

gentleman votes "yes" for that budget resolution he is supporting a budget which is insufficient for veterans and the Veterans Administration. It undermines our contract with our Nation's veterans.

The gentleman now has an opportunity to stop yelling at the President and take responsibility for his vote, and I ask the gentleman, if he thinks that that budget is too low, as he says the President's was, vote "no" on the budget resolution. Join me in my recommittal motion which will ask for the independent budget's figure to be added to our budget resolution.

Mr. EVANS. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. STUMP. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would like to thank the gentleman from Illinois (Mr. EVANS), the ranking member of the full committee, for the cooperation and the hard work he has done on this bill, as well as my two subcommittee chairmen, the gentleman from New York (Mr. QUINN) and the gentleman from Florida (Mr. STEARNS). They have put in an extraordinary amount of time.

I do not want to leave the impression that we have not worked on this bill since last year, as someone mentioned. We have worked a lot on this bill. We have made some technical changes. I have conferred with my counterpart, the chairman of the VA committee on the Senate side, and I think we had an excellent time.

Unlike last year, we kind of ran out of time, an election year, end of session. There simply was not enough time to work these differences out. I believe that will happen this time, Mr. Speaker, and I am going to see that it does, if it is within my power.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. GOODLATTE). The question is on the motion offered by the gentleman from Arizona (Mr. STUMP) that the House suspend the rules and pass the bill, H.R. 70.

The question was taken.

Mr. STUMP. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

SMALL BUSINESS YEAR 2000 READINESS ACT

Mr. TALENT. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 314) to provide for a loan guarantee program to address the Year 2000 computer problems of small business concerns, and for other purposes.

The Clerk read as follows:

S. 314

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Business Year 2000 Readiness Act".

SEC. 2. FINDINGS.

Congress finds that—

(1) the failure of many computer programs to recognize the Year 2000 may have extreme negative financial consequences in the Year 2000, and in subsequent years for both large and small businesses;

(2) small businesses are well behind larger businesses in implementing corrective changes to their automated systems;

(3) many small businesses do not have access to capital to fix mission critical automated systems, which could result in severe financial distress or failure for small businesses; and

(4) the failure of a large number of small businesses due to the Year 2000 computer problem would have a highly detrimental effect on the economy in the Year 2000 and in subsequent years.

SEC. 3. YEAR 2000 COMPUTER PROBLEM LOAN GUARANTEE PROGRAM.

(a) PROGRAM ESTABLISHED.—Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended by adding at the end the following:

"(27) YEAR 2000 COMPUTER PROBLEM PROGRAM.—

"(A) DEFINITIONS.—In this paragraph—

"(i) the term 'eligible lender' means any lender designated by the Administration as eligible to participate in the general business loan program under this subsection; and

"(ii) the term 'Year 2000 computer problem' means, with respect to information technology, and embedded systems, any problem that adversely affects the processing (including calculating, comparing, sequencing, displaying, or storing), transmitting, or receiving of date-dependent data—

"(I) from, into, or between—

"(aa) the 20th or 21st centuries; or

"(bb) the years 1999 and 2000; or

"(II) with regard to leap year calculations.

"(B) ESTABLISHMENT OF PROGRAM.—The Administration shall—

"(i) establish a loan guarantee program, under which the Administration may, during the period beginning on the date of enactment of this paragraph and ending on December 31, 2000, guarantee loans made by eligible lenders to small business concerns in accordance with this paragraph; and

"(ii) notify each eligible lender of the establishment of the program under this paragraph, and otherwise take such actions as may be necessary to aggressively market the program under this paragraph.

"(C) USE OF FUNDS.—A small business concern that receives a loan guaranteed under this paragraph shall only use the proceeds of the loan to—

"(i) address the Year 2000 computer problems of that small business concern, including the repair and acquisition of information technology systems, the purchase and repair of software, the purchase of consulting and other third party services, and related expenses; and

"(ii) provide relief for a substantial economic injury incurred by the small business concern as a direct result of the Year 2000 computer problems of the small business concern or of any other entity (including any service provider or supplier of the small business concern), if such economic injury has not been compensated for by insurance or otherwise.

