111TH CONGRESS
1st Session

SENATE

REPORT
111–2

SUMMARY OF LEGISLATIVE AND OVERSIGHT ACTIVITIES DURING THE 110TH CONGRESS

R E P O R T

OF THE

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP UNITED STATES SENATE

JANUARY 9, 2009—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

79–010 WASHINGTON : 2009

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

ONE HUNDRED TENTH CONGRESS

JOHN F. KERRY, Massachusetts, *Chairman*
OLYMPIA J. SNOWE, Maine, *Ranking Member*

CARL LEVIN, Michigan
TOM HARKIN, Iowa
JOSEPH I. LIEBERMAN, Connecticut
MARY LANDRIEU, Louisiana
MARIA CANTWELL, Washington
EVAN BAYH, Indiana
MARK PRYOR, Arkansas
BENJAMIN L. CARDIN, Maryland
JON TESTER, Montana

CHRISTOPHER S. BOND, Missouri
NORM COLEMAN, Minnesota
DAVID VITTER, Louisiana
ELIZABETH DOLE, North Carolina
JOHN THUNE, South Dakota
BOB CORKER, Tennessee
MICHAEL ENZI, Wyoming
JOHNNY ISAKSON, Georgia

NAOMI BAUM, *Democratic Staff Director*
Wallace Hsueh, *Republican Staff Director*

CONTENTS

111TH CONGRESS
1st Session

SENATE

REPORT
111–2

SUMMARY OF LEGISLATIVE AND OVERSIGHT ACTIVITIES DURING THE 110TH CONGRESS

JANUARY 9, 2009.—Ordered to be printed

Mr. KERRY, from the Committee on Small Business and Entrepreneurship, submitted the following

R E P O R T

I. OVERVIEW

The 110th Congress marked the end of the second administration of President George W. Bush and the acceleration of the financial crisis that had been building since before December 2007, when the nation officially slipped into a recession. The defining event of the 110th Congress was the economic crisis caused by subprime lending in the housing market and widespread home foreclosures. The crisis gripped the nation and threatened the global economy, requiring the Federal Reserve, the U.S. Department of Treasury, and Congress to take unprecedented actions to stimulate economic growth and prevent large sectors of our financial system from collapsing.

As the nation's lenders tightened their lending standards, many small businesses were forced to find alternative financing sources. The Small Business Administration's (SBA) loan programs, which typically make up 40 percent of all long-term capital to small businesses in this country, should have been playing a key role in filling the gaps left by a tightening credit market, but that did not occur. Instead, the volume of SBA loans decreased, falling by more than 50 percent, and many SBA lenders left the program or stopped making loans. Since small businesses make up more than 99 percent of all employers in the country, the lack of credit to this sector, and, therefore, the inability of small businesses to create or maintain jobs, had a significant impact on our economy. Therefore, the Committee on Small Business and Entrepreneurship fought for administrative and legislative changes to stabilize and stimulate the SBA's loan guaranty programs, as well as to expand the SBA's microloan programs to meet growing demand.

Additionally, the Committee focused on a host of other concerns, including: reauthorization of the SBA's loan, venture capital, counseling and contracting programs; reauthorization of the Small Business Innovation Research and Small Business Technology Transfer programs; oversight of SBA's lending programs; reform of SBA's disaster loan program; women's small business development; minority entrepreneurship; regulatory issues; veteran entrepreneurship; energy efficiency and the environment; procurement; the decline of SBA's budget under the Bush Administration; small business health care; broadband internet access; the underground economy; international trade; and, small business best practices. Small business owners and employees, as well as experts across the United States, submitted testimony and information regarding these topics.

The principal legislative achievements of the Committee in the 110th Congress included the enactment of legislation to comprehensively reform the SBA's Disaster Loan Program; to provide small businesses with the tools to become energy efficient; to help veterans and military reservists start and grow their businesses; to provide tax breaks for small business owners employing reservists; to ensure that aspiring women entrepreneurs continue to have access to critical resources; to hold federal agencies accountable for meeting small business contracting goals; and, to temporarily extend the authorization for the SBA's programs.

This report summarizes the legislative and oversight activities of the Committee on critical issues of concern to small businesses.

II. Response to the Credit Crisis

During the 110th Congress, the Committee worked to address the challenges facing small firms and advanced measures that would provide assistance to small businesses squeezed by the tightening credit markets. The subprime mortgage crisis triggered a credit crunch, making it difficult for small businesses to access capital to start, grow, or even maintain their small businesses. According to the Federal Reserve's survey of banks in January of 2008, 35 percent of lenders had tightened their standards for small business loans, and that number grew to 75 percent by the October 2008 survey. The National Small Business Association's 2008 annual survey also found that 55 percent of small businesses surveyed had difficulty obtaining a loan due to the credit crunch.

Traditionally, the SBA's 7(a) loan guaranty program for working capital and 504 loan program for financing fixed assets have filled the gap left by private lenders. But the increase in the amount and number of fees charged by the SBA, coupled with the lenders' rising cost of funds and problems in the secondary market, caused lenders to reduce or altogether stop originating SBA loans. Consequently, SBA loan activity dropped substantially during 2008, dramatically reducing access to this essential source of capital to small businesses in this country. For example, in the SBA's largest loan program, the 7(a) program, lending dropped by as much as 57 percent compared to the previous year. And, in the SBA's second largest loan program, the 504 program, lending dropped by 43 percent. The Committee made it a top priority to identify the cause for the drop in loan numbers and dollars and to determine what steps could be taken to help the SBA to provide small businesses with needed relief from the credit crisis.

A. HEARING ON THE IMPACT OF THE CREDIT CRUNCH ON SMALL BUSINESS

On April 16, 2008, Chairman John F. Kerry held a hearing titled "Impact of the Credit Crunch on Small Business" to gather information on how the tightening credit markets were affecting small firms. By the time of the hearing, evidence was mounting that the economic crisis caused by the subprime mortgage meltdown had spread from Wall Street to Main Street, with 7(a) lending down 17 percent and 504 lending down 6 percent. At the hearing, small business owners and financial experts testified about the trouble that entrepreneurs were facing in accessing affordable credit. The Committee also heard from Federal Reserve Board of Governors member Frederic S. Mishkin, who testified that credit standards had tightened for small businesses, making it more expensive and harder for entrepreneurs to obtain essential financing. SBA Administrator Steven C. Preston testified on the steps the SBA and the Federal Reserve had taken to support access to credit for small businesses, contending, as he did during the FY 2009 budget hearing, that the existing programs and the cut in interest rates were sufficient to address the credit crunch.

Unfortunately, those actions were not sufficient. Day after day, articles and stories ran nationwide, describing small businesses frozen out of short- and long-term credit markets. Even firms with excellent payment histories and strong banking relationships were turned away by loan officers. Consequently, Senator Kerry introduced a number of bills throughout 2008 and pursued legislative and administrative solutions to make SBA financing more affordable for small firms, to provide banks with added incentives to lend to America's small businesses, and to help entrepreneurs avoid using high-interest credit cards to finance their businesses.

B. LEGISLATION

1. Small Business Economic Stimulus Act of 2008

On January 24, 2008, Chairman Kerry introduced the Small Business Stimulus Act of 2008 (S. 2553), which Senators Carl Levin and Mary L. Landrieu cosponsored. The bill would have provided targeted tax incentives to small businesses to encourage new investments, reduced fees on loans for borrowers and lenders, and doubled funding for microloans. The bill would have increased from $125,000 to $200,000 the amount small businesses could write off their taxes for new investments for 2008 in order to encourage new investments that year. It also would have increased the net operating carry back period for losses arising in taxable years ending in 2007 and 2008 from two years to five years, reduced fees on borrowers and lenders to make credit more affordable and to provide an incentive for lenders to make small business loans, and provided funding to leverage nearly $20 million in additional microloans, which proportionally benefit underserved communities, including women and minorities, more than traditional loan programs.

After the legislation was referred to the Committee on Finance, the temporary increase in small business expensing for 2008 portion of the bill was incorporated into the Economic Stimulus Act of 2008 (H.R. 5140) and signed into law as part of P.L. 110–185 on February 13, 2008. An amended version of the net operating loss carry back provision passed the Senate as a part of the Foreclosure Prevention Act of 2008 (H.R. 3221) on April 10, 2008.

2. Small Business Lending Stimulus Act of 2008

Not only did the Federal Reserve's January 2008 survey of banks show that more than one-third of U.S. banks had tightened their lending standards for small business loans, but also the SBA's data showed that its lending had declined further and the credit crunch had spread to the SBA's 504 loan program. 7(a) loans were down 14 percent from the previous year, and 504 loans were stagnant after increases in previous years. To address the growing problem and to provide economic stimulus to small businesses affected by the credit crisis, Chairman Kerry introduced a bill more targeted to the SBA's loan programs than S. 2553. The Small Business Lending Stimulus Act of 2008 (S. 2612), introduced on February 7, 2008, would have reduced loan fees for SBA's two largest loan programs, leveraging more than $25 billion in affordable credit to small businesses.

Specifically, the legislation would have provided $150 million to cut loan fees on government-backed 7(a) loans to small businesses, making available up to $17.5 billion in loans for working capital. For loans under $150,000, the bill would have cut the loan fee from 2 to 1 percent; between $150,000 and $700,000, the fee would have been cut from 3 to 2.5 percent; for loans over $700,000, the bill would have cut the fee from 3.5 percent to 3 percent; and, for loans over $1 million, the bill would have eliminated the additional 0.25 percent fee, cutting the fee to 3 percent. The legislation also would have reduced the cap on the lenders' fee to 0.25 percent from 0.55 percent, similar to what Congress enacted after the terrorist attacks of September 11, 2001 (S. 1499/P.L. 107–117), a step that had proved very effective: 7(a) lending nationwide increased by more than 23 percent as the Federal Reserve reported drops in conventional lending due, in part, to a lack of confidence in the economy and more aversion to risk.

To stimulate 504 lending, S. 2612 would have provided $45 million to eliminate the first lender fee, making available up to $7.5 billion in loans for fixed assets. It also included a provision that would have allowed 504 loans to be used for some refinancing. Last, the bill would have provided funding to leverage nearly $20 million in additional microloans.

3. Small Business Lending Market Stabilization Act of 2008

Unfortunately, the credit crunch for small businesses continued to worsen, moving from a crunch to a crisis to a near collapse of our financial system, as Lehman Brothers Holding Inc. announced bankruptcy and American International Group (AIG), the world's largest insurance company, sought $40 billion in emergency funding from the Federal Reserve. Consequently, the focus of legislation then required that solutions target stabilization of the lending markets instead of merely a stimulus to alleviate a credit crunch.

Therefore, on September 25, 2008, Senator Kerry introduced the Small Business Lending Market Stabilization Act of 2008 (S. 3596), cosponsored by Senators Evan Bayh and Charles E. Schumer. Unlike previous bills, which partially reduced program fees to stimulate lending and reduce costs for borrowers, the Stabilization Act was more aggressive and sought to temporarily but completely eliminate fees charged to the borrowers and lenders who participated in the 7(a) program. Additionally, the bill would have suspended the lender and servicing fees and increased the maximum loan size for the 504 program. The relief package also would have allowed a limited amount of refinancing on certain mortgages, adjusted the program's job creation requirement for inflation, and improved and standardized the owner-occupancy requirement. It also provided funding for lender oversight. Together these changes would have made borrowing more affordable for small businesses while making the programs more cost-effective to lenders.

Many of these provisions from S. 3596 were included in the Economic Recovery Act of 2008 (S. 3689), introduced by Senate Majority Leader Harry Reid, to build upon the Emergency Economic Stabilization Act of 2008 (P.L. 110–343). Specifically, it contained $635 million to help small businesses access critical financing. That included $515 million to temporarily eliminate 7(a) loan fees for up to $15 billion in loans and $100 million to temporarily eliminate the 504 loan upfront fee paid by the first lender and the ongoing fee paid by the Certified Development Company for up to $7.5 billion in loans. The small business piece also included $1 million to leverage an additional $8.5 million in microloans and $4 million for counseling. This bill did not become law. Similar provisions were included in S. 3604, a supplemental appropriations bill for FY 2008, but, in that bill, smaller appropriations were provided, and fees for the 504 loan program were not covered. Neither bill was passed into law in the 110th Congress.

C. OVERSIGHT LETTERS

1. Seeking additional SBA funding for small business aid

On January 29, 2008, Chairman Kerry sent a letter to the Appropriations Subcommittee on Financial Services requesting funding for the SBA in the pending supplemental appropriations bill to stimulate the economy.

2. Questioning of FY 2009 budget's relevance to credit crunch

On February 13, 2008, Chairman Kerry wrote SBA Administrator Preston, outlining the Committee's concerns with the President's Budget and asking the SBA to provide its plan for helping small businesses that were facing a shrinking credit market. In the "Economic Report of the President" released that week, the Administration acknowledged lending standards for large and small businesses had tightened. Yet, in the 2009 budget request the President unveiled, the Administration proposed implementing higher and more fees on lenders and provided no resources to expand loans to small businesses. In his letter, the Chairman discussed pending legislation that would improve the SBA's loan programs and expand credit to small businesses, such as the Small Business Lending Reauthorization and Improvements Act of 2007 (S. 1256) and the Small Business Lending Stimulus Act of 2008 (S. 2612), and he requested that the Administrator be prepared to discuss the budget, the bills, and the credit crunch at the Committee's hearing on the budget later in February.

3. Seeking SBA loan fee relief

On April 21, 2008, Chairman Kerry and Ranking Member Olympia J. Snowe sent a letter to the Appropriations Subcommittee on Financial Services requesting funding in the Emergency Supplemental Appropriations bill (H.R. 2642) for a temporary reduction in loan fees.

4. Urging President Bush to help small businesses

On October 20, 2008, Chairman Kerry wrote President Bush urging him to help small businesses and support the Small Business Lending Market Stabilization Act (S. 3596), as well as other legislation that would encourage SBA lending. Senator Kerry urged the Administration to work with the Committee to develop measures to aid small businesses during the credit crunch. The letter came on the heels of data showing that loan volume for the SBA's largest lending program had fallen 53 percent in October 2008, compared to the figures for October 2007. Senator Kerry expressed frustration that his repeated warnings to the Bush Administration that small businesses were being seriously affected by the credit crunch had gone unheeded; the SBA had not used its authority to take meaningful steps to make access to capital easier for struggling small businesses.

5. Urging SBA to act to mitigate credit crunch

On November 3, 2008, Chairman Kerry and Senator Schumer wrote a letter to Acting SBA Administrator Sandy K. Baruah urging the SBA to take emergency steps to assist small businesses facing a credit crunch. Among the steps suggested by the Senators was to make bridge loans available through the SBA's Economic Injury Disaster Loan (EIDL) program, to allow some existing 504 borrowers to either refinance their unguaranteed first mortgage or obtain another bank loan that SBA would agree to subordinate to the existing 504 second mortgage, and to make three key changes to the 7(a) loan guarantee program: allow weighted average coupons to sell SBA loans on the secondary market, make a regulatory change to adopt an alternative interest rate index other than Prime, and temporarily adjust the maximum rate cap for 7(a) loans. The Senators emphasized that the SBA had the authority and the ability to take these steps without further legislative action and, therefore, urged the Administration to take immediate action. On November 13, 2008, the SBA cooperated and published a notice in the Federal Register, stating that it would allow weighted average coupons to sell SBA loans on the secondary market and that it would adopt an alternative interest rate index, the London Interbank Offered Rate.

6. Urging Treasury to use TALF for SBA loans

On November 20, 2008, Chairman Kerry, Ranking Member Snowe, and Senator Schumer sent a letter to Treasury Secretary Henry M. Paulson, urging him to use money from the Troubled Asset Relief Program (TARP) to purchase pooled SBA loans on the secondary market. The objective was to provide immediate relief to small businesses shut out of the credit market because of a paralyzed financial system. The government-backed 7(a) and 504 loan programs were frozen. Through TARP, the Department of Treasury had the authority to address the liquidity crisis and its effects on small firms. Purchasing pooled government loans would have jumpstarted SBA lending and freed up liquidity for the hundreds of thousands of American small businesses that needed loans to stock their shelves, pay their employees, and keep their businesses running. The Senators urged the Treasury to do so immediately. In December, the Federal Reserve and the Department of Treasury responded positively, announcing that the new Term Asset-Backed Securities Loan Facility (TALF) would include a small business loan component aimed at restoring the flow of purchase activity in the secondary-market for SBA-backed loans.

III. Reauthorization of Small Business Administration Programs

Access to capital remained a top priority for American small businesses in 2007 and 2008, particularly as the subprime mortgage crisis triggered a severe credit crunch. The federal government's programs of guaranteed loans and venture capital are a critical source of financing in this country, enabling millions of small businesses to finance the startup, growth, and expansion of their firms, and the Committee worked in the 110th Congress to reauthorize and improve the SBA's loan and venture capital programs. The Committee also sought to bolster the SBA's entrepreneurial development programs so that aspiring entrepreneurs would have the knowledge and tools to grow their businesses and so that businesses struggling in the economic downturn could adjust their business plans to survive until conditions improve. Roundtables held early in the 110th Congress laid the groundwork for reauthorization legislation, culminating in the introduction of the SBA Reauthorization and Improvements Act of 2008 (S. 2920), comprehensive SBA reauthorization legislation that incorporated several bills that the Committee introduced and passed unanimously in 2007.

A. SMALL BUSINESS ADMINISTRATION FINANCE PROGRAMS

1. Small Business Lending Reauthorization and Improvements Act of 2007

Chairman Kerry was joined by Ranking Member Snowe in introducing the Small Business Lending Reauthorization and Improvements Act of 2007 (S. 1256) on May 1, 2007. The bill would have reauthorized the SBA's microloan programs, the 7(a) Loan Guaranty program, and the 504 Loan Guaranty program through Fiscal Year 2010. In addition to making significant improvements to the SBA's existing lending programs, the bill also would have authorized two new pilot programs—Senator Levin's Intermediary Lending Pilot program and Senator Kerry's Child Care Lending Pilot program.

During the markup of the bill, on May 16, 2007, the Committee unanimously adopted by voice vote a bipartisan managers' substitute amendment, offered by Chairman Kerry for himself and Ranking Member Snowe, which incorporated modified versions of amendments filed by Senators Isakson, Enzi, and Christopher S. Bond regarding the reduction of 7(a) loan fees, the Child Care Lending Pilot Act, and the Microloan program. The bill was subsequently adopted as amended by a roll call vote of 19–0. It was later included in the SBA Reauthorization and Improvements Act of 2008 (S. 2920), introduced on April 24, 2008.

S. 1256 incorporated virtually all of the lending provisions that were unanimously adopted by the Committee in the 109th Congress as part of the Small Business Reauthorization and Improvements Act of 2006 (S. 3778), a comprehensive reauthorization bill developed under Senator Snowe, then the chair of the Committee. S. 1256 built on the Committee's work in the 109th Congress, and it would have made significant changes to the SBA's 7(a) Loan Guaranty program, the agency's largest small-business loan program. The bill also would have instituted a rural outreach lending program designed to increase lending in rural areas, modified the 504 Loan Guaranty program to provide incentives to increase business development in low-income communities, adopted versions of proposals by the Administration to make uniform the real estate appraisal requirements for 7(a) and 504 loans in order to simplify the programs, and established a semi-annual schedule for payment of principal and interest on 504 debentures.

2. Hearings and roundtables on the SBA's loan programs

S. 1256 was the product of a series of hearings, meetings and roundtables held in 2006 and 2007 that examined the capital needs of small businesses and sought to determine whether the SBA's loan programs were serving their purpose and whether legislative changes were needed.

In the 109th Congress, on March 9, 2006, under Senator Snowe, then chair of the Committee, the Committee held a hearing to examine the SBA's Fiscal Year 2007 budget and the SBA's proposed legislative package for reauthorization. The Committee questioned the rationale for the SBA's budget cuts and proposals for essential programs, such as elimination of all three microloan programs and the Administration's proposal to impose administrative fees on the small business participants through programs authorized in Section 7(a) of the Small Business Act, and Section 504 of Title III of the Small Business Investment Act regarding Small Business Investment Companies (SBIC).

On April 26, 2006, the Committee held a hearing entitled, Reauthorization of SBA Financing and Economic Development Programs. The Committee heard from lenders, small business stakeholders, and SBA representatives on the benefits of SBA's credit programs and evaluated reauthorization proposals to improve the broad range of finance programs which play a vital role in assisting America's entrepreneurs in obtaining operating and equity capital.

In the 110th Congress, on February 28, 2007, under the Chairmanship of Senator Kerry, the Committee held a hearing to review the SBA's Fiscal Year 2008 budget. Stephen Preston, the new SBA Administrator, testified. He presented the Administration's budget request of $464 million for the Agency. Of concern to many on the Committee was the proposal to move the SBA's Microloan program to zero subsidy and to eliminate the technical assistance grants for counseling the borrowers. The budget did propose fee reductions for SBIC debenture deals and 504 and 7(a) loans, but there was concern that the fee reduction for 7(a) loans would only benefit the lenders and not the borrowers. Also of concern was a recycled proposal to impose a new fee on 7(a) loans sold in the secondary market.

On May 2, 2007, the Committee held a roundtable entitled SBA Reauthorization: Small Business Loan Programs. The purpose of the roundtable was to give members an opportunity to get feedback from the SBA, lending experts, and small business advocates on the provisions in S. 1256 and any necessary changes or enhancements. Of particular concern was the SBA's proposal to make the Microloan program zero-subsidy by raising the interest rate on lenders, to eliminate the Microloan technical assistance program, and to require the SBA's other counseling partners—Small Business Development Centers, Women's Business Centers, and SCORE—to serve microloan borrowers.

On May 22, 2007, the Committee held a hearing entitled Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community. As part of reauthorization, the Committee tried to address complaints from minority business owners, and organizations representing minorities, that SBA's programs do not effectively meet the needs of these entrepreneurs, and that there is a need to use SBA's economic development tools to help close the wealth gap between whites and minorities. Among other topics, the Committee discussed the need to increase the share of loans to minorities, which has remained largely stagnant since 2001.

3. The Small Business Venture Capital Act of 2007

Chairman Kerry was joined by Ranking Member Snowe in introducing the Small Business Venture Capital Act of 2007 (S. 1662) on June 19, 2007. There were four objectives of S. 1662: (1) to simplify the SBIC Debenture program so that it was more attractive and beneficial to investors; (2) to tweak the SBIC Participating Securities program so that the last operating funds would have the flexibility to maximize follow-on investments as the program was phased out; (3) to encourage investment in firms owned by minorities and women; and (4) to use the changes to restore the reputation of and confidence in the SBIC program. The bill would have reauthorized through 2010 the Small Business Investment Company Debenture and Participating Securities programs.

During the markup of S. 1662 on June 26, 2007, the Committee unanimously adopted by voice vote a bipartisan managers' substitute amendment offered by Chairman Kerry for himself and Ranking Member Snowe. The substitute amendment incorporated the SEED Act (S. 1663) and also made clarifications and changes to the bills, as originally introduced, based on feedback from participants of the small business venture capital roundtable held on June 21, 2007. S. 1662 was subsequently adopted as amended by a roll call vote of 19–0. The legislation was later included in S. 2920.

4. The SEED Act of 2007

The Securing Equity for the Economic Development of Low Income Areas Act of 2007 (S. 1663)—or SEED Act, as introduced by Chairman Kerry and Ranking Member Snowe on June 19, 2007, and subsequently incorporated into the Small Business Venture Capital Act, S. 1662, would have modified the NMVC program's targeted investment area (the definition of low-income community) to mirror the New Markets Tax Credit program, eliminated the matching requirement for the operational assistance grants to mirror the U.S. Department of Agriculture's community development venture capital program for rural areas, and clarified that conditionally approved NMVC companies had a full two years to raise the required private capital. The bill would have reauthorized through 2010 the New Markets Venture Capital (NMVC) program, and was similar to a bill in the House (H.R. 1719), that was introduced earlier in the year by Congresswoman Gwen Moore.

