the cuts are fair and sensible. Contributions to U.N. peacekeeping operations are kept in check while affording the executive branch maximum flexibility and the legislative branch maximum oversight. The bill closely resembles the provisions of the American Overseas Interests Act passed by the House earlier this year.

I encourage all of my colleagues to support this legislation that is both fiscally responsible and attentive to the needs of the American people.

INTRODUCTION OF THE SMALL BUSINESS TRANSFER ACT OF 1995

HON. DAVID DREIER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 27, 1995

Mr. DREIER. Mr. Speaker, one of the goals of the new Republican majority in Congress is to evaluate the performance and objectives of all federal programs and agencies. In undertaking such evaluations, I believe two fundamental questions need to be answered:

First, what aspects of the program or agency continue to serve a beneficial public policy purpose?

Second, how can we redesign the program or agency to perform the useful functions in a cost-effective manner?

Today, Representative JOEL HEFLEY, vice chairman of the Committee on Small Business, and I have introduced H.R. 2125, the Small Business Administration Transfer Act, which addresses these two questions in a positive way. In conversations with small business owners and their representatives here in Washington about the role of the Small Business Administration, I am told consistently that the two areas where the Federal Government can be helpful are in providing access to capital and a voice at the highest levels of government. The remaining functions of the Small Business Administration have little to do with, or actually hinder, small business growth.

The Small Business Transfer Act strengthens the programs that matter most to small business while saving taxpayers $3 billion over 5 years. Under the legislation, the present Small Business Administration, with its outdated and heavily bureaucratic regional, district, and field structure, would cease to exist on October 1, 1996. An Office of Small Business Advocacy would be established in the Executive Office of the President. This office, which would function in a manner similar to the SBA's Office of Advocacy, will give small business a voice inside the White House.

The bill also establishes an Office of Small Business Lending in the Department of Treasury. The office would consist of an Under Secretary, Deputy Under Secretary, and no more than 200 auditors who would administer a small business general loan guarantee program. All other SBA credit programs and revolving funds would be transferred to this office for servicing and liquidation.

The guaranteed loan program would function like the current Preferred Lenders Program, whereby the lender would have the complete authority to make close, service and liquidate loans. Maximum loan amounts would remain the same, but the guaranteed portion may not exceed 75 percent of the financing outstanding at the time the loan is made. No direct or immediate participation loans could be made.

To be eligible for a guaranteed loan, a business must meet:

First, the credit elsewhere test, denied credit by two lending institutions; second the definition of a small business; and third, the requirements of Sec. 7(a)(6) of the Small Business Act that all loans be of such sound value or so secured as reasonably to assure repayment.

For lenders to be eligible to participate in the program, the lender must maintain at least a 6-percent capital-to-asset ratio. The bill contains language explicitly subjecting lender loan portfolios to an annual compliance review conducted OSBL auditors. As an option, this could be done as part of an institution's overall compliance review conducted by the appropriate bank regulator.

The bill also contains language capping taxpayer exposure with excess or above historic average losses on each lender's portfolio. For example, if the lender's portfolio is 10 percent above the industry's historic loss average, the guarantee on loans originated by the lender would fall by 10 percent—from 75 percent to 68.5 percent.

The Treasury Secretary would be required to collect a minimum guarantee fee of ½ of 1 percent of the amount of the deferred participation share of any guaranteed loan. The lender would be permitted to finance the guarantee fee as part of the loan. The Treasury Secretary would be required to adjust the guarantee fee, subject to the normal reporting requirements, to ensure a guarantee fund that is self-financing.

The reforms made to the loan guarantee program respond to a December 1992 General Accounting Office study of Housing and Community Development issues. The study made the following observations:

> There has been no recent assessment of what sector of small business, if any, would receive financial assistance if SBA did not exist. Nor has there been a recent assessment of the economic impact that has resulted from billions of dollars in Federal guarantees that SBA has provided to small businesses. Yet in fiscal year 1992, SBA almost doubled the value of the business loans that it guaranteed—from $3.8 billion in fiscal year 1991 to $6.4 billion in fiscal year 1992. Our work has shown that SBA's loss rate is greater than that of private lenders and that SBA has not adequately overseen the operations of lenders receiving government loan guarantees.

Mr. Speaker, the reason the GAO's assessment of the SBA is so negative is that the agency's mission statement is faulty. In 1985, then OMB Director David Stockman called the SBA a billion-dollar waste—a rathole. Ten years later, the agency has undergone numerous reorganizations and credit reforms that have brought down default rates and improved the operations of credit programs. But the agency is still a failure because of the faulty premise that Government can create private sector jobs. Even if the Government could create private sector jobs, the SBA's programs are inconsistent with that mission.

