

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5352

To reauthorize programs to assist small business concerns, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2006

Mr. MANZULLO introduced the following bill; which was referred to the Committee on Small Business

---

## A BILL

To reauthorize programs to assist small business concerns, and for other purposes.

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. SHORT TITLE; TABLE OF CONTENTS.**

4       (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Small Business Reauthorization Act of 2006”.

6       (b) **TABLE OF CONTENTS.**—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

### TITLE I—AUTHORIZATIONS

Sec. 101. Section 20 reauthorizations.

Sec. 102. Reauthorizations for certain Small Business Act programs.

Sec. 103. Reauthorizations for certain other programs.

## TITLE II—FINANCE

## Subtitle A—Certified Development Company Program

- Sec. 201. Short title; definition.
- Sec. 202. Development Company Loan Programs.
- Sec. 203. Loan liquidations.
- Sec. 204. Additional equity injections.
- Sec. 205. Businesses in low-income areas.
- Sec. 206. Combinations of certain goals.
- Sec. 207. Maximum 504 and 7(a) loan eligibility.
- Sec. 208. Refinancing.
- Sec. 209. Fees.
- Sec. 210. Technical correction.
- Sec. 211. Small Business Investment Act definition.
- Sec. 212. Repeal of sunset on reserve requirements for premier certified lenders.
- Sec. 213. Eligibility of development companies to be designated as certified development companies and authority to issue debentures; and providing an area of operational authority, funding restrictions, and ethical requirements.
- Sec. 214. Conforming amendments.
- Sec. 215. Closing costs.
- Sec. 216. Definition of rural.
- Sec. 217. Regulations and effective date.

## Subtitle B—Small Business Lending Improvement

- Sec. 221. Short title.
- Sec. 222. National preferred lenders program.
- Sec. 223. Maximum loan amount.
- Sec. 224. Alternative size standard.
- Sec. 225. Timely payment of 7(a) secondary market fee.

## Subtitle C—Small Business Investment

- Sec. 241. Participating Security Small Business Investment Companies.

## TITLE III—ENTREPRENEURSHIP

## Subtitle A—National Small Business Regulatory Assistance

- Sec. 301. Short title.
- Sec. 302. Purpose.
- Sec. 303. Definitions.
- Sec. 304. Small business regulatory assistance program.
- Sec. 305. Promulgation of regulations.

## Subtitle B—Vocational and Technical Entrepreneurship Development

- Sec. 311. Short title.
- Sec. 312. Vocational and technical entrepreneurship development program.

## Subtitle C—Native American Small Business Development

- Sec. 321. Findings and purposes.
- Sec. 322. Small Business Development Center assistance to Indian tribe members, Alaska Natives, and Native Hawaiians.

Sec. 323. State consultation with tribal organizations.

Subtitle D—Second-Stage Small Business Development

Sec. 331. Short title.  
 Sec. 332. Purpose.  
 Sec. 333. Pilot program.  
 Sec. 334. Regulations.  
 Sec. 335. Definitions.  
 Sec. 336. Authorization of appropriations.

Subtitle E—Trade Provisions

Sec. 341. Establishment of Associate Administrator for International Trade in Small Business Administration.

TITLE IV—MISCELLANEOUS

Sec. 401. Small business disaster loans.  
 Sec. 402. Disaster loans for incidents of national significance.  
 Sec. 403. Small Business Development Center Portability Grants.  
 Sec. 404. Assistance to out-of-state businesses.  
 Sec. 405. Elimination of unnecessary programs.  
 Sec. 406. Technical correction.  
 Sec. 407. Combating waste, fraud, and abuse.  
 Sec. 408. Relief available against Administrator.  
 Sec. 409. Economic injury disaster loans to nonprofits.  
 Sec. 410. Extension of co-sponsorship authority.  
 Sec. 411. Regulations on size standards of franchisees.  
 Sec. 412. District Directors prohibited from being involved in selection of SBDC directors.

1           **TITLE I—AUTHORIZATIONS**

2   **SEC. 101. SECTION 20 REAUTHORIZATIONS.**

3           Section 20 of the Small Business Act (15 U.S.C. 647)

4 is amended by inserting after subsection (e) the following

5 new subsections:

6           “(f) FISCAL YEAR 2007.—

7                   “(1) PROGRAM LEVELS.—The following pro-

8 gram levels are authorized for fiscal year 2007:

9                           “(A) For the programs authorized by this

10                           Act, the Administrator is authorized to make—

1           “(i) \$80,000,000 in technical assist-  
2           ance grants, as provided in section 7(m);  
3           and

4           “(ii) \$110,000,000 in direct loans, as  
5           provided in section 7(m).

6           “(B) For the programs authorized by this  
7           Act, the Administrator is authorized to make  
8           \$27,050,000,000 in deferred participation loans  
9           and other financings. Of such sum, the Admin-  
10          istrator is authorized to make—

11           “(i) \$18,000,000,000 in general busi-  
12           ness loans, as provided in section 7(a);

13           “(ii) \$8,500,000,000 in certified de-  
14           velopment company financings, as provided  
15           in section 7(a)(13) and as provided in sec-  
16           tion 504 of the Small Business Investment  
17           Act of 1958;

18           “(iii) \$500,000,000 in loans, as pro-  
19           vided in section 7(a)(21); and

20           “(iv) \$50,000,000 in loans, as pro-  
21           vided in section 7(m).

22           “(C) For the programs authorized by title  
23           III of the Small Business Investment Act of  
24           1958, the Administrator is authorized to  
25           make—

1                   “(i) \$300,000,000 in purchases of  
2                   participating securities; and

3                   “(ii) \$4,000,000,000 in guarantees of  
4                   debentures.

5                   “(D) For the programs authorized by part  
6                   B of title IV of the Small Business Investment  
7                   Act of 1958, the Administrator is authorized to  
8                   enter into guarantees not to exceed  
9                   \$6,500,000,000, of which not more than 50  
10                  percent may be in bonds approved pursuant to  
11                  section 411(a)(3) of that Act.

12                  “(E) The Administrator is authorized to  
13                  make grants or enter into cooperative agree-  
14                  ments for a total amount of \$7,000,000 for the  
15                  Service Corps of Retired Executives program  
16                  authorized by section 8(b)(1).

17                  “(2) ADDITIONAL AUTHORIZATIONS.—

18                  “(A) There are authorized to be appro-  
19                  priated to the Administrator for fiscal year  
20                  2007 such sums as may be necessary to carry  
21                  out the provisions of this Act not elsewhere pro-  
22                  vided for, including administrative expenses and  
23                  necessary loan capital for disaster loans pursu-  
24                  ant to section 7(b), and to carry out the Small

1 Business Investment Act of 1958, including sal-  
2 aries and expenses of the Administration.

3 “(B) Notwithstanding any other provision  
4 of this paragraph, for fiscal year 2007—

5 “(i) no funds are authorized to be  
6 used as loan capital for the loan program  
7 authorized by section 7(a)(21) except by  
8 transfer from another Federal department  
9 or agency to the Administration, unless the  
10 program level authorized for general busi-  
11 ness loans under paragraph (1)(B)(i) is  
12 fully funded; and

13 “(ii) the Administration may not ap-  
14 prove loans on its own behalf or on behalf  
15 of any other Federal department or agen-  
16 cy, by contract or otherwise, under terms  
17 and conditions other than those specifically  
18 authorized under this Act or the Small  
19 Business Investment Act of 1958, except  
20 that it may approve loans under section  
21 7(a)(21) of this Act in gross amounts of  
22 not more than \$2,000,000.

23 “(g) FISCAL YEAR 2008.—

24 “(1) PROGRAM LEVELS.—The following pro-  
25 gram levels are authorized for fiscal year 2008:

1           “(A) For the programs authorized by this  
2 Act, the Administrator is authorized to make—

3                   “(i) \$80,000,000 in technical assist-  
4                   ance grants, as provided in section 7(m);  
5                   and

6                   “(ii) \$110,000,000 in direct loans, as  
7                   provided in section 7(m).

8           “(B) For the programs authorized by this  
9 Act, the Administrator is authorized to make  
10 \$29,050,000,000 in deferred participation loans  
11 and other financings. Of such sum, the Admin-  
12 istrator is authorized to make—

13                   “(i) \$19,000,000,000 in general busi-  
14                   ness loans, as provided in section 7(a);

15                   “(ii) \$9,500,000,000 in certified de-  
16                   velopment company financings, as provided  
17                   in section 7(a)(13) and as provided in sec-  
18                   tion 504 of the Small Business Investment  
19                   Act of 1958;

20                   “(iii) \$500,000,000 in loans, as pro-  
21                   vided in section 7(a)(21); and

22                   “(iv) \$50,000,000 in loans, as pro-  
23                   vided in section 7(m).

24           “(C) For the programs authorized by title  
25           III of the Small Business Investment Act of

1 1958, the Administrator is authorized to  
2 make—

3 “(i) \$300,000,000 in purchases of  
4 participating securities; and

5 “(ii) \$4,000,000,000 in guarantees of  
6 debentures.

7 “(D) For the programs authorized by part  
8 B of title IV of the Small Business Investment  
9 Act of 1958, the Administrator is authorized to  
10 enter into guarantees not to exceed  
11 \$7,000,000,000, of which not more than 50  
12 percent may be in bonds approved pursuant to  
13 section 411(a)(3) of that Act.

14 “(E) The Administrator is authorized to  
15 make grants or enter into cooperative agree-  
16 ments for a total amount of \$8,000,000 for the  
17 Service Corps of Retired Executives program  
18 authorized by section 8(b)(1).

19 “(2) ADDITIONAL AUTHORIZATIONS.—

20 “(A) There are authorized to be appro-  
21 priated to the Administrator for fiscal year  
22 2008 such sums as may be necessary to carry  
23 out the provisions of this Act not elsewhere pro-  
24 vided for, including administrative expenses and  
25 necessary loan capital for disaster loans pursu-

1 ant to section 7(b), and to carry out the Small  
2 Business Investment Act of 1958, including sal-  
3 aries and expenses of the Administration.

4 “(B) Notwithstanding any other provision  
5 of this paragraph, for fiscal year 2008—

6 “(i) no funds are authorized to be  
7 used as loan capital for the loan program  
8 authorized by section 7(a)(21) except by  
9 transfer from another Federal department  
10 or agency to the Administration, unless the  
11 program level authorized for general busi-  
12 ness loans under paragraph (1)(B)(i) is  
13 fully funded; and

14 “(ii) the Administrator may not ap-  
15 prove loans on its own behalf or on behalf  
16 of any other Federal department or agen-  
17 cy, by contract or otherwise, under terms  
18 and conditions other than those specifically  
19 authorized under this Act or the Small  
20 Business Investment Act of 1958, except  
21 that it may approve loans under section  
22 7(a)(21) of this Act in gross amounts of  
23 not more than \$2,000,000.

24 “(h) FISCAL YEAR 2009.—

1           “(1) PROGRAM LEVELS.—The following pro-  
2           gram levels are authorized for fiscal year 2009:

3                   “(A) For the programs authorized by this  
4           Act, the Administrator is authorized to make—

5                           “(i) \$80,000,000 in technical assist-  
6                           ance grants, as provided in section 7(m);  
7                           and

8                           “(ii) \$110,000,000 in direct loans, as  
9                           provided in section 7(m).

10                   “(B) For the programs authorized by this  
11           Act, the Administrator is authorized to make  
12           \$31,050,000,000 in deferred participation loans  
13           and other financings. Of such sum, the Admin-  
14           istrator is authorized to make—

15                           “(i) \$20,000,000,000 in general busi-  
16                           ness loans, as provided in section 7(a);

17                           “(ii) \$10,500,000,000 in certified de-  
18                           velopment company financings, as provided  
19                           in section 7(a)(13) and as provided in sec-  
20                           tion 504 of the Small Business Investment  
21                           Act of 1958;

22                           “(iii) \$500,000,000 in loans, as pro-  
23                           vided in section 7(a)(21); and

24                           “(iv) \$50,000,000 in loans, as pro-  
25                           vided in section 7(m).

1           “(C) For the programs authorized by title  
2           III of the Small Business Investment Act of  
3           1958, the Administrator is authorized to  
4           make—

5                   “(i) \$300,000,000 in purchases of  
6                   participating securities; and

7                   “(ii) \$4,000,000,000 in guarantees of  
8                   debentures.

9           “(D) For the programs authorized by part  
10           B of title IV of the Small Business Investment  
11           Act of 1958, the Administrator is authorized to  
12           enter into guarantees not to exceed  
13           \$7,500,000,000, of which not more than 50  
14           percent may be in bonds approved pursuant to  
15           section 411(a)(3) of that Act.

16           “(E) The Administrator is authorized to  
17           make grants or enter into cooperative agree-  
18           ments for a total amount of \$9,000,000 for the  
19           Service Corps of Retired Executives program  
20           authorized by section 8(b)(1).

21           “(2) ADDITIONAL AUTHORIZATIONS.—

22                   “(A) There are authorized to be appro-  
23                   priated to the Administrator for fiscal year  
24                   2009 such sums as may be necessary to carry  
25                   out the provisions of this Act not elsewhere pro-

1 vided for, including administrative expenses and  
2 necessary loan capital for disaster loans pursu-  
3 ant to section 7(b), and to carry out the Small  
4 Business Investment Act of 1958, including sal-  
5 aries and expenses of the Administration.

6 “(B) Notwithstanding any other provision  
7 of this paragraph, for fiscal year 2009—

8 “(i) no funds are authorized to be  
9 used as loan capital for the loan program  
10 authorized by section 7(a)(21) except by  
11 transfer from another Federal department  
12 or agency to the Administration, unless the  
13 program level authorized for general busi-  
14 ness loans under paragraph (1)(B)(i) is  
15 fully funded; and

16 “(ii) the Administrator may not ap-  
17 prove loans on its own behalf or on behalf  
18 of any other Federal department or agen-  
19 cy, by contract or otherwise, under terms  
20 and conditions other than those specifically  
21 authorized under this Act or the Small  
22 Business Investment Act of 1958, except  
23 that it may approve loans under section  
24 7(a)(21) of this Act in gross amounts of  
25 not more than \$2,000,000.

1 “(i) FISCAL YEAR 2010.—

2 “(1) PROGRAM LEVELS.—The following pro-  
3 gram levels are authorized for fiscal year 2010:

4 “(A) For the programs authorized by this  
5 Act, the Administrator is authorized to make—

6 “(i) \$80,000,000 in technical assist-  
7 ance grants, as provided in section 7(m);  
8 and

9 “(ii) \$110,000,000 in direct loans, as  
10 provided in section 7(m).

11 “(B) For the programs authorized by this  
12 Act, the Administrator is authorized to make  
13 \$33,050,000,000 in deferred participation loans  
14 and other financings. Of such sum, the Admin-  
15 istration is authorized to make—

16 “(i) \$21,000,000,000 in general busi-  
17 ness loans, as provided in section 7(a);

18 “(ii) \$11,500,000,000 in certified de-  
19 velopment company financings, as provided  
20 in section 7(a)(13) and as provided in sec-  
21 tion 504 of the Small Business Investment  
22 Act of 1958;

23 “(iii) \$500,000,000 in loans, as pro-  
24 vided in section 7(a)(21); and

1           “(iv) \$50,000,000 in loans, as pro-  
2           vided in section 7(m).

3           “(C) For the programs authorized by title  
4           III of the Small Business Investment Act of  
5           1958, the Administrator is authorized to  
6           make—

7                   “(i) \$300,000,000 in purchases of  
8                   participating securities; and

9                   “(ii) \$4,000,000,000 in guarantees of  
10                  debentures.

11           “(D) For the programs authorized by part  
12           B of title IV of the Small Business Investment  
13           Act of 1958, the Administrator is authorized to  
14           enter into guarantees not to exceed  
15           \$8,000,000,000, of which not more than 50  
16           percent may be in bonds approved pursuant to  
17           section 411(a)(3) of that Act.

18           “(E) The Administrator is authorized to  
19           make grants or enter into cooperative agree-  
20           ments for a total amount of \$10,000,000 for  
21           the Service Corps of Retired Executives pro-  
22           gram authorized by section 8(b)(1).

23           “(2) ADDITIONAL AUTHORIZATIONS.—

24                   “(A) There are authorized to be appro-  
25                  priated to the Administrator for fiscal year

1           2010 such sums as may be necessary to carry  
2           out the provisions of this Act not elsewhere pro-  
3           vided for, including administrative expenses and  
4           necessary loan capital for disaster loans pursu-  
5           ant to section 7(b), and to carry out the Small  
6           Business Investment Act of 1958, including sal-  
7           aries and expenses of the Administration.