5. Hearings and roundtables on the SBA's venture capital programs

SBA's venture capital programs and the provisions in S. 1662 and S. 1663 were deliberated in a series of hearings and roundtables in the 109th and 110th Congresses.

In the 109th Congress, under then Chair Snowe, on March 9, 2006, during the hearing to examine the SBA's Fiscal Year 2007 budget and the SBA's proposed legislative package for reauthorization, the Committee questioned the rationale for the Administration's proposal to impose administrative fees on the small business participants of the 7(a) Loan Guaranty program, the 504 Loan Guaranty program, and the Small Business Investment Company program. These proposals were controversial and were not adopted by the Committee.

In the 110th Congress, under Chairman Kerry, on February 28, 2007, the Committee held a hearing to review the SBA's Fiscal Year 2008 budget. In addition to concerns about frozen program levels for the credit programs, including SBICs, some members were opposed to zero funding for the NMVC program for the seventh consecutive year, particularly considering that the Administration at the same time proposed a new, separate New Markets program, described as the "New Markets Tax Credit Pilot Loan program." Senators Kerry and Snowe were successful in passing an amendment to the FY2008 Budget Resolution (S. Con. Res 21) that provided funding for the New Markets Venture Capital program. There was concern about the lack of a proposal or funding for an initiative to reform the Participating Securities program. Members were glad to see that the Administration did not recycle the previous year's proposal to impose an administrative fee on the SBICs, and they were cautious about the budget's proposed fee reductions for SBIC debenture deals because there was concern about how the Agency would implement the reduction while keeping the program at zero subsidy.

On April 26, 2006, the Committee held a hearing on the "Reauthorization of SBA Financing and Economic Development Programs." The Committee heard from lenders, small business stakeholders, and SBA representatives on the benefits of SBA's loan and venture capital programs and evaluated legislative proposals that were incorporated in S. 3778, the "Small Business Reauthorization and Improvements Act of 2006."

On June 21, 2007, to complement the reauthorization hearing held on April 26, 2006, the Committee held a roundtable, "SBA Reauthorization: Small Business Venture Capital." The purpose was to discuss the state of venture capital for small businesses, the venture capital needs of small businesses, the strengths and weaknesses of the SBIC and NMVC programs, and the provisions in S. 1662 and S. 1663. The participants included small businesses that had received venture capital through the SBIC or NMVC programs, managers who run SBIC or NMVC funds, experts in the field of developmental venture capital and equity for small businesses, and representatives from the Small Business Administration, the National Black Chamber of Commerce, and the U.S. Hispanic Chamber of Commerce.

Finally, on May 22, 2007, the Committee held a hearing entitled "Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community." As part of reauthorization, the Committee tried to address complaints from minority business owners and organizations representing minorities that SBA's programs do not effectively meet the needs of these entrepreneurs and that the SBA needs to use its economic development tools to help close the wealth gap between whites and minorities. The Committee discussed the need to increase the share of loans to minorities, which has remained largely stagnant since 2001, to increase the SBIC investments in firms owned by minorities, and to increase the licensing of SBIC funds to minorities because, according to the SBA's data, they have been declining since 1998.

B. SMALL BUSINESS ADMINISTRATION ENTREPRENEURIAL DEVELOPMENT PROGRAMS

1. The Entrepreneurial Development Act of 2007

Chairman Kerry was joined by Ranking Member Snowe in introducing the Entrepreneurial Development Act of 2007 (S. 1671) on June 20, 2007. The bill would have reauthorized and updated the SBA's entrepreneurial development programs through Fiscal Year 2010. During markup of the bill, on June 26, 2007, the Committee unanimously adopted by voice vote a bipartisan managers' substitute amendment, offered by Chairman Kerry for himself and Ranking Member Snowe. The bill was subsequently adopted as amended by a roll call vote of 19–0 and was later incorporated into S. 2920.

S. 1671 was based on the Small Business Reauthorization and Improvements Act of 2006 (S. 3778), which incorporated virtually all of the entrepreneurial development provisions that were adopted by the Committee in the 109th Congress. S. 1671 built on the Committee's work in the prior Congress, making a few changes to the provisions, including updating the language to reflect passage of Senate Amendment 187, which created a permanent three-year Renewal Grant Program for Women's Business Centers. S. 1671 also called for a National Small Business Summit. Aside from technical changes, other changes included extending Small Business Development Center privacy requirements to SCORE clients and increasing from 9 to 10 the members of the National Small Business Development Center Advisory Board. S. 1671 would have expanded Small Business Development Centers, Women's Business Centers, and SCORE, created the Minority Entrepreneurship Program to guide minority students in highly skilled fields towards entrepreneurship as a career option, and established new programs to support Native Americans in starting and growing their own small businesses. It would also have created pilot programs to help small businesses deal with health care costs and regulatory burdens.

C. CONCERNS REGARDING THE IMPLEMENTATION OF THE EMERGING 200 PROGRAM

On March 31, 2008, Chairman Kerry sent a letter to SBA Administrator Preston discussing various concerns with the implementation of the Emerging 200 initiative proposed as a part of the President's FY 2009 budget for the SBA. The letter was prompted by the SBA's moving forward with the proposal prior to the start of FY 2009, with the agency announcing on March 27th its plans to implement the initiative, designed to target and train inner city businesses in 11 cities across the country. While Senator Kerry was supportive of the goals of the program, his primary criticism was that it was being pushed in lieu of a similar initiative, the New Markets Venture Capital program, which the Chairman helped to enact in 1999 and that had gone unfunded over the course of the Bush Administration. Senator Kerry's other concerns included that the $400,000 in funding for the program would have come from existing funds for 7(j) for FY 2008 that should have gone to mentor firms owned by minorities or under-represented groups, that SBA's plan to secure one organization or company to provide training for all 11 cities would not be the best way to support small businesses, and that Emerging 200 would have negative consequences for the SBA's existing resource partners, such as SBDCs, Women's Business Centers, and SCORE. SBA responded on May 19, 2008. In the letter, Associate Administrator Anoop Prakash sought to clarify the purpose of the Emerging 200 program, how it would be run, and how it differed from existing programs.

D. ADDITIONAL LEGISLATION

1. The Invest in Small Business Act of 2007

In addition to the loan and venture capital bills that were introduced to increase financing opportunities for small businesses, Chairman Kerry and Ranking Member Snowe introduced the Invest in Small Business Act of 2007 (S. 1214) on April 25, 2007. This legislation would have amended the Internal Revenue Code of 1986 to modify the partial exclusion for gain from certain small business stocks. This legislation would have encouraged private investment in small businesses by increasing the existing exclusion from 50 percent to 75 percent and making additional improvements to the provision. The modifications to the provision would have provided an appropriate tax incentive to encourage innovation and entrepreneurship.

IV. Lender Oversight

Throughout the 110th Congress, Chairman Kerry and Ranking Member Snowe continually called on the SBA to strengthen its lender oversight function—even before the rippling effects of the collapse in the subprime mortgage market began to take their toll on small business lenders. And when the OIG issued a report detailing the SBA's failures in detecting a $76 million fraud scheme involving SBA-backed loans, the Committee redoubled its efforts to force much-needed reforms to the SBA's oversight system.

A. URGING THE SBA TO INCREASE CDC OVERSIGHT

On April 17, 2007, Chairman Kerry sent a letter acknowledging the success and growth of the SBA's 504 Loan program for fixed assets and Certified Development Companies (CDCs) and emphasizing the need for oversight of the programs to be carried out in a comprehensive, thorough manner—especially in light of the SBA's transition to centralized loan processing in 2004, going from 69 district offices to one center in Herndon, Virginia, and the subsequent reduction of liquidation staff. That centralization initiative became the subject of controversy as SBA was criticized for poorly carrying out the centralization through drastic and hasty budget reductions. The Chairman asked SBA Administrator Preston to submit to the Committee information on CDC auditing, including an explanation of the agency's objectives with CDC auditing, the number of CDC audits completed in the last five years by the SBA Office of Lender Oversight, and the CDC audit schedule for the remainder of FY 2007.

B. BUSINESS LOAN CENTER (BLX) FRAUD

An SBA Inspector General report released on July 11, 2007, sharply criticized the SBA's lax lender oversight program in the wake of a $76 million fraud scheme carried out by one of the agency's largest 7(a) lenders, Business Loan Center (BLX or Business Loan Express). According to the Inspector General's report (IG Report No. 07–28), 19 individuals, including a former executive vice president of BLX, were charged with fraud for allegedly making more than $76 million in fraudulent loans to unqualified borrowers at a BLX branch office located in Troy, Michigan.

After the SBA Inspector General conducted an audit of the agency's oversight of BLX from 2001 to 2006, the SBA asserted that the Inspector General could not fully disclose parts of the report due to Freedom of Information Act (FOIA) and other exemptions covering trade secrets, the deliberative process privilege, and bank examination documents. On October 24, 2007, Chairman Kerry sent a letter to Administrator Preston calling on the Administration to provide a detailed explanation as to why it chose to withhold from public scrutiny large portions of the Inspector General's report on BLX. The SBA responded on November 6, 2007, and included a chart that outlined the exemptions SBA was claiming for the redactions in varying degrees of detail. However, neither the chart nor the letter explained why each specific redaction fit the exemption claimed and why that justified withholding that particular information from the public. The Committee remained concerned that the SBA's actions in redacting key information and recommendations in the BLX report could undermine the future authority and efficacy of the SBA's Office of Inspector General (OIG). To resolve this situation, the Committee engaged in staff discussions with OIG and the SBA's Office of General Counsel (OGC) with the intention of coming to an agreement with the OGC on additional portions of the report that could be released. OGC was not responsive, so a joint statement was entered into the record by Chairman Kerry and Ranking Member Snowe.

C. HEARING ON LENDER OVERSIGHT AND BLX FRAUD

The Committee continued its investigation into the effectiveness of the SBA's lender oversight program by holding a hearing on November 13, 2007. The hearing focused on the Inspector General's report and the SBA's failed oversight efforts. Bob Tannenhauser, Chairman of Business Loan Center, testified, along with Administrator Preston, SBA Inspector General Eric Thorson, and members of two trade associations: Tony Wilkinson, president of the National Association of Government Guaranteed Lenders, and Jim Baird, president of the Bay Area Development Company and Chairman of the Legislative Affairs Committee of the National Association of Development Companies. The goal of the hearing was not only to understand what happened with the BLX case, but to use the case as well as the recommendations of SBA and the trade associations to move the agency toward effective oversight of its loan guaranty programs. Committee members questioned Bob Tannenhauser on BLX's role in the loan scheme, noting that the defaults and possibly the currency rates of timely payments should have been red flags for BLX, had the company been monitoring those indicators. Committee members followed up by questioning him on whether BLX monitors the performance of its loans by branch, whether SBA loans were the bulk of the Michigan office's loans, when BLX noticed that many of the defaulted loans were to one industry (gas stations), and how much money was at stake.

The Committee also questioned Administrator Preston on the SBA's oversight of BLX and its lender oversight efforts more generally. Among the issues discussed was the SBA's implementation of a comprehensive off-site monitoring program through Dun and Bradstreet that was supposed to forecast whether a loan was at risk of default. According to the lender and CDC associations that testified at the hearing, the new program collected data already available from the lenders and the SBA's loan servicing contractor, arrived at currency and default rates that differed greatly from the lenders' actual performance, and was not transparent. Further, according to the lenders, once the system predicted that loans would go bad, SBA would not tell the lenders which loans could be in trouble so they could proactively try to prevent a borrower from falling behind on payments or defaulting. The Committee urged SBA to take action to reduce defaults and not just take corrective action after the fact.

The trade associations also commented on the negative impact of the staffing shortages at the SBA's centralized loan processing centers in Herndon and in Sacramento. Chairman Kerry emphasized this point, stating that "simple logic says you that you can't go from a budget of almost $1 billion to $600 million, while nearly doubling your loan portfolio from about 51,000 loans in 2002 to almost 100,000 loans in 2006, and still claim to have the labor-intensive personal oversight necessary to know what those loans [and lenders] are doing." Finally, SBA Inspector General Thorson testified that IG audits and investigations had identified significant weaknesses in the SBA's oversight of its lenders, and that, since 2000, they had indentified lender oversight, guaranty purchase reviews, and loan agent fraud as major challenges facing the agency. Thorson also commented that SBA had been slow to develop its lender oversight program and that only in recent years had the agency made progress in addressing longstanding weaknesses.

D. THE SMALL BUSINESS LENDING OVERSIGHT AND PERFORMANCE ACT OF 2007

In order to address the deficiencies in the SBA's lender oversight activities, Chairman Kerry joined Ranking Member Snowe in introducing the Small Business Lending Oversight and Performance Act of 2007 (S. 2288), on November 1, 2007. The legislation was based in part on recommendations made by the Government Accountability Office in a July 2007 report, "Small Business Administration: Additional Measures Needed to Assess 7(a) Loan Program's Performance" (GAO–07–769), and would have (i) required a report on borrowers' economic performance beyond the currently utilized SBA estimate of job creation, (ii) increased the transparency of lenders' portfolio quality, (iii) created a 7(a) and 504 portfolio default rate that could be compared directly to commercial lenders' default rates, and (iv) required the SBA to follow cost containment and cost control practices to hold down lender oversight fees. The legislation was supported by the National Association of Guaranteed Government Lenders and the National Association of Development Companies and was included in S. 2920, the Committee's comprehensive SBA Reauthorization and Improvements Act of 2008.

E. HEARING ON SBA ACCOUNTABILITY, LENDER OVERSIGHT, AND WOMEN'S CONTRACTING

On December 5, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to Administrator Preston announcing a hearing to be held in January to follow up on the SBA's lender oversight efforts, among other topics. The hearing, titled "Holding the Small Business Administration Accountable: Women's Contracting and Lender Oversight," was held on January 30, 2008. In addition to following up on the BLX controversy, the issues discussed at this hearing with the Administrator included the insufficient staffing level of the Sacramento 504 loan processing center and the inability of the center to re-implement the Abridged Submission Method for maintaining loan quality because of staffing shortages. Also discussed was the centralization of the liquidation and purchase functions of the 7(a) loans to Herndon, the process for assessing whether a lender would be approved or renewed for national delegated lending authority, the need to separate the Office of Lender Oversight (which became the Office of Credit Risk Management or OCRM) from the Office of Capital Access (OCA) in order to resolve the conflict of interest inherent in that arrangement, and, finally, the staffing, training, and turnover issues at the 7(a) loan processing center in Herndon. Committee members pressed Administrator Preston on the negative impact newly-imposed lender oversight fees were having on lender participation and loan volume. By the time of this January 2008 hearing, the trend of fewer SBA loans being made that would continue throughout 2008 was already noticeable, and the Committee continued to question the Administration on the lack of action it was taking to facilitate the flow of capital to small businesses.

F. SBA'S SUSPENSION OF COMPENSATION FOR 504 LOAN LIQUIDATION COSTS

The Committee's lender oversight efforts continued on April 3, 2008, when Chairman Kerry sent a letter to Administrator Preston pressing the SBA to delay publication of a controversial notice regarding the liquidation of 504 loans (See, 73 FR 18600). The notice was to reduce compensation rates for costs incurred by authorized Certified Development Companies that liquidate defaulted 504 loans and then, 90 days after publication, suspend all compensation for any 504 loan debenture not yet purchased. The letter expressed the Chairman's concern that suspending reimbursements would exacerbate SBA's liquidation problems, a problem created in part by SBA. The agency had not requested funding for CDCs for this purpose in its FY 2008 and FY 2009 budget requests and was looking to stretch dollars to avoid asking Congress for additional money.

G. REINSTATING COMPENSATION FOR 504 LOAN LIQUIDATION COSTS

Despite the Committee's efforts, the SBA moved forward with the Federal Register notice, leading Senator Kerry to follow up with another letter to Administrator Preston on April 7, 2008, calling on the Administration to protect taxpayer investments in government-backed small business loans by reinstating the program that reimburses CDCs for the costs they incur when they recoup losses from defaulted 504 loans. With almost 1,000 loans worth an estimated $404 million in default at the time the SBA issued the notice to eliminate the reimbursement program, as well as an inadequate number of SBA staff to liquidate the loans, the Chairman was concerned that the elimination of this program could result in greater losses at the taxpayers' expense. SBA Associate Administrator for Capital Access, Eric Zarnikow, responded on May 15, 2008. He had met with Committee staff on April 14th to discuss many of the issues that the letter brought up, but this response included information on the number and dollar amount of 504 loans that were to be charged off (200 cases for $85 million), as well as an estimate of funding that SBA would need to continue the reimbursements to Authorized Community Development Company Liquidators ($1.5 million over the next six years for cases closed between May 2007 and July 2008). The SBA was not able to provide a useful estimate for the annual costs of continuing to compensate ACLs beyond July 2008, and the Administration remained uncooperative in funding the program. And, despite Chairman Kerry's efforts, the SBA refused to reinstate the reimbursement program.

H. URGING SBA TO IMPLEMENT INSPECTOR GENERAL RECOMMENDATIONS

On May 12, 2008, Chairman Kerry and Ranking Member Snowe sent a letter to Administrator Preston, calling on the SBA to restore the integrity of its lender oversight program by eliminating the inherent conflicts of interest created by the agency's proposed lender oversight regulations. Under those regulations, SBA placed OCRM—the SBA office charged with lender oversight—within OCA, the SBA office responsible for promoting the agency's loan programs. The Senators argued that placement of OCRM within

OCA created a conflict of interest between OCA's goal of encouraging lender participation and OCRM's responsibility to take proper lender oversight enforcement actions.

This letter was in response to another Inspector General Report, titled "Oversight of SBA Supervised Lenders" (OIG Report No. 08–12), which criticized the SBA for failing to take proper enforcement measures against high-risk lenders, titled "Oversight of SBA Supervised Lenders" (OIG Report No. 08–12). The report found that the SBA had "major weaknesses" in four crucial oversight activities: untimely reviews of loan purchases, insufficient examinations of lenders' loan portfolios, inconsistent and inadequate implementation of corrective action plans, and poor remediation of bad loans. In their letter, Kerry and Snowe also criticized the SBA for moving forward with another proposed rule (See, 72 FR 61752) that they believed was insufficient to improve lender oversight. Among other things, the proposed rule would have provided very little enforcement guidance to SBA regulators and the lenders they were supposed to oversee, making the SBA's lender oversight even less effective. Associate SBA Administrator Zarnikow responded on June 3, 2008, to highlight the SBA's efforts to improve lender oversight, to dispute the OIG report and to say that Kerry and Snowe's comments would be placed in the proposed rule comments in the rulemaking record.

I. SBA'S LOAN MONITORING SYSTEM

On June 5, 2008, Chairman Kerry and Ranking Member Snowe sent a letter to Gene L. Dodaro, Acting Comptroller General of the United States, to express their continued concern with the effectiveness of the SBA's lender oversight activities. In June 2004, the GAO had reported that the SBA's loan and lender monitoring system, originally implemented in 2002 and used internally to assess the risk of 7(a) lenders and 504 CDCs, reflected some best practices, but also that the SBA had not developed an effective strategy for its use (GAO–04–610). However, since oversight difficulties in SBA lending had persisted, the Senators requested that the GAO conduct an investigation to validate the improvements, efficiencies, cost savings, and enhanced oversight outcomes the loan and lender monitoring system had created for the SBA's 7(a) and 504 loan programs. The GAO expected to issue its findings in July 2009.

J. BLX DECLARATION OF BANKRUPTCY

On October 22, 2008, Chairman Kerry sent a letter to Acting SBA Administrator Baruah to follow up on the case of Business Loan Express, which filed for Chapter 11 bankruptcy earlier in 2008. Kerry requested information on how many SBA loans BLX had outstanding, how many of those loans were in default or liquidation, and how much money remained in the BLX escrow to protect taxpayers from defaulted BLX loans. The Chairman also requested a copy of the settlement agreement executed by BLX and the SBA in connection with the BLX fraud case, which was discussed at the November 13, 2007, Committee hearing. As of December 2008, the SBA had not provided the information.

V. Disaster Loan Program

The Committee has oversight of the SBA's Disaster Loan Program, which is the federal government's primary tool to assist in economic recovery after a disaster by providing loans to small businesses and homeowners affected by a disaster. The program also serves to mitigate the economic injury to businesses, such as those owned by reservists called to active duty who must abruptly leave their businesses for extended periods. Disaster declarations are made for areas suffering from incidents including flooding, hurricanes, drought, fires, earthquakes, tornadoes, winter storms, or terrorist attacks.

A. REFORMING THE DISASTER LOAN PROGRAM

After Hurricanes Katrina, Rita, and Wilma displaced hundreds of thousands of Gulf Coast residents in 2005, the SBA failed in its mission to approve and distribute loans efficiently and effectively to disaster victims. The Committee began reviewing the shortcomings of the response to Hurricane Katrina and Rita in the 109th Congress and continued to do so into the 110th Congress, which lead to major reform of the SBA's disaster loan program.

B. THE SMALL BUSINESS DISASTER RESPONSE AND IMPROVEMENTS ACT OF 2007

On January 4, 2007, Chairman Kerry introduced the Small Business Disaster Response and Loan Improvements Act of 2007 (S. 163), which overhauled the manner in which SBA would respond to all disasters, especially future disasters on the scale of Hurricanes Katrina and Rita and the terrorist attacks on September 11, 2001. The bill included provisions to establish a Private Disaster Loan (PDL) program to allow banks to make loans directly to disaster victims, to require the SBA to draft rules to create a new "expedited disaster assistance business loan program," to provide small businesses with access to capital in the wake of a disaster, to create a new presidential declaration of catastrophic national disaster to allow businesses across the country to access low-interest loans in the event of a large scale disaster, and to authorize the SBA to make low-interest loans to fuel-dependent small businesses during extraordinary fuel price increases. This bipartisan bill was cosponsored by Senators Snowe, Landrieu, David Vitter, Johnny Isakson, and Bill Nelson, and was unanimously reported out of the Committee on March 29, 2007. On August 3, 2007, the bill passed the Senate by unanimous consent.

Senator Kerry offered a version of S. 163 as an amendment (S.A. 3604) to the Farm, Nutrition, and Bioenergy Act of 2007 (H.R. 2419), which passed the Senate on December 14, 2007. The amendment was cosponsored by Senators Snowe, Landrieu, and Vitter. Provisions based on S. 163 and the amendment to H.R. 2419 were included in the Conference Report to H.R. 2419. The Senate agreed to the Conference Report on May 15th, and, on May 22nd, the Senate overrode the President's veto, and the bill became law (P.L. 110–234). Due to a clerical error which excluded one title from P.L. 110–234, the Farm Bill was reintroduced and passed as H.R. 6124, becoming P.L. 110–246 on June 18, 2008.

C. ADDITIONAL LEGISLATION

A number of other disaster-related bills were introduced in the 110th Congress. On February 8, 2007, Senator Landrieu introduced the Gulf Coast Back to Business Act of 2007 (S. 537), which was cosponsored by Chairman Kerry, Senator Joseph I. Lieberman, and Senator Trent Lott. The bill would have authorized $100 million in grants for businesses affected by the 2005 Gulf Coast hurricanes ($75 million of which was allotted for Louisiana and $25 million of which was designated for Mississippi). The bill deferred disaster loan payment for up to one year for affected businesses and homeowners in the regions and allowed the SBA to immediately disburse $35,000 (up from $10,000) on an approved loan without requiring additional collateral. Additionally, S. 537 would have allowed small firms in the disaster zone to compete for lucrative federal contracts within the HUBZone program for two to three years.