"(D) LOAN AMOUNTS.—

"(i) IN GENERAL.—Notwithstanding paragraph (3)(A) and subject to clause (ii) of this subparagraph, a loan may be made to a borrower under this paragraph even if the total amount outstanding and committed (by participation or otherwise) to the borrower from

the business loan and investment fund, the business guaranty loan financing account, and the business direct loan financing account would thereby exceed \$750,000.

"(ii) EXCEPTION.—A loan may not be made to a borrower under this paragraph if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund, the business guaranty loan financing account, and the business direct loan financing account would thereby exceed \$1,000,000.

"(E) ADMINISTRATION PARTICIPATION.—Notwithstanding paragraph (2)(A), in an agreement to participate in a loan under this paragraph, participation by the Administration shall not exceed—

"(i) 85 percent of the balance of the financing outstanding at the time of disbursement of the loan, if the balance exceeds \$100,000;

"(ii) 90 percent of the balance of the financing outstanding at the time of disbursement of the loan, if the balance is less than or equal to \$100,000; and

"(iii) notwithstanding clauses (i) and (ii), in any case in which the subject loan is processed in accordance with the requirements applicable to the SBAExpress Pilot Program, 50 percent of the balance outstanding at the time of disbursement of the loan.

"(F) PERIODIC REVIEWS.—The Inspector General of the Administration shall periodically review a representative sample of loans guaranteed under this paragraph to mitigate the risk of fraud and ensure the safety and soundness of the loan program.

"(G) ANNUAL REPORT.—The Administration shall annually submit to the Committees on Small Business of the House of Representatives and the Senate a report on the results of the program carried out under this paragraph during the preceding 12-month period, which shall include information relating to—

"(i) the total number of loans guaranteed under this paragraph;

"(ii) with respect to each loan guaranteed under this paragraph—

"(I) the amount of the loan;

"(II) the geographic location of the borrower; and

"(III) whether the loan was made to repair or replace information technology and other automated systems or to remedy an economic injury; and

"(iii) the total number of eligible lenders participating in the program."

(b) GUIDELINES.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the Administrator of the Small Business Administration shall issue guidelines to carry out the program under section 7(a)(27) of the Small Business Act, as added by this section.

(2) REQUIREMENTS.—Except to the extent that it would be inconsistent with this section or section 7(a)(27) of the Small Business Act, as added by this section, the guidelines issued under this subsection shall, with respect to the loan program established under section 7(a)(27) of the Small Business Act, as added by this section—

(A) provide maximum flexibility in the establishment of terms and conditions of loans originated under the loan program so that such loans may be structured in a manner that enhances the ability of the applicant to repay the debt;

(B) if appropriate to facilitate repayment, establish a moratorium on principal payments under the loan program for up to 1 year beginning on the date of the origination of the loan;

(C) provide that any reasonable doubts regarding a loan applicant's ability to service the debt be resolved in favor of the loan applicant; and

(D) authorize an eligible lender (as defined in section 7(a)(27)(A) of the Small Business

Act, as added by this section) to process a loan under the loan program in accordance with the requirements applicable to loans originated under another loan program established pursuant to section 7(a) of the Small Business Act (including the general business loan program, the Preferred Lender Program, the Certified Lender Program, the Low Documentation Loan Program, and the SBAExpress Pilot Program), if—

(i) the eligible lender is eligible to participate in such other loan program; and

(ii) the terms of the loan, including the principal amount of the loan, are consistent with the requirements applicable to loans originated under such other loan program.

(c) REPEAL.—Effective on December 31, 2000, this section and the amendments made by this section are repealed.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Missouri (Mr. TALENT) and the gentlewoman from New York (Ms. VELÁZQUEZ) each will control 20 minutes.

The Chair recognizes the gentleman from Missouri (Mr. TALENT).