8           “(B) Notwithstanding any other provision  
9           of this paragraph, for fiscal year 2010—

10                   “(i) no funds are authorized to be  
11                   used as loan capital for the loan program  
12                   authorized by section 7(a)(21) except by  
13                   transfer from another Federal department  
14                   or agency to the Administration, unless the  
15                   program level authorized for general busi-  
16                   ness loans under paragraph (1)(B)(i) is  
17                   fully funded; and

18                   “(ii) the Administrator may not ap-  
19                   prove loans on its own behalf or on behalf  
20                   of any other Federal department or agen-  
21                   cy, by contract or otherwise, under terms  
22                   and conditions other than those specifically  
23                   authorized under this Act or the Small  
24                   Business Investment Act of 1958, except  
25                   that it may approve loans under section

1                   7(a)(21) of this Act in gross amounts of  
2                   not more than \$2,000,000.”.

3 **SEC. 102. REAUTHORIZATIONS FOR CERTAIN SMALL BUSI-**  
4 **NESS ACT PROGRAMS.**

5           (a) SMALL BUSINESS DEVELOPMENT CENTER PRO-  
6 GRAM.—Section 21 of the Small Business Act (15 U.S.C.  
7 648) is amended in subsection (a)(4)(C)(vii)—

8                   (1) in subclause (I) by striking “and” at the  
9                   end;

10                   (2) in subclause (II) by striking the period at  
11                   the end; and

12                   (3) by adding at the end the following:

13                                   “(III) \$135,000,000 for fiscal  
14                                   year 2007; and

15                                   “(IV) \$114,000,000 for each of  
16                                   fiscal years 2008 through 2010.”.

17           (b) DISASTER MITIGATION PILOT PROGRAM.—

18                   (1) IN GENERAL.—Section 7 of the Small Busi-  
19                   ness Act (15 U.S.C. 636) is amended in subsection  
20                   (b)(1)(C) by striking “2000 through 2004” and in-  
21                   serting “2007 through 2010”.

22                   (2) AUTHORIZATION LEVELS.—Section 20 of  
23                   the Small Business Act (15 U.S.C. 631 note) is  
24                   amended in subsection (c) by striking the colon and  
25                   all that follows through the period at the end and

1 inserting “: \$15,000,000 for each of fiscal years  
2 2007 through 2010.”.

3 (c) MICROLOAN PROGRAM SUPPLEMENTAL  
4 GRANTS.—Section 7 of the Small Business Act (15 U.S.C.  
5 636) is amended in subsection (m)(4)(F)(ii) by striking  
6 “not more than 20” and all that follows through the pe-  
7 riod at the end and inserting “not more than 30 grantees  
8 in each of fiscal years 2007 through 2010, each of whom  
9 may receive a grant under this subparagraph in an  
10 amount not to exceed \$150,000 per year.”.

11 (d) MICROLOAN PROGRAM DEFERRED PARTICIPA-  
12 TION LOAN PILOT.—Section 7 of the Small Business Act  
13 (15 U.S.C. 636) is amended in subsection (m)(12) by  
14 striking “1998 through 2000” and inserting “2007  
15 through 2010”.

16 (e) BUSINESS GRANTS AND COOPERATIVE AGREE-  
17 MENTS.—Section 8 of the Small Business Act (15 U.S.C.  
18 637) is amended in subsection (n)(3) by striking “2006”  
19 and inserting “2010”.

20 (f) PAUL D. COVERDELL DRUG-FREE WORKPLACE  
21 PROGRAM.—Section 27 of the Small Business Act (15  
22 U.S.C. 654) is amended in subsection (g), in each of para-  
23 graphs (1), (2), and (3), by striking “2006” and inserting  
24 “2010”.

1 (g) WOMEN’S BUSINESS CENTER PROGRAM.—Sec-  
2 tion 29 of the Small Business Act (15 U.S.C. 656) is  
3 amended—

4 (1) in subsection (k)(1) by striking subpara-  
5 graphs (A) through (D) and inserting the following:

6 “(A) \$16,500,000 for fiscal year 2007;

7 “(B) \$16,750,000 for fiscal year 2008;

8 “(C) \$17,000,000 fiscal year 2009; and

9 “(D) \$17,250,000 for fiscal year 2010.”;

10 (2) in subsection (k)(2)(B) by striking “over-  
11 sight” and all that follows through the period at the  
12 end and inserting “oversight: 1.4 percent for each of  
13 fiscal years 2007 through 2010.”; and

14 (3) in subsection (k)(4)(A) by striking clauses  
15 (i) through (iv) and inserting the following:

16 “(i) For fiscal year 2007, 48 percent.

17 “(ii) For fiscal year 2008, 42 percent.

18 “(iii) For fiscal year 2009, 36 per-  
19 cent.

20 “(iv) For fiscal year 2010, 30 per-  
21 cent.”.

22 (h) HUBZONE PROGRAM.—Section 31 of the Small  
23 Business Act (15 U.S.C. 657a) is amended in subsection  
24 (d) by striking “2006” and inserting “2010”.

1 (i) VETERANS PROGRAMS.—Section 32 of the Small  
2 Business Act (15 U.S.C. 657b) is amended in subsection  
3 (c) by striking “to carry out this section” and all that fol-  
4 lows through the period at the end and inserting “to carry  
5 out this section \$2,000,000 for each of fiscal years 2006  
6 through 2010.”.

7 (j) NATIONAL VETERANS BUSINESS DEVELOPMENT  
8 CORPORATION.—Section 33 of the Small Business Act (15  
9 U.S.C. 657c) is amended—

10 (1) in subsection (k)(1), by striking subpara-  
11 graphs (A) through (D) and inserting the following:

12 “(A) \$1,500,000 for fiscal year 2007;

13 “(B) \$1,000,000 for fiscal year 2008; and

14 “(C) \$500,000 for fiscal year 2009.”; and

15 (2) in subsection (k)(2)(B) by striking “fiscal  
16 year 2003 or 2004” and inserting “any fiscal year  
17 after 2002”.

18 (k) FEDERAL AND STATE TECHNOLOGY PARTNER-  
19 SHIP (FAST) PROGRAM.—Section 34 of the Small Busi-  
20 ness Act (15 U.S.C. 657d) is amended—

21 (1) in subsection (h)(1) by striking “2001  
22 through 2005” and inserting “2007 through 2010”;  
23 and

24 (2) in subsection (i) by striking “September 30,  
25 2005” and inserting “September 30, 2010”.

1 **SEC. 103. REAUTHORIZATIONS FOR CERTAIN OTHER PRO-**  
2 **GRAMS.**

3 (a) NEW MARKETS VENTURE CAPITAL PROGRAM.—  
4 Section 368 of the Small Business Investment Act of 1958  
5 (15 U.S.C. 689q) is amended in subsection (a) by striking  
6 “2001 through 2006” and inserting “2007 through  
7 2010”.

8 (b) PILOT PROGRAM FOR VERY SMALL BUSINESS  
9 CONCERNS.—Section 304 of the Small Business Adminis-  
10 tration Reauthorization and Amendments Act of 1994 (15  
11 U.S.C. 644 note) is amended in subsection (i) by striking  
12 “2003” and inserting “2010”.

13 **TITLE II—FINANCE**  
14 **Subtitle A—Certified Development**  
15 **Company Program**

16 **SEC. 201. SHORT TITLE; DEFINITION.**

17 (a) SHORT TITLE.—This subtitle may be cited as the  
18 “Certified Development Company Program Act”.

19 (b) DEFINITION.—In this subtitle, the term “Admin-  
20 istrator” means the Administrator of the Small Business  
21 Administration.

22 **SEC. 202. DEVELOPMENT COMPANY LOAN PROGRAMS.**

23 Title V of the Small Business Investment Act of 1958  
24 (15 U.S.C. 695 et seq.) is amended by inserting before  
25 section 501 the following:

1 **“SEC. 500. PROGRAM TITLE.**

2 “The programs authorized by this title shall be  
3 known as the ‘Certified Development Company Pro-  
4 gram’.”.

5 **SEC. 203. LOAN LIQUIDATIONS.**

6 Section 510 of the Small Business Investment Act  
7 of 1958 (15 U.S.C. 697g) is amended—

8 (1) by redesignating subsection (e) as sub-  
9 section (g); and

10 (2) by inserting after subsection (d) the fol-  
11 lowing:

12 “(e) PARTICIPATION.—

13 “(1) IN GENERAL.—Any certified development  
14 company which elects not to apply for authority to  
15 foreclose and liquidate defaulted loans under this  
16 section, or which the Administrator determines to be  
17 ineligible for such authority, shall contract with a  
18 qualified third party to perform foreclosure and liq-  
19 uidation of defaulted loans in its portfolio. The con-  
20 tract shall be contingent upon approval by the Ad-  
21 ministrator with respect to the qualifications of the  
22 contractor and the terms and conditions of liquida-  
23 tion activities.

24 “(2) COMMENCEMENT.—The provisions of this  
25 subsection shall not require any certified develop-  
26 ment company to liquidate defaulted loans until the

1 Administrator has adopted and implemented a pro-  
2 gram to compensate and reimburse certified develop-  
3 ment companies, as provided under subsection (f).

4 “(f) COMPENSATION AND REIMBURSEMENT.—

5 “(1) REIMBURSEMENT OF EXPENSES.—

6 “(A) IN GENERAL.—The Administrator  
7 shall reimburse each certified development com-  
8 pany for all expenses paid by such company as  
9 part of the foreclosure and liquidation activities,  
10 if the expenses—

11 “(i) were specifically approved in ad-  
12 vance by the Administrator, in which case  
13 the reimbursement shall be made within 30  
14 days after reimbursement is requested;

15 “(ii) were derived from a contract de-  
16 scribed in subsection (e)(1) that was ap-  
17 proved in advance by the Administrator  
18 under subsection (e)(1), in which case the  
19 reimbursement shall be made within 30  
20 days after reimbursement is requested; or

21 “(iii) were incurred by the certified  
22 development company on an emergency  
23 basis and the expenses were reasonable  
24 and appropriate, in which case the reim-  
25 bursement shall be made within 30 days

1           after the expenses are determined to be  
2           reasonable and appropriate.

3           “(B) DETERMINATION.—A determination  
4           whether expenses are reasonable and appro-  
5           priate shall be made by the Administrator with-  
6           in 30 days after reimbursement is requested for  
7           those expenses.

8           “(2) COMPENSATION FOR RESULTS.—The Ad-  
9           ministrator shall develop a schedule to compensate  
10          and provide an incentive to certified development  
11          companies that foreclose and liquidate defaulted  
12          loans. The schedule shall be based on a percentage  
13          of the net amount recovered, but shall not exceed a  
14          maximum amount. The schedule shall not apply to  
15          any foreclosure which is conducted pursuant to a  
16          contract between a certified development company  
17          and a qualified third party to perform the fore-  
18          closure and liquidation.”.

19 **SEC. 204. ADDITIONAL EQUITY INJECTIONS.**

20          Section 502(3)(B)(ii) of the Small Business Invest-  
21          ment Act of 1958 (15 U.S.C. 696(3)(B)(ii)) is amended  
22          to read as follows:

23                           “(ii) FUNDING FROM INSTITU-  
24                           TIONS.—If a small business concern—

1           “(I) provides the minimum con-  
2           tribution required under subpara-  
3           graph (C), not less than 50 percent of  
4           the cost of the project shall be pro-  
5           vided by institutions described in sub-  
6           clauses (I), (II), and (III) of clause  
7           (i); and

8           “(II) provides more than the  
9           minimum contribution required under  
10          subparagraph (C), any excess con-  
11          tribution may be used to reduce the  
12          amount required from the institutions  
13          described in subclauses (I), (II), and  
14          (III) of clause (i), except that the  
15          amount from such institutions may  
16          not be reduced to an amount that is  
17          less than the amount of the loan made  
18          by the Administrator.”.

19 **SEC. 205. BUSINESSES IN LOW-INCOME AREAS.**

20          Section 501(d)(3)(A) of the Small Business Invest-  
21          ment Act of 1958 (15 U.S.C. 695(d)(3)(A)) is amended  
22          by inserting after “business district revitalization,” the  
23          following: “or expansion of businesses in low-income com-  
24          munities as described in section 45D(e) of the Internal

1 Revenue Code of 1986, or implementing regulations issued  
2 thereunder.”.

3 **SEC. 206. COMBINATIONS OF CERTAIN GOALS.**

4 Section 501(e) of the Small Business Investment Act  
5 of 1958 (15 U.S.C. 695(e)) is amended by adding at the  
6 end the following:

7 “(7) A small business concern that is uncondi-  
8 tionally owned by more than 1 individual, or a cor-  
9 poration, the stock of which is owned by more than  
10 1 individual, shall be deemed to have achieved a  
11 public policy goal required under subsection (d)(3) if  
12 a combined ownership share of not less than 51 per-  
13 cent is held by individuals who are in 1 of the  
14 groups described in subparagraph (C) or (E) of sub-  
15 section (d)(3).”.

16 **SEC. 207. MAXIMUM 504 AND 7(a) LOAN ELIGIBILITY.**

17 Section 502(2) of the Small Business Investment Act  
18 of 1958 (15 U.S.C. 696(2)) is amended by adding at the  
19 end the following:

20 “(C) COMBINATION FINANCING.—Notwith-  
21 standing any other provision of law, financing  
22 under this title may be provided to a borrower  
23 in the maximum amount provided in this sub-  
24 section, and a loan guarantee under section  
25 7(a) of the Small Business Act may be provided

1 to the same borrower in the maximum amount  
2 provided in section 7(a)(3)(A) of such Act, to  
3 the extent that the borrower otherwise qualifies  
4 for such assistance.”.

5 **SEC. 208. REFINANCING.**

6 Section 502 of the Small Business Investment Act  
7 of 1958 (15 U.S.C. 696) is amended by adding at the end  
8 the following:

9 “(7) PERMISSIBLE DEBT REFINANCING.—

10 “(A) IN GENERAL.—Any financing ap-  
11 proved under this title may include a limited  
12 amount of debt refinancing.

13 “(B) EXPANSIONS.—If the project involves  
14 expansion of a small business concern which  
15 has existing indebtedness collateralized by fixed  
16 assets, any amount of existing indebtedness  
17 that does not exceed one-half of the project cost  
18 of the expansion may be refinanced and added  
19 to the expansion cost, providing that—

20 “(i) the proceeds of the indebtedness  
21 were used to acquire land, including a  
22 building situated thereon, to construct a  
23 building thereon, or to purchase equip-  
24 ment;

1           “(ii) the borrower has been current on  
2           all payments due on the existing debt for  
3           at least the preceding year;

4           “(iii) the financing under section 504  
5           will provide better terms or rate of interest  
6           than exists on the debt at the time of refi-  
7           nancing; and

8           “(iv) the existing indebtedness was  
9           not financed under the Small Business Act  
10          or this Act.”.

11 **SEC. 209. FEES.**

12          (a) IN GENERAL.—Section 503(d) of the Small Busi-  
13          ness Investment Act of 1958 (15 U.S.C. 697(d)) is amend-  
14          ed—

15                 (1) by striking paragraph (2);

16                 (2) by redesignating paragraph (3) as para-  
17          graph (2); and

18                 (3) in paragraph (2), as so redesignated, by  
19          striking “0.125 percent” and inserting “0.155 per-  
20          cent”.

21          (b) EFFECTIVE DATE.—The amendments made by  
22          subsection (a) shall take effect and apply to loans under  
23          section 503(d) of the Small Business Investment Act of  
24          1958 (15 U.S.C. 697(d)) approved on or after 30 days  
25          after the date of enactment of this Act.

1           (c) RECOMPUTATION.—Notwithstanding any other  
2 provision of law, the Administrator shall recalculate the  
3 amount of the fee paid by the borrower under section  
4 503(b)(7) of the Small Business Investment Act of 1958  
5 in order that the cost of making guarantees under Title  
6 V of the Small Business Investment Act of 1958 remains  
7 at zero for each fiscal year after the effective date of the  
8 amendments to the Small Business Investment Act of  
9 1958 made by this Act.

10 **SEC. 210. TECHNICAL CORRECTION.**

11           Section 501(e)(2) of the Small Business Investment  
12 Act of 1958 (15 U.S.C. 695(e)(2)) is amended by striking  
13 “outstanding”.

14 **SEC. 211. SMALL BUSINESS INVESTMENT ACT DEFINITION.**

15           Section 103 of the Small Business Investment Act  
16 of 1958 (15 U.S.C. 662) is amended by striking para-  
17 graph (6) and inserting the following:

18                   “(6) the term ‘certified development company’  
19           means an entity that—

20                           “(A) the Administrator has certified meets  
21                   the criteria of section 506; or

22                           “(B) as of January 1, 1987, was providing  
23                   loans under this title and was a for-profit enter-  
24                   prise, and otherwise meets the criteria of sec-  
25                   tion 506;”.