On February 14, 2007, Senators Kerry, Snowe, Lieberman, Landrieu, and Vitter introduced the Small Business Disaster Loan Reporting Act of 2007 (S. 598). The legislation would have amended the 2006 hurricane season disaster response plan and directed the SBA to report monthly to the Committee on the operation of the SBA Disaster Loan program and report daily during presidentially declared disasters. The bill also would have directed the SBA Administrator to provide reports on federal contracts awarded as a result of a major disaster and would have asked the SBA to report on how the SBA could improve the Disaster Loan application process. Many of these reporting requirements ultimately became law as part of the Farm, Nutrition, and Bioenergy Act of 2007 (P.L. 110–246).

Senator Landrieu introduced the Small Business Disaster Recovery Assistance Improvement Act of 2007 (S. 715) on February 28, 2007, along with Senators Kerry, Snowe, and Vitter. This bipartisan bill would have created a short-term, low-interest loan program at the SBA to help businesses impacted by major disasters. Provisions similar to S. 715 were included in the Farm, Nutrition, and Bioenergy Act of 2007 (P.L. 110–246). The low-interest loans established in S. 715 would have allowed impacted small firms to make payroll and begin necessary repairs to stay open until they received a standard SBA Disaster Loan or insurance payment. The Expedited Disaster Assistance Loans could not exceed 180 days after the disaster, had no prepayment penalty, and could be refinanced as part of any subsequent SBA Disaster Loans.

The Committee's work in the 110th Congress to reform the disaster loan program built on legislation developed in the previous Congress: (1) The Small Business, Homeowners, and Renters Disaster Relief Act of 2005 (S. 1724), introduced by Senator Snowe, then Chair, cosponsored by Senators Vitter and Jim Talent. (2) The Small Business Hurricane Relief and Reconstruction Act of 2005 (S. 1807), introduced by Chair Snowe and cosponsored by Senator Kerry and Senators Landrieu, Vitter, Mark L. Pryor, John Cornyn, Evan Bayh, Edward M. Kennedy, Thad Cochran, and Talent. (3) The Gulf Coast Open for Business Act of 2006 (S. 2482), introduced by Senator Landrieu and cosponsored by Senator Kerry and Senator Bayh. (4) The Small Business Partners in Reconstruction Act of 2006 (S. 2608), introduced by Chair Snowe and cosponsored by

Senator Vitter. (5) The Small Business Disaster Loan Reauthorization and Improvements Act of 2006 (S. 3487), introduced by Senator Kerry, then Ranking Member, and cosponsored by Senators Pryor, Landrieu, Bayh, Bill Nelson, and Daniel K. Akaka. (6) The Small Business Disaster Recovery Assistance Improvements Act of 2006 (S. 3664), introduced by Senator Landrieu and cosponsored by Senator Kerry and Senators Bayh and Pryor. (7) The Gulf Coast Back to Business and Homes Act of 2006 (S. 4072), introduced by Senator Landrieu and cosponsored by Senator Kerry. And (8), The Small Business Disaster Response and Loan Improvements Act of 2006 (S. 4097), introduced by Chair Snowe and cosponsored by Senators Kerry, Landrieu, Norm Coleman and Vitter.

D. ALLEGATIONS OF IMPROPER DISASTER LOAN PROCESSING PRACTICES

On February 26, 2007, Chairman Kerry sent a letter to SBA Administrator Preston expressing concern over allegations of improper loan processing practices in the Fort Worth, Texas, processing center. These complaints asserted that the SBA made a habit of rewarding employees who met volume-related quotas for the number of applications processed or disbursed. These practices purportedly resulted in applications being processed hastily and a system in which less attention was paid to quality customer service or legal requirements. Senator Kerry questioned whether or not the SBA was aware of these allegations and asked that Administrator Preston disclose the dates and circumstances under which he was made aware of the charges. On February 27th, Administrator Preston responded and indicated that it was an instance of mismanagement he was aware of and that he was seriously looking into the allegations.

E. HEARING ON OVERSIGHT OF GULF COAST DISASTER LOANS

On July 25, 2007, Chairman Kerry convened a hearing titled “Oversight: Gulf Coast Disaster Loans and the Future of the Disaster Assistance Program.” Senator Kerry called this hearing in order to examine the SBA’s Disaster Loan program one month before the two-year anniversary of Hurricane Katrina. The Committee heard from former SBA loan officers and the Inspector General of the SBA about charges that staff improperly cancelled already approved loans, forced loan withdrawals, or disbursed loans without the homeowner’s or business owner’s consent in order to reduce the number of pending loan applications and ratio of loans declined in order to improve the agency’s and administration’s reputation for severe mismanagement of disaster loan assistance for the hurricane victims. Hearing witnesses included SBA Administrator Preston; SBA Inspector General Eric Thorson; William Shear, Director of the Financial Markets and Community Investment at U.S. Government Accountability Office; and Gale Martin, a former SBA loan officer.

F. FIELD HEARING ON REBUILDING THE GULF COAST

On February 20, 2008, Senator Landrieu chaired a field hearing with Senator Vitter titled “Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana.” Held in Lake Charles, Louisiana, the hearing's purpose was to measure the success of federal, state, and local small business recovery efforts following Hurricanes Katrina and Rita. In the wake of Katrina and Rita, 18,000 small businesses were totally destroyed and 81,000 businesses were economically affected. The Senators heard testimony from small business owners, SBA officials, local government leaders, and others involved in the recovery process to determine what worked and what was lacking in government assistance following the storms, what steps were still needed for recovery, and how the federal government might perform better following a future disaster.

G. CHANGES TO CREDIT ELSEWHERE TEST FOR DISASTER LOANS

Beginning on May 25, 2008, Iowa and parts of the Midwest experienced flooding, tornadoes and severe storms that disrupted small businesses and led to a disaster declaration for Iowa. After Hurricane Katrina, all but 2 percent of applicants received low-interest loans capped at 4 percent to help them rebuild their homes and businesses. However, reports following these Midwest floods showed that the SBA was determining that disaster victims had access to credit elsewhere at a rate fifteen times greater than during Katrina. These victims were thus being offered loans with rates capped at 8 percent and shorter repayment periods. Chairman Kerry, Ranking Member Snowe, and Senators Tom Harkin and Chuck Grassley sent a letter to the SBA on September 23, 2008, urging the Administration to review its new standards for credit elsewhere to ensure that the requirements enabled current and future disaster victims to obtain assistance. The Senators pressed the SBA to review the standards in Iowa, and submitted a series of questions to the agency on the credit elsewhere requirements.

On October 2, 2008, Chairman Kerry and Senator Harkin sent a letter to Jim Nussle, Director of the Office of Management and Budget (OMB), and SBA Acting Administrator Baruah, to request documentation on the decision to change the "credit elsewhere" test for disaster assistance. They emphasized that the credit elsewhere test must be a fair standard and that OMB must not try to balance the budget on the backs of disaster victims seeking loans. This letter came in response to an anonymous letter sent to Senator Harkin's office with a copy of an internal SBA e-mail that suggested that OMB was the driving force behind the change to the credit elsewhere standard. Acting SBA Administrator Baruah responded on October 14, 2008, saying that the loans to businesses in Iowa that were charged a higher rate would be reviewed to determine if the credit elsewhere test was properly applied and if a financial hardship waiver should have been granted.

H. SEEKING ADDITIONAL FUNDING FOR THE DISASTER LOAN PROGRAM

On January 22, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to Chairman Richard Durbin and Ranking Member Sam Brownback on the Appropriations Subcommittee on Financial Services, expressing concerns about the FY 2007 funding level for SBA's Disaster Loan program. Senators Kerry and Snowe urged the appropriators to authorize the transfer of funds from FY 2006 emergency supplemental appropriations or to appropriate additional funding in the Continuing Resolution for the Disaster Loan Program.

On March 2, 2007, Senator Kerry, along with Ranking Member Snowe and Senators Landrieu and Vitter, wrote a letter to the Appropriations Committee Chairman Byrd and Ranking Member Cochran requesting that small business provisions be included in the FY 2008 Emergency Supplemental Appropriations Bill. In this letter, the Senators requested an additional $75 million for the SBA's Economic Injury Disaster Loans (EIDL) program, as well as the inclusion of language designating the Gulf Coast disaster areas as HUBZones for three years. Ultimately, on May 25, 2007, the Senators' efforts succeeded and $25 million in additional recovery assistance for small businesses and homeowners affected by Hurricanes Katrina and Rita were enacted as a part of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (H.R. 2206/P.L. 110–28).

I. DISASTER DECLARATIONS

1. Eastern Market fire

In the wake of the fire that devastated many Eastern Market small businesses, Senator Kerry wrote a letter to Washington, D.C. Mayor Adrian M. Fenty on April 30, 2007, pledging his support for rebuilding the historic landmark. Additionally, Senator Kerry offered information on SBA disaster assistance for the small firms affected by the fire and urged the Mayor's office to reach out to Committee staff for detailed information on the various forms of federal assistance available to those small establishments.

2. Western Massachusetts floods

Chairman Kerry and his colleagues also sent several letters to SBA requesting disaster declarations following flooding and fires that damaged or destroyed small businesses and homes in Massachusetts. On May 3, 2007, Chairman Kerry and Senator Edward M. Kennedy sent a letter to request the SBA Administrator formally declare a disaster area for severe flooding in Essex, Plymouth, Barnstable, Dukes, Franklin, Hampden, Hampshire, and Berkshire Counties in Massachusetts. Given the Federal Emergency Management Agency (FEMA) estimations of damage totaling over $10 million, Senators Kerry and Kennedy urged the agency to issue a swift declaration so that small businesses in the affected counties could have access to the credit needed to rebuild the region's infrastructure and their livelihoods. The declaration was issued on May 7, 2007.

3. Uxbridge Mill fire

On July 23, 2007, Chairman Kerry joined Senator Kennedy and Congressman Richard E. Neal of Massachusetts in urging the SBA to move quickly in issuing a disaster declaration for those affected by a July 21st eight-alarm fire that ravaged an Uxbridge Mill complex housing 65 Massachusetts businesses. An Administrative disaster declaration was made on July 23rd and was printed in the Federal Register on July 27th.

4. Lawrence fire

On January 24, 2008, Chairman Kerry, Senator Kennedy, and Representative Niki Tsongas sent a letter to the SBA urging the

Bush administration to provide timely disaster loan assistance to the victims of a fire in Lawrence, Massachusetts. At least 150 people were left homeless after the blaze on January 21st, which leveled most of a city block. The lawmakers were successful in getting the federal government to declare the area as a disaster; however, delays in disbursing loans to victims of the fire led the lawmakers to write another letter to the Administrator pressing for movement in getting the resources to those in need. On February 27, 2008, Chairman Kerry and Representative Tsongas sent another letter to SBA expressing concern about the SBA's rejection of the loan applications of six victims of the January fire.

5. Peabody fire

On June 4, 2008, Chairman Kerry, Senator Kennedy, and Representative John F. Tierney sent a letter to the SBA encouraging the agency to provide disaster loans to the victims of a large Peabody, Massachusetts fire. The affected areas received a disaster declaration on June 6th. The SBA moved quickly to make the loans available and to urge affected homeowners and small businesses to apply for assistance, leading Senator Kerry to praise the agency for its efforts.

6. Red tide outbreak

Also on June 4th, Chairman Kerry sent a letter to SBA Administrator Preston and to the Department of Agriculture requesting disaster assistance to help small businesses adversely impacted by the red tide outbreak which closed the operations of many Northeast fishermen, affecting them and the businesses they supplied with shellfish. In May, the Massachusetts Division of Marine Fisheries closed Cape Cod Bay to shell fishing in Sandwich and Bourne in response to the red tide bloom. As a result of these closures, the coast of Massachusetts from New Hampshire border to the Cape Cod Canal was off-limits to shell fishing. In 2005, Chairman Kerry had worked to provide assistance for Massachusetts shellfish farmers who were suffering through the worst outbreak of red tide in more than three decades; unfortunately, at that time, there was significant confusion between the Department of Agriculture and the Small Business Administration as to which federal agency ultimately is responsible for providing assistance to these fishermen. In these letters, the Chairman urged the agencies to better coordinate their efforts.

VI. Women's Small Business Issues

2008 marked the twentieth anniversary of the passage of the Women's Business Ownership Act of 1988 (P.L. 100–533), the first comprehensive small business legislation aimed to help women entrepreneurs succeed. This bill was the culmination of a movement that began with the women's rights movement in the 1960s and early 1970s and that continued with such changes as passage of the Equal Credit Opportunity Act of 1974, which outlawed credit discrimination based on gender. In 1979, President Carter created the Small Business Administration's Office of Women's Business Ownership in response to a interagency report titled "The Bottom Line: Unequal Enterprise in America," which detailed the barriers to women's success in entrepreneurship. The Women's Business

Ownership Act played an important role in the growth of women-owned businesses that occurred between its passage and the 110th Congress.

According to the Center for Women's Business Research, between 1977 and 2002, the number of women-owned businesses grew by 824 percent. According to the numbers that the Center officially released at a September 2008 Committee roundtable, in 2008, 7.2 million firms were owned 51 percent or more by women. These firms employed 7.3 million workers and created $1.1 trillion in revenue. When including firms owned 50 percent or more by women, the numbers rose to 10.1 million firms, employing 13 million workers and generating $1.9 million in revenue.

However, despite their recent successes, women-owned small businesses still continued to lag behind their male counterparts in important areas. Women-owned firms had lower revenue and fewer employees than their male counterparts. eighty percent of women-owned firms had revenues under $50,000, and, although 6 percent of men-owned businesses had revenues of $1 million or more, only 3 percent of all women-owned firms did. With regard to employment, only 16 percent of all firms with employees were owned by women. Even in federal procurement, women-owned firms received less than 3.5 percent of all federal contracts. Understanding what caused these differences and taking steps to address them would aid not just women-owned firms but also the economic strength of the United States economy, particularly important during the tough economic times of the 110th Congress. As reported in the Global Entrepreneurship Monitor 2007 Report on Women and Entrepreneurship, "ignoring the proven potential of women's entrepreneurial activity means that countries put themselves at a disadvantage and thwart their opportunity to increase economic growth."

In reviewing the previous 20 years, many of the issues that were hindering women entrepreneurs from achieving their full economic potential in 1988 were still barriers in 2008. Access to capital, access to markets, particularly federal procurement, and other issues continued to be issues women business owners brought to the Committee's attention. During the 110th Congress, the Committee took steps to address these issues by securing final passage of a Women's Business Center Renewal Grants Program that Chairman Kerry and Ranking Member Snowe had been seeking for several years. The Committee also held several hearings and roundtables on issues facing women small business owners and entrepreneurs and pressed the Administration to implement the long-overdue Women's Procurement Program in an appropriate and effective manner.

A. ENACTMENT OF THE WOMEN'S BUSINESS CENTER RENEWAL GRANTS PROGRAM

The Women's Business Center (WBC) program was created in 1988 through the Women's Business Ownership Act of 1988 to address concerns that women continued to face discrimination in starting and running small businesses. The program provided grants to non-profit centers which provided counseling and assistance to socially and economically disadvantaged women wishing to start or grow a small business. In FY 2007, there were 99 WBCs receiving funds from SBA and 17 "graduated" centers which no longer received SBA funding.

The initial legislation provided that non-profits could apply for only one 5-year grant, which they had to match with non-federal funds. This initial five-year grant was often referred to as "regular funding." After those five years of funding, centers were expected to become self-sufficient. However, centers struggled to become independent, in large part because they served a low-income population and could not charge more than nominal fees for their services.

In 1999, in response to concerns about the future of established WBCs, Senators Kerry and Snowe introduced the Women's Business Center Sustainability Act of 1999, which created the Sustainability Pilot Program. This program allowed centers which had already received the initial five-year grant to apply for a second five years of funding. The Sustainability Pilot Program expired in 2004; however, it was continued each year through language in the Commerce, Justice, and Science appropriations bill. In addition to the ongoing uncertainty about the future of the Sustainability Pilot Program, in 2005, WBCs began graduating from the second five years of funding and again struggled to fill the gap left by the lack of federal matching funding.

1. Amendment No. 187 to the Fair Minimum Wage Act

On February 2, 2007, Chairman Kerry was joined by Ranking Member Snowe and Senator John E. Sununu in introducing an amendment (S.A. 187) to the Fair Minimum Wage Act (H.R. 2) to replace the Sustainability Pilot Program with a permanent three-year Renewal Grant Program. The amendment was adopted in the Senate by unanimous consent but the underlying bill did not become law. However, at the urging of Senators Kerry and Snowe in a May 18, 2007, letter to Congressional appropriators and leadership, the provision was ultimately attached to the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (H.R. 2206), and signed into law as part of P.L. 110–28 on May 25, 2007. The result of the legislation was that all WBCs, including those that had already graduated from SBA funding, could apply on a continuous basis to receive matching funds from the SBA.

B. IMPLEMENTATION OF THE WOMEN'S BUSINESS CENTER RENEWAL GRANTS PROGRAM

There was disagreement between Congress and the SBA about when and how the new Women's Business Center Renewal Grants Program should be implemented. According to the Senate Legislative Counsel and the Congressional Research Service, the SBA had the authority to administer the new Renewal Grant Program immediately upon the legislation being signed into law. However, the SBA argued that they could not administer the new program until the old Sustainability Pilot Program was repealed. The Sustainability Pilot Program was supposed to be repealed October 1, 2007; however, because of a series of temporary extensions of SBA program authorizations, it had not been repealed.

On August 17, 2007, Chairman Kerry and Ranking Member Snowe wrote to the SBA urging them to implement the Renewal

Grant Program as soon as possible. The Senators followed up in a September 18, 2007, letter, telling SBA that it would need to provide clear answers on the implementation of the Renewal Grant Program at the September 20, 2007, Committee hearing titled, "Expanding Opportunities for Women Entrepreneurs: The Future of Women's Small Business Programs." At the hearing, SBA Associate Administrator for Entrepreneurial Development, Anoop Prakash, committed to implementing the program within 120 days. On December 5, 2007, Kerry and Snowe again sent a letter to SBA announcing a hearing to be held in January to hold the Administration accountable for implementing this and other programs. The hearing was titled "Holding the SBA Accountable: Women's Contracting and Lender Oversight," and held on January 30, 2008. The SBA had made significant progress in implementing the grant program. Program grant announcements were posted January, 24, 2007, and notices of awards to established WBCs began to be issued in March 2008.

C. OVERSIGHT OF THE WOMEN'S BUSINESS CENTER PROGRAM

In the 110th Congress, the Committee continued to receive complaints from WBCs about SBA's administration of the WBC program. Both the Government Accountability Office (GAO) and the SBA Inspector General office investigated the WBC program in 2007. The GAO examined: (1) the impact of funding uncertainties on the WBC program (the Renewal Grant legislation addressed this problem); (2) the oversight and administration of the WBC program; and (3) whether WBC services duplicated those provided by SCORE or Small Business Development Centers. The GAO report, entitled "Small Business Administration: Preliminary Views on Issues Related to the Women's Business Center Program" (GAO–07–1244T), was released on September 20, 2007.

D. IMPROVING SBA GRANT DISBURSEMENT PROCESS FOR CENTERS

At the request of Chairman Kerry in a May 9, 2007, letter, the SBA Inspector General investigated the problems WBCs had in receiving grant money from the SBA. WBCs applied for a five-year grant, but they received the money on a quarterly basis throughout the five years. From WBC reports to the Committee, this process had been tremendously difficult. Centers complained about unclear directions from SBA, changing requirements which were not communicated ahead of time, and, as a result, very late payments. At the Committee's September 20, 2007, hearing, the Inspector General discussed the findings of the investigation, corroborating the stories from the WBCs and revealing that some payments had been more than 300 days late. Anoop Prakash, SBA's Associate Administrator for Entrepreneurial Development promised to improve the payment system. Senators Kerry and Snowe followed up on this and other SBA promises at a January 30, 2008 hearing. The hearing determined that SBA had made significant progress in improving the reimbursement process for WBCs; however, more still needed to be done, and both Senators pushed for continuing improvement. The SBA Inspector General Report, entitled "Audit of Grant Disbursement of Women's Business Centers" (IG Report No. 08–05), was formally released on November 20, 2007.

E. WOMEN'S PROCUREMENT PROGRAM

Between 1997 and 2002, the growth rate in the number of women-owned small businesses was almost twice that of all firms; however, the share of federal contracting dollars going to women-owned small businesses had not increased accordingly. Despite accounting for 30 percent of all small businesses, they received less than 3.5 percent of federal contracts, well short of the 5 percent goal for federal contracting with women-owned small businesses.

To remedy this shortfall in contracting with women-owned small businesses, Congress enacted the Women's Procurement Program on December 21, 2000. The legislation provided contracting officers with the ability to restrict competition for federal contracts to women-owned small business concerns under certain conditions. Many hailed this law as a new beginning for women in federal contracting.

F. DELAYED IMPLEMENTATION OF THE WOMEN'S PROCUREMENT PROGRAM

The Bush Administration delayed implementation of the law that created the Women's Procurement Program for more than eight years. In the 110th Congress, in letters sent on May 3, 2007, and October 17, 2007, Chairman Kerry and Ranking Member Snowe pushed the SBA to promptly issue a broad women's procurement rule that would benefit the greatest number of women business owners.

G. PROPOSED RULE FOR IMPLEMENTING THE WOMEN'S PROCUREMENT PROGRAM

On December 27, 2007, the SBA released a proposed rule for implementing the Women's Procurement Program. In the proposed rule, the SBA decided to use the narrowest methodology from the RAND study to implement the program. This approach—using four digit industry classification codes based on dollar amount of contract awards—deemed the four following industries out of 140 industries as underrepresented: National Security and International Affairs; Coating, Engraving, Heat Treating, and Allied Activities; Household and Institutional Furniture and Kitchen Cabinet Manufacturing; and Other Motor Vehicle dealers.

These were the only industries for which the SBA was willing to say that women-owned firms were under-represented or substantially under-represented in government-wide federal procurement. A number of women small business groups expressed their outrage at the rule that was proposed by the Bush Administration, and, throughout 2008, Chairman Kerry and Ranking Member Snowe were harsh critics of the proposed rule.

H. HEARING ON PROPOSED RULE FOR IMPLEMENTING THE WOMEN'S PROCUREMENT PROGRAM

At the Committee's January 30, 2008, hearing, Senators Kerry, Snowe, and Levin pressed SBA Administrator Preston to rewrite the proposed rule on the Women's Procurement Program, criticizing the Administration for failing to increase opportunities for women entrepreneurs and calling for the implementation of the

Women's Procurement Program in a way that would help women-owned small businesses create jobs and grow our economy.

I. LETTERS OPPOSING FINAL RULE ON THE WOMEN'S PROCUREMENT PROGRAM

Chairman Kerry was joined by Senators Levin, Lieberman, Maria Cantwell, Benjamin L. Cardin, and Jon Tester in sending a follow-up letter to Administrator Preston on February 1, 2008, expressing deep concerns about the proposed rule on the Women's Procurement Program. On February 22, 2008, Chairman Kerry and Ranking Member Snowe sent an additional letter to Administrator Preston, requesting that the comment period for the proposed rule be extended for 30 days. On March 31, 2008, another letter was submitted to the SBA Administrator which clarified and amplified the Senators' objections. Senators Kerry and Snowe followed up on June 12, 2008, requesting that the SBA refrain from issuing a final rule unless their concerns were addressed. On September 22, 2008, a letter was sent from all women Senators, including Committee members Senators Snowe, Landrieu, Cantwell, and Elizabeth Dole, to SBA urging that the proposed rule be changed or withdrawn.

