

116TH CONGRESS  
1ST SESSION

# H. R. 225

To provide for small business concerns located in Puerto Rico, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2019

Ms. VELÁZQUEZ introduced the following bill; which was referred to the Committee on Small Business

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## A BILL

To provide for small business concerns located in Puerto Rico, 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 “Puerto Rico Small  
5 Business Assistance Act of 2019”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents for this Act are as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.

TITLE I—LENDING

Sec. 101. Microloan program for Puerto Rico small business concerns.

- Sec. 102. Fee reductions.  
 Sec. 103. Economic stimulus lending program for small businesses.  
 Sec. 104. Contribution percentages for 504 projects.  
 Sec. 105. Independent subsidy calculation.

TITLE II—PROCUREMENT

- Sec. 201. Contracting preference for Puerto Rico businesses.

TITLE III—ENTREPRENEURIAL DEVELOPMENT

- Sec. 301. Veteran Business Outreach Center in Puerto Rico.  
 Sec. 302. FAST grant program for Puerto Rico.

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

3 (1) ADMINISTRATOR.—The term “Adminis-  
 4 trator” means the Administrator of the Small Busi-  
 5 ness Administration.

6 (2) OVERSIGHT BOARD TERMINATION DATE.—  
 7 The term “Oversight Board termination date”  
 8 means the date on which the Oversight Board estab-  
 9 lished under section 101 of the Puerto Rico Over-  
 10 sight, Management, and Economic Stability Act (48  
 11 U.S.C. 2121) terminates.

12 (3) PUERTO RICO.—The term “Puerto Rico”  
 13 means the Commonwealth of Puerto Rico.

14 (4) PUERTO RICO BUSINESS.—The term “Puer-  
 15 to Rico business” has the meaning given in section  
 16 3(ee) of the Small Business Act (15 U.S.C.  
 17 632(ee)).

18 (5) SMALL BUSINESS CONCERN.—The term  
 19 “small business concern” has the meaning given

1 such term under section 3 of the Small Business Act  
2 (15 U.S.C. 632).

### 3 **TITLE I—LENDING**

#### 4 **SEC. 101. MICROLOAN PROGRAM FOR PUERTO RICO SMALL** 5 **BUSINESS CONCERNS.**

6 (a) INCREASE IN ACCESS TO CAPITAL FOR CERTAIN  
7 INTERMEDIARIES.—Section 7(m)(3)(C) of the Small Busi-  
8 ness Act (15 U.S.C. 636(m)(3)(C)) is amended—

9 (1) by inserting “and except as provided in  
10 clause (ii)” after “subsection (a)(3)”;

11 (2) by striking “Notwithstanding” and insert-  
12 ing the following:

13 “(i) IN GENERAL.—Notwithstanding”;

14 and

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

16 “(ii) EXCEPTION FOR CERTAIN PUER-  
17 TO RICO BUSINESSES.—

18 “(I) IN GENERAL.—No loan shall  
19 be made under this subsection if the  
20 total amount outstanding and com-  
21 mitted to 1 covered intermediary (ex-  
22 cluding outstanding grants) from the  
23 business loan and investment fund es-  
24 tablished by this Act would, as a re-  
25 sult of such loan, exceed \$6,000,000

1 in the remaining years of the covered  
2 intermediary's participation in the  
3 program.

4 “(II) DEFINITION.—In this  
5 clause, the term ‘covered inter-  
6 mediary’ means an intermediary  
7 that—

8 “(aa) is participating in the  
9 program; and

10 “(bb) submits to the Admin-  
11 istrator a certification that not  
12 less than 20 percent of the  
13 microloans made by the inter-  
14 mediary under this subsection,  
15 during such period as the Admin-  
16 istrator may specify, will be made  
17 to Puerto Rico businesses.”.