1 **SEC. 212. REPEAL OF SUNSET ON RESERVE REQUIRE-**  
2 **MENTS FOR PREMIER CERTIFIED LENDERS.**

3 Section 508(c)(6)(B) of the Small Business Invest-  
4 ment Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amend-  
5 ed—

6 (1) in the heading, by striking “TEMPORARY  
7 REDUCTION” and inserting “REDUCTION”; and

8 (2) by striking “Notwithstanding subparagraph  
9 (A), during the 2-year period beginning on the date  
10 that is 90 days after the date of enactment of this  
11 subparagraph, the” and inserting “The”.

12 **SEC. 213. ELIGIBILITY OF DEVELOPMENT COMPANIES TO**  
13 **BE DESIGNATED AS CERTIFIED DEVELOP-**  
14 **MENT COMPANIES AND AUTHORITY TO ISSUE**  
15 **DEBENTURES; AND PROVIDING AN AREA OF**  
16 **OPERATIONAL AUTHORITY, FUNDING RE-**  
17 **STRICTIONS, AND ETHICAL REQUIREMENTS.**

18 (a) IN GENERAL.—Section 506 of the Small Business  
19 Investment Act of 1958 (15 U.S.C. 697c) is amended—

20 (1) in the heading, by striking “RESTRICTIONS  
21 ON DEVELOPMENT COMPANY ASSISTANCE” and in-  
22 serting “CERTIFIED DEVELOPMENT COMPANIES”;  
23 and

24 (2) by amending such section to read as follows:

1       “(a) AUTHORITY TO ISSUE DEBENTURES.—A cer-  
2 tified development company (as defined in section 103(6))  
3 may issue debentures under this title.

4       “(b) CRITERIA TO BE TREATED AS CERTIFIED DE-  
5 VELOPMENT COMPANY.—

6           “(1) IN GENERAL.—The Administrator shall es-  
7 tablish procedures under which an entity, incor-  
8 porated under State law with the authority to pro-  
9 mote and assist the growth and development of  
10 small business concerns in the areas in which it is  
11 authorized to operate by the Administrator, may  
12 apply to be treated as a certified development com-  
13 pany. Upon application of such an entity, the Ad-  
14 ministrator shall determine whether the entity meets  
15 each of the criteria specified in paragraph (2). If the  
16 Administrator determines that the entity does meet  
17 each of the criteria, the Administrator shall so cer-  
18 tify, and the entity shall thereby be treated as a cer-  
19 tified development company as provided by section  
20 103(6)(A).

21           “(2) SPECIFIC CRITERIA.—The criteria referred  
22 to in paragraph (1) are as follows:

23           “(A) SIZE.—The entity is a small concern  
24 (as defined by the Administrator) with fewer  
25 than 500 employees and is not under the con-

1 trol of an entity that is not a small business  
2 concern (as defined by the Administrator). Any  
3 company that was certified by the Adminis-  
4 trator on or before the date of enactment of the  
5 Small Business Reauthorization Act of 2006  
6 shall continue to be treated as a certified devel-  
7 opment company without regard to any affili-  
8 ation that existed on such date.

9 “(B) PURPOSE.—The entity has as a pri-  
10 mary purpose to benefit the community by fos-  
11 tering economic development to create and pre-  
12 serve jobs and stimulate private investment.

13 “(C) PRIMARY FUNCTION.—The entity has  
14 as a primary function to accomplish that pri-  
15 mary purpose by providing long term financing  
16 to small business concerns under the Certified  
17 Development Company Program. The entity  
18 may also provide or support other local eco-  
19 nomic development activities to assist the com-  
20 munity.

21 “(D) NONPROFIT STATUS.—The entity is  
22 nonprofit.

23 “(E) GOOD STANDING.—The entity—

24 “(i) is in good standing in the State  
25 in which it is incorporated and in every

1 other State in which it conducts business;  
2 and

3 “(ii) is in compliance with all laws, in-  
4 cluding taxation requirements, in the State  
5 in which it is incorporated and in every  
6 other State in which it conducts business.

7 “(F) MEMBERSHIP.—The entity has—

8 “(i) not fewer than 25 members (or  
9 stockholders, if the company is a for-profit  
10 entity), none of whom own or control more  
11 than 10 percent of the voting membership  
12 (or stock, for those companies that are for-  
13 profit entities), and each of whom—

14 “(I) have knowledge of the eco-  
15 nomic development needs of the small  
16 businesses served by the company;  
17 and

18 “(II) is a resident of the State in  
19 which the company is incorporated or  
20 otherwise has sufficient contacts with  
21 the State in which the company oper-  
22 ates; and

23 “(ii) at least 1 member, who is not in  
24 a position to control the entity, from each  
25 of the following:

1           “(I) Government organizations  
2           that are responsible for economic de-  
3           velopment.

4           “(II) Financial institutions that  
5           provide commercial long term fixed  
6           asset financing.

7           “(III) Community organizations  
8           that are dedicated to economic devel-  
9           opment.

10           “(IV) Businesses.

11           “(G) BOARD OF DIRECTORS.—

12           “(i) IN GENERAL.—The entity has a  
13           board of directors.

14           “(ii) MEMBERS OF BOARD.—Each di-  
15           rector is—

16           “(I) a member of the entity; and

17           “(II) elected a director by the  
18           members of the entity (or for those  
19           companies which are for-profit by the  
20           stockholders according to the bylaws  
21           of those companies).

22           “(iii) REPRESENTATION OF ORGANI-  
23           ZATIONS AND INSTITUTIONS.—

24           “(I) IN GENERAL.—The entity  
25           has at least 1 director, who is not in

1 a position to control the entity, from  
2 at least 3 of the categories described  
3 in subparagraph (F)(ii).

4 “(II) MAXIMUM PERCENTAGE.—

5 For each category described in sub-  
6 paragraph (F)(ii), not more than 50  
7 percent of the directors are from that  
8 category.

9 “(iv) MEETINGS.—The board of direc-

10 tors meets on a regular basis to make pol-  
11 icy decisions for the entity.

12 “(H) PROFESSIONAL MANAGEMENT AND

13 STAFF.—The entity has full-time professional  
14 management, including a chief executive officer  
15 to manage daily operations, and a professional  
16 staff that is qualified to market the Certified  
17 Development Company Program and handle all  
18 aspects of loan approval and servicing, includ-  
19 ing liquidation, as described in section 510,  
20 which work for the entity—

21 “(i) as employees;

22 “(ii) as contractors, through con-  
23 tracting with an entity with which the de-  
24 velopment company is affiliated if such en-  
25 tity is—

1                   “(I) a local nonprofit service cor-  
2                   poration;

3                   “(II) a for-profit corporation, but  
4                   only if the contracting was in effect,  
5                   and the entity was certified by the  
6                   Administrator, on or before December  
7                   31, 2005;

8                   “(III) a nonprofit affiliate of a  
9                   local nonprofit service corporation;

10                  “(IV) an entity wholly or par-  
11                  tially operated by a government agen-  
12                  cy; or

13                  “(V) another entity approved by  
14                  the Administrator, so long as the  
15                  other entity also supports local eco-  
16                  nomic development; or

17                  “(iii) if the entity is in a rural area,  
18                  as contractors, through contracting with  
19                  another certified development company  
20                  that is located in the State in which the  
21                  entity is located or in a State contiguous  
22                  to that State.

23                  “(I) INDEPENDENT MANAGEMENT AND OP-  
24                  ERATION.—The entity employs directly the  
25                  chief executive officer, and is managed and op-

1 erated to pursue the primary purpose referred  
2 to in subparagraph (B), and—

3 “(i) is independent; or

4 “(ii) is an affiliate of another local  
5 nonprofit service corporation, so long as  
6 the board of directors of the entity has at  
7 least 1 director not on the board of direc-  
8 tors of the service corporation, and the  
9 board of the directors of the service cor-  
10 poration has at least 1 director not on the  
11 board of directors of the entity.

12 “(3) DEFINITION.—In this subsection, the term  
13 ‘local nonprofit service corporation’ means a local  
14 nonprofit service corporation (other than a certified  
15 development company), a purpose of which is to sup-  
16 port economic development in the area in which the  
17 entity operates.

18 “(c) USE OF EXCESS FUNDS.—

19 “(1) IN GENERAL.—Any funds generated by a  
20 certified development company from making loans  
21 under section 503 or 504 that remain unexpended  
22 after payment of staff, operating, and overhead ex-  
23 penses shall be retained by the certified development  
24 company as a reserve for—

25 “(A) future operations;

1           “(B) expanding the area in which the cer-  
2           tified development company operates through  
3           the methods authorized by this title; or

4           “(C) investment in other community or  
5           local economic development activity in the State  
6           or associated local economic area from which  
7           such funds were generated.

8           “(2) DEFINITION.—For purposes of this sub-  
9           section, the term ‘local economic area’ means an  
10          area that is part of a local trading area that is in  
11          a State other than the State of incorporation of a  
12          certified development company but which is contig-  
13          uous to a part of the company’s State of incorpora-  
14          tion.

15          “(d) ETHICAL REQUIREMENTS.—

16                 “(1) IN GENERAL.—A certified development  
17                 company and the officers, employees, and other staff  
18                 of the company shall at all times act ethically and  
19                 avoid activities which constitute a conflict of interest  
20                 or appear to constitute a conflict of interest.

21                 “(2) PROHIBITED CONFLICT IN PROJECT  
22                 LOANS.—

23                         “(A) IN GENERAL.—A certified develop-  
24                         ment company may not—

1           “(i) recommend or approve a guar-  
2           antee of a debenture by the Administrator  
3           under the Certified Development Company  
4           Program that is collateralized by a second  
5           lien position on the property being con-  
6           structed or acquired; and

7           “(ii) provide, or be affiliated with a  
8           corporation or other entity which provides,  
9           financing collateralized by a first lien on  
10          the same property.

11          “(B) EXCEPTION.—A certified develop-  
12          ment company that was participating as a first  
13          mortgage lender, either directly or through an  
14          affiliate, for the Certified Development Com-  
15          pany Program in either of fiscal years 2004 or  
16          2005 may continue to do so.

17          “(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-  
18          TIES.—It shall not be a conflict of interest for a cer-  
19          tified development company to operate multiple pro-  
20          grams to assist small business concerns as part of  
21          carrying out its economic development purpose.

22          “(4) ACCEPTANCE OF FUNDING SUBJECT TO  
23          RESTRICTIONS.—

24          “(A) IN GENERAL.—A certified develop-  
25          ment company may not accept funding that is

1 subject to a restriction described in subpara-  
2 graph (B) from a source (including a source  
3 that is a department or agency of the Federal  
4 Government) unless the source also provides all  
5 of the financial assistance to be delivered by the  
6 certified development company under this title  
7 and the restriction is limited solely to the finan-  
8 cial assistance so provided.

9 “(B) RESTRICTIONS COVERED.—A restric-  
10 tion referred to in subparagraph (A) is—

11 “(i) a condition, priority, or restric-  
12 tion upon the types of small businesses to  
13 which the certified development company  
14 may deliver financial assistance under this  
15 title; or

16 “(ii) a condition or requirement, di-  
17 rectly or indirectly, upon the small busi-  
18 ness to which financial assistance is to be  
19 delivered under this title.

20 “(e) MULTISTATE OPERATIONS.—

21 “(1) AUTHORIZATION.—Notwithstanding any  
22 other provision of law, the Administrator shall per-  
23 mit a certified development company to make loans  
24 in any State that is contiguous to the State of incor-

1 poration of that certified development company, only  
2 if such company—

3 “(A) is—

4 “(i) an accredited lender under section  
5 507; or

6 “(ii) a premier certified lender under  
7 section 508;

8 “(B) meets or exceeds performance stand-  
9 ards established by the Administrator;

10 “(C) has a membership that contains not  
11 fewer than 25 members from each State in  
12 which the company makes loans and meets the  
13 requirements of paragraph (6)(B) for member-  
14 ship in each State;

15 “(D) has a board of directors that contains  
16 not fewer than 1 member from each State in  
17 which the company makes loans;

18 “(E) has not fewer than 1 loan com-  
19 mittee—

20 “(i) that considers loan applications  
21 from small businesses in States other than  
22 the State of incorporation of the certified  
23 development company;

24 “(ii) that has at least one member  
25 with commercial lending experience; and

1                   “(iii) that does not have any staff of  
2                   the certified development company serving  
3                   on the loan committee; and

4                   “(F) submits to the Administrator, in writ-  
5                   ing—

6                   “(i) a notice of the intention of the  
7                   company to make loans in multiple States;

8                   “(ii) the names of the States in which  
9                   the company intends to make loans;

10                   “(iii) a detailed statement of how the  
11                   company will comply with this paragraph,  
12                   including a list of the members described  
13                   in subparagraph (C).

14                   “(2) REVIEW.—The Administrator shall verify  
15                   whether a certified development company satisfies  
16                   the requirements of paragraph (1) on an expedited  
17                   basis and, not later than 30 days after the date on  
18                   which the Administrator receives the statement de-  
19                   scribed in paragraph (1)(E)(iii), the Administrator  
20                   shall determine whether such company satisfies such  
21                   criteria and provide notice to such company.

22                   “(3) LOAN COMMITTEE OPERATION.—

23                   “(A) APPROVAL REQUIRED.—Any loan  
24                   made by a certified development company in a  
25                   State other than its State of incorporation shall

1 be approved by a loan committee established  
2 pursuant to subsection (e)(1)(E) of this section.  
3 No such loan shall be approved if the loan com-  
4 mittee does not have at least one member from  
5 the State in which the loan is made and such  
6 member participates in the review of the loan.

7 “(B) RATIFICATION BY BOARD.—Any loan  
8 made in a State other than the State of incor-  
9 poration must be ratified by the Board of Di-  
10 rectors of the certified development company.

11 “(4) AGGREGATE ACCOUNTING.—A company  
12 described in paragraph (1) may maintain an aggre-  
13 gate accounting of all revenue and expenses of the  
14 company for purposes of this title.

15 “(5) LOCAL JOB CREATION REQUIREMENTS.—

16 “(A) IN GENERAL.—Any certified develop-  
17 ment company making loans in multiple States  
18 shall satisfy any applicable job creation or re-  
19 tention requirements separately for each such  
20 State. Such a company shall not count jobs cre-  
21 ated or retained in 1 State towards any applica-  
22 ble job creation or retention requirement in an-  
23 other State.

24 “(B) TRANSITION PERIOD.—The require-  
25 ment of subparagraph (A) does not apply dur-

1           ing the 2-year period beginning with the date  
2           on which the Administrator authorizes multi-  
3           State operations.

4           “(6) CONTROL OF MULTIPLE COMPANIES.—

5                 “(A) IN GENERAL.—No one either directly  
6                 or indirectly may exercise a position of control  
7                 on more than one certified development com-  
8                 pany.

9                 “(B) CLOSE RELATIVES.—No close relative  
10                of an individual who holds a position of control  
11                in a certified development company may hold a  
12                position of control on a certified development  
13                company other than the company on which the  
14                individual serves.

15               “(C) DEFINITIONS.—In this paragraph—

16                     “(i) the term ‘close relative’ means a  
17                     spouse, parent, child, or sibling, or the  
18                     spouse of a parent, child, or sibling; and

19                     “(ii) the term ‘position of control’  
20                     means a certified development company’s  
21                     officer, member of the board of directors,  
22                     manager, chief executive officer, agent in-  
23                     volved in the loan process, key employee or  
24                     similar management position, or, if the cer-  
25                     tified development company is a for-profit

1           entity, a holder of 20 percent or more of  
2           the value of the certified development com-  
3           pany's stock.

4           “(7) CONTIGUOUS STATES.—For the purposes  
5           of this subsection, the States of Alaska and Hawaii  
6           and the territories of American Samoa and Guam  
7           shall be deemed to be contiguous to California, Or-  
8           egon, and Washington.

9           “(8) LOCAL ECONOMIC AREA OPERATION.—A  
10          certified development company that is operating or  
11          applies for authority to operate in a local economic  
12          area (as defined in subsection (c)(2)) shall not be  
13          deemed to be conducting a multistate operation and  
14          shall not be subject to the eligibility criteria or oper-  
15          ating requirements in this subsection.”.

16          (b) TEMPORARY GRANDFATHER CLAUSE.—An entity  
17          that, as of December 31, 2005, was certified by the Ad-  
18          ministrators for purposes of title V of the Small Business  
19          Investment Act of 1958 shall continue to be treated as  
20          a certified development company for purposes of that Act  
21          until the 1-year period beginning with the date of the en-  
22          actment of this Act expires.

23   **SEC. 214. CONFORMING AMENDMENTS.**

24          (a) TITLE HEADING.—The title heading for title V  
25          of the Small Business Investment Act of 1958 is amended

1 by striking “State and Local Development Companies”  
2 and inserting “Certified Development Companies”.