On October 1, 2008, the SBA published the final rule to implement the Women's Procurement Program in the Federal Register that did not take into account the objections of the Chairman and the Ranking Member and still fell short of establishing an effective program that would truly benefit women small business owners. Chairman Kerry and Ranking Member Snowe again criticized the proposed rule and, in a letter sent to SBA Acting Administrator Baruah on October 30, 2008, requested an extension of the comment period on the final rule until January 30, 2009. Nonetheless, part of the rule took effect on October 31, 2008.

J. COMMITTEE ROUNDTABLES

1. Women in business: leveling the playing field

In addition to the two hearings described earlier in the report, held on September 20, 2007 and January 30, 2008, the Committee held two roundtables in the 110th Congress in order to hear first-hand accounts of the obstacles that women faced in starting their own businesses and to seek ideas for solutions to help them in overcoming them. The first roundtable, titled "Women in Business: Leveling the Playing Field," was held in Framingham, Massachusetts, on March 19, 2008. Participants included women small business owners, representatives of Women's Business Centers, including the Center for Women and Enterprise, local banks, and the District Director of the SBA.

2. Opportunities and challenges for women entrepreneurs on the 20th anniversary of the Women's Business Ownership Act

The second roundtable, titled "Opportunities and Challenges for Women Entrepreneurs on the 20th Anniversary of the Women's Business Ownership Act," and held on September 9, 2008, in Washington, DC, commemorated the twenty year anniversary of the Women's Business Ownership Act of 1988. The roundtable focused on access to markets, access to capital, and access to networks and decision-makers. Participants in the second roundtable included the Executive Director of the National Women's Business Council, the CEO of the U.S. Women's Chamber of Commerce, members of the group Women Impacting Public Policy, and several women small business owners.

K. ADDITIONAL LEGISLATION TO AID WOMEN BUSINESS OWNERS

In addition to passing legislation to create the Women's Business Center Renewal Grants Program, both the Small Business Venture Capital Act (S. 1662), introduced on June 19, 2007, and the Entrepreneurial Development Act (S. 1671), introduced June 20, 2007, included provisions designed to address many of the issues discussed in the roundtables and hearings. The Small Business Venture Capital Act would have created incentives for more financing to go to women-owned firms under the SBA's program for Small Business Investment Companies—or SBICs. SBICs are privately-owned companies that are licensed by the SBA to provide debt and equity capital to small businesses. They can obtain loans from the SBA to supplement their own capital, and the proceeds of those loans are used by the SBICs for investments in qualified small businesses. S. 1662 would also have created an incentive for SBICs to invest in women-owned small businesses by giving them more leverage if they invested in these firms.

The Entrepreneurial Development Act would have reauthorized the Women's Business Center program and the National Women's Business Council. The bill would have provided authority for the SBA's Office of Women's Business Ownership to develop and make available new programs and services for established women-owned businesses, addressing issues in the areas of women in manufacturing, technology, professional services, retail and product sales, travel and tourism, international trade and federal government procurement. The bill also would have directed the SBA to conduct training for District Office Women Business Ownership Representatives (existing personnel who were responsible for marketing and outreach activities) and District Office Technical Representatives (existing personnel who were responsible for grant programmatic and financial oversight duties) as well as provided resources for the District Offices to carry out their responsibilities.

It would also have revived the Interagency Committee on Women's Business Enterprise and established, as a subcommittee to the Interagency Committee, a policy advisory group consisting of representatives from the SBA, the Department of Commerce, the Department of Labor, the Department of Defense, and the Department of the Treasury and two members of the National Women's Business Council. The Committee believed that the policy advisory group would return the Interagency Committee to a mix of public/private members to provide the support and direction so badly needed to revive the intent of the Interagency Committee. The Interagency Committee, which consisted of representatives of various federal agencies, was required to submit an annual report to the President and Congress, through the SBA, but there was no recent record of annual reports being prepared or forwarded to the President and Congress. In addition, the President had not appointed a Chairperson to carry out the mission of the Interagency Committee, and therefore, the Interagency Committee was inactive.

Both bills passed Committee unanimously in 2007 and were included in the SBA Reauthorization and Improvements Act of 2008 (S. 2920).

VII. Minority Entrepreneurship

There is a large amount of data indicating that small businesses are the dominant economic growth engine driving the United States in the global economy. However, the fact that a significantly increasing number of small businesses are being started by minorities and women is less known—and has only been documented in a serious manner over the last ten years. Between 1997 and 2006, minority business enterprises accounted for over 50 percent of the two million new businesses started in the United States. These businesses crossed the entire industrial base from financial services and health care to construction and transportation. Ensuring adequate access to the federal market for these firms through the 8(a) and Small Disadvantaged Business (SDB) programs is essential to their future growth and success. Furthermore, the share of lending to minority firms has remained largely stagnant or made statistically insignificant increases. Also, there has been a steady decline in equity and equity-like investments to minorities through the SBIC program. In the 110th Congress, the Committee sought solutions to increase lending to minorities, thereby growing their ownership of small businesses and planting the seeds for wealth creation, and to create new entrepreneurs in underserved communities through education and outreach.

A. HEARING ON ASSESSING THE EFFECTIVENESS OF SBA'S PROGRAMS FOR THE MINORITY BUSINESS COMMUNITY

On May 22, 2007, Chairman Kerry convened a hearing titled, "Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community." The purpose of this hearing was to examine the state of minority entrepreneurship programs nationwide and to highlight any barriers that minority business owners faced in starting, maintaining, and growing their firms. The hearing also examined widespread reports of barriers faced by minority entrepreneurs in the federal contracting arena.

The first panel in this hearing consisted of the administrative witness Calvin Jenkins, SBA Deputy Associate Administrator for Government Contracting and Business Development. The second panel of witnesses included testimony from Jon Wainwright, Vice President of Economic Research Associates, Inc.; Anthony Robinson, President of the Minority Business Enterprise Legal Defense and Educational Fund; Bill Miera, Chief Executive Officer of Fiore Industries, Inc.; and Fernando Galaviz, Chairman of the Small Business Association for Technology.

B. HEARING ON BUSINESS START-UP HURDLES IN UNDERSERVED COMMUNITIES

The Committee held another hearing on September 11, 2008, titled, "Business Start-up Hurdles in Underserved Communities: Access to Venture Capital and Entrepreneurship Training" to address the lack of access to credit and venture capital for underserved communities. Businesses in economically depressed inner-city and rural areas, along with minority- and women-owned enterprises, were not receiving vital technical assistance to help their firms thrive. The hearing provided further evidence of the need for important provisions within the SBA Reauthorization and Improvement Act of 2008 (S. 2920).

Witnesses at the hearing included Marian Sabety, President and Chief Executive Officer, Wyndstorm Corporation; Don O'Bannon, Vice President of Business Diversity and Development, Dallas-Fort Worth International Airport; Margaret Henningsen, Vice President and Founder, Legacy Bank; Robert Rapoza, President, Rapoza Associates; Jon Wainwright, Vice President, NERA Economic Consulting; Thomas Boston, President and Chief Executive Officer, EuQuant, Inc.; Rodney Strong, Chief Executive Officer, Griffin & Strong, PC; and Donald Wilson, President and Chief Executive Officer, Association of Small Business Development Centers.

At the September 2008 hearing, Chairman Kerry addressed a number of important statistics about the SBIC program in particular. SBA's public reports denoted that black-, other minority-, and women-owned firms received less SBIC financing, as compared to other firms per transaction, and as a group these firms received less than 5 percent of all SBIC dollars. Black-owned firms received less than 0.6 percent of SBIC venture capital funding in 2003. Clearly, these statistics showed that more needed to be done to get venture capital into the hands of women and minority entrepreneurs.

It was also clear that women and minorities were not in positions of authority at venture capital firms. According to a Wall Street Journal survey, venture capital firms were overwhelmingly white and male. The survey found that of all employees at venture capital firms, 88 percent were white, 75 percent were male, and 66 percent were white males. When the results were narrowed to exclude non-investment professional titles, the percentage of white people stayed at 88 percent, but the percentage of males increased to 86 percent and the percentage of white males increased to 77 percent.

Furthermore, women typically lack the necessary personal connections to decision makers that men have. From 1995 to 2000, males in venture capital increased by 64 percent, but there was only a 47 percent increase in females. From 1995 to 2000, only about 25 percent of venture capital firms had women in management tracks. In 2000, only 9 percent of management-track venture capitalists were women. From 1995 to 2000, 64 percent of women left the venture capital industry (compared with 33 percent of men).

The lack of diversity in venture capital firms had real consequences for women- and minority-owned firms. According to a study by the Kauffman Foundation titled, "Gatekeepers of Venture Growth: The Role and Participation of Women in the Venture Capital Industry," the inability to gain access to investor networks helped explain why women received less than 5 percent of venture capital investments made in the United States over the past 40 years. The lack of access also denied women access to the guidance and relationships that venture capitalists often provide to firms in their portfolios. This kind of soft support can often mean the difference between success and failure to many firms.

C. LEGISLATION

1. The SBA Reauthorization and Improvements Act of 2008

In response to evidence provided in the hearing on venture capital, provisions in S. 2920 would have encouraged venture capital investments in small businesses owned by underserved members of the community by expanding the Small Business Investment Companies program and New Markets Venture Capital program, by creating a program in colleges and universities to encourage students to become entrepreneurs and give them the tools to do so successfully, and by creating an office at the SBA dedicated to tracking and increasing access for underserved business to all of the SBA's programs, from lending and venture capital to contracting. The concerns stemmed from a dramatic decline in financing and licenses to minority- and women-owned firms in the SBA's largest venture capital program and stagnant to marginal increases in lending to such businesses.

2. Minority Entrepreneurship Development Act of 2007

Many of the provisions to promote entrepreneurship in underserved communities in S. 2920 were originally introduced by Chairman Kerry as part of the Minority Entrepreneurship Development Act of 2007 (S. 98) on January 4, 2007. That legislation was cosponsored by Senators Cardin, Landrieu, and Clinton. Many provisions were also included in the Entrepreneurial Development Act of 2007 (S. 1671), which unanimously passed the Committee on June 26, 2007.

3. Native American Small Business Development Act of 2007

Also included in S. 2920 were provisions based on the Native American Small Business Development Act of 2007 (S. 2176), introduced by Senator Tim Johnson on October 17, 2007. The bill had eight original cosponsors: Senators Kerry, Jon Tester, Daniel K. Akaka, Barbara Boxer, Byron L. Dorgan, Daniel K. Inouye, Gordon H. Smith, and Debbie Stabenow. The purpose of the legislation was to promote the development of Native American small business concerns by establishing the Office of Native American Affairs within the SBA, creating a Native American Small Business Development program, and enacting two pilot programs: the Native American Development Grant Pilot Program and the American Indian Tribal Assistance Center Grant Pilot Program. Currently, Native Americans own less than 1 percent of all small businesses in the United States.

D. SHORTFALLS IN FEDERAL CONTRACTING WITH MINORITY AND DISADVANTAGED BUSINESSES

On August 13, 2007, Senator Kerry was joined by Senators Reid and Schumer, and Congresswoman Carolyn Kilpatrick in sending letters to the Departments of Defense and Treasury expressing concern for their poor record of awarding contracts to minority and disadvantaged businesses and requesting the agencies outline specific steps they were taking to increase contracts with minority advertising firms. Their action came in response to a report by the Government Accountability Office (GAO) released the same day that found that federal agencies continued to fall short of the standards set by an executive order issued in 2000 calling on the government to "aggressively" reach out to minority and underserved firms (GAO–06–361, "Federal Advertising: Established Programs Were Largely Used to Address Executive Order Directive to Ensure Small and Minority-Owned Business Participation").

The Defense Department awarded minority advertising firms only 1.8 percent of contract dollars and paid them on average nearly 84 percent less per contract than majority firms. The Treasury Department awarded minority advertising firms only 1.9 percent of contract dollars and paid them on average nearly 47 percent less per contract than majority firms. The Treasury Department responded in a letter dated September 7, 2007, outlining steps they had already taken and describing the contents of an Acquisition Bulletin dated September 4, 2007, issued by the Department's Senior Procurement Executive reminding acquisition personnel of the importance of compliance with the Executive Order.

More information on the Committee's efforts to ensure fairness in federal contracting can be found in the section of this report on Procurement.

VIII. Regulatory Compliance and Sarbanes-Oxley

Providing resources and guidance on complying with government regulations is particularly important to small businesses. Understanding and following the countless number of federal regulations can be tricky for small firms, especially small companies with few employees. This was particularly the case in the 110th Congress, as small businesses continued to struggle to comply with the provisions of the Public Company Accounting Reform and Investor Protection Act of 2002, or Sarbanes-Oxley. Indeed, a GAO Report issued on April 13, 2006, entitled "Consideration of Key Principles Needed in Addressing Implementation for Smaller Public Companies" (GAO–06–361) found that small public businesses spent considerably more on implementing Sarbanes-Oxley requirements. In fact, firms with less than $75 million in market capitalization were spending 877 percent more than their larger counterparts on compliance with the Sarbanes-Oxley law. The Committee took steps to ensure that small businesses had the time and resources to comply with the regulations.

A. SECURING AN EXTENSION OF THE DEADLINE FOR SMALL BUSINESS COMPLIANCE

1. Letters to the SEC and PCAOB

On February 23, 2007, Senators Kerry and Snowe sent a letter to Chairman Christopher Cox of the Securities and Exchange Commission (SEC) and Chairman Mark Olson of the Public Company Accounting Oversight Board (PCAOB), calling on them to extend the deadline for small business implementation of Sarbanes-Oxley Section 404 requirements in an effort to ease the burden of compliance. Section 404 of the Sarbanes-Oxley law called for the establishment of internal control frameworks for firms and directed them to file internal control reports. Senators Kerry and Snowe also urged the SEC and the PCAOB to carefully consider comments from small public companies as each agency finalized their rulemaking on the issue. On March 7th the PCAOB responded, indicating that they planned to coordinate with the SEC to make transition to Section 404 compliance for non-accelerated filers as smooth as possible, and agreed with Senators Kerry and Snowe's views on regulatory policy and the need for improvement in that realm. Additionally, on April 5th, the Committee received a response from the SEC.

On May 8, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to the SEC and PCAOB to follow up on the April 18th hearing. This letter restated the need for the SEC and PCAOB to provide additional time and assistance for small public companies to comply with the upcoming final rules. Specifically, Senators Kerry and Snowe urged each entity to give small non-accelerated filers up to one additional year to comply with forthcoming changes to Section 404 of the Sarbanes-Oxley law. Additionally, the Senators requested that the SEC publish a small business compliance assistance guide and urged the agency to consider raising the threshold for securities registration, as well as reporting on the law's impact on small firms and methods for reducing costs. Senators Kerry and Snowe also requested that the PCAOB monitor auditors to ensure that small public companies do not face red tape beyond the law's requirement.

On June 6, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to the SEC outlining specific steps the SEC should take to provide more time and assistance to small public companies to comply with Sarbanes-Oxley internal control regulations. In this letter, they again requested that the SEC provide a reasonable extension for small public companies to comply with the newly issued regulations and a full assessment of the cost of the new rules under the Regulatory Flexibility Act before they became effective later that year. They also reiterated their request that the SEC provide a small business compliance guide to be published by the SEC that would assist small companies in implementing the new internal controls requirements and a regular report by the SEC's Advisory Committee on Smaller Public Companies on the impact of Section 404, as well as how the financial burden of compliance with the Sarbanes-Oxley Act may be reduced. The Committee received a response on June 29th which stated that small firms would not have to provide a section 202 auditor report until 2009.

On December 12, 2007, Senator Kerry issued a statement praising the SEC for finally agreeing to an additional one year extension for small businesses to comply with Sarbanes-Oxley internal control requirements. And on June 20, 2008, the SEC agreed to provide small businesses with an additional one year extension to comply with the Sarbanes-Oxley Section 404(b) auditor attestation requirements.

2. Hearing on Sarbanes-Oxley and its impact on small business

On April 18, 2007, Chairman Kerry convened a hearing titled, "Sarbanes-Oxley and Small Business: Addressing Proposed Regulatory Changes and their Impact on Capital Markets." This hearing examined the difficulty many small businesses faced in complying with onerous Sarbanes-Oxley regulations. Senator Kerry called on the Securities and Exchange Commission to give small companies additional time to comply with upcoming changes to Sarbanes-Oxley. The first panel of Administration witnesses included SEC

Chairman Christopher Cox and Public Company Accounting Oversight Board Chairman Mark Olson, who testified regarding recently proposed guidance for accounting management and standards for auditors in complying with Section 404 of the Sarbanes-Oxley law. The second panel of witnesses included Thomas Venables, representing the American Bankers Association; Richard Wasielewski, Vice President and CFO of Nortech Systems, Inc.; and Joseph Piche, Founder and CEO of Eikos, Inc. All three of the second panel witnesses attested to the complexity and high costs of compliance with Sarbanes-Oxley and the need for more time to comply with new rules and regulations.

B. LEGISLATION TO PROVIDE REGULATORY ASSISTANCE TO SMALL BUSINESSES

1. The Small Business Compliance Assistance Enhancement Act of 2007

The Committee also took steps to provide legislative assistance to help small businesses comply with regulations. On January 10, 2007, Ranking Member Snowe, Chairman Kerry, and Senators Landrieu and Michael B. Enzi introduced the Small Business Compliance Assistance Enhancement Act of 2007 (S. 246). This bill would have amended the Small Business Regulatory Enforcement Fairness Act of 1996 to require that the agency prepare a small business compliance guide to assist small firms in complying with the federal rule.

On January 23, 2007, Senate Amendment No. 128, introduced by Chairman Kerry along with Ranking Member Snowe and Senators Landrieu and Enzi, to direct the SBA Administrator to establish a pilot program to provide regulatory compliance assistance to small business concerns was successfully attached to the Fair Minimum Wage Act of 2007 (H.R. 2), but it was not included in the final version of the bill.

C. DELAYING IMPLEMENTATION OF EMPLOYEE VERIFICATION REGULATION

Additionally, on September 12, 2007, Chairman Kerry sent a letter to Secretary Michael Chertoff of the Department of Homeland Security and Commissioner Michael J. Astrue of the Social Security Administration calling on Administration officials to delay implementation of a new employee verification regulation (71 Fed. Reg. 34281) pending the completion of a full and complete economic impact analysis of the regulation's potential impact on small entities, as was required by the Regulatory Flexibility Act. The regulation, initially proposed in June of 2006, could have forced businesses to fire employees who had discrepancies with their Social Security numbers. Specifically, employers that received notice from the Social Security Administration in the form of a "No-Match" letter that an employee's name and Social Security number did not match would have had to take steps to resolve the discrepancy within a 90 day period or else terminate the employee. Senator Kerry pointed out in this letter that there were many reasons why a "No-Match" notice could be triggered, not the least of which was the faulty database utilized by the Social Security Administration, and that this regulation would have been over burdensome to small businesses and potentially lead to discrimination in the hiring process toward Latinos and other immigrants. Neither agency responded to the Committee's inquiry. On August 15, 2007, a final rule was issued; however, an injunction was quickly filed to prevent its implementation. A revised proposed rule was issued on March 26, 2008, but was never finalized.

IX. Technology, Research, and Development

The Committee continued to believe that programs are needed in order to stimulate America's innovation economy, to remedy the continued underrepresentation of small businesses in federal research and development, and to use small businesses to help government agencies meet national needs. Small businesses continue to receive only about 4 percent of federal research and development dollars despite the fact that small businesses employ about one-third of America's scientists and engineers, produce more patents than large businesses and universities, and are powerful vehicles for the dissemination of scientific and technical knowledge. Moreover, in the competitive global economy, innovation can be a driving force to keep the United States at the forefront, creating good jobs and meeting national needs in the process.

A. REAUTHORIZATION OF THE SBIR AND STTR PROGRAMS

The Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs are two of the very few federal programs that utilize this largest sector of the scientific and technological community, and they are essential to fulfilling the priority research needs of the country. Furthermore, these programs utilize the innovative capabilities of small businesses to create jobs, to stimulate local economies, and to commercialize ideas originally developed in our federal science agencies and universities. The SBIR and STTR programs also serve as powerful mechanisms to involve a diverse group of individuals, geographically and demographically, in federal research and development, thereby increasing competition, diversifying the government's supply base, and reducing costs. For these reasons, the Committee took steps in the 110th Congress to reauthorize, strengthen, and improve the SBIR and STTR programs and to ensure that federal agencies were fulfilling what was required of them in implementing the programs. SBIR reauthorization was a priority for the Committee because the program had been set to sunset on September 30, 2008.

1. The SBIR/STTR Reauthorization Act of 2008

Chairman Kerry was joined by Ranking Member Snowe in introducing the SBIR/STTR Reauthorization Act of 2008 (S. 3362) on July 29, 2008. S. 3362 would have reauthorized the SBIR and STTR programs for 14 years each, through 2022 and 2023, respectively. The legislation would have gradually increased, over ten years, the allocation for the SBIR program at most participating agencies from 2.5 percent to 3.5 percent of the agencies' extramural research and development budgets, and, for the STTR program, it would have gradually increased, over six years, the allocation at all participating agencies from 0.3 percent to 0.6 percent of this same budget. It would have increased the award size guidelines for the

SBIR and STTR programs from $100,000 to $150,000 for Phase I and from $750,000 to $1 million for Phase II. Also, in order to protect against abuses in issuing "jumbo" awards, the bill would have restricted agencies from making awards that are more than 50 percent larger than the guidelines.

To increase geographic participation in the SBIR and STTR programs, particularly in rural states, S. 3362 would have enhanced and reauthorized through 2014 the Federal and State Technology Partnership (FAST) program and the Rural Outreach Program (ROP). To help move SBIR and STTR technologies across the "valley of death" (a phrase used to describe the funding gap between Phases II and III or commercialization), the legislation would have extended and improved the Commercialization Pilot Program at the Department of Defense (DoD) and given other agencies the authority to establish commercialization pilot programs, authorizing all such pilots through 2014.

The bill included a compromise on the issue of the participation of companies majority owned and controlled by multiple venture capital companies in the SBIR program, allowing the National Institutes of Health (NIH) to apply to award up to 18 percent of its SBIR dollars to companies majority owned and controlled by multiple venture capital companies and the other SBIR qualifying agencies to apply to award up to 8 percent of their SBIR dollars to this class of firms. The affiliation rule itself and the 500 employee standard would have remained unchanged in the bill. Last, the legislation sought to improve oversight by giving more autonomy and resources to the SBA's Office of Technology, by building in regular assessments by the National Academy of Sciences, and by streamlining data collection and reporting requirements to help Congress better assess the programs' effectiveness to guide future policy changes and to address record-keeping problems identified by GAO and NAS in their reports on the programs.

On July 30, 2008, S. 3362 was passed by the Committee by a roll call vote of 19–0. Ultimately, despite the Committee's efforts to come to a compromise that would allow the bill to pass, comprehensive SBIR reauthorization legislation did not pass in the 110th Congress.

2. Additional legislation

In addition to comprehensive reauthorization legislation and an extension of the SBIR programs, there were other legislative efforts to continue the programs. On September 25, 2007, Chairman Kerry filed an amendment (S.A. 3041) to the National Defense Authorization Act for FY 2008 (H.R. 1585), which would have extended the SBIR program through 2010, thus ensuring that the thousands of firms that participate in the program each year would not face the same delays and shut-downs of eight years ago, when there was a great deal of uncertainty surrounding the reauthorization of the SBIR program. The amendment was adopted by unanimous consent and passed the Senate; however, it was not included in the final version of the legislation. Chairman Kerry was joined by Ranking Member Snowe in re-offering the same amendment (as S.A. 5617) to the National Defense Authorization Act for FY 2009 (S. 3001) on September 16, 2008, but it was not included, nor were any amendments, because there was no managers' package; one Senator blocked all amendments to the bill.