Mr. TALENT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the Year 2000 computer problem, commonly known as Y2K, has the potential to disrupt many of this Nation's small to medium-sized businesses at the turn of the century. The Y2K problem exists because many computers and embedded chips cannot process dates beyond December 31, 1999.

Although computer programmers have known about this problem since at least the late 1960s, many small business owners have not taken any action toward correcting any possible Y2K problems they may have. In fact, according to a recent study by the NFIB, a small business association, only one in four small business owners consider Y2K a serious problem.

Today we are considering a very important piece of legislation that will help small businesses achieve Y2K compliance. The Small Business Year 2000 Readiness Act, S. 314, requires the Small Business Administration to establish a limited-term loan program to assist small businesses in correcting Y2K computer problems. Any of the more than 6,000 lenders nationwide that are eligible to participate in SBA's 7(a) business loan program are eligible to participate in the Y2K loan program.

Under current law, the SBA may not guarantee more than \$750,000 to any single borrower. This legislation establishes a limited exception to current law so that the SBA may exceed that amount by up to \$250,000 for loans under the Y2K loan program.

Small businesses may use the proceeds of a loan for two purposes. First, a small business may use the loan to correct Y2K problems affecting its own information technology systems and other automated systems. For example, a small business is permitted to purchase or repair hardware or software or pay for consultants to repair its information technology systems.

Second, a small business may use the loan proceeds to provide relief from

economic injury suffered as a direct result of its own Year 2000 problems or some other entity's Y2K problems.

The belief of many small businesses that the Y2K problem does not affect them because they do not own a large mainframe or PC is unrealistic. Many of these businesses rely on a wide range of suppliers and customers who use automated and computerized systems for production, inventory, shipping and billing purposes. If one of these links in a small business' supply and demand chain is broken due to a computer system that is not Y2K compliant, it could lead to irreparable damage to a business that lacks a large capital pool.

Other Y2K-related problems that could affect small businesses include interest calculation errors, bank account balance errors, and disruption of service on production lines. Additionally, in our continuously expanding marketplace, small business owners who have contact with overseas corporations need to discover whether or not their foreign trading partners are Y2K compliant.

There is one positive aspect of the Y2K problem, Mr. Speaker. We know what it is and we know when it will strike. Unlike other disasters that strike unexpectedly, American small businesses can prepare for this potential problem and, in fact, help to blunt its impact. The loan program established by the Small Business Year 2000 Readiness Act will be instrumental in preparing our Nation's small businesses for the turn of the century.

In closing, I would like to read a letter I recently received from one of my constituents which I believe clearly illustrates the problems small businesses may face in the Year 2000.

"Dear Congressman Talent: I own and operate a small payroll service bureau in your district providing payroll services for over 100 client companies and approximately 6,000 people. Our gross income in many cases is just 50 cents per check in this extremely competitive environment. It is my estimate that it will cost us about \$27,000 to \$35,000 to obtain the needed payroll software and computer hardware to become Y2K compliant.

"Obviously payroll checks issued for January of the Year 1900 are not likely to be cashable at many banks. None of my clients will stay with us without some assurance of valid checks come January 1, 2000, so not complying would mean the death of my company. It is going to take a significant portion of our revenues for several years to pay for the compliance we absolutely must have. This may mean going without an income for me, possibly pay cuts for my employees, and paying high loan interest rates for years.

"We are currently struggling to figure out a way to finance the upgrades needed to become compliant, instead of working on getting the equipment and software and becoming compliant. It will take us about 3 months to convert all records, even after installing equipment and software.

"I would ask that you and the House of Representatives move as quickly as possible to approve a matching bill to S. 314 already passed. Once any legislation passes, and the money finally comes down to my small business, I still face months of work to finish what you are starting.

"Thank you very much for your consideration of the immense pressures this issue has added to many small businesses already dealing with a host of other problems," and it is signed with a constituent's name.

That, I think, illustrates the reason why we have this bill before the House. I thank my friend, the ranking member of the committee, the gentlewoman from New York (Ms. VELÁZQUEZ) for her help.