Instead, what we have is an agency that reallocates credit to the least credit worthy; provides noncompetitive contracts to millionaire minorities at the expense of small business; plants trees at a cost of up to $1,200 per tree; and provides $70 million a year in grants to universities, which is the last place a small business person goes for advice.

In his book *"The Effective Executive"* Peter Drucker, my professor at the Claremont Graduate School, referred to an order by President Johnson that all Government agencies adopt program reviews to weed out obsolete and unproductive work. "This is a good first step, and badly needed," Drucker said. "But it will not produce results as long as we maintain the traditional assumption that all programs last forever unless proven to have outlived their usefulness. The assumption should rather be that all programs outlive their usefulness fast and should be scrapped unless proven productive and necessary. Otherwise, modern Government, while increasingly smothering society under rules, regulations, and forms, will itself be smothered in its own fat."

Mr. Speaker, the Small Business Administration has clearly outlived its usefulness. While I also question whether a guaranteed loan program remains productive and useful, there are legitimate concerns that excessive Government regulation of lending institutions has made it cost-prohibitive to lend to many legitimate small businesses. Until those regulations can be eased, a case can be made for maintaining a loan guarantee program.

The Small Business Transfer Act offers a unique opportunity to make Government more effective by expanding small business capital, reducing taxpayer risk, and giving small business an antitax and antiregulatory voice at the highest level of Government. For these reasons, Mr. Speaker, I urge my colleagues to join us in cosponsoring H.R. 2125.

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT, 1996

SPEECH OF

HON. JOHN J. LaFALCE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 25, 1995

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 2076) making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1996, and for other purposes:

Mr. LAFALCE. Mr. Chairman, I rise in strong support of this amendment offered by Mrs. MYERS on behalf of the two of us. And I want to commend her for this initiative, although I do want to note that I would have preferred that the amendment not cut as deeply as it proposes to do. I believe a cut of almost 30 percent is more than can be accomodated without damaging the Office of Advocacy. Possibly the conferees on this bill can find another four or five hundred thousand dollars to add to the amount being added by the amendment.

Mr. Chairman, of all of the functions of the Small Business Administration, the Office of Advocacy undoubtedly helps more small businesses for less dollars than does any other office within SBA.

This is the Office whose testimony before the Congress has been requested 200 times.

Why have our committees requested input from Advocacy? Simply because the office tells it like it is even if it puts Advocacy at odds with the administration.

This is the Office to whom this House of Representatives assigned new responsibilities of reviewing proposed regulations by Federal departments and agencies to identify those with anti-small business impact. Why did the House enlarge the duties of the Advocate? Simply because we know how effectively the Office has functioned as an advocate before other Federal offices.

Some critics have charged that Advocacy has been an abysmal failure in reducing the regulatory and paperwork burden.

Tell that to the small businesses which use simplified registration filings with the Security and Exchange Commission.

Tell that to the 4 million firms with less than 10 employees which will be able to use one simplified tax form for all wage and tax reports instead of up to 15 separate forms.

Tell that to the millions of small businesses which have a lesser burden in dealing with the Government.

And, when you tell them of this criticism, small businesses will tell you that the criticism is wrong. These small businesses will tell you that the Office of Advocacy is effective. They will tell you that is why that last month the White House Conference on Small Business as one of the top recommendations said that the Office should be permanently maintained as an independent entity.

I also want to point out that some of the criticism is not simply a difference in opinion. In some cases the facts used to support the criticism are wrong.

Criticism. Advocacy staffers helped created a brochure to lobby for President Clinton's health-care plan;

Fact. GAO reported that this is not true.

Criticism. Advocacy sent a letter to Congress arguing against tax relief for small businesses.

Fact. Advocacy opposed elimination of a special tax incentive to encourage investments in small firms. Advocacy did conclude, however that if the trade-off for the proposed reduction in capital gains tax rates was the elimination of the small business preference, small business would be better off if the rates were not reduced. The Office did support other parts of the tax bill which helped small business, such as increasing expensing, increased estate and gift tax credit and clarification of deductions for an in-home office.

Criticism. Advocacy ''spent last Friday * * * faxing a 9-page 'Game Plan' to congressional offices outlining a lobbying strategy'' to save the office, an activity characterized as illegal lobbying;

Fact. The document in question was an internal office document which was never used nor authorized for release to any congressional office. As far as we know, it was not sent to anyone, except for the one copy that was surreptitiously made available to a congressional critic of the office; and SBA's Inspector General has determined that the memo was not a violation.