3. Temporary extension of SBIR

The SBIR program was extended through March 20, 2009, by S. 3029, an Act to provide for an additional temporary extension of programs under the Small Business Act and the Small Business Investment Act of 1958, introduced by Chairman Kerry on May 15, 2008. It was signed into law as P.L. 110–235 on May 23, 2008. The extension, which covered all of the SBA's programs, gave Congress additional time to complete the comprehensive SBIR reauthorization process, while preventing the agencies from slowing down or shutting down their SBIR programs, as happened around the time of the 2000 reauthorization, hurting many small businesses and delaying research.

B. THE COMMERCIALIZATION PILOT PROGRAM

Senators Kerry and Snowe also collaborated in the 110th Congress to extend and improve the Commercialization Pilot Program for the SBIR Program at the Department of Defense. The Commercialization Pilot Program was established by then Chair Snowe, with support from Senator Kerry, in 2005 in order to help small firms bridge the so-called "valley of death" by providing assistance in transitioning their products developed through the SBIR program to commercialization. On September 24, 2007, they submitted an amendment (S.A. 3023) to H.R. 1585 to extend the Commercialization Pilot Program through 2012 and to authorize the use of additional incentives that encourage the transition of SBIR technologies into fielded systems and programs of record. The amendment was adopted by unanimous consent and passed the Senate; however, it was not included in the final version of the legislation. The Senators again attempted to pass this amendment (as S.A. 5616) to S. 3001 on September 16, 2008, but it was not adopted, for the same reasons discussed above.

C. COMMITTEE ROUNDTABLES AND MEETINGS ON THE SBIR AND STTR PROGRAMS

On August 1, 2007, the Committee held a roundtable titled "Reauthorization of the Small Business Innovation Research Program: National Academies' Findings and Recommendations," to follow-up on a hearing on SBIR in the 109th Congress and to bring the discussion on reauthorization up-to-date by inviting the National Academy of Sciences (NAS) to present the results of its overall in-depth study and assessment of the SBIR program. In addition to NAS, a variety of stakeholders participated in the roundtable, including SBIR program managers at federal agencies, staff of the Office of Technology at the SBA, small business owners, trade association representatives, and providers of technical assistance to SBIR award recipients. The discussion was wide-ranging and gave participants the opportunity to provide feedback on the findings and recommendations of the NAS report, providing the Committee with further insight into a number of issues relevant to reauthorization.

On October 18, 2007, the Committee held another roundtable, "Reauthorization of the Small Business Innovation Research Program: How to Address the Valley of Death, the Role of Venture Capital, and Data Rights," in order to expand upon previous discussions of these three critical issues. Participants again included program managers at federal agencies and staff of the SBA Office of Technology, as well as small business owners in a variety of industries. The roundtable focused on initiatives in effect at SBIR agencies to help small businesses move their innovative technologies across the "valley of death" from the laboratory to the marketplace, the debate over the involvement of companies majority owned and controlled by multiple venture capital firms in the SBIR program, and the problems inherent in how SBIR data rights are treated by federal agencies and prime contractors.

Further, in preparation for drafting comprehensive SBIR reauthorization legislation, the majority staff of the Committee held more than 20 meetings with SBIR-participating agencies and with departments within the Department of Defense.

D. NATIONAL ACADEMY OF SCIENCES AND GENERAL ACCOUNTABILITY OFFICE REPORTS

The National Academy of Sciences and the Government Accountability Office issued several reports on the SBIR program since the 2000 reauthorization of SBIR that guided the work of the Committee in drafting reauthorization legislation.

NAS Studies: In order to better measure the progress of the SBIR program toward its objectives, when the SBIR program was reauthorized for eight years in 2000 (P.L. 106–554), Congress requested a comprehensive external evaluation by NAS of SBIR at federal agencies with an SBIR budget greater than $50 million. The goals of the studies were to determine how SBIR had stimulated innovation and used small firms to meet the research needs of the nation and to provide overall recommendations for the program. The result of the five-year, $5 million review by the NAS was a series of reports, issued beginning in 2007.

The National Academies' comprehensive assessment of SBIR, "An Assessment of the Small Business Innovation Research Program," was published in July 2007. The core finding of the NAS study was that the SBIR program was "sound in concept and effective in practice." The NAS report found that the SBIR program was effectively linking universities to public and private markets, increasing private sector commercialization of innovations, creating new companies, and providing widely distributed support for innovation activity. Agency or topic-specific studies published by NAS in accordance with the mandate to evaluate the program originating in P.L. 106–554 include:

- An Assessment of the SBIR Program at the Department of Energy (June 2008)
- An Assessment of the SBIR Program at the Department of Defense (November 2007)
- An Assessment of the SBIR Program at the National Institutes of Health (November 2007)
- An Assessment of the SBIR Program at the National Science Foundation (July 2007)
- An Assessment of the Small Business Innovation Research Program (July 2007)

- SBIR and Phase III Challenge of Commercialization (February 2007)
- SBIR: Program Diversity and Assessment Challenges (September 2004)
- Capitalizing on Science, Technology, and Innovation: An Assessment of the Small Business Innovation Research Program—Project Methodology (September 2004).

Additional NAS studies to be released include:

- An Assessment of the SBIR Program at the National Aeronautics and Space Administration (In Review)
- Revisiting the Department of Defense SBIR Fast Track Initiative (In Draft)
- Venture Funding and the NIH SBIR Program (In Draft).

GAO Study: Additionally, GAO conducted a review of the SBIR program at the request of Senators Kerry and Kennedy, later joined by Senators Snowe and Enzi and Congressman Manzullo, that studied the impact of a 2002 SBA Office of Hearings and Appeals decision that clarified the definition of a small business for the purposes of the SBIR program. The purpose of the review was to look at the agencies with the largest SBIR budgets to examine the extent to which firms with venture capital participated before and after the clarification, including those firms majority owned and controlled by multiple venture capital companies. The goal of the study was to determine what role venture capital and firms majority owned and controlled by multiple venture capital companies should play in the SBIR program, as well as the impact that the participation of these firms had on the program and the country's innovation.

The report, titled "Small Business Innovation Research: Information on Awards Made by NIH and DoD in Fiscal Years 2001 through 2004" (GAO–06–565) was released in April of 2006. It found that, over the period of the study, the number of awards and dollars to firms with venture capital went up at both the National Institutes of Health and the Department of Defense and the percentage of SBIR dollars to firms with venture capital went up at the National Institutes of Health and held steady at the Department of Defense. Due to a lack of publically available data on the ownership structure of firms with venture capital, it was not possible for GAO to determine which firms were majority owned and controlled by venture capital companies; however, it was generally acknowledged that the numbers from FY 2001 and FY 2002 included awards to firms with venture capital, both majority owned and not, and that the numbers from FY 2003 and FY 2004 did not include majority owned firms. The report also found that, on balance, firms with venture capital received larger awards, oftentimes well in excess of the established award levels of $100,000 for Phase I and $750,000 for Phase II, and that awards were concentrated in a limited number of states. While this report was issued in the 109th Congress, these findings helped to frame the Committee's deliberations on the matter of allowing businesses owned and controlled by multiple venture capital companies to be eligible to receive awards in Phases I and II of the SBIR program.

E. RESTORING ARMY AND AIR FORCE SBIR FUNDS

On May 18, 2007, Chairman Kerry and Senator Kennedy sent a letter urging the Appropriations Subcommittee on Defense to consider expeditiously reprogramming $260 million in Army and Air Force SBIR funds upon passage of supplemental appropriations legislation. Prior to the bill's passage, SBIR funds were reprogrammed to fill the gap pending passage of the FY 2007 Supplemental for the Iraq Security Forces Fund. Senators Kennedy and Kerry cited how, in previous years, similar situations often resulted in detrimental lags in program funding—putting many small SBIR firms in dire straits.

After the supplemental appropriations bill was signed into law, the Senators called on Department of Defense Secretary Robert Gates to swiftly reprogram the money on June 11, 2007. In the letter, Senators Kerry and Kennedy requested that the Secretary provide a copy of the reprogramming request as soon as it was available, as well as any documentation demonstrating action by the Department of Defense to return SBIR activities to normal. The Secretary of the Air Force and the Acting Secretary of the Army were copied on this letter, and the money was, in fact, reprogrammed.

F. INCREASING THE SIZE OF AWARDS

On September 16, 2008, Chairman Kerry sent a letter to Acting SBA Administrator Baruah in support of a proposed amendment to the SBIR Policy Directive that would have increased the threshold award size for the SBIR program from $100,000 to $150,000 for Phase I awards and from $750,000 to $1 million for Phase II awards. Senator Kerry also emphasized the importance of increasing the SBIR allocation of federal research and development dollars and of taking steps to restrict jumbo awards that well exceed the threshold amounts to ensure that the proposed increases to the award thresholds did not have the result of seriously impacting the number of awards that could be made and, therefore, the number of new technologies developed through the SBIR program. Senator Kerry urged the SBA to support additional amendments to the Policy Directive to that effect. However, the SBA's proposed increases to the threshold amounts were in line with the levels passed by the Committee in the SBIR/STTR Reauthorization Act of 2008 (S. 3362), so the Chairman agreed that the increases made sense. As of the end of the 110th Congress, the proposed amendment has not been finalized.

G. INCREASING FUNDING FOR TECHNOLOGY TRANSFER

To increase the amount of money going to SBIR transition at the Department of Defense, on October 29, 2007, Senator Kerry and Senator Harkin sent a letter requesting that the conferees of the FY 2008 Defense Appropriations bill agree to language in the House Appropriations Committee report providing $100 million more than requested for the SBIR program at the Department. The purpose was to increase the use of small, high-tech businesses to help the military develop the best technologies, diversify the supply base, and reduce costs. The additional funding was to be used to support the transition of SBIR technologies at the Department of

Defense: $25 million allocated to the Army's Future Combat System; $50 million for the Navy's surface ship and submarine development activities; and $25 million for the Joint Strike Fighter program. In the conference report, $85 million of the $100 million was retained. The legislation was signed into law by the President on November 13, 2007 (H.R. 3222/P.L. 110–155). In April 2008, Senator Kerry was joined by Senators Harkin, Lieberman, and Cantwell in requesting this funding in the FY 2009 Defense Appropriations bill.

X. Veterans and Reservists

According to the Department of Veterans Affairs, there were an estimated 23.4 million veterans, in addition to over 1 million reservists in America in 2008. As the conflicts in Iraq and Afghanistan continued, the number of veterans—including service disabled veterans—increased, and reservists continued to carry more of the burden than ever before. Starting, growing or maintaining a small business is a challenging endeavor, and veterans often faced unique challenges and barriers due to their service to our country. Unemployment was higher among recently discharged veterans, and many reservists lost income or experienced economic harm to their business as a result of deployment. Financial assistance through loans or grants and access to entrepreneurial development programs are key solutions to addressing those challenges and leveling the playing field for veterans and reservists. In the 110th Congress, the Committee made it a priority to address the challenges facing veterans and reservist entrepreneurs and to ensure that federal agencies were committed to helping America's veterans and reservists succeed in business and the private sector during and after their service to our country.

A. COMMITTEE REPORT: THE STATE OF VETERAN AND RESERVIST ENTREPRENEURSHIP

On March 28, 2007, Chairman Kerry issued a report, entitled "The State of Veteran and Reservist Entrepreneurship," which outlined the obstacles facing veteran and reservist entrepreneurs and included specific recommendations for supporting veterans and reservists in small business. The report found that many recently discharged veterans were experiencing higher rates of unemployment and that a smaller percentage of small business loans were going to veterans. The report also found that many reservists were experiencing high rates of income loss during deployment, and included recommendations for increased oversight of federal contracting and new steps to increase contracting opportunities for service disabled veterans.

B. LEGISLATION

1. The Military Reservist and Veteran Small Business Reauthorization Act of 2007

On March 28, 2007, in conjunction with the release of the aforementioned report, Chairman Kerry introduced the Military Reservist and Veteran Small Business Reauthorization Act of 2007 (S. 1005). The bill would have created a new, non-collateralized loan of up to $100,000 for businesses affected by the deployment of a key employee. S. 1005 also would have fixed a program designed to provide reservist-dependent businesses access to low-interest loans through the SBA's disaster loan program by expanding the application period for these loans and creating a method of pre-consideration so that businesses could apply for and access the capital they needed prior to incurring financial hardship. For small reservist-dependent firms that were unable to take on additional debt, the bill would have provided grants of up to $25,000, contingent upon the business providing a viable business plan. Finally, the bill would have authorized increased resources for the SBA's Office of Veterans Business Development. Senator Chuck Hagel was the lead cosponsor on the bill, and Senators Cardin, Tester, and Mark L. Pryor also signed on in support.

2. The Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2007

On July 12, 2007, Chairman Kerry and Ranking Member Snowe introduced the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2007 (S. 1784). The bill was based on the provisions of S. 1005 and the Veterans Small Business Opportunity Act of 2007 (S. 904), which Senator Snowe introduced on March 15, 2007. S. 1784 was cosponsored by Senators Hagel, Landrieu, Lieberman, Cantwell, and Tester. On October 1, 2007, an amendment modeled on S. 1784 passed the Senate as part of the 2008 Defense Authorization Act, but it was not included in the final version of the bill.

The text of S. 1784 passed the Senate on December 19, 2007, as a substitute amendment to the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (H.R. 4253). The House amended the bill with Senate-House compromise language, and this version passed the House on January 16, 2008. On January 31, 2008, the bill passed in the Senate by unanimous consent, and, on February 14, 2008, the bill was signed into law (P.L. 110–186).

The bill expanded business opportunities for veterans and helped reservists keep their businesses afloat during deployment. Specifically, the bill increased the authorization of appropriations for the SBA's Office of Veteran Business Development and created an Interagency Taskforce on Veteran Small Business to focus on increasing veterans' small business success, procurement and franchising opportunities, and access to capital. S. 1784 also made permanent the Advisory Committee on Veterans Business Affairs and allowed the SBA Administrator to offer loans up to $50,000 without requiring collateral from a loan applicant. The bill improved the Military Reservist Economic Injury Disaster Loan program by providing a longer application deadline, creating a pre-application loan approval process, expanding outreach and technical assistance, and raising the maximum loan amount. It also created a loan participation program in which veterans can receive 7(a) loans while paying just 50 percent of the fees and a grant program to improve Small Business Development Centers' outreach to the veteran community. It also required Veteran Business Outreach Centers to increase their participation in the Transition Assistance Program, and the Office of Veterans Business Development to create and disseminate information aimed at informing women veterans about the resources available to them. Finally, the bill required a GAO report on the needs of service-disabled veterans and how to improve relations between employers and reservist employees.

C. FUNDING FOR THE VETERAN ASSISTANCE PROGRAM

Upon enactment of the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008 (P.L. 110–186), the Committee urged the Administration to implement its provisions in a timely manner. On March 4, 2008, Chairman Kerry sent a letter to SBA Administrator Preston to clarify Congressional intent with regard to funding for the Veteran Assistance program involving Small Business Development Centers included in P.L. 110–186. Specifically, the letter noted that funding for the initiative was to come from an account separate from the core SBDC funding, contained in the Consolidated Appropriations Act of 2008, adding that the new program was designed to enhance the existing SBDC program, not to replace it. The letter also urged the Administration to implement the program as soon as possible.

D. IMPLEMENTATION OF THE VETERANS AND RESERVISTS 7(A) PILOT PROGRAM

On March 11, 2008, Chairman Kerry and Ranking Member Snowe sent a letter to SBA Administrator Preston to follow up on the implementation of the 7(a) pilot program to increase access to capital for veteran and reservist small business owners and entrepreneurs enacted as part of P.L. 110–186. Congress had designed the program so that it would not need appropriations; however, the Administration had taken the position that the pilot did require funding. In the letter, the Senators asked the SBA to describe how the program could be funded without a separate appropriation and to state when it intended to fund and implement the program. The Administrator responded on April 10, 2008, saying that, because separate risk categories exist for each pilot program and because the pilot program would have had positive subsidy rates for 2008 and 2009, the SBA could not make these loans without an appropriation to cover the subsidy cost.

Additionally, in response to the Administration's position that the 7(a) pilot program included in P.L. 110–186 could not be implemented without a separate appropriation, Chairman Kerry and Ranking Member Snowe sought funding for the program in supplemental appropriations bills. On April 21, 2008, the Senators sent a letter to the leadership of the Senate Appropriations Committee and the Appropriations Subcommittee on Financial Services requesting that $25 million to implement the program be included in an emergency supplemental appropriations bill, but the funding was not included in the bill. However, on July 28, 2008, funding to implement provisions of P.L. 110–186 were included in a draft of an emergency supplemental appropriations bill, and on September 25, 2008, funding to implement the veterans loan provisions in P.L. 110–186 was included in the Economic Recovery Act of 2008 (S. 3604). That legislation did not receive consideration by the full Senate in the 110th Congress.

E. ENACTMENT OF MILITARY TAX RELIEF PROVISIONS

On January 31, 2007, Chairman Kerry introduced the Active Duty Military Tax Relief Act of 2007 (S. 455), which was cosponsored by Senators Smith, Cantwell, and Blanche L. Lincoln. This legislation would have provided small employers with a tax credit for paying a salary differential to reservist employees called up to active duty. In addition, the legislation would have amended the Internal Revenue Code to treat differential wage payments accounts; increased the standard tax deduction for members of the uniformed services on active duty for more than 30 days; and made permanent the taxpayer election to treat combat pay as earned income for purposes of computing the earned income tax credit. Provisions based on this bill were passed as a part of the Defenders of Freedom Tax Relief Act of 2007 (H.R. 3997), which passed the Senate on December 12, 2007. They were also included in H.R. 6081, the Heroes Earnings Assistance and Relief Tax Act of 2008, which passed the Senate on May 22, 2008, and was signed into law on June 17, 2008 (P.L. 110–245).

Small businesses with less than 100 employees employed about 18 percent of all reservists who held civilian jobs. While most large businesses had the resources to provide supplemental income to reservist employees called up and to replace them with a temporary employee, it was not that easy for small businesses to do the same. A majority of returning veterans were reserve and National Guard members, 35 percent of which were either self-employed or owned or were employed by a small business. This legislation was designed to help reservists who owned their own business hire temporary replacement employees while they were called up and help small businesses with the impact of having an essential employee called up for active duty. In addition to helping small businesses, the legislation included additional tax provisions to help ease the financial burden of military families.

F. IMPROVEMENT OF THE MILITARY RESERVE ECONOMIC INJURY LOAN PROGRAM

On March 27, 2007, Chairman Kerry successfully included an amendment (S.A. 687) to improve programs for small business concerns that employed reservists to the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (H.R. 1591). The amendment's provisions would have strengthened the Military Reserve Economic Injury Loan program by directing the SBA to create a preapproval process for reservist dependent businesses so that businesses could begin drawing down funds immediately upon the reservist being called to duty. The amendment would have extended the window of time for a reservist dependent business to apply for a loan from 90 days following the date of discharge to 1 full year. In addition, this amendment called for SBA to establish a coordinated, proactive marketing plan to be conducted by the SBA, the Veterans' Administration, and the Department of Defense to efficiently distribute information about the program to reservists and their families.

Finally, the amendment directed the SBA to report back to the Small Business Committees of the Senate and the House of Representatives on the status of this program, as well as additional steps that may be taken to improve the program for reservist-dependent small businesses. The amendment was adopted by a voice vote on March 28th; however, the bill was ultimately vetoed and an override attempt failed.

G. HEARING ON ASSESSING FEDERAL SMALL BUSINESS ASSISTANCE PROGRAMS FOR VETERANS AND RESERVISTS

On January 31, 2007, Chairman Kerry convened a hearing titled "Assessing Federal Small Business Assistance Programs for Veterans and Reservists." As his first hearing of the 110th Congress, Senator Kerry continued his advocacy for the veteran and reservist communities by holding this hearing to urge federal agencies to improve and strengthen their assistance programs for men and women who wear the uniform. Senator Kerry demanded that the SBA toughen its standards to ensure that federal agencies meet their mandated contracting goals for service-disabled veterans. The first panel consisted of Administrative witnesses, including Linda Bithell Oliver, Acting Director of the Office of Small Business Programs at the Department of Defense; Scott Denniston, Director of the Center for Veterans Enterprise at the Department of Veterans Affairs; and William Elmore, Associate Administrator of the Office of Veteran Business Development at the SBA. The second panel of witnesses consisted of testimony from Louis Celli, President of the Northeast Veterans Business Resource Center, Inc.; Capt. Ann Yahner, USN (Ret.), President and General Manager of Penobscot Bay Media, LLC; Bob Hesser, President and CEO of HI Tech Services; and Ted Daywalt, President and CEO of VetJobs.

H. ROUNDTABLE ON REDUCING UNEMPLOYMENT AND INCREASING BUSINESS OPPORTUNITIES FOR VETERANS

The Committee also held a roundtable discussion on May 14, 2008, titled "Reducing Unemployment and Increasing Business Opportunities for Veterans." Senator Kerry chaired the roundtable to focus on ways to bring more veterans into the workforce and help veteran entrepreneurs succeed. A Department of Veterans Affairs report, entitled "Employment Histories" and released on September 28, 2007, found that the percentage of veterans not in the labor force jumped to 23 percent in 2005, a sharp increase from 10 percent in 2000. A survey of veterans released by military.com in November 2007 found that 81 percent of returning military veterans did not feel fully prepared to enter the work force, and 76 percent of these veterans said they were unable to translate their military skills to work in the civilian world. Several veterans and Administration officials spoke out strongly about the value of the services provided by Veterans' Business Centers.

I. CONTRACTING WITH SERVICE-DISABLED VETERAN-OWNED BUSINESSES

On May 15, 2007, Chairman Kerry sent a letter to the Department of Defense urging the agency to fulfill its obligation to contract with service-disabled veteran-owned businesses (SDVOBs). Despite a 3 percent federally mandated goal, the Defense Department had failed to meet that level every year since the goal was established. Senator Kerry called on Secretary Robert Gates to meet or exceed the 3 percent goal in the coming year—especially given that the agency accounted for nearly 70 percent of all federal procurement spending—and emphasized the important role these SDVOBs play in the economy. Additionally, Senator Kerry requested that answers to official questions from the January 31, 2007, veteran and reservist hearing be expeditiously sent to the Committee given their delinquency. The Committee received a response on June 7, 2007, acknowledging missing contracting goals and highlighting efforts being made, including a contract with a service-disabled veteran-owned small business to perform an analysis of the SDVOSB supplier base and its role in Department of Defense procurement.

J. IMPROVING DATA ON VETERAN SMALL BUSINESSES

On November 9, 2007, Chairman Kerry and Senator Akaka sent a letter to the Department of Commerce expressing a desire to gather more information on veteran small businesses as a part of the Survey of Business Owners to match surveys already conducted on minority and women business owners. In the letter, the Senators expressed their disappointment at the limited information available about veteran and reservist small business owners and asked the Department of Commerce to explain the obstacles in collecting data on these small businesses, what the department was doing to overcome them, and whether more extensive data would be collected in the future. The Committee received a response on December 20th from the Secretary of Commerce, in which he discussed new data that would be collected for the 2007 survey and indicated an interest in going further in the 2012 survey.

K. INVESTIGATING TAX AND REGULATORY BARRIERS FOR VETERANS

On January 30, 2008, Chairman Kerry, Ranking Member Snowe, and Senator Tom Coburn, together with House Committee Chair Nydia Velazquez and Ranking Member Steve Chabot, sent a letter to the SBA, requesting the SBA Office of Advocacy investigate the various federal tax and regulatory barriers that hinder veterans in their efforts to become entrepreneurs and sustain their businesses. The letter also asked for recommendations on how best to eliminate those barriers to better assist current or future veteran small business owners. They asked that the study be completed within 18 months and contracted out by September of 2008. The Committee received a response on February 7, 2008.