3 (b) SECTION 501.—Section 501 of such Act is  
4 amended—

5 (1) in the section heading by striking “state de-  
6 velopment companies” and inserting “certified devel-  
7 opment companies”;

8 (2) in subsection (b) by striking “State develop-  
9 ment companies” and inserting “certified develop-  
10 ment companies”; and

11 (3) in subsection (c) by striking “State develop-  
12 ment company” both places such term appears and  
13 inserting “certified development company”.

14 (c) SECTION 502.—Section 502 of such Act is  
15 amended in the first sentence by striking “State and local  
16 development companies” and inserting “certified develop-  
17 ment companies”.

18 (d) SECTION 503.—Section 503 of such Act is  
19 amended—

20 (1) in subsection (a)(1), by striking “qualified  
21 State or local development company” and inserting  
22 “certified development company”; and

23 (2) by striking subsection (e) and inserting the  
24 following:

1           “(e) SECTION 7(a) LOANS.—The Administrator shall  
2 not prevent or in any manner impede a certified develop-  
3 ment company from providing assistance to a business  
4 with respect to preparing applications for loans under sec-  
5 tion 7(a) of the Small Business Act, or for servicing such  
6 loans so long as the fee that the certified development  
7 company charges the business for providing that assist-  
8 ance or servicing is no more than reasonable. Nothing in  
9 this provision shall authorize a certified development com-  
10 pany to issue loans pursuant to section 7(a) of the Small  
11 Business Act.”.

12           (e) SECTION 505.—Section 505 of such Act is  
13 amended in subsection (a) by striking “State or local de-  
14 velopment companies” and inserting “certified develop-  
15 ment companies”.

16           (f) SECTION 507.—Section 507 of such Act is amend-  
17 ed—

18                 (1) in subsection (a) by striking “State and  
19 local development companies” and inserting “cer-  
20 tified development companies”;

21                 (2) in subsection (b) by striking “qualified  
22 State or local development company” and inserting  
23 “certified development company”;

1           (3) in subsection (c) by striking “qualified  
2           State or local development company” and inserting  
3           “certified development company”;

4           (4) in subsection (d)(1) by striking “qualified  
5           State or local development company” and inserting  
6           “certified development company”; and

7           (5) by striking subsection (e).

8           (g) SECTION 509.—Section 509 of such Act is  
9           amended in subsection (e)(1)(A) by striking “qualified  
10           State or local development company” and inserting “cer-  
11           tified development company”.

12          (h) SECTION 510.—Section 510 of such Act is  
13           amended—

14           (1) in subsection (a) by striking “qualified  
15           State or local development company (as defined in  
16           section 503(e))” and inserting “certified develop-  
17           ment company”;

18           (2) in subsection (b)(1) by striking “qualified  
19           State or local development company” and inserting  
20           “certified development company”;

21           (3) in subsection (b)(1)(B)(i)(II) by striking  
22           “qualified State and local development companies”  
23           and inserting “certified development companies”;

24           (4) in subsection (c)(1) in the matter preceding  
25           subparagraph (A) by striking “qualified State or

1 local development company” and inserting “certified  
2 development company”;

3 (5) in subsection (c)(1)(B)(i)(II) by striking  
4 “qualified State or local development company” both  
5 places such term appears and inserting “certified de-  
6 velopment company”;

7 (6) in subsection (c)(2)(A)(i), by striking  
8 “qualified State or local development company” and  
9 inserting “certified development company”;

10 (7) in subsection (c)(2)(A)(iii), by striking  
11 “qualified State or local development company” and  
12 inserting “certified development company”;

13 (8) in subsection (c)(2)(B)(i), by striking  
14 “qualified State or local development company” and  
15 inserting “certified development company”;

16 (9) in subsection (c)(2)(C)(i), by striking  
17 “qualified State or local development company” and  
18 inserting “certified development company”;

19 (10) in subsection (c)(2)(D), by striking “quali-  
20 fied State or local development company” and in-  
21 serting “certified development company”;

22 (11) in subsection (c)(3), by striking “qualified  
23 State or local development company” and inserting  
24 “certified development company”;

1           (12) in subsection (d), by striking “qualified  
2           State or local development company” and inserting  
3           “certified development company”;

4           (13) in subsection (e)(1), by striking “qualified  
5           State and local development companies” and insert-  
6           ing “certified development companies”;

7           (14) in subsection (e)(2)(A), by striking “quali-  
8           fied State or local development company” and in-  
9           serting “certified development company”; and

10          (15) in subsection (e)(2)(B), by striking “quali-  
11          fied State or local development company” and in-  
12          serting “certified development company”.

13 **SEC. 215. CLOSING COSTS.**

14          Section 503(b) of the Small Business Investment Act  
15 of 1958 (15 U.S.C. 697(b)) is amended by striking para-  
16 graph (4) and inserting the following:

17           “(4) the aggregate amount of such debenture  
18           does not exceed the amount of the loans to be made  
19           from the proceeds of such debenture plus, at the  
20           election of the borrower, other amounts attributable  
21           to the administrative and closing costs of such loans,  
22           except for the attorney fees of the borrower;”.

1 **SEC. 216. DEFINITION OF RURAL.**

2 Section 501 of the Small Business Investment Act  
3 of 1958 (15 U.S.C. 695) is amended by adding at the end  
4 the following:

5 “(f) As used in this title, the terms ‘rural’ and ‘rural  
6 area’ have the meaning given such terms in section  
7 343(a)(13) of the Consolidated Farm and Rural Develop-  
8 ment Act (7 U.S.C. 1991(a)(13)).”.

9 **SEC. 217. REGULATIONS AND EFFECTIVE DATE.**

10 (a) IN GENERAL.—The Administrator shall, after no-  
11 tice and comment, publish rules to implement this subtitle  
12 and the amendments made by this subtitle in final form.

13 (b) CONSEQUENCE OF DELAY.—If the Administrator  
14 has not complied with subsection (a) as of the date that  
15 is 180 days after the enactment of this Act, any entity,  
16 then, from that date until the date on which the Adminis-  
17 trator has complied with subsection (a), any entity that  
18 applies to be treated as a certified development company  
19 shall be treated as a certified development company.

20 **Subtitle B—Small Business**  
21 **Lending Improvement**

22 **SEC. 221. SHORT TITLE.**

23 This subtitle may be cited as the “Small Business  
24 Lending Improvement Act”.

1 **SEC. 222. NATIONAL PREFERRED LENDERS PROGRAM.**

2 Section 7(a)(2) of the Small Business Act (15 U.S.C.  
3 636(a)(2)) is amended by adding at the end the following:

4 “(E) NATIONAL PREFERRED LENDERS  
5 PROGRAM.—The Administrator shall establish a  
6 National Preferred Lenders Program by regula-  
7 tion or procedural notice. Any preferred lender  
8 authorized by the Administrator to operate as a  
9 preferred lender on a national basis prior to the  
10 date of the enactment of the Small Business  
11 Reauthorization Act of 2006 shall continue that  
12 status to the extent that the lender continues to  
13 meet the qualifications for preferred lender sta-  
14 tus under this section. ”.

15 **SEC. 223. MAXIMUM LOAN AMOUNT.**

16 Section 7(a)(3) of the Small Business Act (15 U.S.C.  
17 636(a)(3)(A)) is amended—

18 (1) in subparagraph (A), by striking  
19 “\$1,500,000 (or if the gross loan amount would ex-  
20 ceed \$2,000,000)” and inserting “\$2,250,000 (or if  
21 the gross loan amount would exceed \$3,000,000)”;  
22 and

23 (2) in subparagraph (B), by striking  
24 “\$1,750,000, of which not more than \$1,250,000”  
25 and inserting “\$2,500,000, of which not more than  
26 \$2,000,000”.

1 **SEC. 224. ALTERNATIVE SIZE STANDARD.**

2 Section 3(a)(3) of the Small Business Act (15 U.S.C.  
3 632(a)(3)) is amended—

4 (1) by striking “When establishing” and insert-  
5 ing the following:

6 “ESTABLISHMENT OF SIZE STANDARDS.—

7 “(A) IN GENERAL.—When establishing”; and

8 (2) by adding at the end the following:

9 “(B) ALTERNATIVE SIZE STANDARD.—

10 “(i) IN GENERAL.—Not later than 180  
11 days after the date of enactment of this sub-  
12 paragraph, the Administrator shall establish an  
13 alternative size standard under paragraph (2),  
14 that shall be applicable to loan applicants under  
15 section 7(a) or under title V of the Small Busi-  
16 ness Investment Act of 1958 (15 U.S.C. 695 et  
17 seq.).

18 “(ii) CRITERIA.—The alternative size  
19 standard established under clause (i) shall uti-  
20 lize the maximum net worth and maximum net  
21 income of the prospective borrower as an alter-  
22 native to the use of industry standards.

23 “(iii) AFFILIATION.—In developing the size  
24 standard, the Administrator shall not take into  
25 account any affiliation between the prospective  
26 borrower and any other entity if the prospective

1 borrower has no legal recourse to an affiliate to  
2 repay the loan made pursuant to section 7(a).

3 “(iv) INTERIM RULE.—Until the Adminis-  
4 trator establishes an alternative size standard  
5 under clause (i), the Administrator shall use the  
6 alternative size standard in section 121.301(b)  
7 of title 13, Code of Federal Regulations, for  
8 loan applicants under section 7(a) or under title  
9 V of the Small Business Investment Act of  
10 1958 (15 U.S.C. 695 et seq.).”.

11 **SEC. 225. TIMELY PAYMENT OF 7(a) SECONDARY MARKET**

12 **FEE.**

13 Section 5(g)(2) of the Small Business Act is amend-  
14 ed—

15 (1) by inserting “(A)” before “The Administra-  
16 tion”; and

17 (2) by adding at the end the following:

18 “(B)(i) With respect to the Administration’s guar-  
19 anty of the timely payment of the principal and interest  
20 on trust certificates issued under this subsection on or  
21 after October 1, 2007, the Administration may assess, col-  
22 lect, and retain a fee in the amount and frequency, as es-  
23 tablished annually by the Administration, as necessary to  
24 reduce to zero the cost (as defined in section 502 of the  
25 Federal Credit Reform Act of 1990) to the Administration

1 of making this guaranty. The Administration may con-  
 2 tract with an agent to carry out, on behalf of the Adminis-  
 3 tration, the assessment and collection of such fee.

4 “(ii) The fee specified in clause (i) shall be—

5 “(I) payable by the holders of such trust certifi-  
 6 cates; and

7 “(II) deducted from the amounts otherwise pay-  
 8 able to the holders of such trust certificates, until  
 9 the fee is paid in full.

10 “(iii) The fee specified in clause (i) shall not be  
 11 charged to any borrower whose loan is represented in the  
 12 secondary market by a trust certificate authorized under  
 13 subparagraph (A).”.

## 14 **Subtitle C—Small Business**

### 15 **Investment**

#### 16 **SEC. 241. PARTICIPATING SECURITY SMALL BUSINESS IN-** 17 **VESTMENT COMPANIES.**

18 Part A of title III of the Small Business Investment  
 19 Act of 1958 (15 U.S.C. 681 et seq.) is amended by adding  
 20 at the end the following:

#### 21 **“SEC. 321. PARTICIPATING SECURITY SMALL BUSINESS IN-** 22 **VESTMENT COMPANIES.**

23 “(a) APPLICATION.—This section applies to compa-  
 24 nies licensed to use participating securities pursuant to  
 25 this title after September 30, 2004. Except as provided

1 in this section, all other provisions of this title apply to  
2 companies licensed to use participating securities after  
3 September 30, 2004.

4 “(b) AUTHORITY TO GUARANTEE.—

5 “(1) IN GENERAL.—

6 “(A) In order to encourage small business  
7 investment companies to provide equity capital  
8 to small businesses, the Administrator is au-  
9 thorized to guarantee the payment of the re-  
10 demption price and prioritized payments on  
11 participating securities issued by such compa-  
12 nies which are licensed pursuant to section  
13 301(c) of this Act, and a trust or a pool acting  
14 on behalf of the Administrator is authorized to  
15 purchase such securities.

16 “(B) Participating securities guaranteed  
17 under this section may not exceed 100 percent  
18 of the regulatory capital of the company as de-  
19 fined by the Administrator.

20 “(2) TERMS AND CONDITIONS OF THE GUAR-  
21 ANTEE.—Such guarantees and purchases shall be  
22 made on such terms and conditions as the Adminis-  
23 trator shall establish by regulation.

24 “(c) RESTRICTIONS ON PARTICIPATING SECURI-  
25 TIES.—In addition to any limitations imposed by the Ad-

1 administrator that are not inconsistent with this section,  
2 participating securities guaranteed under this section shall  
3 be subject to the following restrictions and limitations:

4           “(1) OBLIGATIONS OF WITH RESPECT TO PAR-  
5           TICIPATING SECURITIES AND PRIORITIZED PAY-  
6           MENTS.—

7           “(A) IN GENERAL.—Participating securi-  
8           ties shall be redeemed not later than 10 years  
9           after their date of issuance for an amount equal  
10          to 100 percent of the original issue price plus  
11          the amount of any accrued prioritized payment.

12          “(B) OBLIGATION TO MAKE PRIORITIZED  
13          PAYMENTS AND REDEEM PARTICIPATING SECURITIES.—  
14

15           “(i) IN GENERAL.—A company li-  
16           censed under this section shall be obligated  
17           to pay accrued and unpaid prioritized pay-  
18           ments and redeem its participating securi-  
19           ties irrespective of the profitability of the  
20           company.

21           “(ii) LIMITATION ON IN-KIND DIS-  
22           TRIBUTIONS.—A company may not make  
23           any in-kind distributions unless all accrued  
24           prioritized payments and leverage out-  
25           standing as of the date of distribution have

1           been paid in full by cash payment by the  
2           company.

3           “(2) PRIORITIZED PAYMENTS.—

4           “(A) IN GENERAL.—Prioritized payments  
5           on participating securities shall be preferred  
6           and cumulative and payable out of any gross re-  
7           ceipts of the issuing company.

8           “(B) INTEREST RATE OF PRIORITY PAY-  
9           MENTS.—Prioritized payments shall accrue at a  
10          rate determined by the Secretary of the Treas-  
11          ury taking into consideration the current aver-  
12          age market yield on outstanding marketable ob-  
13          ligations of the United States with remaining  
14          periods to maturity comparable to the average  
15          maturities on such securities, adjusted to the  
16          nearest one-eighth of 1 percent, plus an addi-  
17          tional charge, in an amount established annu-  
18          ally by the Administrator, as necessary to re-  
19          duce to zero the cost (as defined in section 502  
20          of the Federal Credit Reform Act of 1990 (2  
21          U.S.C. 661a)) to the Administrator of pur-  
22          chasing and guaranteeing participating securi-  
23          ties under this section, which amount may not  
24          exceed 1.5 percent per year, and which shall be  
25          paid to and retained by the Administrator.

1           “(C) PAYMENT OF ACCRUED PRIORITIZED  
2           PAYMENTS.—Any accrued but unpaid  
3           prioritized payments shall be due and payable  
4           on the seventh anniversary of the date of  
5           issuance of the participating security to which  
6           they apply. Prioritized payments accruing after  
7           the seventh anniversary shall be paid semiannu-  
8           ally thereafter until the participating security to  
9           which they apply has been redeemed.

10          “(3) SENIORITY OF PARTICIPATING SECU-  
11          RITY.—In the event of liquidation of the company,  
12          participating securities and accrued but unpaid  
13          prioritized payments shall be senior in priority for  
14          all purposes to all other equity interests in the  
15          issuing company, whenever created.

16          “(4) INVESTMENT IN EQUITY CAPITAL.—Any  
17          company issuing a participating security under this  
18          section shall commit to invest or shall invest an  
19          amount equal to the outstanding face value of such  
20          security solely in equity capital.

21          “(5) LIMITATIONS ON OUTSIDE DEBT.—The  
22          only debt other than leverage obtained in accordance  
23          with this title which any company issuing a partici-  
24          pating security under this section may have out-

1 standing shall be temporary debt in amounts limited  
2 to not more than 50 percent of private capital.

3 “(d) DISTRIBUTIONS BY LICENSEE.—

4 “(1) ORDER AND TYPES OF DISTRIBUTIONS.—

5 “(A) PAYMENT OF PRIORITIZED PAY-  
6 MENTS.—Accrued but unpaid prioritized pay-  
7 ments shall be paid whenever a company has  
8 gross receipts on payment dates prescribed by  
9 the Administrator. If not previously paid in full,  
10 accrued but unpaid prioritized payments shall  
11 be paid upon the seventh anniversary of the  
12 issuance of the participating security to which  
13 they apply and semiannually thereafter until  
14 the participating security is redeemed in full.