18 (b) WAIVER OF 25/75 RULE FOR MICROLOANS TO  
19 PUERTO RICO SMALL BUSINESS CONCERNS.—

20 (1) WAIVER AUTHORIZED.—Section 7(m)(4)(E)  
21 of the Small Business Act (15 U.S.C. 636(m)(4)(E))  
22 is amended—

23 (A) in clause (i), by striking “Each” and  
24 inserting “Except as provided in clause (iii),  
25 each”; and

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

2 “(iii) EXCEPTION FOR CERTAIN  
3 INTERMEDIARIES.—The Administrator  
4 shall waive the requirements of clause (i)  
5 for an intermediary for which not less than  
6 25 percent of the loans made by the inter-  
7 mediary are made to Puerto Rico busi-  
8 nesses.”.

9 (2) STUDY.—Not later than 18 months after  
10 the date of enactment of this Act, the Administrator  
11 shall submit to Congress a report on the impact of  
12 waiving the requirements of section 7(m)(4)(E)(i) of  
13 the Small Business Act for all intermediaries receiv-  
14 ing grant funds under section 7(m)(1)(B)(ii) of the  
15 Small Business Act, which shall include an analysis  
16 of the effectiveness and feasibility of expanding the  
17 waiver to small business concerns nationwide.

18 (c) PROSPECTIVE REPEAL.—Subsections (a) and (b)  
19 shall be repealed, and the provisions of law amended by  
20 such subsections shall be restored as if such subsections  
21 had not been enacted, on the Oversight Board termination  
22 date.

23 (d) GAO STUDY.—Not later than 180 days after the  
24 date of enactment of this Act, the Comptroller General  
25 of the United States shall complete a study and submit

1 to the Committee on Small Business and Entrepreneur-  
2 ship of the Senate and the Committee on Small Business  
3 of the House of Representatives a report on the following:

4 (1) The operations (including services provided,  
5 structure, size, and area of operation) of a rep-  
6 resentative sample of—

7 (A) intermediaries that are eligible for par-  
8 ticipation in the microloan program under sec-  
9 tion 7(m) of the Small Business Act (15 U.S.C.  
10 636(m)) and that participate in the microloan  
11 program; and

12 (B) intermediaries (including those oper-  
13 ated for profit, operated as nonprofit organiza-  
14 tions, and affiliated with a United States insti-  
15 tution of higher learning (as defined in section  
16 3452 of title 38, United States Code) that are  
17 so eligible and that do not participate in the  
18 microloan program.

19 (2) The reasons why intermediaries described in  
20 paragraph (1)(B) choose not to participate in the  
21 microloan program.

22 (3) Recommendations on how to encourage in-  
23 creased participation in the microloan program by  
24 intermediaries described in paragraph (1)(B).

1           (4) Recommendations for increasing the num-  
2           ber of intermediaries located in the territories of the  
3           United States or in economically distressed areas (as  
4           defined in section 7(m)(11)(D) of the Small Busi-  
5           ness Act (15 U.S.C. 636(m)(11)(D)) that are eligi-  
6           ble for participation in the microloan program under  
7           section 7(m) of such Act.

8           (5) Recommendations on how to decrease the  
9           costs associated with participation in the microloan  
10          program for eligible intermediaries.

11 **SEC. 102. FEE REDUCTIONS.**

12          (a) ADMINISTRATIVE PROVISIONS FOR THE SMALL  
13 BUSINESS ADMINISTRATION.—

14           (1) DEFINITION.—In this subsection, the term  
15          “covered business loan” means a loan—

16                   (A) of not more than \$2,000,000;

17                   (B) that is guaranteed by the Adminis-  
18           trator under section 7(a) of the Small Business  
19           Act (15 U.S.C. 636(a));

20                   (C) for which the application is approved  
21           on or after the date of enactment of this Act;  
22           and

23                   (D) that is made to a Puerto Rico busi-  
24           ness.

1           (2) FEES.—During the period beginning on the  
2           date of enactment of this Act and ending on the  
3           Oversight Board termination date, and to the extent  
4           that the cost of such elimination or reduction of fees  
5           is offset by appropriations, with respect to each cov-  
6           ered business loan, the Administrator shall—

7                   (A) in lieu of the fee otherwise applicable  
8                   under section 7(a)(23)(A) of the Small Busi-  
9                   ness Act, collect no fee or reduce fees to the  
10                  maximum extent possible; and

11                  (B) in lieu of the fee otherwise applicable  
12                  under section 7(a)(18)(A) of the Small Busi-  
13                  ness Act, collect no fee or reduce fees to the  
14                  maximum extent possible.