L. INELIGIBILITY OF SMALL BUSINESS RESELLERS

On April 29, 2008, Chairman Kerry and Ranking Member Snowe sent a letter to the Department of Veterans Affairs expressing concern that small business resellers would be deemed ineligible for federal contracts. The letter, addressed to James B. Peake, Secretary of the Department of Veterans Affairs (VA), expressed their concern with aspects of a October 15, 2007, report published by the VA's Office of Inspector General (OIG) titled, "Final Report: Special Review of the Federal Supply Schedule Medical Equipment and Supply Contracts Awarded to Resellers." The policy positions stated in the OIG report would have excluded small business resellers from participating in the government procurement process at the

VA. The Senators were also concerned by the OIG's attempt to set procurement policy for programs over which they had no jurisdiction. The Senators stated that policy decisions concerning what type of companies were eligible to supply goods and services to the government fell within the jurisdiction of Congress and the General Services Administration.

The Senators requested information from the VA concerning whether the agency was contemplating implementing the changes to the Multiple Award Schedule policy proposed by the OIG report, what impact the OIG's recommendations would have on contracts with small businesses if implemented, and what the VA's opinion on whether the VA or the GSA retained the statutory authority to prescribe methods of procurement policy for the supply of personal property and non-personal services. Secretary Peake responded on June 26, 2008, and discussed the creation of a working group to review the OIG's recommendations that consisted of contracting, acquisition policy, General Counsel, OIG, and Office of Small and Disadvantaged Business Utilization staff.

M. EFFORTS TO FUND VETERANS' BUSINESS DEVELOPMENT CENTERS

During the 110th Congress, the Committee continued to monitor the operations and activities of the National Veterans Business Development Corporation, commonly referred to as The Veterans Corporation or TVC. The corporation was created in 1999 through the Veterans Entrepreneurship and Small Business Development Act (P.L. 106–50), and was charged with establishing and maintaining a network of Veterans' Business Development Centers (Centers). However, over the past two years, the Committee criticized TVC's leaders for, among other things, failing to adequately support the Centers.

On September 21, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to Mr. Walter Blackwell, the President and Chief Executive Officer of TVC, requesting information on how it planned to support the network of Centers. In the letter, the Senators expressed their concerns regarding the implications that the new Veteran Entrepreneurship Support grant initiative could have for established Centers that were currently receiving funding and requested information on how TVC would maintain those existing Centers considering the changes to its grant program.

Chairman Kerry and Ranking Member Snowe followed up on December 21, 2007, by sending another letter to TVC seeking assurance that it would continue to use its budget allowance to fund veteran business centers.

On February 11, 2008, Senators Kerry, Snowe, Barbara A. Mikulski, and Richard C. Shelby sent a letter to TVC, expressing concern that it had not yet made a decision concerning its FY 2008 grant program. The Senators were concerned that the delayed decision was leading to Centers reducing services, laying off staff, and being on the verge of closing. Even though TVC had received funding in the Continuing Resolution and $1.4 million from the FY 2008 appropriation from Congress, the Centers had been without funding for four months. The Senators requested that TVC inform them, in writing, when it would make a decision on the grants and when the funds would be distributed. In February of 2008, TVC granted two of the three Centers $67,500 each—about half what they had been given in the previous fiscal year. The other Center in Boston was not given any funding.

On March 11, 2008, Senators Kerry and Snowe sent a letter to appropriators requesting funding in the Emergency Supplemental for the SBA to be distributed to the three Centers. The letter was sent to Appropriations Committee Chairman Robert Byrd and Ranking Member Thad Cochran, and Appropriations Subcommittee on Commerce, Science, Justice & Related Agencies Chairman Mikulski and Ranking Member Shelby. Senators Kerry and Snowe requested that $600,000 be included in the Emergency Supplemental to be distributed by the SBA to the three Centers that traditionally received funding from TVC.

On March 14, 2008, Senators Kerry and Snowe sent a letter to Senate Committee on Appropriations Subcommittee on Financial Services Chairman Durbin and Ranking Member Brownback informing them of the request they made in their letter dated March 11, 2008, to the CJS Appropriations Subcommittee. While funding for TVC was through the CJS Appropriations Subcommittee, since the Senators had requested the money be appropriated to the SBA, they sent a letter to the Subcommittee with responsibility for appropriations for the SBA. Also on March 14, 2008, Chairman Kerry and Ranking Member Snowe officially launched a Committee investigation into TVC's financial activities and operations.

On May 14, 2008, Senators Kerry and Snowe sent a letter to appropriators in support of an amendment offered by Senator Bond amendment to provide funding to TVC's Centers. The Senators emphasized the critical nature of the Centers' work, particularly as wars in Iraq and Afghanistan produced veterans in high numbers. On May 15, 2008, the Appropriations Committee passed Bond's amendment to the Emergency Supplemental Appropriations bill to provide an additional $600,000 in funding for the Centers in St. Louis, Mo., Boston, Mass., and Flint, Mich. The bill passed the Senate with the funding included, but it was stripped by the House and not included in the final version of the bill.

N. INVESTIGATION OF THE VETERANS CORPORATION (TVC)

In March of 2008, Chairman Kerry and Ranking Member Snowe launched a Committee investigation into the Veterans Corporation's (TVC) financial activities and operations. During the course of the investigation, the Committee subpoenaed banking and credit card statements from TVC's financial institutions, reviewed thousands of pages of documents and records furnished by TVC, and conducted numerous interviews with TVC insiders, including each current member of TVC's board of directors, TVC's acting president, John Madigan, its former director of finance, and its highest paid independent contractor. TVC's former president, Walter Blackwell, declined Committee staff's repeated requests for an interview.

On December 11, 2008, Chairman Kerry and Ranking Member Snowe issued a report on the TVC investigation, which included the Committee staff's detailed findings and recommendations. The report showed that TVC's leaders had grossly mismanaged taxpayer dollars—including lavish spending on costly dinners and luxury hotels, first-class travel, and compensation for its top two executives that amounted to nearly a quarter of the charity's federal funds. In addition, the report described how TVC had failed to achieve its statutory mission of expanding technical assistance for veteran entrepreneurs despite receiving over $17 million in federal funds over the previous eight years. As a result of those findings, the report recommended that TVC receive no further federal funds, and if—in the absence of federal funding—TVC could not adequately support the Centers, that the SBA's Office of Veteran Business Development receive additional funds to take over responsibility for these important veteran entrepreneur resources.

XI. Energy and the Environment

There are an estimated 25 million small businesses in this country, and they account for more than half of all the commercial energy used in North America. In the last couple of years, small businesses have suffered crippling financial hardships because of energy price spikes and unreliability. Small businesses could have saved billions if the federal government used its resources to educate small businesses about energy saving practices and helped to facilitate the purchases of energy-efficient equipment. In the 110th Congress, the Committee focused on the interplay between small businesses, innovation, job creation, and the nation's environmental, and energy goals. Through hearings and legislation, the Committee took steps to improve the ability of small businesses to become energy efficient themselves and to encourage small businesses to drive innovation to make our country more energy efficient.

A. ENACTMENT OF THE SMALL BUSINESS ENERGY EFFICIENCY ACT OF 2007

On June 19, 2007, Chairman Kerry and Ranking Member Snowe introduced the Small Business Energy Efficiency Act of 2007 (S. 1657), in an effort to help small businesses and entrepreneurs increase their energy efficiency and reduce their dependency on fossil fuels. Language from the bill was also introduced the same day as an amendment (S.A. 1706) to the Energy Independence and Security Act of 2007 (H.R. 6). On June 21, 2007, the amendment was adopted by unanimous consent and the underlying bill, H.R. 6, passed the Senate by a 65–27 margin. On December 19, 2007, the legislation, including the Kerry-Snowe provisions, was signed into law as P.L. 110–140.

The provisions signed into law established an Energy Clearinghouse program that works with the Environmental Protection Agency's (EPA) Energy Star program to help educate small businesses on energy efficiency; created a small business energy efficiency pilot grant program to offer grants to Small Businesses Development Centers to conduct energy audits of small businesses and help them reduce their energy consumption; encouraged innovation in the field of energy efficiency by requiring federal agencies to give priority to SBIR/STTR program solicitations by small businesses that participate in or conduct energy efficiency or renewable energy system research and development; allowed loans to be made through the SBA's Express Loan program for the purpose of purchasing a renewable energy system or financing of energy efficiency projects; established a renewable fuel Capital Investment Company program designed to promote the research, development, production, and marketing of renewable energy resources; and initiated a small business telecommuting pilot program to provide information regarding telecommuting options to small business owners and their employees.

B. CLARIFICATION OF THE SMALL BUSINESS DEVELOPMENT CENTER ENERGY EFFICIENCY INITIATIVE

On March 4, 2008, Chairman Kerry sent a letter to SBA Administrator Steven Preston to clarify Congressional intent with regard to funding for the energy efficiency initiative involving Small Business Development Centers. Specifically, the letter noted that funding for the initiative was to come from an account separate from the core SBDC funding, contained in the Consolidated Appropriations Act of 2008, adding that the new program was designed to enhance the existing SBDC program, not to replace it. The letter also urged the Administration to implement the energy efficiency program as soon as possible.

C. IMPLEMENTATION OF 7(A) ENERGY EFFICIENCY LOAN PILOT PROGRAM

On March 11, 2008, Chairman Kerry and Ranking Member Snowe sent a letter to SBA Administrator Preston to follow up on the implementation of a 7(a) pilot program to increase access to capital for small businesses looking to invest in energy efficient technologies. Congress designed the program so that it would not need appropriations; however, the Administration had taken the position that the pilot did require funding. In the letter, the Senators asked the SBA to describe how the programs could be funded without a separate appropriation and to state when it intended to fund and implement the program. The Administrator responded on April 10, 2008, saying that, because separate risk categories exist for each pilot program and because the pilot programs would have positive subsidy rates for 2008 and 2009, the SBA could not make these loans without an appropriation to cover the subsidy cost.

Additionally, in response to the Administration's position that the 7(a) pilot program included in P.L. 110–140 could not be implemented without a separate appropriation, Chairman Kerry and Ranking Member Snowe sought funding for the program in supplemental appropriations bills. On April 21, 2008, the Senators sent a letter to the leadership of the Senate Appropriations Committee and the Appropriations Subcommittee on Financial Services requesting that $25 million to implement the program be included in an emergency supplemental appropriations bill, but the funding was not included in the bill. However, $14 million to implement the program was included in the Economic Recovery Act of 2008 (S. 3604), introduced in September. Ultimately, that legislation did not pass.

D. GENERAL IMPLEMENTATION OF THE SMALL BUSINESS ENERGY EFFICIENCY ACT

On July 31, 2008, Chairman Kerry and Ranking Member Snowe sent an additional letter to SBA, this time to Acting Administrator Jovita Carranza, to request information on steps the SBA was taking to implement the provisions of P.L. 110–140. In the letter, the Senators discussed small business owners' concerns with rising energy costs. Senators Kerry and Snowe stressed the importance of creating a Small Business Energy Efficiency Pilot Grant Program, encouraging the selection of topics relating to energy efficiency in the SBIR program, establishing a renewable fuel capital investment company program, and allowing SBA Express Loans for renewable energy and energy efficiency. New SBA Acting Administrator Baruah responded on September 2, 2008, and described the SBA's ongoing actions to implement the provisions of the law.

E. THE IMPACT OF HIGH ENERGY COSTS AND EFFORTS TO PROVIDE RELIEF

The Committee held several hearings in the 110th Congress on the impact of rising energy costs on small businesses, and Chairman Kerry and Ranking Member Snowe introduced several pieces of legislation designed to help small businesses to deal with the challenges caused by the rise in costs.

1. Hearing to examine the impact of rising gas prices on small businesses

On June 14, 2007, the Committee held a hearing to examine the impact of rising gas prices on small businesses. The small business owners testifying on the witness panel outlined the harmful effect of high gas prices, both in terms of fuel costs for delivery and the financial burden it placed on employees and customers. Frederick W. Smith, President and CEO of Federal Express, also advocated for strong bipartisan energy security legislation that would improve corporate average fuel efficiency (CAFE) standards. Additionally, the Committee heard testimony from Sal Lupoli, an entrepreneur from Lawrence, Massachusetts, who testified about the hardships his pizza delivery business faced during times of record-high gas prices.

2. The Small Business Emergency Fuel Assistance Act of 2007

Following the hearing on June 14, 2007, Chairman Kerry introduced legislation, cosponsored by Senator Cantwell, to institute a fuel emergency program for small companies that were struggling to survive due to escalating gas prices. The bill (S. 1631) would have created a grant program within the Department of Commerce's Economic Development Agency and authorized the Secretary of Commerce to issue grants to states to provide assistance for small firms with a demonstrated need and plan toward becoming more energy efficient. Chairman Kerry also filed this bill as an amendment to the Energy Independence and Security Act of 2007 (H.R. 6), but it was not included in the final version of that legislation.

3. Field hearing on the rising costs of energy and challenges and opportunities for small businesses

On May 28, 2008, Senator Kerry chaired a field hearing in Pittsfield, Massachusetts, titled, "The Rising Costs of Energy: Challenges and Opportunities for Small Businesses," to examine the impact of rising energy and fuel costs on small businesses and to look at new and existing programs to help small businesses address the energy crisis and create green jobs. Witnesses included North Adams Mayor John Barrett; Mike Supranowicz, President of the Berkshire Chamber of Commerce; Undersecretary of Energy Ann Berwick from the Massachusetts Executive Office of Energy and Environmental Affairs; and several small business owners. Massachusetts Attorney General Martha Coakley and Mayor of Pittsfield, James M. Ruberto, were also in attendance. At the time of the field hearing, the price of a barrel of crude oil had soared to over $135.

4. Hearing on the effect of the high price of home heating oil on homeowners and small businesses

On June 15, 2008, the Committee held a hearing to examine the effect of the high price of home heating oil on homeowners and small businesses, look at the role of the federal government's heating oil reserves, and look at innovative programs and renewable alternatives to help consumers. It was estimated that heating oil costs rose 116 percent from 2005 to 2008, and, at the time of the hearing, heating prices in New England were as high as $4.65 per gallon, or $2 per gallon higher than the previous year. Nationally 7.7 million households, including over 6.2 million in the Northeast, rely on heating oil to heat their homes. The hearing investigated the causes of the rise of home heating oil costs and included testimony from consumers and small business distributors on the impact that these prices were having on them. Also discussed were what programs and assistance were available for these individuals, what promising technologies might be on the horizon to ease the burden of home heating oil prices, and what could be done in the short and long term to help people cope with rapidly rising prices. Witnesses included David F. Johnson, Deputy Assistant Secretary for Petroleum Reserves, and Michael Ferrante, president of the Massachusetts Oilheat Council.

5. The Small Business Energy Emergency Relief Act of 2008

On June 27, 2008, Chairman Kerry was joined by Ranking Member Snowe and ten additional original cosponsors in introducing the Small Business Energy Emergency Relief Act of 2008 (S. 3223). The bill would have provided assistance through affordable, low-interest SBA disaster loans to small businesses that had suffered economic harm and were unable to pay their bills due to significant price increases in heating oil, propane, kerosene, and natural gas. Forms of this legislation had been introduced several times in the past. In 2001, a similar bill passed the Committee and the full Senate as a free-standing bill, S. 295, with 34 cosponsors. In 2005, legislation passed the full Senate twice as an amendment to the Energy Policy Act of 2005 (H.R. 6) and as part of a larger Hurricane Katrina relief amendment to the Senate's 2006 CJS Appropriations Act (H.R. 2862). The disaster relief amendment was dropped in conference. The legislation was also introduced in 2006, passing the Committee as part of Senator Snowe's comprehensive SBA reauthorization bill (S. 3778), after being introduced as a stand-alone bill (S. 269) with 22 cosponsors. Finally, in 2007, the legislation passed the Committee as part of the Small Business Disaster Response and Loan Improvements Act of 2007 (S. 163).

6. A bill to amend the Energy Policy and Conservation Act

On June 19, 2008, Chairman Kerry joined Ranking Member Snowe and Senator Christopher J. Dodd in introducing S. 3170 to amend the Energy Policy and Conservation Act by adding a mandatory release of the Northeast Home Heating Oil Reserve, thus lowering prices, if the price of home heating oil exceeded $4 per gallon. The President currently has the power to authorize a release of the reserve if there is a major disruption in the supply of home heating oil, in which the price differential between crude oil and heating oil increases to more than 60 percent over its five-year rolling average during the winter months and the price differential continues to increase during the most recent week for which price information is available. However, this trigger set an unrealistic bar to reach with crude oil prices at record highs and would have precluded releasing the reserve to help small businesses and consumers cope with record prices in the summer of 2008. To remedy that unintended consequence, the legislation would have provided assistance to homeowners in situations when the price of heating and crude oil were both high and would have used the Northeast Home Heating Oil Reserve as a tool to help ease the pressure of rising fuel costs.

F. SMALL BUSINESS SOLUTIONS FOR COMBATING CLIMATE CHANGE

1. Hearing on the role of small businesses in curbing global warming

On March 8, 2007, the Committee held a hearing to examine the role small businesses could play in curbing global warming, as well as to examine the progress the Administration had made toward implementing the small business requirements included in the Energy Policy Act of 2005. Given that small firms represent 50 percent of the nation's economy, the hearing also highlighted their role in developing new clean energy technologies of the future and ways they could make a difference with their day-to-day business practices. In the hearing, the Committee examined state and federal efforts to educate and encourage climate-friendly practices and technologies in the private sector. In a March 3, 2007, letter, Senators Kerry and Snowe had invited the heads of the SBA and the EPA to testify at this hearing, but they declined to do so.

The first panel of Administration witnesses consisted of testimony from Senator Boxer, Chair of the Committee on the Environment and Public Works; Dan Horowitz, Assistant Administrator for Policy and Planning at SBA; and Bill Wehrum, acting Assistant Administrator for Air and Radiation at EPA. The second panel of witnesses included Byron Kennard, Executive Director of the Center for Small Business and the Environment; Jim Barber, President and CEO of Metabolix; Chris Lynch, Director of the Environmental Management Assistance Program and Pennsylvania SBDCs; David Goldstein, Co-Director of the National Resources Defense Council's Energy Program; and Scott Hauge, Vice President of NSBA and Founder of Small Business California.

2. Increasing resources for the Energy Star Small Business Program

To follow up on the March 2007 hearing on global warming, on April 3, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to EPA Administrator Stephen Johnson. In the letter, the Senators criticized the EPA's meager budget of just $1 million and a staff of two for the Energy Star Small Business program, and requested that it be increased to allow more small firms to play a role in combating climate change. Senators Kerry and Snowe urged the agency to consider their request for additional funding for the program, and also requested that the EPA provide the Committee with: (1) a five-year history of both the EPA's overall Energy Star program budget as well as the Energy Star Small Business program; (2) a five-year history of staffing allocations for the Energy Star Small Business program along with a detailed description of services rendered by the program; and (3) detailed estimates of overall energy use by small businesses nationwide and projections of potential savings attained through energy efficiency practices and improvements by small firms.

January 2, 2008, Chairman Kerry and Ranking Member Snowe were joined by Senators Lieberman, Landrieu, Cantwell, Tester, and Norm Coleman in sending an additional letter to the EPA urging the agency to invest more resources in the Energy Star for Small Business program to help small businesses become more energy efficient. In the letter, the bipartisan group of senators urged the Administration to fund the EPA's Energy Star for Small Business program at a minimum of $2 million annually, so small businesses could access the information they needed to improve their energy efficiency. On February 28, Senator Jeff Bingaman, Chairman of the Senate Energy and Natural Resources Committee, sent a letter to EPA Administrator Johnson agreeing that the Energy Star funding for small businesses should be doubled from its current level of $1 million.

3. SBA compliance with the Energy Policy Act of 2005

Similar in form to the letter Senators Kerry and Snowe sent to the EPA on April 3, 2007, in response to the climate change hearing, the Senators sent a letter on April 24, 2007, to SBA Administrator Preston to follow up on testimony offered by Mr. Horowitz, Assistant Administrator for the Office of Policy at the SBA. In this letter, Senators Kerry and Snowe requested more detailed information on the SBA's mandated responsibilities as set forth in the Energy Policy Act of 2005, specifically as they pertained to: (1) resources required to implement the program (or lack thereof); (2) staff dedicated to implementing and administering the Small Business Energy Clearinghouse; and (3) a concrete timeline detailing a schedule for completion of all SBA requirements under the Energy Policy Act.

XII. PROCUREMENT

The Small Business Administration was officially established in 1953—largely as a response to the pressures of World War II and the Great Depression—to foster a strong and varied supplier base and to help struggling small businesses obtain a "fair portion"' of government contracts, as well as compete against a growing number of big businesses across the nation. In the 110th Congress, the Committee continued to seek to improve opportunities for small businesses in the federal procurement arena by holding hearings, conducting vigorous oversight of existing contracting programs, and introducing legislation designed to improve access to contracts for small businesses.

A. HEARING ON INCREASING GOVERNMENT ACCOUNTABILITY AND ENSURING FAIRNESS IN SMALL BUSINESS CONTRACTING

On July 18, 2007, Chairman Kerry held a hearing on "Increasing Government Accountability and Ensuring Fairness in Small Business Contracting." The purpose of the hearing was to examine the challenges and solutions for small businesses in the federal contracting arena. The hearing focused on barriers to success for small business, such as the maze of complicated regulations, contract bundling, size standards with loopholes for big businesses, a lack of protections for sub-contractors, and a General Services Administration schedule that is difficult to navigate. Senator Kerry pressed the Bush Administration to implement the Women's Procurement Program, which became law in 2000, and to make a real effort to contract with service disabled veterans. Senator Kerry also questioned why the SBA had only requested nine Procurement Center Representatives (PCRs) that year to oversee more than $400 billion in federal contracts while he and Ranking Member Snowe had pushed for 100 additional PCRs.

The hearing witnesses included Paul Hsu, Associate Administrator of the SBA's Office of Government Contracting and Business Development; Anthony Martoccia, Director of the Office of Small Business Programs at the Department of Defense; Todd McCracken, President of the National Small Business Administration; Patricia Rice, Director of Maine Procurement at the Maine Procurement Technical Assistance Center; Magdalah Silva, Chief Executive Officer of DMS International, Inc.; and Ronald Newlan, President and Chairman of the HUBZone Contractors National Council.

B. FIELD HEARING ON ACCESS TO FEDERAL CONTRACTS AND HOW TO LEVEL THE PLAYING FIELD

On October 29, 2007, Senator Cardin chaired a field hearing in Bowie, Maryland titled "Access to Federal Contracts: How to Level the Playing Field." The hearing highlighted the persistent problems that minority and women owned businesses confronted in their efforts to contract with the federal government. For the previous six years the federal government had consistently failed to meet its small business contracting goals. According to the SBA, in 2006 the federal government failed to meet any of its small business contracting goals. The SBA report also showed that its goals for women and minorities fell below the 5 percent objective. Another recurring theme of those testifying at the hearing was that many of the contracts that were intended for small businesses ended up going to large corporations. In 2005, at least six of the top 30 small business vendors doing business with the federal government were actually large corporations. At the hearing, Senator Cardin discussed the legislative efforts of the Committee with regard to federal contracting, including the bill that would be introduced the following week (S. 2300). Within S. 2300 is one provision that would require annual size certifications that would help eliminate large businesses getting small business set aside contracts.

