)(1)(A) of the Small Business Act by section 5(a)(2) of this Act are repealed on October 1, 1990."

(b) COSPONSORED EVENTS.—Section 8(b)(1)(A) of the Small Business Act (15 U.S.C. 637(b)(1)(A)) is amended—

(1) by inserting after "Provided, That the Administration shall take such actions as it deems appropriate to ensure" the following: "that any Administration program participating in such cosponsored activities receives appropriate recognition and publicity, and";

(2) by adding at the end thereof the following: "In the case of cosponsored activities which include the participation of a Federal, State, or local public official or agency, the Administration shall take such actions as it deems necessary to ensure that the cooperation does not constitute or imply an endorsement by the Administration of or give undue recognition to the public offi-
cial or agency, and that the Administration is given primary recognition in all cosponsored printed materials, whether the participant is a profit-making concern or a governmental agency or official.

(9) by inserting in clause (i) after “agreement” the following: “executed on behalf of the agency by an employee of the agency in Washington, District of Columbia, and who shall also approve, in advance, any printed materials to be distributed at the conference.”

SEC. 132. BACKGROUND CHECK POLICY—FINGERPRINTING.

The Small Business Administration shall not require fingerprints to be obtained for background check purposes from any participant in any Administration program who is serving on a voluntary basis and without compensation unless the Administration has reasonable grounds to believe that the participant’s record or background is such as to make the participant ineligible to participate in the relevant program.

SEC. 133. AMENDMENTS RELATING TO PROGRAMS FOR BLIND AND HANDICAPPED.

(a) IN GENERAL.—Section 15(c) of the Small Business Act (15 U.S.C. 644(c)) is amended to read as follows:

“(c)(1) As used in this subsection:

“(A) The term ‘Committee’ means the Committee for Purchase from the Blind and Other Severely Handicapped established under the first section of the Act entitled ‘An Act to create a Committee on Purchases of Blind-made Products, and for other purposes’, approved June 25, 1938 (41 U.S.C. 46).

“(B) The term ‘public or private organization for the handicapped’ has the same meaning given such term in section 3(e).

“(C) The term ‘handicapped individual’ has the same meaning given such term in section 3(f).

“(2)(A) During each of fiscal years 1989 through 1993, public or private organizations for the handicapped shall be eligible to participate in programs authorized under this section in an aggregate amount for each year as follows: In 1989 not more than $30,000,000, in 1990 not more than $40,000,000, and in each of 1991, 1992 and 1993 not more than $50,000,000.

“(B) None of the amounts authorized for participation by subparagraph (A) may be placed on the procurement list maintained by the Committee pursuant to section 2 of the Act entitled ‘An Act to create a Committee on Purchases of Blind-made Products, and for other purposes’, approved June 25, 1938 (41 U.S.C. 47).

“(3) The Administrator shall monitor and evaluate such participation.

“(4)(A) Not later than ten days after the announcement of a proposed award of a contract by an agency or department to a public or private organization for the handicapped, a for-profit small business concern that has experienced or is likely to experience severe economic injury as the result of the proposed award may file an appeal of the proposed award with the Administrator.

“(B) If such a concern files an appeal of a proposed award under subparagraph (A) and the Administrator, after consultation with the Executive Director of the Committee, finds that the concern has experienced or is likely to experience severe economic injury as the result of the proposed award, not later than thirty days after the
(5) Each agency and department having procurement powers shall report to the Office of Federal Procurement Policy each time a contract subject to paragraph (2)(A) is entered into, and shall include in its report the amount of the next higher bid submitted by a for-profit small business concern. The Office of Federal Procurement Policy shall collect data reported under the preceding sentence through the Federal procurement data system and shall report to the Administration which shall notify all such agencies and departments when the maximum amount of awards authorized under paragraph (2)(A) has been made during any fiscal year.

(6) For the purpose of this subsection, a contract may be awarded only if at least 75 per centum of the direct labor performed on each item being produced under the contract in the sheltered workshop or performed in providing each type of service under the contract by the sheltered workshop is performed by handicapped individuals.

(b) Report.—Not later than September 30, 1992, the General Accounting Office shall prepare a report describing the impact that contracts awarded under section 15(c) of the Small Business Act have had on for-profit small business concerns for fiscal years 1989 through 1991. The report shall be transmitted to the Committees on Small Business of the Senate and the House of Representatives.