15           (b) TEMPORARY FEE ELIMINATION FOR THE 504  
16           LOAN PROGRAM.—

17           (1) IN GENERAL.—During the period beginning  
18           on the date of enactment of this Act and ending on  
19           the Oversight Board termination date, and to the ex-  
20           tent the cost of such elimination in fees is offset by  
21           appropriations, with respect to each loan of not more  
22           than \$2,000,000 guaranteed by the Administrator  
23           under title V of the Small Business Investment Act  
24           of 1958 (15 U.S.C. 695 et seq.) with respect to a  
25           development company that has its principal office lo-



1 cated in Puerto Rico and for which an application  
2 is approved or pending approval on or after the date  
3 of enactment of this Act—

4 (A) the Administrator shall, in lieu of the  
5 fee otherwise applicable under section 503(d)(2)  
6 of the Small Business Investment Act of 1958  
7 (15 U.S.C. 697(d)(2)), collect no fee; and

8 (B) a development company shall, in lieu  
9 of the processing fee under section  
10 120.971(a)(1) of title 13, Code of Federal Reg-  
11 ulations (relating to fees paid by borrowers), or  
12 any successor thereto, collect no fee.

13 (2) REIMBURSEMENT FOR WAIVED FEES.—

14 (A) IN GENERAL.—To the extent that the  
15 cost of such payments is offset by appropria-  
16 tions, the Administrator shall reimburse each  
17 development company that does not collect a  
18 processing fee under paragraph (1)(B).

19 (B) AMOUNT.—The reimbursement to a  
20 development company under subparagraph (A)  
21 shall be in an amount equal to 1.5 percent of  
22 the net debenture proceeds for which the devel-  
23 opment company does not collect a processing  
24 fee under paragraph (1)(B).

1           (c) APPLICATION OF FEE ELIMINATIONS.—To the  
2 extent that amounts are made available to the Adminis-  
3 trator for the purpose of fee eliminations or reductions  
4 under subsection (a), the Administrator shall—

5           (1) first use any amounts provided to eliminate  
6 or reduce fees paid by borrowers under clauses (i),  
7 (ii), and (iii) of section 7(a)(18)(A) of the Small  
8 Business Act (15 U.S.C. 636(a)(18)(A)), to the  
9 maximum extent possible;

10           (2) to the extent amounts provided remain after  
11 use in accordance with paragraph (1), use any  
12 amounts provided to eliminate or reduce fees under  
13 section 7(a)(23)(A) of the Small Business Act (15  
14 U.S.C. 636(a)(23)(A)) paid by lenders with assets of  
15 not more than \$1,000,000,000, as of the date of en-  
16 actment of this Act; and

17           (3) to the extent amounts provided remain after  
18 use in accordance with paragraphs (1) and (2), use  
19 any remaining amounts provided to reduce fees  
20 under section 7(a)(23)(A) of the Small Business Act  
21 paid by lenders other than those described under  
22 paragraph (2).

1 **SEC. 103. ECONOMIC STIMULUS LENDING PROGRAM FOR**  
2 **SMALL BUSINESSES.**

3 (a) **AUTHORITY.**—Notwithstanding section 7(a) of  
4 the Small Business Act (15 U.S.C. 636(a)), for a quali-  
5 fying small business loan the Administrator may guar-  
6 antee not more than 90 percent of the balance of the fi-  
7 nancing outstanding at the time of disbursement of the  
8 loan, if such balance is less than or equal to \$2,000,000.

9 (b) **QUALIFYING SMALL BUSINESS LOAN DE-**  
10 **FINED.**—For purposes of this section, the term “quali-  
11 fying small business loan” means any loan to a Puerto  
12 Rico business made pursuant to section 7(a) of the Small  
13 Business Act (15 U.S.C. 636(a)), except for such loans  
14 made under section 7(a)(31) of such Act (15 U.S.C.  
15 636(a)(31)).

