

105TH CONGRESS
1ST SESSION

H. R. 974

To amend title 10, United States Code, to restore the Department of Defense loan guarantee program for small and medium-sized business concerns that are economically dependent on defense expenditures.

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 1997

Mr. FORBES (for himself and Mrs. MCCARTHY of New York) introduced the following bill; which was referred to the Committee on National Security

A BILL

To amend title 10, United States Code, to restore the Department of Defense loan guarantee program for small and medium-sized business concerns that are economically dependent on defense expenditures.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. RESTORATION OF LOAN GUARANTEE PRO-**
4 **GRAM FOR DEFENSE DEPENDENT SMALL**
5 **AND MEDIUM-SIZED BUSINESS CONCERNS.**

6 (a) DELTA LOAN GUARANTEE PROGRAM.—(1)
7 Chapter 148 of title 10, United States Code, is amended
8 by inserting before section 2525 the following new section:

1 **“§ 2524. Loan guarantees for defense dependent small**
2 **and medium-sized business concerns**

3 “(a) LOAN GUARANTEES AUTHORIZED.—The Sec-
4 retary of Defense may provide support under this section
5 for programs sponsored by the Federal Government, re-
6 gional entities, States, local governments, and private enti-
7 ties and nonprofit organizations that assist small business
8 concerns and medium-sized business concerns that are
9 economically dependent on defense expenditures to acquire
10 dual-use capabilities through the provision of loan guaran-
11 tees to such business concerns under the terms and condi-
12 tions specified under this section and other applicable law.

13 “(b) TRANSFER OF ADMINISTRATION.—(1) The Sec-
14 retary of Defense may enter into a memorandum of under-
15 standing with the Administrator of the Small Business
16 Administration, the Administrator of the Economic Devel-
17 opment Administration of the Department of Commerce,
18 or the head of any other Federal agency having expertise
19 regarding the provision of loan guarantees, under which
20 the agency may—

21 “(A) process applications for loan guarantees
22 under this section;

23 “(B) guarantee repayment of the resulting
24 loans; and

1 “(C) provide any other services to the Secretary
2 to administer the loan guarantee program under this
3 section.

4 “(2) From funds made available for the loan guaran-
5 tee program under this section, the Secretary of Defense
6 may transfer to the agency or agencies that are parties
7 to the memorandum of understanding such sums as may
8 be necessary for the agency or agencies to carry out activi-
9 ties under the loan guarantee program.

10 “(3) The Secretary of Defense shall enter into the
11 memorandum of understanding authorized by paragraph
12 (1) within 60 days after the date of the enactment of this
13 section.

14 “(c) CONDITION ON OPERATION.—The Secretary
15 shall carry out the loan guarantee program authorized
16 under this section during any fiscal year for which funds
17 are specifically made available to cover the costs of loan
18 guarantees to be issued pursuant to such section.

19 “(d) SPECIAL REQUIREMENTS REGARDING LOAN
20 GUARANTEES.—(1) Competitive procedures shall be used
21 in the selection of small business concerns and medium-
22 sized business concerns to receive loan guarantees under
23 this section.

1 “(2) The criteria used for the selection of a small
2 business concern or medium-sized business concern to re-
3 ceive a loan guarantee under this section shall include the
4 following:

5 “(A) The extent to which the loans to be guar-
6 anteed would support the retention of defense work-
7 ers whose employment would otherwise be perma-
8 nently or temporarily terminated as a result of re-
9 ductions in expenditures by the United States for
10 defense, the termination or cancellation of a defense
11 contract, the failure to proceed with an approved
12 major weapon system, the merger or consolidation of
13 the operations of a defense contractor, or the closure
14 or realignment of a military installation.

15 “(B) The extent to which the loans to be guar-
16 anteed would stimulate job creation and new eco-
17 nomic activities in communities most adversely af-
18 fected by reductions in expenditures by the United
19 States for defense, the termination or cancellation of
20 a defense contract, the failure to proceed with an ap-
21 proved major weapon system, the merger or consoli-
22 dation of the operations of a defense contractor, or
23 the closure or realignment of a military installation.