15 “(B) TAX DISTRIBUTIONS.—

16 “(i) IN GENERAL.—If a company is  
17 operating as a limited partnership or as a  
18 subchapter S corporation or an equivalent  
19 pass-through entity for tax purposes and if  
20 there are no accumulated and unpaid  
21 prioritized payments, the company may  
22 make annual distributions to the partners,  
23 shareholders, or members in amounts not  
24 greater than each partner’s, shareholder’s,  
25 or member’s maximum tax liability attrib-

1           utable to the operations of the company;  
2           provided, however, that such distributions  
3           shall not be permitted in any period in  
4           which distributions characterized as either  
5           return of capital or profit are sufficient to  
6           pay the liability calculated in accordance  
7           with this paragraph.

8           “(ii) INTERIM TAX DISTRIBUTIONS.—

9           A company may also elect to make a dis-  
10          tribution under this paragraph at any time  
11          during any calendar quarter based on an  
12          estimate of the maximum tax liability. If a  
13          company makes one or more interim dis-  
14          tributions for a calendar year, and the ag-  
15          gregate amount of those distributions ex-  
16          ceeds the maximum amount that the com-  
17          pany could have distributed based on a sin-  
18          gle annual computation, any subsequent  
19          distribution by the company under this  
20          paragraph shall be reduced by an amount  
21          equal to the excess amount distributed.

22          “(C) PAYMENT OF OUTSTANDING LEVER-  
23          AGE AND RETURN OF CAPITAL.—After making  
24          any distributions pursuant to subparagraphs  
25          (A) and (B), whenever a company with partici-

1           participating securities outstanding has gross receipts  
2           it shall return capital to its investors, specifi-  
3           cally including the Administrator. Any distribu-  
4           tions made under this subparagraph shall be  
5           made to private investors and to the Adminis-  
6           trator in the ratio of private capital to leverage  
7           as of the date of the distribution until leverage  
8           outstanding as of the date of distribution has  
9           been redeemed in full.

10           “(D) DISTRIBUTION OF PROFITS.—After  
11           making distributions pursuant to subpara-  
12           graphs (A), (B), and (C), a company shall dis-  
13           tribute any profits in excess reserves for reason-  
14           ably anticipated expenses and other liabilities  
15           for the following 12 months to its investors and  
16           to the Administrator in accordance with the fol-  
17           lowing:

18           “(i) To the Administrator, 50 percent  
19           of the leverage percent reduced by the  
20           weighted average of all prioritized payment  
21           rates paid by the company with respect to  
22           participating securities issued by the com-  
23           pany to the date of distribution.

1           “(ii) The balance to the company’s  
2 private investors in accordance with the  
3 company’s controlling documents.

4           “(iii) A company operating under this  
5 section shall be entitled to subtract from  
6 any calculation of profit management ex-  
7 penses not more than 2.5 percent of the  
8 combined capital of the company plus an  
9 additional \$125,000 if the combined cap-  
10 ital of the company is less than  
11 \$20,000,000.

12           “(E) IN-KIND PROFIT DISTRIBUTIONS.—

13           “(i) A licensee may elect to may make  
14 all or part of distribution under subpara-  
15 graph (C), including any distribution to  
16 the Administrator, as an in-kind distribu-  
17 tion only to the extent that such securities  
18 are publicly traded and marketable.

19           “(ii) In-kind distributions to the Ad-  
20 ministrator shall be deposited with a trust-  
21 ee designated by the Administrator that  
22 has substantial expertise and experience in  
23 the sale of thinly traded securities. Des-  
24 ignation of the trustee must occur not

1 later than 180 days after the effective date  
2 of this section.

3 “(iii) If the Administrator receives in-  
4 kind distributions and upon sale of such  
5 securities realizes less than the value of  
6 such securities at the date of the distribu-  
7 tion, the Administrator shall not be per-  
8 mitted to seek from the licensee the dif-  
9 ference between the value of such securi-  
10 ties on the date of the in-kind distribution  
11 and the value on the date of sale by the  
12 Administrator.

13 “(iv) If the Administrator receives in-  
14 kind distributions and upon sale of such  
15 securities realizes more than the value of  
16 such securities at the date of distribution,  
17 the Administrator shall be entitled to re-  
18 tain the difference between the value of  
19 such securities on the date of the in-kind  
20 distribution and the value on the date of  
21 sale by the Administrator. Any excess  
22 value received by the Administrator shall  
23 not reduce any liability of the company  
24 with respect to prioritized payments or re-  
25 demption of participating securities.

1 “(e) LEVERAGE FEES.—

2 “(1) IN GENERAL.—The Administrator shall  
3 collect a fee of three percent of the face amount of  
4 any leverage granted to a licensee pursuant to this  
5 section.

6 “(2) TIMING OF FEE PAYMENT.—

7 “(A) One-third of such fee is payable upon  
8 the date at which the Administrator and li-  
9 censee enter into a commitment for such lever-  
10 age.

11 “(B) Two-thirds of such fee is payable  
12 upon the date such leverage is drawn.

13 “(C) If there is no commitment between  
14 the Administrator and the licensee under sub-  
15 paragraph (A), all of such fee is due on the  
16 date on which the leverage is drawn by the li-  
17 censee.

18 “(f) CALCULATION OF SUBSIDY RATE.—All fees, in-  
19 terest, and profits received and retained by the Adminis-  
20 trator under this section shall be included in the calcula-  
21 tions made by the Director of the Office of Management  
22 and Budget to offset the cost (as that term is defined in  
23 section 502 of the Federal Credit Reform Act of 1990)  
24 to the Administrator of purchasing and guaranteeing de-  
25 bentures and participating securities under this Act.

1 “(g) DEFINITIONS.—In this section:

2 “(1) The term ‘participating security’ means a  
3 participating debt security issued to the Adminis-  
4 trator that obligates the issuing company to pay  
5 prioritized payments and principal when due and a  
6 percentage of the profits, if any, of the company to  
7 the Administrator as provided in this section.

8 “(2) The term ‘prioritized payments’ means in-  
9 terest payable on such participating securities in ac-  
10 cordance with this section.

11 “(3) The term ‘gross receipts’ means any cash  
12 received by a small business investment company, in-  
13 cluding investment proceeds (both return of capital  
14 and profit), interest, dividends, and fees, other than  
15 capital contributed by a partner, the proceeds of the  
16 issuance of participating securities, and other money  
17 (if any) borrowed by the small business investment  
18 company.

19 “(4) The term ‘equity capital’ means common  
20 or preferred stock or a similar instrument, including  
21 subordinated debt with equity features which is not  
22 amortized and which provides for interest payments  
23 from appropriate sources, as determined by the Ad-  
24 ministrator.

1           “(5) The term ‘combined capital’ means the ag-  
2           gregate amount of private capital, outstanding lever-  
3           age, and commitments of the Administrator held by  
4           the company.

5           “(6) The term ‘management expenses’ includes  
6           salaries, office expenses, travel, business develop-  
7           ment, office and equipment rental, bookkeeping and  
8           the development, investigation and monitoring of in-  
9           vestments, but does not include the cost of services  
10          provided by specialized outside consultants, outside  
11          lawyers, and outside auditors, who perform services  
12          not generally expected of a venture capital company,  
13          nor does such term include the cost of services pro-  
14          vided by any affiliate of the company that are not  
15          part of the normal process of making and moni-  
16          toring venture capital investments.

17          “(7) The term ‘leverage percent’ means the per-  
18          cent calculated by dividing the aggregate amount of  
19          participating security leverage previously drawn by  
20          the company (including leverage previously repaid)  
21          by that same amount plus the aggregate amount of  
22          capital previously contributed to the company by its  
23          private investors (including capital previously re-  
24          turned to those investors).

1           “(8) The term ‘maximum tax liability’ means  
2           the amount of income allocated to each partner,  
3           shareholder, or member (including an allocation to  
4           the Administration as if it were a taxpayer) for Fed-  
5           eral income tax purposes in the income tax return  
6           filed or to be filed by the company with respect to  
7           the fiscal year of the company immediately pre-  
8           ceding such distribution, multiplied by the highest  
9           combined marginal Federal and State income tax  
10          rates for corporations or individuals, whichever is  
11          higher, on each type of income included in such re-  
12          turn.

13           “(9) The term ‘State income tax’ means the in-  
14          come tax of the State where the company’s principal  
15          place of business is located.”.

## 16   **TITLE III—ENTREPRENEURSHIP**

### 17           **Subtitle A—National Small**

### 18           **Business Regulatory Assistance**

#### 19   **SEC. 301. SHORT TITLE.**

20          This subtitle may be cited as the “National Small  
21   Business Regulatory Assistance Act”.

#### 22   **SEC. 302. PURPOSE.**

23          The purpose of this subtitle is to establish a program  
24   to—

1           (1) provide confidential assistance to small  
2 business concerns;

3           (2) provide small business concerns with the in-  
4 formation necessary to improve their rate of compli-  
5 ance with Federal and State regulations;

6           (3) create a partnership among Federal agen-  
7 cies to increase outreach efforts to small business  
8 concerns with respect to regulatory compliance;

9           (4) provide a mechanism for unbiased feedback  
10 to Federal agencies on the regulatory environment  
11 for small business concerns; and

12           (5) utilize the service delivery network of Small  
13 Business Development Centers to improve access of  
14 small business concerns to programs to assist them  
15 with regulatory compliance.

16 **SEC. 303. DEFINITIONS.**

17       In this subtitle, the definitions set forth in section  
18 37(a) of the Small Business Act (as added by section 304  
19 of this subtitle) shall apply.

20 **SEC. 304. SMALL BUSINESS REGULATORY ASSISTANCE PRO-**  
21 **GRAM.**

22       The Small Business Act (15 U.S.C. 637 et seq.) is  
23 amended—

24           (1) by redesignating section 37 as section 99;  
25       and

1           (2) by inserting after section 36 the following  
2           new section:

3   **“SEC. 37. SMALL BUSINESS REGULATORY ASSISTANCE PRO-**  
4                           **GRAM.**

5           “(a) DEFINITIONS.—In this section, the following  
6           definitions apply:

7                   “(1) ASSOCIATION.—The term ‘Association’  
8                   means the association recognized by the Adminis-  
9                   trator of the Small Business Administration under  
10                   section 21(a)(3)(A).

11                   “(2) PARTICIPATING SMALL BUSINESS DEVEL-  
12                   OPMENT CENTER.—The term ‘participating Small  
13                   Business Development Center’ means a Small Busi-  
14                   ness Development Center participating in the pro-  
15                   gram.

16                   “(3) PROGRAM.—The term ‘program’ means  
17                   the regulatory assistance program established under  
18                   this section.

19                   “(4) REGULATORY COMPLIANCE ASSISTANCE.—  
20                   The term ‘regulatory compliance assistance’ means  
21                   assistance provided by a Small Business Develop-  
22                   ment Center to a small business concern to enable  
23                   the concern to comply with Federal regulatory re-  
24                   quirements.

1           “(5) SMALL BUSINESS DEVELOPMENT CEN-  
2           TER.—The term ‘Small Business Development Cen-  
3           ter’ means a Small Business Development Center  
4           described in section 21.

5           “(6) STATE.—The term ‘State’ means each of  
6           the several States, the District of Columbia, the  
7           Commonwealth of Puerto Rico, the Virgin Islands,  
8           Guam, and American Samoa.

9           “(b) AUTHORITY.—In accordance with this section,  
10          the Administrator shall establish a program to provide  
11          regulatory compliance assistance to small business con-  
12          cerns through selected Small Business Development Cen-  
13          ters, the Association of Small Business Development Cen-  
14          ters, and Federal compliance partnership programs.

15          “(c) SMALL BUSINESS DEVELOPMENT CENTERS.—

16                 “(1) IN GENERAL.—In carrying out the pro-  
17                 gram, the Administrator shall enter into arrange-  
18                 ments with selected Small Business Development  
19                 Centers under which such Centers shall provide—

20                         “(A) access to information and resources,  
21                         including current Federal and State nonpuni-  
22                         tive compliance and technical assistance pro-  
23                         grams similar to those established under section  
24                         507 of the Clean Air Act (42 U.S.C. 7661f);

25                         “(B) training and educational activities;

1           “(C) confidential, free-of-charge, one-on-  
2 one, in-depth counseling to the owners and op-  
3 erators of small business concerns regarding  
4 compliance with Federal and State regulations,  
5 as long as such counseling is not considered to  
6 be the practice of law in a State in which a  
7 Small Business Development Center is located  
8 or in which such counseling is conducted;

9           “(D) technical assistance;

10           “(E) referrals to experts and other pro-  
11 viders of compliance assistance who meet such  
12 standards for educational, technical, and profes-  
13 sional competency as are established by the Ad-  
14 ministrator; and

15           “(F) access to the Internet and training on  
16 Internet use, including the use of the Internet  
17 website established by the Administrator under  
18 subsection (d)(1)(C).

19           “(2) REPORTS.—

20           “(A) IN GENERAL.—Each selected Small  
21 Business Development Center shall transmit to  
22 the Administrator a quarterly report that in-  
23 cludes—

1           “(i) a summary of the regulatory com-  
2           pliance assistance provided by the center  
3           under the program; and

4           “(ii) any data and information ob-  
5           tained by the center from a Federal agency  
6           regarding regulatory compliance that the  
7           agency intends to be disseminated to small  
8           business concerns.

9           “(B) ELECTRONIC FORM.—Each report re-  
10          quired under subparagraph (A) shall be trans-  
11          mitted in electronic form.

12          “(C) INTERIM REPORTS.—A participating  
13          Small Business Development Center may trans-  
14          mit to the Administrator such interim reports  
15          as the Center considers appropriate.

16          “(d) DATA REPOSITORY AND CLEARINGHOUSE.—

17                 “(1) IN GENERAL.—In carrying out the pro-  
18          gram, the Administrator shall—

19                         “(A) act as the repository of and clearing-  
20                         house for data and information submitted by  
21                         Small Business Development Centers;

22                         “(B) submit to the President, the Com-  
23                         mittee on Small Business and Entrepreneurship  
24                         of the Senate, and the Committee on Small

1 Business of the House of Representatives an  
2 annual report that includes—

3 “(i) a description of the types of as-  
4 sistance provided by participating Small  
5 Business Development Centers under the  
6 program;

7 “(ii) data regarding the number of  
8 small business concerns that contacted  
9 participating Small Business Development  
10 Centers regarding assistance under the  
11 program;

12 “(iii) data regarding the number of  
13 small business concerns assisted by partici-  
14 pating Small Business Development Cen-  
15 ters under the program;

16 “(iv) data and information regarding  
17 outreach activities conducted by partici-  
18 pating Small Business Development Cen-  
19 ters under the program, including any ac-  
20 tivities conducted in partnership with Fed-  
21 eral agencies;

22 “(v) data and information regarding  
23 each case known to the Administrator in  
24 which one or more Small Business Devel-  
25 opment Centers offered conflicting advice

1 or information regarding compliance with a  
2 Federal or State regulation to one or more  
3 small business concerns; and

4 “(vi) any recommendations for im-  
5 provements in the regulation of small busi-  
6 ness concerns;

7 “(C) establish an Internet website that—

8 “(i) provides access to Federal, State,  
9 academic, and industry association Inter-  
10 net websites containing industry-specific  
11 regulatory compliance information that the  
12 Administrator deems potentially useful to  
13 small businesses attempting to comply with  
14 Federal regulations; and

15 “(ii) arranges such Internet websites  
16 in industry-specific categories.

17 “(e) ELIGIBILITY.—

18 “(1) IN GENERAL.—A Small Business Develop-  
19 ment Center shall be eligible to receive assistance  
20 under the program only if the center is certified  
21 under section 21(k)(2).

22 “(2) WAIVER.—With respect to a Small Busi-  
23 ness Development Center seeking assistance under  
24 the program, the administrator may waive the cer-  
25 tification requirement set forth in paragraph (1) if

1 the Administrator determines that the center is  
2 making a good faith effort to obtain such certifi-  
3 cation.

4 “(3) EFFECTIVE DATE.—The restriction de-  
5 scribed in paragraph (1) shall not apply to any  
6 Small Business Development Center before October  
7 1, 2005.

8 “(f) SELECTION OF PARTICIPATING STATE PRO-  
9 GRAMS.—

10 “(1) ESTABLISHMENT OF PROGRAM.—In con-  
11 sultation with the Association and giving substantial  
12 weight to the Association’s recommendations, the  
13 Administrator shall select the Small Business Devel-  
14 opment Center programs of 2 States from each of  
15 the following groups of States to participate in the  
16 program:

17 “(A) Group 1: Maine, Massachusetts, New  
18 Hampshire, Connecticut, Vermont, and Rhode  
19 Island.

20 “(B) Group 2: New York, New Jersey,  
21 Puerto Rico, and the Virgin Islands.

22 “(C) Group 3: Pennsylvania, Maryland,  
23 West Virginia, Virginia, the District of Colum-  
24 bia, and Delaware.

1           “(D) Group 4: Georgia, Alabama, North  
2           Carolina, South Carolina, Mississippi, Florida,  
3           Kentucky, and Tennessee.

4           “(E) Group 5: Illinois, Ohio, Michigan, In-  
5           diana, Wisconsin, and Minnesota.