Witnesses at the field hearing included Calvin Jenkins, Deputy Associate Administrator of the SBA's Office of Government Contracting and Business Development; Anthony Martoccia, Director of Small Business Programs at the Department of Defense; Michael Rigas, Deputy Associate Administrator of the Office of Small Business Utilization at the General Servcies Administration; Wayne Frazier, President of the Washington Minority Contractors Association, Inc.; Hubert "Petey" Green, President of Prince George's County Black Chamber of Commerce; Ricardo Martinez, President of the Maryland Hispanic Chamber of Commerce; Melvin Forbes, President of Wilkerson Sports Enterprise; Timothy Adams, President of Systems Application and Technology, Inc.; and Carmen Ortiz Larsen, CEO of Aquas, Inc.

C. THE SMALL BUSINESS CONTRACTING REVITALIZATION ACT OF 2007

On November 1, 2007, on the heels of the Maryland field hearing on October 27, 2007, Chairman Kerry, Ranking Member Snowe, and Senator Cardin introduced the Small Business Contracting Revitalization Act of 2007 (S. 2300). S. 2300 would have made changes to improve the oversight of unbundling contracts for small firms, increased enforcement of protections for subcontractors, and expanded opportunities for minority, women and service-disabled entrepreneurs. Specifically, the bill would have addressed challenges faced by small businesses by reducing contract bundling, improving oversight of bundling regulation compliance by the SBA, preventing misrepresentations in subcontracting by prime contractors by increasing oversight and establishing enforcement mechanisms, and helping service-disabled veteran-owned small businesses gain government contract and subcontract opportunities by expanding the authority for sole-source awards. The legislation also would have directed the SBA to implement the Women's Procurement Program—enacted into law in 2000—within 90 days, extended the 8(a) contracting program through 2012 and improved it by allowing the small disadvantaged business certifications issued by other agencies to be accepted by the SBA. Finally, S. 2300 would have adjusted for inflation the personal income and net worth requirements for 8(a) program participants, prohibited qualified retirement plans from being used by the SBA to determine an individual's net worth, and strengthened the government's ability to enforce the size and status standards for small business certification. S. 2300 was marked up in Committee on November 7th, and passed out of Committee by a vote of 19 to 0.

D. THE TSA ACQUISITION REFORM ACT OF 2007

On August 1, 2007, Chairman Kerry and Ranking Member Snowe introduced the TSA Acquisition Reform Act of 2007 (S. 1922), a bill to apply basic contracting laws to the Transportation Security Administration (TSA). This legislation increased contracting transparency at the TSA by repealing its exemption from federal contracting laws and requiring the agency to meet the 23 percent small business contracting goal. The bill mandated that TSA be in compliance within 180 days. On July 26th, Senators Kerry and Snowe successfully attached similar language to the Homeland Security Appropriations Bill in the Senate (S.A. 2468). Both the bill and the amendment were endorsed by Citizens against Government Waste and the Professional Services Council, the principal trade association representing federal contractors. On December 26, 2007, provisions modeled on S. 1922 were signed into law as a part of the Consolidated Appropriations Act for 2008 (H.R. 2764/P.L. 110–161).

E. INVESTIGATING SIZE STANDARDS WITH RESPECT TO CONTRACTS WITH BLACKWATER USA

On October 23, 2007, Chairman Kerry sent a letter to the SBA requesting that Administrator Preston explain the SBA's potential role in payroll tax evasion by Blackwater USA, the embattled private security firm providing protection for State Department officials in Iraq and Afghanistan. Senator Kerry requested any documentation the SBA may have provided to Blackwater. In defending their tax filings in a press release, Blackwater pointed to an "official finding" by the SBA that allowed Blackwater's workers to be counted as independent contractors rather than employees. Administrator Preston responded on October 24th and provided the Committee with information on the SBA's size determination of Presidential Airways, an affiliate of Blackwater. The Administrator's response included a November 2, 2006 size determination for Presidential Airways, which, according to SBA, was only relevant in considering a business for small business programs, not for tax purposes.

Following the letter to SBA, Senator Kerry sent a letter to Erik Prince, Chairman of the Prince Group, founder of Blackwater USA, on October 26, 2007, asking him to clarify why Blackwater relied on an SBA size determination to classify its workers for tax purposes. Senator Kerry requested documents related to the SBA size determination and Blackwater's classification of workers as employees for tax purposes, an explanation of the chain of command of Blackwater workers who were deployed in Iraq and Afghanistan, and the status of any IRS audit of Blackwater and related companies. Mr. Prince did not respond to the Chairman's inquiry.

Also on October 26, 2007, Senator Kerry sent a letter to Finance Chairman Max Baucus and Ranking Member Grassley concerning Blackwater tax filings and requested that the Finance Committee conduct an investigation of Blackwater to determine if it was evading taxes due to an erroneous misclassification of workers.

On November 11, 2007, Chairman Kerry sent a letter to SBA expressing continued concerns with the size determination made by the SBA with regards to the Blackwater affiliate. Senator Kerry pressed SBA Administrator Preston for more information about how size determinations were made before awarding Blackwater USA federal contracts. Administrator Preston responded to the earlier inquiry about Blackwater, but Senator Kerry wrote that additional details were still needed on how the determination was made. The SBA did not respond to this letter.

F. IMPROPER SMALL DISADVANTAGED BUSINESS CERTIFICATION

On April 10, 2008, Senator Kerry sent letters to Secretary Robert Gates at the Department of Defense, Secretary Condoleezza Rice at the Department of State, and SBA Administrator Preston urging an investigation into how a small business under fire for delivering faulty munitions to Afghan security forces might have fraudulently obtained as many as 50 contracts with the Defense and State Departments by claiming to be a Small Disadvantaged Business (SDB). The letters called on the agencies to explain how AEY Inc. was erroneously labeled as a Small Disadvantaged Business and if that mistaken designation helped the company secure $298 million in federal contracts in 2007. Senator Kerry called for greater oversight of the contracting process to protect national security and ensure federal agencies did not undermine efforts to level the playing field for small businesses.

On May 8, 2008, Deputy Under Secretary of Defense James Finley responded and detailed the procedures that the Defense Department used to verify the small business and socioeconomic status of businesses, as well as the contracts that AEY had received. Assistant Secretary of State for Legislative Affairs Jeffery Berger responded in April with all purchase orders with AEY. SBA Associate Administrator for Government Contracting and Business Development responded on May 30th, discussing its oversight activities to ensure the integrity of the SDB program. The SBA letter stated that it did not have any documentation relevant to AEY as it had not applied for participation in the 8(a) program. On August 4, Bernard S. Champoux, Chief of Legislative Liaison for the Army, responded with relevant documents. The Committee remains concerned about the issues raised by the AEY contracting case.

G. ADDITIONAL OVERSIGHT OF FEDERAL CONTRACTING PROGRAMS

1. Contracting improvements following Hurricane Katrina

On March 1, 2007, Senator Kerry sent a letter to the Departments of Defense and Homeland Security, the General Services Administration, and the Army Corps of Engineers, urging the implementation of the recommendations the GAO made in its report regarding Hurricane Katrina subcontracting data for small businesses (GAO–07–205, "Hurricane Katrina: Agency Contracting Data Should be More Complete Regarding Subcontracting Opportunities for Small Businesses). The Committee received a response from the Army Corps of Engineers on March 29th stating that the Director of Contracting would re-emphasize small business contracting practices and highlighting an Inspector General investigation ordered in January 2007 at the Small Business Program Office. The response from the General Services Agency on May 22nd included two "acquisition alerts" forwarded to its entire acquisition workforce.

2. Review of Global Supply Stock Program Changes

On July 6, 2007, Chairman Kerry, Ranking Member Snowe, Senator Isakson, and House Chairwoman Velazquez and Ranking Member Chabot sent a letter to the General Services Agency (GSA) asking that they refrain from eliminating office supplies from the Global Supply Stock Program on small businesses until Congress had time to study the impact that such a change would have on small businesses. The Committee received a response on September 6th that discussed efforts being made at GSA to contract with small businesses and reiterated that its plans were in early stages and that studies would take place before changes were implemented. On December 20, 2007, Chairman Kerry and Ranking

Member Snowe again called on the GSA to postpone implementing the policy. The GSA was preparing to drop office supplies from its Global Supply Stock Program. Nearly 80 percent of government office supply purchases through this program were directed to small businesses. Senators Kerry and Snowe also asked the Government Accountability Office (GAO) to review the consequences, given that the Stock Program's office products created a vital and readily accessible resource to all government agencies for their various supply needs in times of emergency.

3. Contracting with minority-owned advertising firms

On August 13, 2007, Senators Kerry, Schumer, and Reid, along with Congresswoman Kilpatrick, wrote a letter to the Departments of Defense and Treasury requesting information on contracting policies with minority-owned advertising firms, and, on April 29, 2008, Senator Kerry sent a letter to the Department of Veterans Affairs expressing concern that small businesses would be deemed ineligible for federal contracts. Both of these letters are discussed elsewhere in the report, in the Minority Entrepreneurship and Veterans sections, respectively.

XIII. The SBA Budget and Appropriations

A. FY 2008 BUDGET FOR THE SBA

The President requested $464 million in new budget authority for the SBA's FY 2008 budget in his budget request submitted to Congress in 2007. The request excluded funding for disaster loans, which were proposed to be funded by carryover from the emergency appropriations provided in FY 2006. While the budget request was a modest decrease compared to the $468 million provided in FY 2007, its impact had the potential to be great because it exacerbated years of cuts. In aggregate, the SBA's budget had been cut by more than 30 percent, excluding disaster loan funding, since the President took office in 2001. As a result of the President's cuts, SBA loans and venture capital became more expensive, shifting more than $100 million in fees to the small business community; businesses were getting less counseling, and they were losing out on opportunities to do business with the federal government, a very serious problem since the Federal government spent about $370 billion on contracting for services and goods each year. The President's FY 2008 budget request would have only made these problems worse.

Among the most disturbing proposed cuts to the SBA in FY 2008, the President for the fourth year in a row proposed to eliminate all funding for the Microloan program and for Microloan Technical Assistance. This was very hard to justify given that the Administration was willing to spend so much on micro-credit in other countries. In 2005, the Administration provided approximately $211 million for the development of foreign microenterprise programs through the Agency for International Development. In FY 2006, according to Ambassador Zalmay Khalilzad, the U.S. Ambassador to Iraq at the time, the Administration provided more than $54 million for microloans in Iraq. And for FY 2007, the Administration requested supplemental funding for Iraq that included at least $160 million for micro-credit programs.

Prior to the release of the President's FY 2008 budget, Chairman Kerry and Ranking Member Snowe sent a letter to OMB Director Rob Portman on January 21, 2007, urging the Administration to sufficiently fund the SBA in the President's FY 2008 budget proposal. Touting the importance of the agency and its small business loan and assistance programs, the Senators called on the Administration to reverse course and end years of slashed funding for the SBA, given how the agency had been stretched to the breaking point in each of the President's proposed budgets since 2001. On February 27, 2007, the Committee received a response from Director Portman, endorsing the President's budget proposals for the SBA.

The following day, February 28, 2007, the Committee held a hearing on the President's FY 2008 budget request for the SBA. The hearing served as the opportunity for Chairman Kerry, Ranking Member Snowe, and other Committee members to question SBA Administrator Preston on the President's FY 2008 budget proposal. Senator Kerry vocalized his disappointment with the inadequate funding levels for core SBA programs.

In a March 1, 2007, letter to Chairman Kent Conrad and Ranking Member Judd Gregg of the Budget Committee, Chairman Kerry detailed his views and estimates on the President's FY 2008 budget request for the SBA and urged the Budget Committee to consider increasing its funding recommendation for a minimum of an additional $187.8 million for the SBA, bringing the total to $651.8 million. This still would have been a fraction of the $2.9 trillion the President had proposed for the entire federal budget, and $34 million less than what was provided in 2001 to the agency, excluding disaster loan funding.

The FY 2008 budget process was complicated by the SBA's failure to submit its FY 2008 legislative package in February immediately after the President's budget proposal was issued, nor prior to the Committee's FY 2008 budget hearing and in advance of the Budget Committee's markup of the FY 2008 Budget Resolution. On March 23, 2007, Chairman Kerry wrote to SBA Administrator Preston inquiring about its status, and, on March 30, 2007, the Committee finally received the SBA's official legislative package.

On March 22, 2007, Chairman Kerry was joined by Senator Snowe in introducing an amendment (S.A. 616) to the Congressional Budget Resolution (S. Con. Res. 21), which successfully secured a recommendation for $97 million in additional SBA funding above that of the President's FY 2008 request for the SBA. The amendment restored the Microloan and Microloan Technical Assistance programs to the levels they were in 2001—$3.2 million to leverage $30 million in loans and $20 million in technical assistance. The amendment also restored the proposed cuts to the Women's Business Centers, the Small Business Development Centers, the Office of Veterans Business Development, and programs for the development of minority businesses and Native Americans. It recommended restoring $10 million in funding for the New Markets programs.

Ultimately, the Consolidated Appropriations Act for FY 2008 (H.R. 2764/P.L. 110–161), signed into law at the end of December 2007, included a funding increase of approximately $40 million over FY 2007 for the SBA's core programs, including Small Business Development Centers, Women's Business Centers and the Microloan program. It was the first increase in SBA funding in seven years. Specifically, it increased funding for Small Business Development Centers by 9 percent over the FY 2007 level, Women's Business Centers by 4 percent, Microloan Technical Assistance Grants by 15 percent, Microloans by 53 percent, a program for investment in Microentrepreneurs by 50 percent, 7(j) technical assistance by 53 percent, the HUBZone program by 5 percent, and the Surety Bond program by 6 percent. Drug-free Workplace Grants, SCORE, the Women's Business Council, and Veterans Business Development Assistance saw decreases in funding.

B. FY 2009 BUDGET FOR THE SBA

Chairman Kerry and Ranking Member Snowe sought to secure additional increases for the SBA in the FY 2009 budget process. On January 8, 2008, Senators Kerry and Snowe sent a letter to OMB Director James Nussle, urging the Administration to build upon the FY 2008 budget by recommending funding of the SBA's programs at a level that would provide much-needed resources to Small Business Development Centers, Women's Business Centers, the Microloan Program, the HUBZone program, Procurement Center Representatives, the 7(j) Technical Assistance Program, Veterans Business Development, and SCORE, among others. The President's budget for FY 2009, released on February 4th, did just the opposite, further cutting funding for these important small business programs. The FY 2009 President's Budget Request proposed $657 million for the SBA, including $174,369,000 in new funding for disaster loans and their administration. However, in an apples-to-apples comparison of the President's request, which means excluding new disaster funding and earmarks, it represented a 3.4 percent reduction from the FY 2008 enacted level and a 28.2 percent reduction from the FY 2001 enacted level.

On February 27, Senator Kerry chaired a hearing to question SBA Administrator Preston on President Bush's budget proposal for the SBA for FY 2009. At the hearing, Kerry was joined by Ranking Member Snowe and Senator Cardin in highlighting the ways in which the Administration's budget fell short in aiding America's small businesses by failing to invest in lending, contracting and counseling programs. Despite signs that small businesses were facing increasingly difficult market conditions, the Bush budget proposal for the SBA raised fees on loans, provided no funding for microloans, did not invest in more contracting oversight, and cut funding for key business assistance programs like Women's Business Centers, and Small Business Development Centers. The budget also recommended no new funding for Procurement Center Representatives (PCRs), who monitor contract bundling and break out contracts for small firms. At that time, there were about 57 PCRs—although only around 30 had full-time PCR duties. This fell far short of the 100 PCRs Congress had been calling for to oversee nearly $400 billion in federal contracts.

Prior to the hearing, on February 22, 2008, Chairman Kerry had sent a letter to Senators Conrad and Gregg, the Chairman and Ranking Member of the Committee on the Budget, to express his views and estimates on the President's FY 2009 budget request for the SBA and to make recommendations for the FY 2009 Budget

Resolution. The letter addressed a number of deficiencies in the President's budget and sought increased funding for a wide range of SBA programs, including Microloan programs, 7(a) loans, 504 loans, Women's Business Centers, the Office of Veterans' Business Development, Small Business Development Centers, SCORE, and the Office of Technology, among others. It also expressed concern with the President's proposal to eliminate line-item budget authority for 7(j), HUBZones, Native American Outreach, and Office of International Trade programs. Specifically, Senator Kerry requested that the Budget Committee provide an additional $242 million for the SBA's core programs, bringing the total to $357 million. Ultimately, the Budget Resolution (S. Con. Res. 170) recommended more than $100 in additional funding over the President's request for key small business programs at the SBA and the conference report was approved by the Senate on June 4, 2008, and the House on June 5, 2008.

On April 3, 2008, Senators Kerry and Snowe sent a letter to Senate Appropriations Committee Chairman Byrd and Ranking Member Cochran and Appropriations Subcommittee on Financial Services Chairman Durbin and Ranking Member Brownback requesting funding for small business programs for FY 2009. Like the letter to the Budget Committee, this letter addressed a number of deficiencies in the President's budget and sought increased funding for a wide range of SBA programs, like Microloan programs, 7(a) loans, 504 loans, Women's Business Centers, the Office of Veterans' Business Development, Small Business Development Centers, SCORE, and the Office of Technology, among others. It also expressed concern with the President's proposal to eliminate line-item budget authority for 7(j), HUBZones, Native American Outreach, and Office of International Trade programs. This came in the wake of Senate passage of the Budget Resolution, which set forth a blueprint for an SBA budget of $100 million more than President Bush's request.

The Financial Services and General Government Appropriations bill for FY 2009 (S. 3260), passed the Appropriations Committee on July 11, 2008, and included $107 million in funding above the President's request for the SBA. The legislation did not receive consideration by the full Senate in the 110th Congress.

XIV. Additional Oversight

A. Restricting SBA Management's Access to Employee E-mail

On January 11, 2008, Chairman Kerry sent a letter to SBA Administrator Preston urging the Administration to protect whistleblowers at the SBA by instituting a new policy that would prevent SBA managers from gaining unrestricted access to their employees' e-mails. According to an Inspector General report (OIG Report No. 08–02), SBA managers accessed the e-mails of an SBA employee after the employee served as a confidential source to a Congressional committee. By law, agency employees had a right to provide information to Congressional committees without interference. In particular, the letter requested that the SBA revise its e-mail access authorization guidelines, currently set forth in SBA Standard Operating Procedure 90 49. On January 24, 2008, Frank Borchert III, General Counsel at the SBA, responded and provided the Committee with a copy of SBA Procedural Notice 9000–1720, effective

December 21, 2007, which outlined steps to be taken to strike a balance between employee rights and the legitimate business needs of the agency.

B. THE SMALL BUSINESS INFORMATION SECURITY ACT OF 2008

On June 9, 2008, Chairman Kerry joined Ranking Member Snowe in introducing the Small Business Information Security Act of 2008 (S. 3102), to help protect America's 27 million small businesses from computer hackers and other information security. The legislation would have created the Small Business Information Security Task Force within the SBA to help small firms understand and effectively respond to the information security challenges they face. Specifically, the Small Business Information Security Task Force would have: identified information security concerns and the services that address those concerns; made recommendations to the SBA regarding how it could better assist small businesses to both understand cyber-security issues and identify resources to help meet those complex challenges; and promoted current programs and services that would help small businesses protect their customers' valuable information. Representatives Michael Michaud and Donald Manzullo introduced companion legislation in the House of Representatives (H.R. 6206).

C. IMPROVING SBA'S INFORMATION TECHNOLOGY SECURITY CONTROLS

On February 12, 2008, Chairman Kerry sent a letter to Christine Liu, the Chief Information Officer at the SBA, urging the SBA to implement the recommendations of KPMG and the Inspector General to improve the agency's information technology security controls. An independent KPMG audit report demonstrated deficiencies in IT controls at the SBA. As Senator Kerry noted, in an era when identity theft and other high-tech crimes are commonplace, sound information security is critical to ensuring the accuracy and reliability of SBA data. In particular, Kerry urged the SBA to bolster network monitoring to detect unauthorized access, perform periodic vulnerability tests to identify susceptible threats, and develop and implement end-user computing procedures to monitor user-level access control.

D. GAO REPORT: OPPORTUNITIES EXIST TO BUILD ON LEADERSHIP'S EFFORTS TO IMPROVE AGENCY PERFORMANCE AND EMPLOYEE MORALE

A GAO Report issued in September 2008 titled "Opportunities Exist to Build on Leadership's Efforts to Improve Agency Performance and Employee Morale" (GAO–08–995) served to highlight the challenges that a reduced budget posed for the agency and the transformation SBA had undergone over the previous six years to improve its operations. The report found several areas of improvement, including enhanced communication, performance management, and employee involvement. However, the report also detailed the inadequate support that the SBA received over the years of the Bush Administration and the effect that years of underfunding had on the SBA's lender oversight efforts, among other things. While GAO credited the SBA for efforts to improve training, transparency and communication, the report noted that employees had less time and resources for business development activities because they had to take on more duties as staff sizes decreased. This contributed to low morale and led to SBA placing last in both the 2005 and 2007 "Best Places to Work" list of federal agencies, compiled by the Partnership for Public Service and American University's Institute for the Study of Public Policy Implementation with data collected from the Office of Personnel Management's Federal Human Capital Survey.

XV. Presidential Nominations

During the 110th Congress, the Committee received three executive nominations from the President.

A. CAROL DILLON KISSAL

On February 25, 2008, President Bush nominated Carol Dillon Kissal to serve as Inspector General of the SBA. At the time, the position was still occupied by Eric M. Thorson, who was the nominee for Inspector General of the Department of the Treasury. Mr. Thorson was not confirmed by the Senate for that position until August 1, 2008, and was sworn into that office on August 12, 2008. On July 24, 2008, prior to the time the position was actually vacant at SBA, President Bush withdrew Ms. Kissal's nomination, and she accepted a position as the Washington Metropolitan Area Transit Agency's Chief Financial Officer.

B. SANTANU K. BARUAH

On June 26, 2008, President Bush nominated Santanu K. Baruah, who was Assistant Secretary of the Economic Development Administration at the Department of Commerce, to serve as Administrator of the SBA. Steven Preston, who had been Administrator since July 2006, was sworn in as the Secretary of the Department of Housing and Urban Development on June 5, 2008. Jovita Carranza, Deputy Administrator, was made Acting Administrator of the SBA following Preston's departure. Prior to a hearing being held on Mr. Baruah, President Bush used the Vacancies Act to install him as Administrator. Given that the authorizing statute for the SBA provided for succession in the event of a vacancy, it is not entirely clear that President Bush's appointment was properly made. However, given how little time was left before a new Administration would be in place, the Committee did not protest the appointment.

C. JOHN GRASTY CREWS II

On September 26, 2008, President Bush nominated John Grasty Crews II to serve as Inspector General of the SBA. The Committee did not hold a hearing on Mr. Crews' nomination.

XVI. Other Committee Initiatives

A. TEMPORARY EXTENSION OF SBA PROGRAMS

Extensions of authorizations for programs under the Small Business Act and the Small Business Investment Act have occurred regularly over the several years prior to the 110th Congress. In this Congress, Chairman Kerry and Ranking Member Snowe secured three additional extensions to ensure the continued operation of the SBA's programs, while attempting to pass comprehensive reauthorization legislation. On February 2, 2007, H.R. 434 was signed into law as P.L. 110–4, extending the authorization for SBA programs through July 31, 2007. On August 8, 2007, H.R. 3206 was signed into law as P.L. 110–57, extending the authorization through December 15, 2007. On December 14, 2007, H.R. 4252 was signed into law as P.L. 110–136, extending the authorization through May 23, 2008. Finally, on May 23, 2008, S. 3029 was signed into law as P.L. 110–235, extending the ending authorization date through March 20, 2009. The Committee plans to continue to take action in the 111th Congress to ensure that the authorizations for the SBA's programs do not expire.