(c) Task Force.—There is established within the Small Business Administration a task force on purchases from the blind and severely handicapped which shall consist of one representative of the small business community appointed by the Administrator of the Small Business Administration and one individual knowledgeable in the affairs of or experienced in the work of sheltered workshops appointed by the Executive Director of the Committee for Purchase from the Blind and Other Severely Handicapped established under the first section of the Act entitled “An Act to create a Committee on Purchases of Blind-made Products, and for other purposes”, approved June 25, 1938 (41 U.S.C. 46). The task force shall meet at least once every six months for the purpose of reviewing the award of contracts under section 15(c) of the Small Business Act and recommending to the Small Business Administration such administrative or statutory changes as it deems appropriate.

SEC. 134. MISCELLANEOUS AMENDMENTS.

Section 21 of the Small Business Act (15 U.S.C. 648) is amended—

1. by striking “Deputy Associate Administrator for Management Assistance” each place it appears in subsection (g) and inserting in lieu thereof “Associate Administrator for Small Business Development Centers”;

2. by striking in subsection (g) “the Associate Administrator for Management Assistance” and inserting “an official who is not more than one level below the Office of the Administrator”; and

3. by inserting the following at the end of subsection (k): “After the administration has entered a contract, either as a grant or a cooperative agreement, with any applicant under this section, it shall not suspend, terminate or fail to renew or extend any such contract unless the Administration provides the applicant with written notification setting forth the reasons
therefor and affording the applicant an opportunity for a hearing, appeal or other administrative proceeding under the provisions of the Administrative Procedures Act.”.

SEC. 135. FUNDING EXTENSIONS.

The Small Business Act is amended as follows:

1. by striking from subsection (z) of section 20 “1988 and 1989, $3,500,000” and by inserting in lieu thereof “1988 through 1990, $3,500,000”;

2. by striking from subsection (z) “1988 and 1989, $5,000,000” and by inserting in lieu thereof “1988 through 1990, $5,000,000”;

3. by inserting in section 21(c)(5) after “to such center” the following: “or the date the Administration notifies the grantee funded under subsection (a)(1) that funds are available for grant applications pursuant to subsection (a)(6), which ever date occurs last.”

SEC. 136. PROMULGATION OF RULES.

Notwithstanding any law, rule or regulation, the Small Business Administration shall promulgate final regulations to be effective on publication to carry out the provisions of this title within six months after the date of enactment.

SEC. 137. EFFECTIVE DATE.

This title shall be effective on the date of enactment, except that sections 118 through 122 shall be effective for all loan applications resulting from disaster declarations made on or after August 1, 1988, or from disaster declarations whose filing periods were open on October 1, 1988. Any new credit authority provided for in this Act is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

TITLE II—PREFERRED SURETY BOND GUARANTEE PROGRAM

SEC. 201. SHORT TITLE.

This title may be cited as the “Preferred Surety Bond Guarantee Program Act of 1988”.

SEC. 202. AUTHORITY OF THE ADMINISTRATION.

Section 411(a) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(a)) is amended to read as follows:

“(a)(1) The Administration may, upon such terms and conditions as it may prescribe, guarantee and enter into commitments to guarantee any surety against loss resulting from a breach of the terms of a bid bond, payment bond, performance bond, or bonds ancillary thereto, by a principal on any contract up to $1,250,000.

“(2) The terms and conditions of said guarantees and commitments may vary from surety to surety on the basis of the Administration’s experience with the particular surety.

“(3) The Administration may authorize any surety, without further administration approval, to issue, monitor, and service such bonds subject to the Administration’s guarantee.

“(4) No such guarantee may be issued, unless—
“(A) the person who would be principal under the bond is a small business concern;
“(B) the bond is required in order for such person to bid on a contract, or to serve as a prime contractor or subcontractor thereon;
“(C) such person is not able to obtain such bond on reasonable terms and conditions without a guarantee under this section; and
“(D) there is a reasonable expectation that such principal will perform the covenants and conditions of the contract with respect to which such bond is required, and the terms and conditions of such bond are reasonable in the light of the risks involved and the extent of the surety’s participation.”

SEC. 203. INDEMNIFICATION.