6           “(F) Group 6: Texas, New Mexico, Arkan-  
7           sas, Oklahoma, and Louisiana.

8           “(G) Group 7: Missouri, Iowa, Nebraska,  
9           and Kansas.

10          “(H) Group 8: Colorado, Wyoming, North  
11          Dakota, South Dakota, Montana, and Utah.

12          “(I) Group 9: California, Guam, Hawaii,  
13          Nevada, and Arizona.

14          “(J) Group 10: Washington, Alaska,  
15          Idaho, and Oregon.

16          “(2) DEADLINE FOR INITIAL SELECTIONS.—  
17          The Administrator shall make selections under para-  
18          graph (1) not later than 60 days after promulgation  
19          of regulations under section 305 of the National  
20          Small Business Regulatory Assistance Act.

21          “(3) ADDITIONAL SELECTIONS.—Not earlier  
22          than the date 3 years after the date of the enact-  
23          ment of this paragraph, the Administrator may se-  
24          lect Small Business Development Center programs  
25          of States in addition to those selected under para-

1 graph (1). The Administrator shall consider the ef-  
2 fect on the programs selected under paragraph (1)  
3 before selecting additional programs under this  
4 paragraph.

5 “(4) COORDINATION TO AVOID DUPLICATION  
6 WITH OTHER PROGRAMS.—In selecting programs  
7 under this subsection, the Administrator shall give a  
8 preference to Small Business Development Center  
9 programs that have a plan for consulting with Fed-  
10 eral and State agencies to ensure that any assist-  
11 ance provided under this section is not duplicated by  
12 an existing Federal or State program.

13 “(g) MATCHING NOT REQUIRED.—Subparagraphs  
14 (A) and (B) of section 21(a)(4) shall not apply to assist-  
15 ance made available under the program.

16 “(h) DISTRIBUTION OF GRANTS.—

17 “(1) IN GENERAL.—Except as provided in para-  
18 graph (2), each State program selected to receive a  
19 grant under subsection (f) in a fiscal year shall be  
20 eligible to receive a grant in an amount not to ex-  
21 ceed the product obtained by multiplying—

22 “(A) the amount made available for grants  
23 under this section for the fiscal year; and

24 “(B) the ratio that the population of the  
25 State bears to the population of all the States

1 with programs selected to receive grants under  
2 subsection (f) for the fiscal year.

3 “(2) MINIMUM AMOUNT.—The minimum  
4 amount that a State program selected to receive a  
5 grant under subsection (f) shall be eligible to receive  
6 under this section for any fiscal year shall be  
7 \$200,000. The Administrator shall reduce the  
8 amount described in paragraph (1) as appropriate to  
9 carry out the purposes of this paragraph and sub-  
10 section (i)(2).

11 “(i) EVALUATION AND REPORT.—Not later than 3  
12 years after the establishment of the program, the Comp-  
13 troller General of the United States shall conduct an eval-  
14 uation of the program and shall transmit to the Adminis-  
15 trator, the Committee on Small Business and Entrepre-  
16 neurship of the Senate, and the Committee on Small Busi-  
17 ness of the House of Representatives a report containing  
18 the results of the evaluation along with any recommenda-  
19 tions as to whether the program, with or without modifica-  
20 tion, should be extended to include the participation of all  
21 Small Business Development Centers.

22 “(j) AUTHORIZATION OF APPROPRIATIONS.—

23 “(1) IN GENERAL.—Subject to paragraph (2),  
24 there is authorized to be appropriated to carry out

1 this section \$5,000,000 for fiscal year 2008 and  
2 each subsequent fiscal year.

3 “(2) AMOUNTS AUTHORIZED ONLY IF SECTION  
4 21 FULLY FUNDED.—No funds are authorized to be  
5 appropriated to carry out this section for a fiscal  
6 year unless the program level authorized to be ap-  
7 propriated to carry out section 21 is fully funded for  
8 that fiscal year.

9 “(3) LIMITATION ON USE OF OTHER FUNDS.—  
10 The Administrator shall carry out the program only  
11 with amounts appropriated in advance specifically to  
12 carry out this section.”.

13 **SEC. 305. PROMULGATION OF REGULATIONS.**

14 After providing notice and an opportunity for com-  
15 ment and after consulting with the Association (but not  
16 later than 180 days after the date of the enactment of  
17 this Act), the Administrator shall promulgate final regula-  
18 tions to carry out this subtitle, including regulations that  
19 establish—

20 (1) priorities for the types of assistance to be  
21 provided under the program;

22 (2) standards relating to educational, technical,  
23 and support services to be provided by participating  
24 Small Business Development Centers;

1           (3) standards relating to any national service  
2 delivery and support function to be provided by the  
3 Association under the program;

4           (4) standards relating to any work plan that  
5 the Administrator may require a participating Small  
6 Business Development Center to develop; and

7           (5) standards relating to the educational, tech-  
8 nical, and professional competency of any expert or  
9 other assistance provider to whom a small business  
10 concern may be referred for compliance assistance  
11 under the program.

12 **Subtitle B—Vocational and Tech-**  
13 **nical Entrepreneurship Devel-**  
14 **opment**

15 **SEC. 311. SHORT TITLE.**

16           This subtitle may be cited as the “Vocational and  
17 Technical Entrepreneurship Development Act”.

18 **SEC. 312. VOCATIONAL AND TECHNICAL ENTREPRENEUR-**  
19 **SHIP DEVELOPMENT PROGRAM.**

20           (a) IN GENERAL.—The Small Business Act (15  
21 U.S.C. 631 et seq.) is amended by inserting after section  
22 37 (as added by section 304) the following new section:

1 **“SEC. 38. VOCATIONAL AND TECHNICAL ENTREPRENEUR-**  
2 **SHIP DEVELOPMENT PROGRAM.**

3 “(a) DEFINITIONS.—In this section, the following  
4 definitions apply:

5 “(1) ASSOCIATION.—The term ‘Association’  
6 means the association of small business development  
7 centers recognized under section 21(a)(3)(A).

8 “(2) PROGRAM.—The term ‘program’ means  
9 the program established under subsection (b).

10 “(3) SMALL BUSINESS DEVELOPMENT CEN-  
11 TER.—The term ‘small business development center’  
12 means a small business development center described  
13 in section 21.

14 “(4) STATE SMALL BUSINESS DEVELOPMENT  
15 CENTER.—The term ‘State small business develop-  
16 ment center’ means a small business development  
17 center from each State selected by the Adminis-  
18 trator, in consultation with the Association and giv-  
19 ing substantial weight to the Association’s rec-  
20 ommendations, to carry out the program on a state-  
21 wide basis in such State.

22 “(b) ESTABLISHMENT.—In accordance with this sec-  
23 tion, the Administrator shall establish a program under  
24 which the Administrator shall make grants to State small  
25 business development centers to enable such centers to  
26 provide, on a statewide basis, technical assistance to sec-

1 onday schools, postsecondary vocational schools, or tech-  
2 nical schools, for the development and implementation of  
3 curricula designed to promote vocational and technical en-  
4 trepreneurship.

5 “(c) GRANT AMOUNT.—

6 “(1) MINIMUM GRANT.—Each grant awarded  
7 by the Administrator under the program shall be in  
8 an amount not less than \$200,000.

9 “(2) NO MATCHING REQUIREMENT.—The Ad-  
10 ministrator shall not require, as a condition of re-  
11 ceiving a grant under this section, that the applicant  
12 provide a matching amount, either in cash or as in-  
13 kind contributions.

14 “(d) APPLICATION.—Each State small business de-  
15 velopment center seeking a grant under the program shall  
16 submit to the Administrator an application in such form  
17 as the Administrator may require. The application shall  
18 include information regarding the applicant’s goals and  
19 objectives for the educational programs to be assisted.

20 “(e) REPORT TO ADMINISTRATOR.—As a condition of  
21 each grant awarded under the program, the Administrator  
22 shall require the recipient to transmit to the Adminis-  
23 trator, not later than 18 months after the date of receipt  
24 of the grant, a report describing how the grant funds were  
25 used.

1       “(f) COOPERATIVE AGREEMENTS AND CON-  
2 TRACTS.—The Administrator may enter into a cooperative  
3 agreement or contract with any State small business devel-  
4 opment center receiving a grant under this section to pro-  
5 vide additional assistance that furthers the purposes of  
6 this section.

7       “(g) EVALUATION OF PROGRAM.—Not later than  
8 March 31, 2010, the Administrator shall transmit to Con-  
9 gress a report containing an evaluation of the program.

10       “(h) CLEARINGHOUSE.—The Association shall act as  
11 a clearinghouse of information and expertise regarding vo-  
12 cational and technical entrepreneurship education pro-  
13 grams. In each fiscal year in which grants are made under  
14 the program, the Administrator shall provide additional  
15 assistance to the Association to carry out the functions  
16 described in this subsection.

17       “(i) AUTHORIZATION OF APPROPRIATIONS.—There is  
18 authorized to be appropriated to carry out this section  
19 \$7,000,000 for each of fiscal years 2008 through 2010.  
20 Such sums shall remain available until expended.

21       “(j) FUNDING LIMITATIONS.—

22               “(1) NONAPPLICABILITY OF CERTAIN LIMITA-  
23 TIONS.—Subject to paragraph (2), amounts made  
24 available under this section are in addition to any  
25 amounts available under section 21(a)(4).

1           “(2) AMOUNTS AUTHORIZED ONLY IF SECTION  
2           21 FULLY FUNDED.—No funds are authorized to be  
3           appropriated to carry out this section for a fiscal  
4           year unless the program level authorized to be ap-  
5           propriated to carry out section 21 is fully funded for  
6           that fiscal year.

7           “(3) LIMITATION ON USE OF FUNDS.—The Ad-  
8           ministrator shall carry out this section using only  
9           amounts appropriated in advance specifically for the  
10          purpose of carrying out this section.”.

## 11       **Subtitle C—Native American Small** 12               **Business Development**

### 13       **SEC. 321. FINDINGS AND PURPOSES.**

14          (a) FINDINGS.—Congress finds the following:

15               (1) Approximately 60 percent of Indian tribe  
16               members and Alaska Natives live on or adjacent to  
17               Indian lands, which suffer from an average unem-  
18               ployment rate of 45 percent.

19               (2) Indian tribe members and Alaska Natives  
20               own more than 197,000 businesses and generate  
21               more than \$34,000,000,000 in revenues. The service  
22               industry accounted for 17 percent of these busi-  
23               nesses (of which 40 percent were engaged in busi-  
24               ness and personal services) and 15.1 percent of their  
25               total receipts. The next largest was the construction

1 industry (13.9 percent and 15.7 percent, respec-  
2 tively). The third largest was the retail trade indus-  
3 try (7.5 percent and 13.4 percent, respectively).

4 (3) The number of businesses owned by Indian  
5 tribe members and Alaska Natives grew by 84 per-  
6 cent from 1992 to 1997, and their gross receipts  
7 grew by 179 percent in that period. This is com-  
8 pared to all businesses which grew by 7 percent, and  
9 their total gross receipts grew by 40 percent, in that  
10 period.

11 (4) The Small Business Development Center  
12 program is cost effective. Clients receiving long-term  
13 counseling under the program in 1998 generated ad-  
14 ditional tax revenues of \$468,000,000, roughly 6  
15 times the cost of the program to the Federal Gov-  
16 ernment.

17 (5) Using the existing infrastructure of the  
18 Small Business Development Center program, small  
19 businesses owned by Indian tribe members, Alaska  
20 Natives, and Native Hawaiians receiving services  
21 under the program will have a higher survival rate  
22 than the average small business not receiving such  
23 services.

1           (6) Business counseling and technical assist-  
2           ance is critical on Indian lands where similar serv-  
3           ices are scarce and expensive.

4           (7) Increased assistance through counseling  
5           under the Small Business Development Center pro-  
6           gram has been shown to reduce the default rate as-  
7           sociated with lending programs of the Small Busi-  
8           ness Administration.

9           (b) PURPOSES.—The purposes of this subtitle are as  
10          follows:

11           (1) To stimulate economies on Indian lands.

12           (2) To foster economic development on Indian  
13          lands.

14           (3) To assist in the creation of new small busi-  
15          nesses owned by Indian tribe members, Alaska Na-  
16          tives, and Native Hawaiians and expand existing  
17          ones.

18           (4) To provide management, technical, and re-  
19          search assistance to small businesses owned by In-  
20          dian tribe members, Alaska Natives, and Native Ha-  
21          waiians.

22           (5) To seek the advice of local Tribal Councils  
23          on where small business development assistance is  
24          most needed.

1           (6) To ensure that Indian tribe members, Alas-  
2           ka Natives, and Native Hawaiians have full access  
3           to existing business counseling and technical assist-  
4           ance available through the Small Business Develop-  
5           ment Center program.

6 **SEC. 322. SMALL BUSINESS DEVELOPMENT CENTER AS-**  
7                                   **SISTANCE TO INDIAN TRIBE MEMBERS, ALAS-**  
8                                   **KA NATIVES, AND NATIVE HAWAIIANS.**

9           (a) IN GENERAL.—Section 21(a) of the Small Busi-  
10          ness Act (15 U.S.C. 648(a)) is amended by adding at the  
11          end the following:

12                               “(8) ADDITIONAL GRANT TO ASSIST INDIAN  
13          TRIBE MEMBERS, ALASKA NATIVES, AND NATIVE HA-  
14          WAIANS.—

15                               “(A) IN GENERAL.—Any applicant in an  
16          eligible State that is funded by the Administra-  
17          tion as a Small Business Development Center  
18          may apply for an additional grant to be used  
19          solely to provide services described in subsection  
20          (c)(3) to assist with outreach, development, and  
21          enhancement on Indian lands of small business  
22          startups and expansions owned by Indian tribe  
23          members, Alaska Natives, and Native Hawai-  
24          ians.

1           “(B) ELIGIBLE STATES.—For purposes of  
2           subparagraph (A), an eligible State is a State  
3           that has a combined population of Indian tribe  
4           members, Alaska Natives, and Native Hawai-  
5           ians that comprises at least 1 percent of the  
6           State’s total population, as shown by the latest  
7           available census.

8           “(C) GRANT APPLICATIONS.—An applicant  
9           for a grant under subparagraph (A) shall sub-  
10          mit to the Administration an application that is  
11          in such form as the Administration may re-  
12          quire. The application shall include information  
13          regarding the applicant’s goals and objectives  
14          for the services to be provided using the grant,  
15          including—

16               “(i) the capability of the applicant to  
17               provide training and services to a rep-  
18               resentative number of Indian tribe mem-  
19               bers, Alaska Natives, and Native Hawai-  
20               ians;

21               “(ii) the location of the Small Busi-  
22               ness Development Center site proposed by  
23               the applicant;

1           “(iii) the required amount of grant  
2           funding needed by the applicant to imple-  
3           ment the program; and

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

6           “(D) APPLICABILITY OF GRANT REQUIRE-  
7           MENTS.—An applicant for a grant under sub-  
8           paragraph (A) shall comply with all of the re-  
9           quirements of this section, except that the  
10          matching funds requirements under paragraph  
11          (4)(A) shall not apply.

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

15          “(F) REGULATIONS.—After providing no-  
16          tice and an opportunity for comment and after  
17          consulting with the Association recognized by  
18          the Administration pursuant to paragraph  
19          (3)(A) (but not later than 180 days after the  
20          date of enactment of this paragraph), the Ad-  
21          ministration shall issue final regulations to  
22          carry out this paragraph, including regulations  
23          that establish—

24                 “(i) standards relating to educational,  
25                 technical, and support services to be pro-

1 vided by Small Business Development Cen-  
2 ters receiving assistance under this para-  
3 graph; and

4 “(ii) standards relating to any work  
5 plan that the Administration may require a  
6 Small Business Development Center receiv-  
7 ing assistance under this paragraph to de-  
8 velop.

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

11 “(i) INDIAN LANDS.—The term ‘In-  
12 dian lands’ has the meaning given the term  
13 ‘Indian country’ in section 1151 of title 18,  
14 United States Code, the meaning given the  
15 term ‘Indian reservation’ in section 151.2  
16 of title 25, Code of Federal Regulations  
17 (as in effect on the date of enactment of  
18 this paragraph), and the meaning given  
19 the term ‘reservation’ in section 4 of the  
20 Indian Child Welfare Act of 1978 (25  
21 U.S.C. 1903).

22 “(ii) INDIAN TRIBE.—The term ‘In-  
23 dian tribe’ means any band, nation, or or-  
24 ganized group or community of Indians lo-  
25 cated in the contiguous United States, and

1 the Metlakatla Indian Community, whose  
2 members are recognized as eligible for the  
3 services provided to Indians by the Sec-  
4 retary of the Interior because of their sta-  
5 tus as Indians.