16 (c) **QUALIFIED BORROWERS.**—

17 (1) **ALIENS UNLAWFULLY PRESENT IN THE**  
18 **UNITED STATES.**—The Administrator may not guar-  
19 antee a loan made under this section to a small busi-  
20 ness concern if an individual who is an alien unlaw-  
21 fully present in the United States—

22 (A) has an ownership interest in that con-  
23 cern; or

24 (B) has an ownership interest in another  
25 concern that itself has an ownership interest in  
26 that concern.

1           (2) FIRMS IN VIOLATION OF IMMIGRATION  
2           LAWS.—The Administrator may not guarantee a  
3           loan made under this section to any entity, based on  
4           a determination by the Secretary of Homeland Secu-  
5           rity or the Attorney General, found to have engaged  
6           in a pattern or practice of hiring, recruiting, or re-  
7           ferring for a fee for employment in the United  
8           States an alien, if such entity knows that the person  
9           is an unauthorized alien.

10          (d) CRIMINAL BACKGROUND CHECKS.—Prior to  
11          guaranteeing a loan made under this section, the Adminis-  
12          trator may verify the applicant’s criminal background, or  
13          lack thereof, through the best available means, including,  
14          if possible, use of the National Crime Information Center  
15          computer system at the Federal Bureau of Investigation.

16          (e) APPLICATION OF OTHER LAW.—Nothing in this  
17          section shall be construed to exempt any activity of the  
18          Administrator under this section from the Federal Credit  
19          Reform Act of 1990.

20          (f) SMALL BUSINESS ACT PROVISIONS.—Except as  
21          otherwise provided in this section, the requirements of sec-  
22          tion 7 of the Small Business Act (and regulations promul-  
23          gated thereunder) applicable to loan guarantees on or be-  
24          fore the date of enactment of this Act shall apply to loan  
25          guarantees made under this section.

1 (g) SUNSET.—The Administrator may not guarantee  
2 a loan made under this section after the Oversight Board  
3 termination date.

4 **SEC. 104. CONTRIBUTION PERCENTAGES FOR 504**  
5 **PROJECTS.**

6 Notwithstanding section 502(3) of the Small Busi-  
7 ness Investment Act of 1958 (15 U.S.C. 696(3)), during  
8 the period beginning on the date of enactment of this Act  
9 and ending on the Oversight Board termination date, the  
10 Administrator may guarantee a debenture issued by a de-  
11 velopment company that has its principal office located in  
12 Puerto Rico if, of the total cost of the project financed—

13 (1) 50 percent is derived from a loan from a  
14 private sector lender;

15 (2) 45 percent is derived from a loan made  
16 from the proceeds of such debenture issued by the  
17 development company; and

18 (3) 5 percent is provide by the borrower of such  
19 loans.

20 **SEC. 105. INDEPENDENT SUBSIDY CALCULATION.**

21 In making calculations under section 7(a)(26) of the  
22 Small Business Act (15 U.S.C. 636(a)(26)) or section  
23 503(g) of the Small Business Investment Act of 1958 (15  
24 U.S.C. 697(g)), the Director of the Office of Management  
25 and Budget shall make such calculations separately for

1 loans purchased or guaranteed under the authority under  
2 section 102, 103, or 104 of this Act.

## 3 **TITLE II—PROCUREMENT**

### 4 **SEC. 201. CONTRACTING PREFERENCE FOR PUERTO RICO** 5 **BUSINESSES.**

6 Section 15(x) of the Small Business Act (15 U.S.C.  
7 644(x)) is amended—

8 (1) in the subsection heading, by striking  
9 “SMALL BUSINESS CREDIT” and inserting “CON-  
10 TRACTING”;

11 (2) by redesignating paragraph (2) as subpara-  
12 graph (B) (and conforming the margins accord-  
13 ingly);

14 (3) by striking “If an agency” and inserting:

15 “(A) IN GENERAL.—If an agency”;

16 (4) in subparagraph (B), as so redesignated—

17 (A) by striking “paragraph (1)” and in-  
18 serting “subparagraph (A)”; and

19 (B) by striking “paragraph” and inserting  
20 “subparagraph”; and

21 (5) by adding at the end the following new  
22 paragraph:

23 “(2) CONTRACTING PREFERENCE FOR PUERTO  
24 RICO BUSINESSES.—An agency shall provide a con-  
25 tracting preference for a Puerto Rico business dur-

1       ing the period beginning on the date of enactment  
 2       of this paragraph and ending on the date on which  
 3       the Oversight Board established under section 101  
 4       of the Puerto Rico Oversight, Management, and  
 5       Economic Stability Act (48 U.S.C. 2121) termi-  
 6       nates. The preference under this paragraph shall  
 7       take priority over any preference for purchasing  
 8       from the procurement list established pursuant to  
 9       section 8503 of title 41, United States Code, or the  
 10      Federal Prison Industries catalog described under  
 11      section 4124(d) of title 18, United States Code.”.

## 12       **TITLE III—ENTREPRENEURIAL** 13       **DEVELOPMENT**

### 14       **SEC. 301. VETERAN BUSINESS OUTREACH CENTER IN** 15       **PUERTO RICO.**

16       (a) IN GENERAL.—Section 32 of the Small Business  
 17      Act (15 U.S.C. 657b) is amended—

18               (1) by redesignating subsection (f) as sub-  
 19               section (g); and

20               (2) by inserting after subsection (e) the fol-  
 21               lowing:

22               “(f) VETERAN BUSINESS OUTREACH CENTER IN  
 23      PUERTO RICO.—The Administrator shall partner with an  
 24      organization to establish a Veteran Business Outreach  
 25      Center in the Commonwealth of Puerto Rico to provide

1 entrepreneurial development services to small business  
2 concerns owned and controlled by service-disabled veterans  
3 and small business concerns owned and controlled by vet-  
4 erans located in the Commonwealth of Puerto Rico. If the  
5 Administrator cannot partner with an organization, the  
6 Administrator shall use amounts appropriated to carry out  
7 this subsection to provide such services to veterans who  
8 own or are considering starting a Puerto Rico business.”.

9 (b) PROSPECTIVE REPEAL.—Subsection (a) shall be  
10 repealed, and the provisions of law amended by such sub-  
11 section shall be restored as if such subsection had not been  
12 enacted, on the Oversight Board termination date.

13 **SEC. 302. FAST GRANT PROGRAM FOR PUERTO RICO.**

14 (a) IN GENERAL.—Section 34 of the Small Business  
15 Act (15 U.S.C. 657d) is amended by adding at the end  
16 the following:

17 “(j) FAST GRANT PROGRAM FOR PUERTO RICO.—

18 “(1) ESTABLISHMENT.—The Administrator  
19 shall establish a program that shall be part of the  
20 FAST program to make awards to, or enter into co-  
21 operative agreements with, a Puerto Rico business.

22 “(2) TECHNICAL ASSISTANCE.—If no applicant  
23 is selected to receive assistance under this sub-  
24 section, the Administrator shall use amounts appro-  
25 priated to carry out this subsection to provide busi-



1       ness advice and counseling to a Puerto Rico busi-  
2       ness.

3               “(3) WAIVER OF MATCHING REQUIREMENTS.—  
4       The Administrator may, upon application, waive the  
5       matching requirements under subsection (e)(2) for  
6       an applicant that receives an award or has in effect  
7       a cooperative agreement under this subsection.

8               “(4) FUNDING.—There is authorized to be ap-  
9       propriated \$100,000 for fiscal year 2020, and each  
10       fiscal year thereafter, to carry out this subsection.”.

11       (b) PROSPECTIVE REPEAL.—Subsection (a) shall be  
12       repealed, and the provisions of law amended by such sub-  
13       section shall be restored as if such subsection had not been  
14       enacted, on the Oversight Board termination date.

○