

109TH CONGRESS
2D SESSION

S. 3680

To amend the Small Business Investment Act of 1958 to reauthorize and expand the New Markets Venture Capital Program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 18, 2006

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

A BILL

To amend the Small Business Investment Act of 1958 to reauthorize and expand the New Markets Venture Capital Program, 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.**

4 This Act may be cited as the “Securing Equity for
5 the Economic Development of Low Income Areas Act of
6 2006”.

7 **SEC. 2. DEFINITIONS.**

8 In this Act—

1 (1) the terms “Administration” and “Adminis-
2 trator” mean the Small Business Administration
3 and the Administrator thereof, respectively;

4 (2) the term “low-income geographic area” has
5 the same meaning as in section 351 of the Small
6 Business Investment Act of 1958 (15 U.S.C. 689),
7 as amended by this Act;

8 (3) the term “New Markets Venture Capital
9 company” has the same meaning as in section 351
10 of the Small Business Investment Act of 1958 (15
11 U.S.C. 689); and

12 (4) the term “New Markets Venture Capital
13 Program” means the program under part B of title
14 III of the Small Business Investment Act of 1958
15 (15 U.S.C. 689 et seq.).

16 **SEC. 3. EXPANSION OF NEW MARKETS VENTURE CAPITAL**
17 **PROGRAM.**

18 (a) SELECTION OF COMPANIES IN EACH GEO-
19 GRAPHIC REGION.—Section 354 of the Small Business In-
20 vestment Act of 1958 (15 U.S.C. 689c) is amended by
21 adding at the end the following:

22 “(f) GEOGRAPHIC REQUIREMENT.—In selecting com-
23 panies to participate as New Markets Venture Capital
24 companies in the program established under this part, the
25 Administrator shall select, to the extent practicable, from

1 among companies submitting applications under sub-
2 section (b), not fewer than 1 company from each geo-
3 graphic region of the Administration.”.

4 (b) PARTICIPATION IN NEW MARKETS VENTURE
5 CAPITAL PROGRAM.—

6 (1) ADMINISTRATION PARTICIPATION RE-
7 QUIRED.—Section 353 of the Small Business Invest-
8 ment Act of 1958 (15 U.S.C. 689b) is amended in
9 the matter preceding paragraph (1), by striking
10 “under which the Administrator may” and inserting
11 “under which the Administrator shall”.

12 (2) SMALL MANUFACTURER PARTICIPATION
13 AGREEMENTS REQUIRED.—Section 353 of the Small
14 Business Investment Act of 1958 (15 U.S.C. 689b)
15 is amended—

16 (A) by striking “In accordance with this
17 part,” and inserting the following:

18 “(a) IN GENERAL.—In accordance with this part,”;

19 (B) in subsection (a)(1), as so designated
20 by this paragraph, by inserting after “section
21 352” the following: “(with not fewer than 1
22 such agreement to be with a company engaged
23 primarily in development of and investment in
24 small manufacturers, to the extent prac-
25 ticable)”; and

1 (C) by adding at the end the following:

2 “(b) **RULE OF CONSTRUCTION.**—Subsection (a)(1)
3 shall not be construed to authorize the Administrator to
4 decline to enter into a participation agreement with a com-
5 pany solely on the basis that the company is not engaged
6 primarily in development of and investment in small man-
7 ufacturers.”.

8 **SEC. 4. REPORT TO CONGRESS.**

9 Not later than 1 year after the date of enactment
10 of this Act, the Administrator shall submit to Congress
11 a report evaluating the success of the New Markets Ven-
12 ture Capital Program in promoting economic development
13 and creating wealth and job opportunities in low-income
14 geographic areas, among individuals living in such areas,
15 by encouraging developmental venture capital investments
16 in smaller enterprises.

17 **SEC. 5. ESTABLISHMENT OF OFFICE OF NEW MARKETS**
18 **VENTURE CAPITAL.**

19 Title II of the Small Business Investment Act of
20 1958 (15 U.S.C. 671) is amended by adding at the end
21 the following:

22 **“SEC. 202. OFFICE OF NEW MARKETS VENTURE CAPITAL.**

23 “(a) **ESTABLISHMENT.**—There is established in the
24 Investment Division of the Administration, the ‘Office of
25 New Markets Venture Capital’.

1 “(b) DIRECTOR.—The Office of New Markets Ven-
2 ture Capital shall be headed by a Director, who shall be
3 appointed by the Administrator.