6 “(iii) INDIAN TRIBE MEMBER.—The  
7 term ‘Indian tribe member’ means a mem-  
8 ber of an Indian tribe (other than a Alaska  
9 Native).

10 “(iv) ALASKA NATIVE.—The term  
11 ‘Alaska Native’ has the meaning given the  
12 term ‘Native’ in section 3(b) of the Alaska  
13 Native Claims Settlement Act (43 U.S.C.  
14 1602(b)).

15 “(v) NATIVE HAWAIIAN.—The term  
16 ‘Native Hawaiian’ means any individual  
17 who is—

18 “(I) a citizen of the United  
19 States; and

20 “(II) a descendant of the aborigi-  
21 nal people, who prior to 1778, occu-  
22 pied and exercised sovereignty in the  
23 area that now constitutes the State of  
24 Hawaii.

1           “(vi) TRIBAL ORGANIZATION.—The  
2           term ‘tribal organization’ has the meaning  
3           given that term in section 4(l) of the In-  
4           dian Self-Determination and Education  
5           Assistance Act (25 U.S.C. 450b(l)).

6           “(H) AUTHORIZATION OF APPROPRIA-  
7           TIONS.—There is authorized to be appropriated  
8           to carry out this paragraph \$7,000,000 for each  
9           of fiscal years 2008 through 2010.

10          “(I) FUNDING LIMITATIONS.—

11                 “(i) NONAPPLICABILITY OF CERTAIN  
12                 LIMITATIONS.—Subject to clause (ii), fund-  
13                 ing under this paragraph shall be in addi-  
14                 tion to the dollar program limitations spec-  
15                 ified in paragraph (4).

16                 “(ii) AMOUNTS AUTHORIZED ONLY IF  
17                 REST OF SECTION 21 FULLY FUNDED.—No  
18                 funds are authorized to be appropriated to  
19                 carry out this paragraph for a fiscal year  
20                 unless the program level authorized to be  
21                 appropriated to carry out the other activi-  
22                 ties under this section is fully funded for  
23                 that fiscal year.

24                 “(iii) LIMITATION ON USE OF  
25                 FUNDS.—The Administration may carry

1 out this paragraph only with amounts ap-  
 2 propriated in advance specifically to carry  
 3 out this paragraph.”.

4 **SEC. 323. STATE CONSULTATION WITH TRIBAL ORGANIZA-**  
 5 **TIONS.**

6 Section 21(c) of the Small Business Act (15 U.S.C.  
 7 648(c)) is amended by adding at the end the following:  
 8 “(9) ADVICE OF LOCAL TRIBAL ORGANIZA-  
 9 TIONS.—A Small Business Development Center re-  
 10 ceiving a grant under this section shall request the  
 11 advice of tribal organization on how best to provide  
 12 assistance to Indian tribe members, Alaska Natives,  
 13 and Native Hawaiians and where to locate satellite  
 14 centers to provide such assistance.”.

15 **Subtitle D—Second-Stage Small**  
 16 **Business Development**

17 **SEC. 331. SHORT TITLE.**

18 This subtitle may be cited as the “Second-Stage  
 19 Small Business Development Act”.

20 **SEC. 332. PURPOSE.**

21 The purpose of this subtitle is to establish a four-  
 22 year pilot program to—

23 (1) identify second-stage small business con-  
 24 cerns that have the capacity for significant business  
 25 growth and job creation;

1           (2) facilitate business growth and job creation  
2           by second-stage small business concerns through the  
3           development of peer learning opportunities; and

4           (3) utilize the network of small business devel-  
5           opment centers to expand access to peer learning op-  
6           portunities for second-stage small business concerns.

7 **SEC. 333. PILOT PROGRAM.**

8           (a) **ESTABLISHMENT.**—The Administrator shall es-  
9           tablish and carry out a pilot program (referred to in this  
10           subtitle as the “pilot program”) to make grants to eligible  
11           entities for the development of peer learning opportunities  
12           for second-stage small business concerns in accordance  
13           with this subtitle.

14           (b) **SELECTION OF GRANT RECIPIENTS.**—

15           (1) **IN GENERAL.**—From the eligible entities lo-  
16           cated in the States in each of the 10 regions under  
17           paragraph (3), the Administrator shall select 2 eligi-  
18           ble entities to receive grants.

19           (2) **ELIGIBLE ENTITIES.**—In this subtitle, the  
20           term “eligible entity” means an entity that—

21                   (A) is eligible to receive funding under sec-  
22                   tion 21 of the Small Business Act (15 U.S.C.  
23                   648); and

24                   (B) submits to the Secretary an applica-  
25                   tion that includes—

- 1 (i) a plan to—  
2 (I) offer peer learning opportuni-  
3 ties to second-stage small business  
4 concerns; and  
5 (II) transition to providing such  
6 opportunities using non-governmental  
7 funding; and  
8 (ii) any other information and assur-  
9 ances that the Secretary may require.

10 (3) CRITERIA FOR SELECTION.—The Adminis-  
11 trator shall evaluate the plans submitted by the eli-  
12 gible entities under paragraph (2) and select eligible  
13 entities to receive grants on the basis of the merit  
14 of such plans.

15 (4) REGIONS DESCRIBED.—The regions re-  
16 ferred to in paragraph (1) are as follows:

17 (A) REGION 1.—Maine, Massachusetts,  
18 New Hampshire, Connecticut, Vermont, and  
19 Rhode Island.

20 (B) REGION 2.—New York, New Jersey,  
21 Puerto Rico, and the Virgin Islands.

22 (C) REGION 3.—Pennsylvania, Maryland,  
23 West Virginia, Virginia, the District of Colum-  
24 bia, and Delaware.

1 (D) REGION 4.—Georgia, Alabama, North  
2 Carolina, South Carolina, Mississippi, Florida,  
3 Kentucky, and Tennessee.

4 (E) REGION 5.—Illinois, Ohio, Michigan,  
5 Indiana, Wisconsin, and Minnesota.

6 (F) REGION 6.—Texas, New Mexico, Ar-  
7 kansas, Oklahoma, and Louisiana.

8 (G) REGION 7.—Missouri, Iowa, Nebraska,  
9 and Kansas.

10 (H) REGION 8.—Colorado, Wyoming,  
11 North Dakota, South Dakota, Montana, and  
12 Utah.

13 (I) REGION 9.—California, Guam, Hawaii,  
14 Nevada, Arizona, and American Samoa.

15 (J) REGION 10.—Washington, Alaska,  
16 Idaho, and Oregon.

17 (5) CONSULTATION.—If small business develop-  
18 ment centers have formed an association to pursue  
19 matters of common concern as authorized under sec-  
20 tion 21(a)(3)(A) of the Small Business Act (15  
21 U.S.C. 648(a)(3)(A)), the Administrator shall con-  
22 sult with such association and give substantial  
23 weight to the recommendations of such association  
24 in selecting the grant recipients.

1           (6) DEADLINE FOR INITIAL SELECTIONS.—The  
2 Administrator shall make selections under paragraph  
3 (1) not later than 60 days after the promulgation of  
4 regulations under section 334.

5           (c) USE OF FUNDS.—An eligible entity that receives  
6 a grant under the pilot program shall use the grant to—

7           (1) identify second-stage small business con-  
8 cerns in the service delivery areas of the eligible enti-  
9 ty; and

10           (2) establish and conduct peer learning oppor-  
11 tunities for such second-stage small business con-  
12 cerns.

13           (d) AMOUNT OF GRANT.—

14           (1) IN GENERAL.—Except as provided in para-  
15 graph (2), a grant under the pilot program shall be  
16 in an amount that does not exceed the product ob-  
17 tained by multiplying—

18           (A) the amount made available for grants  
19 under the pilot program for the fiscal year for  
20 which the grant is made; and

21           (B) the ratio that the population of the  
22 State in which the eligible entity is located  
23 bears to the aggregate population the States in  
24 which eligible entities receiving grants for that  
25 fiscal year are located.

1           (2) MINIMUM AMOUNT OF GRANT.—A grant  
2           under the pilot program shall be in an amount not  
3           less than \$50,000.

4           (e) MATCHING REQUIREMENT.—As a condition of a  
5           grant under the pilot program, the Administrator shall re-  
6           quire that a matching amount be provided from sources  
7           other than the Federal Government that—

8                   (1) is equal to the amount of the grant, or in  
9                   the case of an eligible entity that is a community  
10                  college, historically Black college, Hispanic-serving  
11                  institution, or other minority institution, is equal to  
12                  50 percent of the amount of the grant;

13                   (2) is not less than 50 percent cash;

14                   (3) is not more than 50 percent comprised of  
15                  indirect costs and in-kind contributions; and

16                   (4) does not include any indirect cost or in-kind  
17                  contribution derived from any Federal program.

18           (f) QUARTERLY REPORT TO ADMINISTRATOR.—

19                   (1) IN GENERAL.—Each eligible entity that re-  
20                  ceives a grant under the pilot program shall submit  
21                  to the Administrator a quarterly report that in-  
22                  cludes—

23                           (A) a summary of the peer learning oppor-  
24                           tunities established by the eligible entity using  
25                           grant funds;

1 (B) the number of second-stage small busi-  
2 ness concerns assisted using grant funds; and

3 (C) in the case of an eligible entity that re-  
4 ceives a grant for a second fiscal year or any  
5 subsequent fiscal year—

6 (i) any measurable economic impact  
7 data resulting from the peer learning op-  
8 portunities established using grant funds;  
9 and

10 (ii) the number of peer learning op-  
11 portunities established by the eligible enti-  
12 ty that have transitioned from operating  
13 using Government funds to operating with-  
14 out using Government funds.

15 (2) FORM OF REPORT.—The report required  
16 under paragraph (1) shall be transmitted in elec-  
17 tronic form.

18 (g) DATA REPOSITORY AND CLEARINGHOUSE.—In  
19 carrying out the pilot program, the Administrator shall act  
20 as the repository of and clearinghouse for data and infor-  
21 mation submitted by the eligible entities.

22 (h) ANNUAL REPORT ON PILOT PROGRAM.—Not  
23 later than November 1 of each year, the Administrator  
24 shall submit to the President and to Congress, a report

1 evaluating the success of the pilot program during the pre-  
2 ceding fiscal year, which shall include the following:

3 (1) A description of the types of peer learning  
4 opportunities provided with grant funds.

5 (2) The number of second-stage small business  
6 concerns assisted with grant funds.

7 (3) For fiscal year 2009 and each subsequent  
8 fiscal year of the pilot program—

9 (A) data regarding the economic impact of  
10 the peer learning opportunities provided with  
11 grant funds; and

12 (B) the number of peer learning opportuni-  
13 ties established by grant recipients that have  
14 transitioned from operating using Government  
15 funds to operating without using Government  
16 funds.

17 (i) **PRIVACY REQUIREMENT.**—The privacy require-  
18 ments that apply under subparagraphs (A) and (B) of sec-  
19 tion 21(a)(7) of the Small Business Act to financial assist-  
20 ance under section 21 of that Act also apply to financial  
21 assistance under this section.

22 (j) **EVALUATION AND REPORT.**—Not later than 3  
23 years after the establishment of the pilot program, the  
24 Comptroller General of the United States shall—

1           (1) conduct an evaluation of the pilot program;  
2           and

3           (2) transmit to Congress and the Administrator  
4           a report containing the results of such evaluation  
5           along with any recommendations as to whether the  
6           pilot program, with or without modification, should  
7           be extended to include the participation of all small  
8           business development centers.

9           (k) **TERMINATION.**—The pilot program shall termi-  
10          nate on September 30, 2011.

11          **SEC. 334. REGULATIONS.**

12           After providing notice and an opportunity for com-  
13          ment and after consulting with the association described  
14          in section 333(b)(5) (if any such association has been  
15          formed), the Administrator shall promulgate final regula-  
16          tions to carry out this subtitle, including regulations that  
17          establish—

18           (1) standards relating to the establishment and  
19          conduct of peer learning opportunities to be provided  
20          by grant recipients, including the number of individ-  
21          uals that may participate in a peer group that is  
22          part of a peer learning opportunity;

23           (2) standards relating to the educational, tech-  
24          nical, and professional competency of any facilitator

1 who delivers peer learning opportunities under the  
2 pilot program; and

3 (3) requirements for transitioning peer learning  
4 opportunities funded under the pilot program to  
5 non-governmental funding.

6 **SEC. 335. DEFINITIONS.**

7 In this subtitle:

8 (1) The term “Administrator” means the Ad-  
9 ministrator of the Small Business Administration.

10 (2) The term “peer learning opportunities”  
11 means formally organized peer groups of owners,  
12 presidents and chief executive officers in non-com-  
13 peting second-stage business concerns, meeting regu-  
14 larly with a professionally trained facilitator.

15 (3) The term “second-stage small business con-  
16 cern” means a small business concern that—

17 (A) has experienced high growth dem-  
18 onstrated by—

19 (i) an average annual revenue or em-  
20 ployee growth rate of at least 15 percent  
21 during the preceding 3 years; or

22 (ii) any 3 of—

23 (I) owning proprietary intellec-  
24 tual property;

1 (II) addressing an underserved or  
2 growing market;

3 (III) having a sustainable com-  
4 petitive advantage;

5 (IV) exporting goods or services  
6 outside of its community; and

7 (V) having a product or service  
8 that is scalable to a large market; and

9 (B) does not exceed the size standard for  
10 the North American Industrial Classification  
11 System code of such concern, as established  
12 pursuant to section 3(a) of the Small Business  
13 Act (15 U.S.C. 632(a)).

14 (4) The term “small business concern” has the  
15 meaning given that term under section 3 of the  
16 Small Business Act (15 U.S.C. 632).

17 (5) The term “State” means each of the several  
18 States, the District of Columbia, the Commonwealth  
19 of Puerto Rico, the Virgin Islands, Guam, and  
20 American Samoa.

21 (6) The term “community college” has the  
22 meaning given that term in section 3301(3) of the  
23 Higher Education Act of 1965 (20 U.S.C. 7011(3)).

24 (7) The term “historically Black college” means  
25 a part B institution, as defined in section 322(2) of

1 the Higher Education Act of 1965 (20 U.S.C.  
2 1061(2)).

3 (8) The term “Hispanic-serving institution” has  
4 the meaning given that term in section 502(a)(5) of  
5 the Higher Education Act of 1965 (20 U.S.C.  
6 1101a(a)(5)).

7 (9) The term “minority institution” has the  
8 meaning given that term in section 365(3) of the  
9 Higher Education Act of 1965 (20 U.S.C.  
10 1067k(3)).

11 **SEC. 336. AUTHORIZATION OF APPROPRIATIONS.**

12 (a) IN GENERAL.—Subject to subsection (b), there  
13 is authorized to be appropriated to carry out this subtitle  
14 \$1,500,000 for each of fiscal years 2008 through 2011.

15 (b) AMOUNTS AUTHORIZED ONLY IF SECTION 21  
16 FULLY FUNDED.—No funds are authorized to be appro-  
17 priated to carry out this section for a fiscal year unless  
18 the program level authorized to be appropriated to carry  
19 out section 21 is fully funded for that fiscal year.

20 (c) LIMITATION ON USE OF OTHER FUNDS.—The  
21 Administrator shall carry out this subtitle using only  
22 amounts appropriated in advance specifically for the pur-  
23 pose of carrying out this subtitle.

1           **Subtitle E—Trade Provisions**

2   **SEC. 341. ESTABLISHMENT OF ASSOCIATE ADMINISTRATOR**  
3                   **FOR INTERNATIONAL TRADE IN SMALL BUSI-**  
4                   **NESS ADMINISTRATION.**

5           (a) ESTABLISHMENT.—Section 22(a) of the Small  
6 Business Act (15 U.S.C. 649(a)) is amended by adding  
7 at the end the following: “The head of the Office shall  
8 be the Associate Administrator for International Trade,  
9 who shall be responsible to the Administrator.”.

10          (b) AUTHORITY FOR ADDITIONAL ASSOCIATE AD-  
11 MINISTRATOR.—Section 4(b)(1) of the Small Business Act  
12 (15 U.S.C. 633(b)(1)) is amended—

13                   (1) in the fifth sentence, by striking “five Asso-  
14 ciate Administrators” and inserting “Associate Ad-  
15 ministrators”; and

16                   (2) by adding at the end the following: “One of  
17 the Associate Administrators shall be the Associate  
18 Administrator for International Trade, who shall be  
19 the head of the Office of International Trade estab-  
20 lished under section 22.”.

21          (c) DISCHARGE OF ADMINISTRATION INTER-  
22 NATIONAL TRADE RESPONSIBILITIES.—Section 22 of the  
23 Small Business Act, as amended by subsection (a), is fur-  
24 ther amended by adding at the end the following new sub-  
25 section:

1 “(h) The Administrator shall ensure that—

2 “(1) the responsibilities of the Administration  
3 regarding international trade are carried out  
4 through the Associate Administrator for Inter-  
5 national Trade;

6 “(2) the Associate Administrator for Inter-  
7 national Trade has sufficient resources to carry out  
8 such responsibilities; and

9 “(3) the Associate Administrator for Inter-  
10 national Trade has direct supervision and control  
11 over the staff of the Office of International Trade,  
12 and over any employee of the Administration whose  
13 principal duty station is a United States Export As-  
14 sistance Center or any successor entity.”.