24 “(C) The extent to which the loans to be guar-
25 anteed would be used to acquire (or permit the use

1 of other funds to acquire) capital equipment to mod-
2 ernize or expand the facilities of the borrower to en-
3 able the borrower to remain in the national tech-
4 nology and industrial base available to the Depart-
5 ment of Defense.

6 “(3) Except as provided in paragraph (4), to be eligi-
7 ble for a loan guarantee under this section, a borrower
8 must demonstrate to the satisfaction of the Secretary that,
9 during any one of the seven preceding operating years of
10 the borrower, at least 25 percent of the value of the bor-
11 rower’s sales were derived from—

12 “(A) contracts with the Department of Defense
13 or the defense-related activities of the Department of
14 Energy; or

15 “(B) subcontracts in support of defense-related
16 prime contracts.

17 “(4)(A) An individual described in subparagraph (B)
18 shall be eligible for a loan guarantee under this section
19 to establish, or acquire and operate, a small business con-
20 cern in an area that the Secretary determines is (or rea-
21 sonably can be expected to be) detrimentally affected by
22 reductions in defense spending, the termination or can-
23 cellation of a defense contract, the failure to proceed with

1 an approved major weapon system, the merger or consoli-
2 dation of the operations of a defense contractor, or the
3 closure or realignment of a military installation.

4 “(B) An individual referred to in subparagraph (A)
5 is an individual—

6 “(i) who is a former employee of the Depart-
7 ment of Defense or a defense contractor; and

8 “(ii) whose employment was terminated as a re-
9 sult of reductions in defense spending, the termi-
10 nation or cancellation of a defense contract, the fail-
11 ure to proceed with an approved major weapon sys-
12 tem, the merger or consolidation of the operations of
13 a defense contractor, or the closure or realignment
14 of a military installation.

15 “(e) MAXIMUM AMOUNT OF LOAN PRINCIPAL.—The
16 maximum amount of loan principal for which the Sec-
17 retary may provide a guarantee under this section during
18 a fiscal year may not exceed—

19 “(1) \$1,250,000, with respect to a small busi-
20 ness concern; and

21 “(2) \$10,000,000 with respect to a medium-
22 sized business concern.

23 “(f) LOAN GUARANTY RATE.—The maximum allow-
24 able guarantee percentage for loans guaranteed under this
25 section may not exceed 90 percent.

1 “(g) ALLOCATION OF FUNDS BETWEEN SMALL AND
 2 MEDIUM BUSINESSES.—The total amount available for a
 3 fiscal year to cover the costs of loan guarantees under this
 4 section shall be divided between small business concerns
 5 and medium-sized business concerns as follows:

6 “(A) 60 percent for small business concerns.

7 “(B) 40 percent for medium-sized business con-
 8 cerns.

9 “(h) MEDIUM-SIZED BUSINESS CONCERN DE-
 10 FINED.—In this section, the term ‘medium-sized business
 11 concern’ means a business concern that is not more than
 12 two times the maximum size specified by the Adminis-
 13 trator of the Small Business Administration for purposes
 14 of determining whether a business concern furnishing a
 15 product or service is a small business concern.”.

16 (2) The table of sections at the beginning of sub-
 17 chapter IV of such chapter is amended by inserting before
 18 the item relating to section 2525 the following new item:

“2524. Loan guarantees for defense dependent small- and medium-sized busi-
 ness concerns.”.

19 (b) CONTINUED AVAILABILITY OF EXISTING
 20 FUNDS.—The funds made available under the second pro-
 21 viso under the heading “RESEARCH, DEVELOPMENT,
 22 TEST AND EVALUATION, DEFENSE-WIDE” in Public Law
 23 103–335 (108 Stat. 2613) shall be available until Septem-
 24 ber 30, 1999—

1 (1) to cover the costs (as defined in section
2 502(5) of the Federal Credit Reform Act of 1990 (2
3 U.S.C. 661a(5))) of loan guarantees issued under
4 section 2524 of title 10, United States Code, as
5 added by subsection (a); and

6 (2) to cover the reasonable costs of the adminis-
7 tration of loan guarantees referred to in such sec-
8 tion.

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