Mr. Speaker, I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of S. 314, the Small Business Year 2000 Readiness Act. Providing small businesses with access to the capital they need to prepare themselves for the Year 2000 is important for the safety and soundness of our economy.

The Year 2000 problem is one of the most critical issues facing America's small businesses. It is not even January 1, 2000, and already some businesses are experiencing difficulties. Unless action is taken soon, the closer to this date we get, the more problems our Nation's businesses can expect.

Although no one knows for certain what impact Y2K will have, most experts believe that computer-related problems will be wide-ranging, from miscalculation in insurance and loan rates to brownouts caused by malfunctioning power plants. In fact, some equipment may stop working altogether. The economic impact could be disastrous not only for the United States but also for the global economy.

The overall cost to the American economy could be as high as \$119 billion in lost output between now and 2001. In addition to this figure, the economic growth rate could slow, inflation could rise and productivity could drop. For small businesses, which may not have adequate resources to deal with this problem, the effects could be devastating. Estimates indicate that up to 7 percent of U.S. businesses will fail due to the lack of Y2K readiness. Clearly, something must be done to minimize the effects of the Year 2000 problem.

Despite all of this information and the dire forecast for the economy, a recent study conducted by the National Federation of Independent Businesses and Wells Fargo Bank found that fewer than 23 percent of small business owners consider Y2K a serious problem. Additionally, the report stated that only 41 percent addressed or planned to address this issue. There are many reasons for this, ranging from lack of understanding to inadequate resources.

Today's legislation tackles one problem faced by small businesses preparing for the Y2K: access to capital. S. 314, the Small Business Year 2000 Readiness Act, would remedy this by providing greater flexibility through the 7(a) program to help businesses deal with their readiness. This legislation will also increase the number and amount of loans available to small businesses. Repayment of loans will be structured to help businesses with their cash flow and in their planning for the coming year.

Mr. Speaker, we should all take the threat that the Year 2000 problem poses to our small business community very seriously. We must continue to work together to make businesses aware of the need to prepare for Y2K, and we must continue finding ways to help small businesses become ready.

S. 314 is a step in that direction. I urge my colleagues to support this legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. TALENT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, in closing, I would like to thank our distinguished ranking member, the gentlewoman from New York (Ms. VELÁZQUEZ), for her work on this legislation.

Mr. Speaker, this is the sixth piece of legislation that the Committee on Small Business has brought before this House in these first months of the 106th Congress. We have moved all these measures on a bipartisan basis and in fact, so far, Mr. Speaker, we have been able to move our legislative agenda on a bicameral basis.

I would like to thank all the members of the committee for making the past few months a success for the committee. I also want to thank the committee staff on both sides of the aisle that worked so effectively to help our committee accomplish its goals.

I do not normally thank staff in these kinds of debates, Mr. Speaker, but I think it is appropriate given the fine work so far. On the Democratic staff, I would like to thank George Randels, Catherine Cruz-Wojtasik, Michael Klier and Michael Day. On the Republican staff, I would like to thank Charles Rowe, Meredith Matty, Dwayne Andrews, Stephanie O'Donnell, Larry McCredy, Paul Denham and Harry Katrichis.

This is a very important piece of legislation, Mr. Speaker, to help our small business community in dealing with what could be a very significant problem. I urge the House to support it.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I rise to speak on behalf of this bill, which encourages our small businesses to address the Y2K computer problem. I support S. 314 as a necessary support tool for small businesses dealing with Y2K.

This bill requires the Small Business Administration (SBA) to establish a new loan program that would give small businesses, who often do not have a great deal of money for capital investment, the opportunity to address the Y2K conversion in a responsible manner.

The Administration has gone through great pains to work through the Y2K bug, and to make sure that the United States survives the transition to next year with minimal discomfort. Among the programs that the Administration has created are several instituted by the SBA and the National Institute of Standards and Technology (NIST), which are aimed exclusively at getting small business on the track to Y2K Compliance.