15 (d) ROLE OF ASSOCIATE ADMINISTRATOR IN CAR-  
16 RYING OUT INTERNATIONAL TRADE POLICY.—Section  
17 2(b)(1) of such Act (15 U.S.C. 631(b)(1)) is amended in  
18 the matter preceding subparagraph (A)—

19 (1) by inserting “the Administrator of” before  
20 “the Small Business Administration”; and

21 (2) by inserting “through the Associate Admin-  
22 istrator for International Trade” before “in coopera-  
23 tion with”.

1 (e) CONFORMING AMENDMENTS.—Section 22 of the  
2 Small Business Act (15 U.S.C. 649), as amended by sub-  
3 sections (a) and (c) is further amended—

4 (1) in subsection (b)—

5 (A) in the matter preceding paragraph (1),  
6 by striking “The Office” and inserting “The  
7 Associate Administrator”; and

8 (B) in paragraph (3), by striking “the di-  
9 rector of the Office” and inserting “the Asso-  
10 ciate Administrator”;

11 (2) in subsection (c) in the matter preceding  
12 paragraph (1), by striking “The Office” and insert-  
13 ing “The Associate Administrator”;

14 (3) in subsection (d), by striking “Office” both  
15 places it appears and inserting “Associate Adminis-  
16 trator”;

17 (4) in subsection (e), in the matter preceding  
18 paragraph (1), by striking “The Office” and insert-  
19 ing “The Associate Administrator”; and

20 (5) in subsections (f) and (g), by striking “The  
21 Office” and inserting “The Associate Adminis-  
22 trator”.

23 (f) TECHNICAL AMENDMENT.—Section 22 of the  
24 Small Business Act (15 U.S.C. 649), as amended by sub-  
25 sections (a), (c), and (e), is further amended by striking

1 the period at the end of subsection (c)(5) and inserting  
2 a semicolon.

3 (g) EFFECTIVE DATE.—The Administrator shall ap-  
4 point an Associate Administrator for International Trade  
5 pursuant to sections 4 and 22 of the Small Business Act  
6 (15 U.S.C. 648) (as amended by this section) not later  
7 than 90 days after the date of the enactment of this Act.

## 8 **TITLE IV—MISCELLANEOUS**

### 9 **SEC. 401. SMALL BUSINESS DISASTER LOANS.**

10 (a) INCREASE IN CERTAIN ECONOMIC INJURY DIS-  
11 ASTER LOAN AMOUNTS.—Section 7(b)(2) of the Small  
12 Business Act (15 U.S.C. 636(b)(2)) is amended—

13 (1) by redesignating subparagraphs (A), (B),  
14 (C), and (D) as clauses (i), (ii), (iii), and (v), respec-  
15 tively;

16 (2) by striking “(2) to make sure loans” and  
17 inserting the following: “(2)(A) to make such loans”;

18 (3) by striking “or” at the end of each of  
19 clauses (i), (ii), and (iii), as redesignated by para-  
20 graph (1);

21 (4) by inserting after clause (iii) the following  
22 new clause (iv):

23 “(iv) an incident of national significance as  
24 declared by the Secretary of Homeland Security  
25 that is an actual or potential high-impact event

1           that requires a coordinated and effective re-  
2           sponse by an appropriate combination of Fed-  
3           eral, State, local, tribal, nongovernmental, or  
4           private-sector entities in order to save lives and  
5           minimize damage and provide the basis for  
6           long-term community recovery and mitigation  
7           activities.”;

8           (5) by adding at the end the following new sub-  
9           paragraphs:

10           “(B) In the case of an incident of national sig-  
11           nificance described in subparagraph (A)(iv), a loan  
12           or guarantee under this paragraph may be made to  
13           a small business concern or small agricultural coop-  
14           erative located inside or outside the declared disaster  
15           area, if the small business concern or small agricul-  
16           tural cooperative suffered substantial economic in-  
17           jury as a direct result of the incident of national sig-  
18           nificance.

19           “(C) The aggregate amount of the following  
20           shall not exceed \$10,000,000:

21           “(i) Any loan or guarantee made to a  
22           small business concern or small agricultural co-  
23           operative pursuant to a determination of sub-  
24           stantial economic injury as a result of an inci-

1           dent of national significance described in sub-  
2           paragraph (A)(iv).

3           “(ii) Any loan or guarantee made to such  
4           small business concern or small agricultural co-  
5           operative under paragraph (1)(D).”; and

6           (6) by striking “: *Provided* That no loan” and  
7           all that follows and inserting the following new sub-  
8           paragraph:

9           “(D) No loan or guarantee shall be made to a  
10          small business concern or small agricultural coopera-  
11          tive under this paragraph pursuant to a determina-  
12          tion of substantial economic injury as a result of a  
13          disaster described in subparagraph (A) if the Ad-  
14          ministrator finds such concern or cooperative is able  
15          to obtain credit elsewhere.”.

16          (b) TECHNICAL AMENDMENTS.—Section 7(b) of such  
17          Act is further amended—

18                 (1) by striking “the, Administration” and in-  
19                 serting “the Administration”; and

20                 (2) in paragraph (2)(A)(i), as redesignated by  
21                 subsection (a), by striking “Disaster Relief and  
22                 Emergency Assistance Act” and inserting “Robert  
23                 T. Stafford Disaster Relief and Emergency Assist-  
24                 ance Act (42 U.S.C. 5121 et seq.)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 subsections (a) and (b) shall apply with respect to a loan  
3 or guarantee made on or after the date of the enactment  
4 of this Act.

5 **SEC. 402. DISASTER LOANS FOR INCIDENTS OF NATIONAL**  
6 **SIGNIFICANCE.**

7 (a) DISASTER LOANS FOR PRIVATE NONPROFIT OR-  
8 GANIZATIONS.—The Administrator of the Small Business  
9 Administration may make or guarantee an economic in-  
10 jury disaster loan under section 7(b)(2) of the Small Busi-  
11 ness Act (15 U.S.C. 636(b)(2)) to a private nonprofit or-  
12 ganization (as that term is defined in section 29(a)(2) of  
13 such Act (15 U.S.C. 656(a)(2))) that is located in an area  
14 affected by an incident of national significance (as de-  
15 clared by the Secretary of Homeland Security).

16 (b) DISASTER MITIGATION LOANS FOR SMALL BUSI-  
17 NESSES.—

18 (1) AUTHORITY.—The Administrator of the  
19 Small Business Administration may make or guar-  
20 antee a mitigation loan to a small business concern  
21 (as defined in section 3 of the Small Business Act  
22 (15 U.S.C. 632)) that receives a loan under section  
23 7(b)(1)(A) of that Act (15 U.S.C. 636(b)(1)(A)) for  
24 the damage or destruction, by reason of an incident  
25 of national significance (as declared by the Secretary

1 of Homeland Security), of property owned by the  
2 small business concern.

3 (2) AMOUNT OF LOAN.—The amount of a loan  
4 under paragraph (1) shall not exceed 20 percent of  
5 the total amount of the cost of the damage or de-  
6 struction referred to in paragraph (1). The total  
7 amount shall be calculated without regard for any  
8 costs for which the small business concern is reim-  
9 bursed under any insurance policy or otherwise.

10 (c) APPLICABILITY FOR FISCAL YEAR 2006 TO HUR-  
11 RICANES KATRINA AND RITA.—

12 (1) IN GENERAL.—For fiscal year 2006, the  
13 Administrator—

14 (A) may carry out subsection (a) with re-  
15 spect to a private nonprofit organization that  
16 was located, as of August 28, 2005, in a hurri-  
17 cane-affected area; and

18 (B) may carry out subsection (b) with re-  
19 spect to a small business concern that was lo-  
20 cated, as of August 28, 2005, in a hurricane-  
21 affected area, for damage or destruction by rea-  
22 son of Hurricane Katrina or Hurricane Rita.

23 (2) HURRICANE-AFFECTED AREA DEFINED.—  
24 The term “hurricane-affected area” means a county  
25 or parish in the State of Alabama, Mississippi, Lou-

1 isiana, or Texas, that has been designated by the  
2 Administrator of the Small Business Administration  
3 as a disaster area by reason of Hurricane Katrina  
4 or Hurricane Rita under disaster declaration 10176,  
5 10177, 10178, 10179, 10180, 10181, 10203, 10204,  
6 10205, or 10206.

7 **SEC. 403. SMALL BUSINESS DEVELOPMENT CENTER PORT-**  
8 **ABILITY GRANTS.**

9 Section 21 of the Small Business Act (15 U.S.C.648)  
10 is amended in subsection (a)(4)(C)(viii)—

11 (1) by striking “as a result of a business or  
12 government facility down sizing or closing, which has  
13 resulted in the loss of jobs or small business insta-  
14 bility” and inserting “as a result of events that have  
15 resulted, or will result, in business or government fa-  
16 cility downsizing or closing”; and

17 (2) by adding at the end the following: “At the  
18 discretion of the Administrator, awards in excess of  
19 the \$100,000 limit imposed by the preceding sen-  
20 tence may be made to recipients to accommodate ex-  
21 traordinary occurrences having catastrophic impact  
22 on the communities’ small businesses.”.

23 **SEC. 404. ASSISTANCE TO OUT-OF-STATE BUSINESSES.**

24 Section 21 of the Small Business Act (15 U.S.C.  
25 648(b)(3)) is amended in subsection (b)(3) by adding at

1 the end the following: “The Administrator may also, in  
2 the Administrator’s discretion, authorize a small business  
3 development center to provide such assistance to small  
4 businesses located outside the State without regard to geo-  
5 graphic proximity where the small businesses are located  
6 in a disaster area declared under section 7(b)(2)(A).”

7 **SEC. 405. ELIMINATION OF UNNECESSARY PROGRAMS.**

8 The following provisions of the Small Business Act  
9 are repealed:

10 (1) Subsection (h) and (i) of section 7 (15  
11 U.S.C. 636).

12 (2) Section 24 (15 U.S.C. 651).

13 (3) Section 25 (15 U.S.C. 652).

14 **SEC. 406. TECHNICAL CORRECTION.**

15 Section 3 of the Small Business Act (15 U.S.C. 632)  
16 is amended in subsection (p)(4)(D)(iv) by striking “base  
17 closures of redevelopment” and inserting “base closures  
18 or redevelopment”.

19 **SEC. 407. COMBATING WASTE, FRAUD, AND ABUSE.**

20 (a) IN GENERAL.—Section 16 of the Small Business  
21 Act (15 U.S.C. 645) is amended—

22 (1) in subsection (a)—

23 (A) by inserting after “false” the following:  
24 “or knowingly causes another to make a false  
25 statement”;

1 (B) by inserting after “this Act” the fol-  
2 lowing: “or the Small Business Investment Act  
3 of 1958”; and

4 (C) by striking “\$5,000” and inserting  
5 “\$250,000”;

6 (2) in subsection (b)—

7 (A) by inserting after “being” the fol-  
8 lowing: “an officer, agent, or employee of the  
9 Administration or”; and

10 (B) by striking “\$10,000” and inserting  
11 “\$250,000”;

12 (3) in subsection (c), by striking “the Adminis-  
13 tration,” and all that follows through the period at  
14 the end and inserting “the Administration, or any  
15 property mortgaged or pledged as security for any  
16 promissory note, or other evidence of indebtedness,  
17 which has been given in order to obtain a loan under  
18 this Act or the Small Business Investment Act of  
19 1958, shall be fined not more than \$250,000 or im-  
20 prisoned not more than five years, or both; but if the  
21 value of such property does not exceed \$5,000, he  
22 shall be fined not more than \$10,000 or imprisoned  
23 not more than one year, or both.”; and

24 (4) in subsection (d)(2)(C), by inserting after  
25 “(or any successor regulation)” the following: “, or

1 as specified in part 145 of title 13, Code of Federal  
2 Regulations (or any successor regulation),”.

3 (b) AUTHORITY OF ADMINISTRATION TO REQUIRE  
4 IDENTIFICATION OF REFERRAL AGENTS AND PACK-  
5 AGERS.—Section 5 of the Small Business Act (15 U.S.C.  
6 634) is amended in subsection (b)—

7 (1) in paragraph (13) by striking “and” at the  
8 end;

9 (2) in paragraph (14) by striking the period at  
10 the end and inserting “; and”; and

11 (3) by adding after paragraph (14) the fol-  
12 lowing:

13 “(15) require an individual who is a referral  
14 agent or packager (as those terms are defined by the  
15 Administrator) who provides assistance to a small  
16 business concern that applies for a loan under sec-  
17 tion 7 of this Act, or a loan made under the author-  
18 ity of title V of the Small Business Investment Act  
19 of 1958, to provide to the Administrator the individ-  
20 ual’s name, date of birth, and Social Security num-  
21 ber.”.

22 **SEC. 408. RELIEF AVAILABLE AGAINST ADMINISTRATOR.**

23 Section 5 of the Small Business Act (15 U.S.C. 634)  
24 is amended in subsection (b)(1) by striking “but no at-

1 tachment” and all that follows through the semicolon at  
2 the end.

3 **SEC. 409. ECONOMIC INJURY DISASTER LOANS TO NON-**  
4 **PROFITS.**

5 (a) IN GENERAL.—Section 7 of the Small Business  
6 Act (15 U.S.C. 636) is amended in subsection (b)(2)—

7 (1) in the matter preceding subparagraph (A)—

8 (A) by inserting after “small business con-  
9 cern” the following: “, private nonprofit organi-  
10 zation,”; and

11 (B) by inserting after “the concern” the  
12 following: “, organization,”; and

13 (2) in subparagraph (D) by inserting after  
14 “small business concerns” the following: “, private  
15 nonprofit organizations,”.

16 (b) CONFORMING AMENDMENT.—Such section is fur-  
17 ther amended in subsection (c)(5)(C) by inserting after  
18 “business” the following: “, organization,”.

19 **SEC. 410. EXTENSION OF CO-SPONSORSHIP AUTHORITY.**

20 Section 132 of the Small Business Reauthorization  
21 and Manufacturing Assistance Act of 2004 (division K of  
22 Public Law 108–447; 118 Stat. 3453; 15 U.S.C. 633  
23 note) is amended in subsection (c) by striking “2006” and  
24 inserting “2010”.

1 **SEC. 411. REGULATIONS ON SIZE STANDARDS OF**  
2 **FRANCHISEES.**

3 (a) PROMULGATION.—Not later than 180 days after  
4 the date of the enactment of this Act, the Administrator  
5 of the Small Business Administration shall repeal section  
6 121.103(i) of title 13, Code of Federal Regulations (as  
7 in effect on the date of the enactment of this Act), and  
8 promulgate a new regulation, after opportunity for notice  
9 and comment, taking into account whether the franchisee  
10 or licensee—

11 (1) retains the majority of its profits but not  
12 less than 51 percent;

13 (2) bears the burdens of its losses;

14 (3) shares no common ownership or manage-  
15 ment personnel with the franchisor or licensor;

16 (4) maintains daily control of its operations in-  
17 cluding determining who its customers will be; and

18 (5) is subject to excessive restrictions on the  
19 sale of its business given the interest of the  
20 franchisor or licensor in protecting the goodwill of  
21 its trademarks, tradenames, or service marks.

22 (b) FAILURE TO PROMULGATE NEW STANDARD.—If  
23 the Administrator fails to comply with subsection (a), any  
24 franchisee or licensee shall be treated as small for pur-  
25 poses of the Small Business Act until the Administrator

1 has issued a final regulation as required under subsection  
2 (a).

3 **SEC. 412. DISTRICT DIRECTORS PROHIBITED FROM BEING**  
4 **INVOLVED IN SELECTION OF SBDC DIREC-**  
5 **TORS.**

6 Section 21(c)(2) of the Small Business Act (15  
7 U.S.C. 648(c)(2)) is amended by amending subparagraph  
8 (A) to read as follows:

9 “(A) a full-time staff, including a full-time  
10 director who—

11 “(i) shall have the authority to make  
12 expenditures under the center’s budget and  
13 shall manage the program activities; and

14 “(ii) shall be selected only by the re-  
15 cipient of the grant funds allocated pursu-  
16 ant to subsection (a) of this section and  
17 approved by the Associate Administrator of  
18 the Office of Small Business Development  
19 Centers, through a process under which  
20 employees in district and regional offices of  
21 the Administration, including District Di-  
22 rectors and Regional Administrators, may  
23 provide advice to the Associate Adminis-  
24 trator but shall have no authority to select,

1 approve, or disapprove of any person as  
2 full-time director;”.

○