A letter from the inspector general attached a memo from the assistant inspector general for investigations which concluded:

''Because there is no evidence of actual lobbying and no evidence contrary to the stated intent of the preparation of the document by Mr. * * *, it is my recommendation this case be closed without a referral for prosecutive opinion.''

Finally critics have asserted that small business associations are the ''real independent voices for small business'' and ''do a better job of monitoring small business policy than the Office of Advocacy.'' These small business associations disagree.

Major small business organizations unanimously support continuation of the Office of Advocacy, including the National Association for the Self-Employed, the National Federation of Independent Business, National Small Business United, Small Business Legislative Council and the United States Chamber of Commerce.

The Office of Advocacy has performed as a champion for small business interests when it has been given a chance to do so. This chance, however, was denied when President Bush left the Chief Counsel job vacant for years at a time. When it has received strong presidential support as it did from President Carter, who appointed Milt Stewart as the first Chief Counsel for Advocacy, or from President Reagan, who appointed Frank Swain as Chief Counsel, or from President Clinton, who appointed Jere Glover, the office truly serves as a champion for small business.

I urge adoption of the amendment.

AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES APPROPRIATIONS ACT, 1996

SPEECH OF

HON. GARY A. FRANKS

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 20, 1995

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1976) making appropriations for Agriculture, Rural Development, Food and Drug Administration, and related agencies programs for the fiscal year ending September 30, 1996, and for other purposes:

Mr. FRANKS of Connecticut. Mr. Chairman, I rise in strong support of the amendments which eliminate the Market Promotion Program in the Agriculture appropriations bill. The Market Promotion Program, a prime example of corporate welfare, gives millions of Federal dollars to multibillion-dollar corporations for the promotion of American products in foreign countries. During a time when so many Americans are asking to us to balance the budget, how can we keep funding corporate welfare in the guise of the Market Protection Program?

Four amendments to the Agriculture appropriations bill would either make cuts or eliminate the Market Protection Program. First, the Zimmer-Schumer amendment prohibits any of the bill's funds from being used to pay the salaries of persons who carry out the Commodity Credit Corporation's market promotion program. Second, the Obey amendment cuts the bill's funds from being used to pay the salaries and expenses of personnel for certain large producers who participate in the MPP. Third, the Kennedy amendment prohibits the CCC from using funds to promote the sale or export of alcohol. Finally, the Deutsch amendment prohibits funds from being used to promote or provide assistance for mink industry trade associations. The amendments make the cuts in the Market Promotion Program to get the wealthy American corporations off of welfare.

The Federal Government and American taxpayers can no longer afford these corporate handouts. I urge my colleagues to support these amendments and eliminate the MPP.

IT IS TIME WE TRULY TAKE BACK OUR NEIGHBORHOODS

HON. BOB FILNER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 27, 1995

Mr. FILNER. Mr. Speaker, today I have introduced legislation to bolster our Nation's crime fighting efforts and to encourage citizens to get involved in crime prevention. I am joined in this effort by Congressman STUPAK, cochairman of the Law Enforcement Caucus—of which I am a member.

The Taking Back Our Neighborhoods Crime Fighting Act will give a $50 tax credit to people actively involved in neighborhood watch groups and other organizations committed to the reduction of local crime.

I am proposing this tax credit because neighborhood watch works. It is the most effective crime reduction program available to our communities. Throughout the country, neighborhood watch groups have made people feel safer and more secure in their homes, parks, and streets.

Neighborhood watch establishes relationships among neighbors—and it establishes partnerships between neighborhoods and their police officers. Citizens are trained how to watch out for their families, monitor their neighborhoods, how to be observant and reliable witnesses, and how to assist their local police. Police chiefs and officers around the country firmly believe in neighborhood watch and have endorsed the idea of encouraging participation through tax credits.

Over the last decade, in my congressional district, we have pioneered the concept of community oriented crime fighting, and we have seen the difference it makes.

Serving on the San Diego Council for 5 years before I came to Congress, I worked hand in hand with residents to attack crime. We helped establish neighborhood watch groups. We went on walking patrols through the streets and created support networks among neighbors. We established drug free zones to keep dealers away from our schools. And we organized a graffiti patrol to clean up our neighborhoods and restore pride in our community.

We also worked directly with local police to create innovative crime fighting strategies. We instituted walking patrols in the streets, in the schools, and in the neighborhoods. Police officers got to know the neighborhoods they protected and the people in them. They talked to residents, and residents knew exactly who to call if they saw someone in trouble.

These efforts have been successful. During the last year in San Diego, we have seen a reduction of at least 10 percent in every major category of crime.