(a) IN GENERAL.—Section 411(b) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(b)) is amended—

(1) by striking paragraph (3),
(2) by striking “; and” and inserting a period at the end of paragraph (2),
(3) by redesignating paragraph (2) as paragraph (3),
(4) by inserting after paragraph (1) the following new paragraph:
“(2) a surety must obtain approval from the Administration prior to making any payments pursuant to this subsection unless the surety is participating under the authority of subsection (a)(3); and”, and
(5) by inserting at the end the following new sentence:
“In no event shall the Administration pay a surety pursuant to this subsection an amount exceeding the guaranteed share of the bond available to such surety pursuant to subsection (a).”.

(b) AMOUNT OF INDEMNIFICATION.—Section 411(c) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(c)) is amended to read as follows:

“(c) Any guarantee or agreement to indemnify under this section shall obligate the Administration to pay to the surety a sum—
“(1) not to exceed 70 per centum of the loss incurred and paid by a surety authorized to issue bonds subject to the Administration’s guarantee under subsection (a)(3);
“(2) not to exceed 90 per centum of the loss incurred and paid in the case of a surety requiring the Administration’s specific approval for the issuance of such bond, but in no event may the Administration make any duplicate payment pursuant to subsection (b) or any other subsection;
“(3) equal to 90 per centum of the loss incurred and paid in the case of a surety requiring the administration’s specific approval for the issuance of a bond, if—
“(A) the total amount of the contract at the time of execution of the bond or bonds is $100,000 or less, or
“(B) the bond was issued to a small business concern owned and controlled by socially and economically disadvantaged individuals as defined by section 8(d) of the Small Business Act; or
“(4) determined pursuant to subsection (b), if applicable.”.

(c) LIMITATION OF ADMINISTRATION’S LIABILITY.—Section 411(e) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(e)) is amended—
(1) by striking "or" at the end of paragraph (1),
(2) by striking the period at the end of paragraph (2) and inserting a comma, and
(3) by adding at the end thereof the following new paragraphs:
"(3) the surety has breached a material term or condition of such guarantee agreement, or
"(4) the surety has substantially violated the regulations promulgated by the Administration pursuant to subsection (d)."

SEC. 204. REPORTS AND AUDITS OF PARTICIPATING SURETIES.

Section 411(g) of the Small Business Investment Act (15 U.S.C. 694b(g)) is amended to read as follows:
"(g)(1) Each participating surety shall make reports to the Administration at such times and in such form as the Administration may require.
"(2) The Administration may at all reasonable times audit, in the offices of a participating surety, all documents, files, books, records, and other material relevant to the Administration’s guarantee, commitments to guarantee, or agreements to indemnify any surety pursuant to this section.
"(3) Each surety participating under the authority of paragraph (3) of subsection (a) shall be audited at least once each year by examiners selected and approved by the Administration.”.

SEC. 205. REGULATIONS.

The Administration shall promulgate final regulations to implement the amendments made by this title not later than one hundred and eighty days after the date of the enactment of this Act.

SEC. 206. EVALUATION AND REPORT.

Not later than three years after the date of enactment of this Act the Comptroller General of the United States shall transmit a report to the Small Business Committees of the Senate and House of Representatives, which evaluates—
(1) the amendments made by this title,
(2) whether participation in the program by standard surety firms has been expanded, and
(3) whether access to bonds by small business concerns especially small business concerns owned and controlled by socially and economically disadvantaged individuals has been improved.
The report shall cover the first two full fiscal years following the date of enactment of this Act.

SEC. 207. SUNSET.

The provisions contained in section 411(a)(3) of the Small Business Investment Act of 1958 (15 U.S.C. 694b(a)(3)), shall cease to be effective on September 30, 1991, or on the last day of the third full fiscal year after the date of enactment of this Act, whichever is later.

SEC. 208. REVOLVING FUND.

Section 412 of the Small Business Investment Act of 1958 (15 U.S.C. 694c) is amended—
(1) by inserting “(a)” before “There”, and
(2) by adding at the end of subsection (a), the following new subsection:
“(b) Such sums as may be appropriated to the Fund to carry out the programs authorized by this part shall be without fiscal year limitation.”.

SEC. 209. EFFECTIVE DATE. 

Except as otherwise provided in this title, the provisions of this title shall become effective upon expiration of one hundred and eighty days after the date of its enactment.