4 “(c) RESPONSIBILITIES OF DIRECTOR.—Subject to
5 the direction and control of the Administrator, the respon-
6 sibilities of the Director of the Office of New Markets Ven-
7 ture Capital are—

8 “(1) to administer the New Markets Venture
9 Capital Program under part B of title III;

10 “(2) to periodically assess the nature and scope
11 of the New Markets Venture Capital Program and
12 to advise the Administrator on recommended
13 changes to the program, based on such assessment;

14 “(3) to work to expand the number of small
15 business concerns participating in the New Markets
16 Venture Capital Program;

17 “(4) to encourage investment in small manufac-
18 turing; and

19 “(5) to perform such other duties relating to
20 such responsibilities as the Administrator may pro-
21 vide.”.

22 **SEC. 6. LOW-INCOME GEOGRAPHIC AREAS.**

23 (a) MODIFICATION OF DEFINITION OF LOW-INCOME
24 GEOGRAPHIC AREA FOR PURPOSES OF NEW MARKETS
25 VENTURE CAPITAL PROGRAM.—

1 (1) IN GENERAL.—Section 351 of the Small
2 Business Investment Act of 1958 (15 U.S.C. 689) is
3 amended—

4 (A) by striking paragraphs (2) and (3) and
5 inserting the following:

6 “(2) LOW-INCOME GEOGRAPHIC AREA.—The
7 term ‘low-income geographic area’ has the meaning
8 given the term ‘low-income community’ in section
9 45D of the Internal Revenue Code of 1986 (relating
10 to the new markets tax credit).”;

11 (B) by redesignating paragraphs (4)
12 through (8) as paragraphs (3) through (7), re-
13 spectively.

14 (2) RETROACTIVE APPLICATION OF AMENDED
15 DEFINITION TO CAPITAL REQUIREMENT.—The defi-
16 nition of a low-income geographic area in section
17 351(2) of the Small Business Investment Act of
18 1958, as amended by paragraph (1), shall apply to
19 private capital raised under section 354(d)(1) of the
20 Small Business Investment Act of 1958 (15 U.S.C.
21 689c(d)(1)) before, on, or after the date of enact-
22 ment of this Act.

23 (b) STUDY ON AVAILABILITY OF EQUITY CAPITAL.—

24 (1) STUDY REQUIRED.—Not later than the end
25 of the 180-day period beginning on the date of en-

1 actment of this Act, the Chief Counsel for Advocacy
2 of the Administration shall conduct a study on the
3 availability of equity capital in low-income geo-
4 graphic areas.

5 (2) REPORT.—Not later than 90 days after the
6 completion of the study under paragraph (1) the Ad-
7 ministrator shall submit to Congress a report con-
8 taining the findings of the study required under
9 paragraph (1) and any recommendations of the Ad-
10 ministrator based on such study.

11 **SEC. 7. LIMITATION ON TIME FOR FINAL APPROVAL OF**
12 **COMPANIES.**

13 Section 354(d) of the Small Business Investment Act
14 of 1958 (15 U.S.C. 689c(d)) is amended by striking “a
15 period of time, not to exceed 2 years,” and inserting “2
16 years”.

17 **SEC. 8. APPLICATIONS FOR NEW MARKETS VENTURE CAP-**
18 **ITAL PROGRAM.**

19 Not later than 60 days after the date of enactment
20 of this Act, the Administrator shall prescribe standard
21 documents for an application for final approval by a New
22 Markets Venture Capital company under section 354(e)
23 of the Small Business Investment Act of 1958 (15 U.S.C.
24 689c(e)). The Administrator shall ensure that such docu-
25 ments are designed to substantially reduce the cost burden

1 of the application process on a company making such an
2 application.

3 **SEC. 9. OPERATIONAL ASSISTANCE GRANTS.**

4 Section 358(a)(4)(A) of the Small Business Invest-
5 ment Act of 1958 (15 U.S.C. 689g(a)(4)(A)) is amended
6 to read as follows:

7 “(A) NEW MARKETS VENTURE CAPITAL
8 COMPANIES.—Notwithstanding section
9 354(d)(2), the amount of a grant made under
10 this subsection to a New Markets Venture Cap-
11 ital company shall be equal to the lesser of—

12 “(i) 10 percent of the private capital
13 raised by the company; or

14 “(ii) \$1,000,000.”.

15 **SEC. 10. AUTHORIZATION OF APPROPRIATIONS.**

16 (a) REAUTHORIZATION OF NEW MARKETS VENTURE
17 CAPITAL PROGRAM.—Section 368(a) of the Small Busi-
18 ness Investment Act of 1958 (15 U.S.C. 689q(a)) is
19 amended in the matter preceding paragraph (1), by strik-
20 ing “fiscal years 2001 through 2006” and inserting “fiscal
21 years 2006 through 2009”.

22 (b) OFFICE OF NEW MARKETS VENTURE CAP-
23 ITAL.—There is authorized to be appropriated to carry out

1 section 202 of the Small Business Investment Act of 1958,
2 as added by this Act, \$1,000,000.

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