These programs are vital in my district, and in areas throughout the country, where small businesses are responsible for providing many of the most important services to the community. In many urban neighborhoods, for instance, the largest grocery stores are the mom-and-pop shops on the corner—which would be called “convenience stores” in the suburbs. These small shops are, for many whom do not have cars or whom rely on public transportation, their only source for food and other necessary goods—and we simply cannot afford to have them shut down for any amount of time.

Most of the growth in our economy can be attributed to the revitalization of our small and medium-sized businesses, and we ought to ensure that no phenomenon, whether an act of God or the miscalculation of a computer designed decades ago, will curb that growth. I believe that this, simple bill, has the potential to do a great deal of good, and I, like my colleagues in the Senate, urge its passage.

Mr. TALENT. Mr. Speaker, I yield back the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Missouri (Mr. TALENT) that the House suspend the rules and pass the Senate bill, S. 314.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill was passed.

A motion to reconsider was laid on the table.

□ 1200

GENERAL LEAVE

Mr. TALENT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on S. 314.

The SPEAKER pro tempore (Mr. GOODLATTE). Is there objection to the request of the gentleman from Missouri?

There was no objection.

SMALL BUSINESS INVESTMENT IMPROVEMENT ACT OF 1999

Mr. TALENT. Mr. Speaker, I move to suspend the rules and concur in the Senate amendment to the bill (H.R. 68) to amend section 20 of the Small Business Act and make technical corrections in title III of the Small Business Investment Act.

The Clerk read as follows:

Senate amendment:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Small Business Investment Improvement Act of 1999”.

SEC. 2. SBIC PROGRAM.

(a) *IN GENERAL.*—Section 308(i)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 687(i)(2)) is amended by adding at the end the following: “In this paragraph, the term ‘interest’ includes only the maximum mandatory sum, expressed in dollars or as a percentage rate, that is payable with respect to the business loan amount received by the small business concern, and does not include the value, if any, of contingent obligations, including warrants, royalty, or conversion rights, granting the small business investment company an ownership interest in the equity or increased future revenue of the small business concern receiving the business loan.”.

(b) *FUNDING LEVELS.*—Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended—

(1) in subsection (d)(1)(C)(i), by striking “\$800,000,000” and inserting “\$1,200,000,000”; and

(2) in subsection (e)(1)(C)(i), by striking “\$900,000,000” and inserting “\$1,500,000,000”.

(c) DEFINITIONS.—

(1) *SMALL BUSINESS CONCERN.*—Section 103(5) of the Small Business Investment Act of 1958 (15 U.S.C. 662(5)) is amended—

(A) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), and indenting appropriately;

(B) in clause (iii), as redesignated, by adding “and” at the end;

(C) by striking “purposes of this Act, an investment” and inserting the following: “purposes of this Act—

“(A) an investment”; and

(D) by adding at the end the following:

“(B) in determining whether a business concern satisfies net income standards established pursuant to section 3(a)(2) of the Small Business Act, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

“(i) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this subparagraph), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

“(ii) the net income (so determined) less any deduction for State (and local) income taxes calculated under clause (i), multiplied by the marginal Federal income tax rate that would have applied if the business concern were a corporation.”.

(2) *SMALLER ENTERPRISE.*—Section 103(12)(A)(ii) of the Small Business Investment Act of 1958 (15 U.S.C. 662(12)(A)(ii)) is amended by inserting before the semicolon at the end the following: “except that, for purposes of this clause, if the business concern is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to the shareholders, partners, beneficiaries, or other equitable owners of the business concern, the net income of the business concern shall be determined by allowing a deduction in an amount equal to the sum of—

“(I) if the business concern is not required by law to pay State (and local, if any) income taxes at the enterprise level, the net income (determined without regard to this clause), multiplied by the marginal State income tax rate (or by the combined State and local income tax rates, as applicable) that would have applied if the business concern were a corporation; and

“(II) the net income (so determined) less any deduction for State (and local) income taxes calculated under subclause (I), multiplied by the