B. SMALL BUSINESS HEALTH CARE

1. Hearing on alternatives for easing the small business health care burden

On February 13, 2007, the Committee held a hearing to address small business health care. The ability to provide quality, affordable health insurance options for their employees, their families, and themselves was one of the biggest issues facing small business owners. In this hearing, Chairman Kerry led a debate about the best methods of reform to enable entrepreneurs to offer meaningful health care. Kerry advocated for universal health care coverage, as well as other policies that would help small businesses immediately while moving the nation toward comprehensive reform—including federal reinsurance for high cost cases, responsibly expanding coverage pools, and a 50-percent refundable tax credit for small firms that provide coverage to their low- and moderate-income employees. The Chairman pushed for the Senate to consider comprehensive solutions to address the health care crisis and stressed the importance of going beyond Association Health Plans (AHPs) as the sole-solution to helping small firms cope with skyrocketing health care costs. Mary Beth Senkewicz, formerly with the National Association of Insurance Commissioners, testified that in order to ensure affordable, adequate coverage there needed to be larger and more efficient pooling for small firms in order to spread the risk and level the playing field. She also advocated for federal subsidies—including tax credits—to assist with purchasing health insurance.

2. The Small Business Health Care Tax Credit Act

To address this issue, Chairman Kerry introduced the Small Business Health Care Tax Credit Act (S. 99) on January 4, 2007. The legislation would have provided a refundable tax credit for small employers to help with the cost of health care premiums for employees making less than $50,000 a year. This amount would have been indexed for inflation. In order to be eligible for the credit, employers would have had to meet the following requirements: (1) have average gross receipts of less than $5 million for the three last years; (2) pay at least 50 percent of the premiums of a qualified health plan; (3) employ more than one but less than 50 employees; and (4) offer health insurance to all qualified employees. The credit would have been equal to the applicable percentage of qualified health employee insurance expenses paid by the employer. The applicable percentage of the credit was based on the number of employees. Employers with less than 10 employees would have been eligible for a 50 percent credit. Employers with more than nine, but less than 25 employees, would have been eligible for a 25 percent credit. Employers with more than 24 employees, but less than 50, would have been eligible for a 20 percent credit. The maximum health expenses allowable for the credit per employee would have been $4,000 for self-only coverage, and $10,000 for family coverage. No other deduction or credit would have been allowed for health expenses that are taken into account in computing the credit. The self-employed would not have been eligible for the credit.

3. The Small Business Health Insurance Options Act of 2007

Additionally, Chairman Kerry joined Ranking Member Snowe in introducing the Small Business Health Insurance Options Act of 2007 (S. 1690) on June 25, 2007. This bill would have established a grant program for Small Business Development Centers to provide regional information for small businesses about health insurance options available to them. The measure was based on research conducted by the non-partisan Healthcare Leadership Council, which found that, after a brief education and counseling session on health insurance options in their geographic area, small businesses were up to 33 percent more likely to offer health insurance to their employees. The provisions were included in the Entrepreneurial Development Act of 2007 (S. 1671), which passed Committee on June 26, 2007, and were included in the SBA Reauthorization and Improvements Act of 2008 (S. 2920).

4. The Small Business Children's Education Act of 2007

Further, on June 27, 2007, Chairman Kerry was joined by Ranking Member Snowe in introducing the Small Business Children's Education Act of 2007 (S. 1714). The legislation would have created an intergovernmental task force headed by the Administrator of the SBA, along with the Secretary of Health and Human Services, the Secretary of Labor, and the Secretary of the Treasury, to launch a campaign to enroll eligible children in the State Children's Health Insurance program (SCHIP) and provide information about eligibility criteria. All SBA business partners, Chambers of Commerce, health advocacy groups, and small firms themselves could have participated in the campaign. The legislation came in response to an Urban Institute report that showed that two million children out of a total nine million uninsured were eligible for enrollment in the SCHIP program. Many of those children were dependents of small business employees and self-employed workers. Provisions based on the legislation were included as an amendment (S.A. 2529) to the Children's Health Insurance Program Reauthorization Act of 2007 (H.R. 976), on August 2, 2007, and passed the Senate on September 27, 2007; however, that bill was ultimately vetoed and an override attempt failed.

5. Federal tax incentives for small business health care

On October 24, 2007, Chairman Kerry and Ranking Member Snowe sent a letter to Finance Committee Chairman Baucus and Ranking Member Grassley, in advance of an October 25, 2007, Finance Committee hearing on small business health care solutions. In the letter, Senators Kerry and Snowe outlined the principles that they believed should guide small business health care legislation. Offering federal tax incentives to small businesses that provided meaningful health care and choices to employees figured prominently in their recommendations.

6. Field hearing on affordable health care for small businesses

On January 10, 2008, Senator Coleman chaired a field hearing in St. Paul, Minnesota, titled "Affordable Health Care: A Big Problem for Small Businesses." The purpose of the hearing was to outline the challenges facing small businesses trying to provide health insurance to their employees and to discuss possible solutions. The hearing witnesses included Cal Ludeman, commissioner of the Minnesota Department of Human Services; Mark A. Carlson, president of Minnesota Mailing Solutions; Sanjay Kuba, president of GCI Systems; Jason Flohrs, director of Government Affairs at Twinwest Chamber of Commerce; William L. Oemichen, president and CEO of the Minnesota Association of Cooperatives and Wisconsin Federation of Cooperatives; and Patrick McLaughlin, director of marketing at Employers Association, Inc.

C. RURAL SMALL BUSINESS

1. Legislation

The Committee took several steps in the 110th Congress to address the needs of small businesses in rural areas. The Small Business Lending Reauthorization and Improvements Act of 2007 (S. 1256), introduced on May 1, 2007, included various titles to improve the ability of the SBA's programs to help rural small businesses. Specifically, to address ongoing complaints to the Committee regarding the Administration's elimination of the 7(a) Low-Doc program, and its harmful impact on lending in rural areas, the bill would have established the Rural Lending Outreach program, a new 7(a) loan program designed to increase lending in rural areas. The maximum loan would have been $250,000 and the program would have provided incentives for lenders to participate, with an 85 percent guarantee and a requirement of the SBA to process loans within 36 hours. It would have streamlined 7(a) lending by requiring a short application and minimum documentation, and made the eligibility requirements on the borrower more flexible. The provision replaced a study that was adopted by the Committee in the 109th Congress to assess whether the elimination of the Low-Doc program was reducing access to capital in rural areas. The Committee concluded that there was a need for an initiative to expand lending in rural areas.

Also, to simplify use of the 504 program and to encourage CDCs to make loans to businesses in rural areas, S. 1256 would have amended the definition of "rural" in the Small Business Investment Act of 1958 to match the definition used by the U.S. Department of Agriculture. Specifically, an area other than a city or town with a population greater than 50,000 inhabitants, or the urbanized area contiguous and adjacent to such a city or town, would have qualified. This would have benefited small businesses because development in a rural area qualifies as one of the public policy goals of the 504 program, allowing such businesses to qualify for larger loans of $2 million, instead of $1.5 million. S. 1256 was unanimously approved by the Committee at a May 16, 2007, markup, and it was included in the SBA Reauthorization and Improvements Act of 2008 (S. 2920).

The Small Business Venture Capital Act of 2007 (S. 1662), introduced on June 19, 2007, also included provisions to assist small business owners and entrepreneurs in rural areas. In particular, the SBA's New Markets Venture Capital (NMVC) program, which would have been reauthorized in S. 1662, addressed the market gap in venture capital for companies located in low- and moderate-income rural and urban areas, as well as the need for smaller deals that neither traditional venture funds nor the Small Business Investment Company (SBIC) program would make. By law, NMVC funds are obligated to make 80 percent of their investments in such areas, but, in FY 2006, they surpassed that target by making 92 percent of their investments in those areas. In order to further expand access to community development venture capital across the country, S. 1662 would have added a geographic requirement to the criteria for selecting NMVC applicants. Building on the current provision to seek "nationwide distribution," it would have directed the SBA, to the extent practicable, to license NMVC companies in one of each of the SBA's 10 regions.

The bill also included a provision to eliminate the requirement for NMVC companies to raise matching funds from the private sector to access operational assistance grant money from the SBA. Specifically, NMVC companies are required to raise an amount equal to 30 percent of the private capital they have already raised for the NMVC fund, which amounts to a minimum of $1.5 million. This has proved virtually impossible, wasting small business owners' precious time and dollars flying around the country fundraising. Consequently, when Congress adopted a bill by Senator Harkin that established an NMVC program for rural areas at the Department of Agriculture, it eliminated that requirement. S. 1662 would have brought the programs in line with each other, allowing rural small businesses to access capital more easily. This bill was unanimously approved by the Committee on June 26, 2007, and was also incorporated into S. 2920.

Last, the SBIR/STTR Reauthorization Act of 2008 (S. 3362), introduced on July 29, 2008, and unanimously approved by the Committee on July 30, 2008, included a section to improve outreach in rural areas. The bill would have reauthorized the Federal and State Technology (FAST) partnership program and the Rural Outreach Program (ROP) through 2014, and would have increased the authorization for the ROP from $2 million to $5 million. This bill also would have reduced the match requirement for FAST recipients in rural areas to 50 cents for each federal dollar and reduced the match requirement to 35 cents for a FAST recipient in a rural area which was also located in one of the 18 states receiving the fewest SBIR Phase I awards. As part of the 2000 Reauthorization of the SBIR program, Congress created the FAST Program. FAST was created to strengthen the technological competitiveness of small business concerns in all 50 states by providing competitive matching grants to states to help support the SBIR and STTR programs. These grants are traditionally used to raise awareness of

SBIR and STTR, assist technology transfers by universities to small businesses, provide technical assistance to firms participating in the SBIR program, and encourage commercialization of technology developed through SBIR funding. The FAST program has proven vital to rural states, which have traditionally been in the lower tier of states in terms of SBIR/STTR awards and total dollars. For this reason, technical assistance provided under FAST grants is extremely important to rural small businesses and universities. In general, the more SBIR applications that are submitted by small businesses in a state, the more SBIR awards were made in that state.

2. GAO study on the needs of small businesses in rural America

In addition to the Committee's legislative efforts to support small businesses in rural areas, on October 30, 2007, Chairman Kerry sent a letter asking to be a co-requester of a GAO study to investigate the coordination between the U.S. Department of Agriculture and the SBA in addressing the needs of small businesses in rural America. The study was requested by Chairman Heath Shuler, Ranking Member Jeff Fortenberry, and Representative Vern Buchanan of the House Committee on Small Business Subcommittee on Rural and Urban Entrepreneurship In his letter, Senator Kerry noted that determining the best way to support economic development in rural areas as they adjusted to the changing global economy was vital for preserving these communities and strengthening the nation's economy. The report, entitled "Rural Economic Development: Collaboration Between SBA and USDA Could Be Improved" (GAO–08–1123), was released on September 18, 2008.

D. BROADBAND INTERNET ACCESS

1. Hearing on improving Internet access to help small businesses compete in the global economy

In the 110th Congress, at a hearing held on September 26, 2007 titled, "Improving Internet Access to Help Small Business Compete in a Global Economy," the Committee called attention to the problems that a lack of broadband internet access can cause for small businesses and pushed for a federal commitment to make broadband more widely available to small businesses and all Americans. Citing the need for America to compete in a global economy, Chairman Kerry called for the Bush Administration to make universal broadband access a reality by changing regulations and encouraging competition between service providers. Senator Kerry also pushed for the Federal Communications Commission and the SBA to collect more accurate information to measure the availability of broadband services for small businesses.

2. The Broadband Data Improvement Act

Senators Kerry and Snowe sponsored or cosponsored several pieces of legislation in the 110th Congress that would facilitate the spread of broadband, including the Broadband Data Improvement Act (S. 1492), which became law (P.L. 110–385) on October 10, 2008, and included a provision that required the SBA's Office of Advocacy to conduct a study on the impact of broadband speed and price on small businesses. The Financial Services and General Government Appropriations Act for Fiscal Year 2009 (S. 3260) also included language providing for a similar study, but that bill did not become law.

E. UNDERGROUND ECONOMY

1. Field hearing on the impact of employers who failed to abide by lawful hiring practices

On April 28, 2008, Chairman Kerry held a field hearing in Chelsea, Massachusetts, to examine the impact of employers who failed to abide by lawful hiring practices when hiring employees. When employees were misclassified as "contract employees," companies were able to avoid paying certain employment taxes, and workers lost out on important benefits and protections. Testimony focused on the effects of employers not abiding by the law and looked at ways to level the playing field for businesses and workers who play by the rules. Congressman John Tierney also participated in the hearing. Witnesses included George Noel, Director of the Massachusetts Department of Labor, and representatives from labor groups and small businesses. On May 15, 2008, Chairman Kerry sent a letter to President Bush asking him to form a federal task force to examine the underground economy and how it affected our nation's businesses. Senator Kerry requested that the interagency task force be created, consisting of representatives from the Department of Labor, the Department of Justice, and the Department of the Treasury, to further examine what federal action might need to be taken to put an end to the cash economy. The task force would have considered what changes to current enforcement methods may be necessary to more effectively deter this behavior, as well as policy proposals for addressing current law governing the classification and documentation of employees.

F. INTERNATIONAL TRADE

1. The Small Business International Trade Enhancements Act of 2007

Chairman Kerry and Ranking Member Snowe joined Senator Landrieu in introducing the Small Business International Trade Enhancements Act of 2007 (S. 738) on March 1, 2007. S. 738 would have set benchmarks for the Office of International Trade and sought to improve coordination between the office, other SBA resources, and other federal agencies. To ensure that the Office of International Trade had sufficient resources to carry out its mission and was an effective champion for small business exporters, the bill would have created an Associate Administrator for International Trade to oversee the office. The bill also would have required the SBA to designate at least one individual as a Trade Financial Specialist to oversee International Loan Programs and assist other SBA employees with trade finance issues.

To make International Trade Loans more effective, this bill would have increased the maximum loan guarantee amount to $2.75 million and specified that the loan cap was $3.67 million, as well as set out that working capital was an eligible use for loan proceeds. The bill also would have made International Trade Loans consistent with regular SBA 7(a) loans in terms of allowing the same collateral and refinancing terms as with regular 7(a) loans.

This bill also sought to stop the downsizing of International Finance Specialists. To ensure that all smaller exporters nationwide would continue to have access to export financing, this bill would have established a floor of 18 International Finance Specialists. The bill also would have required the SBA to first fill existing vacancies—many left vacant for more than three years—before assigning specialists to new centers.

Provisions based on this legislation were included in the Small Business Lending Reauthorization and Improvements Act of 2007 (S. 1256) and the Entrepreneurial Development Act (S. 1671), which passed Committee unanimously and were later included in S. 2920.

G. ADDITIONAL MEASURES

1. Resolutions honoring small businesses

The Committee recognized the contributions of small businesses by introducing and passing resolutions honoring them in 2007 and 2008 to coincide with National Small Business Week. Senate Resolution 174, sponsored by Chairman Kerry, Ranking Member Snowe, and seven other members of the Committee, passed the Senate by unanimous consent on April 26, 2007. Senate Resolution 524, again sponsored by Senators Kerry and Snowe, along with 14 other Committee members, passed unanimously on April 28, 2008. Both resolutions honored the entrepreneurial spirit of the owners of small business concerns in the United States during National Small Business Week; honored the efforts and achievements of the owners and employees of small business concerns, whose hard work, commitment to excellence, and willingness to take a risk, made them a crucial part of the Nation's economy; recognized that small business concerns were essential to restoring the Nation's economic health; recognized the vital role of the programs of the SBA and the work of its employees and its resource partners in providing assistance to entrepreneurs and the owners of small business concerns; and strongly urged the President to take steps to ensure that small businesses received the attention they deserved and that the Administrator of the SBA be given a role in the President's cabinet.

2. Comprehensive committee report on successful State initiatives that foster small business

On October 29, 2008, Chairman Kerry and Ranking Member Snowe released a report detailing successful practices for assisting small businesses currently being implemented throughout the United States. The comprehensive reference guide, titled "What Works for Small Businesses," contained hundreds of innovative methods to enhance entrepreneurship and improve the economy. Senators Kerry and Snowe reached out to every state in the country in search of programs, policies, and initiatives that had proven successful in encouraging and supporting small business development. The comprehensive reference guide consisted of hundreds of responses from economic development agencies and policymakers in 38 states detailing effective practices that may work for entrepreneurs in other states. While Senators Kerry and Snowe did not specifically endorse any of these ideas, state and local authorities on economic development suggested them as examples of what works for small firms today.

XVII. Appendices

A. Hearings, Roundtables, and Markups of the 110th Congress

1. First session

- January 31, 2007: Hearing titled "Assessing Federal Small Business Assistance Programs for Veterans and Reservists," Senator Kerry chaired.
- February 13, 2007: Hearing titled "Alternatives for Easing the Small Business Health Care Burden," Senator Kerry chaired.
- February 28, 2007: Hearing titled "The President's Fiscal Year 2008 Budget Request for the Small Business Administration," Senator Kerry chaired.
- March 8, 2007: Hearing titled "Small Business Solutions for Combating Climate Change," Senator Kerry chaired.
- March 29, 2007: Markup of S. 163 "Small Business Disaster Response and Loan Improvements Act of 2007," Senator Kerry chaired.
- April 18, 2007: Hearing titled "Sarbanes-Oxley and Small Business: Addressing Proposed Regulatory Changes and their Impact on Capital Markets," Senator Kerry chaired.
- May 2, 2007: Roundtable titled "SBA Reauthorization: Small Business Loan Programs," Senator Kerry chaired.
- May 16, 2007: Markup of S. 1256 "Small Business Lending Reauthorization and Improvements Act of 2007," Senator Kerry chaired.
- May 22, 2007: Hearing titled "Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community," Senator Kerry chaired.
- June 14, 2007: Hearing titled "The Impact of Rising Gas Prices on America's Small Businesses," Senator Kerry chaired.
- June 21, 2007: Roundtable titled "SBA Reauthorization: Small Business Venture Capital Programs," Senator Kerry chaired.
- June 26, 2007: Markup of S. 1671 "Entrepreneurial Development Act of 2007," S. 1662 "Small Business Venture Capital Act of 2007," and other pending business, Senator Kerry chaired.
- July 18, 2007: Hearing titled "Increasing Government Accountability and Ensuring Fairness in Small Business Contracting," Senator Kerry chaired.
- July 25, 2007: Hearing titled "Oversight: Gulf Coast Disaster Loans and the Future of the Disaster Assistance Program," Senator Kerry chaired.
- August 1, 2007: Roundtable titled "Reauthorization of the Small Business Innovation Research Program: National Academies' Findings and Recommendations," Senator Kerry chaired.
- September 20, 2007: Hearing titled "Expanding Opportunities for Women Entrepreneurs: The Future of Women's Small Business Programs," Senator Kerry chaired.
- September 26, 2007: Hearing titled "Improving Internet Access to Help Small Business Compete in a Global Economy," Senator Kerry chaired.
- October 18, 2007: Roundtable titled "Reauthorization of the Small Business Innovation Research Program: How to Address the

Valley of Death, the Role of Venture Capital, and Data Rights," Senator Kerry chaired.

- October 29, 2007: Field Hearing titled "Access to Federal Contracts: How to Level the Playing Field," Senator Cardin chaired.
- November 7, 2007: Markup of S. 2300 "Small Business Contracting Revitalization Act of 2007," Senator Kerry chaired.
- November 13, 2007: Hearing titled "SBA Lender Oversight: Preventing Loan Fraud and Improving Regulation of Lenders," Senator Kerry chaired.

2. Second session

- January 10, 2008: Field Hearing titled "Health Care: A Big Problem for Small Business," Senator Coleman chaired.
- January 30, 2008: Hearing titled "Holding the Small Business Administration Accountable: Women's Contracting and Lender Oversight," Senator Kerry chaired.
- February 20, 2008: Field Hearing titled "Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana," Senator Landrieu chaired.
- February 27, 2008: Heating titled: "The President's FY2009 Budget Request for the Small Business Administration," Senator Kerry chaired.
- March 19, 2008: Field Roundtable titled "Women in Business: Leveling the Playing Field," Senator Kerry chaired.
- April 16, 2008: Hearing titled "The Impact of the Credit Crunch on Small Business," Senator Kerry chaired.
- April 28, 2008: Field Hearing titled "The Effects of the Underground Economy on Small Businesses and Workers," Senator Kerry chaired.
- May 14, 2008: Roundtable titled "Reducing Unemployment and Increasing Business Opportunities for Veterans," Senator Kerry chaired.
- May 28, 2008: Field Hearing titled "The Rising Costs of Energy: Challenges and Opportunities for Small Businesses," Senator Kerry chaired.
- June 25, 2008: Hearing titled "Examining Solutions to Cope with the Rise in Home Heating Oil Prices," Senator Kerry chaired.
- July 30, 2008: Markup of S. 3362 "SBIR/STTR Reauthorization Act of 2008," Senator Kerry chaired.
- September 9, 2008: Roundtable titled "Opportunities and Challenges for Women Entrepreneurs on the 20th Anniversary of the Women's Business Ownership Act," Senator Kerry chaired.
- September 11, 2008: Hearing titled "Business Start-up Hurdles in Underserved Communities: Access to Venture Capital and Entrepreneurship Training," Senator Kerry chaired.

B. BILLS REFERRED TO THE COMMITTEE

1. First session

- S. 98 (Mr. Kerry) January 4, 2007. A bill to foster the development of minority-owned small businesses.
- S. 163 (Mr. Kerry) January 4, 2007. A bill to improve the disaster loan program of the Small Business Administration, and for other purposes.

- S. 246 (Ms. Snowe) January 10, 2007. A bill to enhance compliance assistance for small business.
- S. 537 (Ms. Landrieu) February 8, 2007. A bill to address ongoing small business and homeowner needs in the Gulf Coast States impacted by Hurricane Katrina and Hurricane Rita.
- S. 598 (Mr. Kerry) February 14, 2007. A bill to require reporting regarding the disaster loan program of the Small Business Administration, and for other purposes.
- S. 599 (Ms. Snowe) February 14, 2007. A bill to improve the disaster loan program of the Small Business Administration, and for other purposes.
- S. 690 (Ms. Landrieu) February 27, 2007. A bill to amend the Small Business Act to authorize the Administrator of the Small Business Administration to waive the prohibition on duplication of certain disaster relief assistance.
- S. 715 (Ms. Landrieu) February 28, 2007. A bill to amend the Small Business Act to provide expedited disaster assistance, and for other purposes.
- S. 738 (Ms. Landrieu) March 1, 2007. A bill to amend the Small Business Act to improve the Office of International Trade, and for other purposes.
- S. 745 (Ms. Landrieu) March 1, 2007. A bill to provide for increased export assistance staff in areas in which the President declared a major disaster as a result of Hurricane Katrina of 2005 and Hurricane Rita of 2005.
- S. 904 (Ms. Snowe) March 15, 2007. A bill to provide additional relief for small business owners ordered to active duty as members of reserve components of the Armed Forces, and for other purposes.
- S. 981 (Ms. Landrieu) March 23, 2007. A bill to authorize the Administrator of the Small Business Administration to waive the prohibition on duplication of certain disaster relief assistance.
- S. 985 (Mr. Levin) March 26, 2007. A bill to establish a pilot program to provide low interest loans to nonprofit, community-based lending intermediaries, to provide midsize loans to small business concerns, and for other purposes.
- S. 1005 (Mr. Kerry) March 28, 2007. A bill to amend the Small Business Act to improve programs for veterans, and for other purposes.
- S. 1071 (Ms. Landrieu) March 29, 2007. A bill to authorize the Administrator of the Small Business Administration to waive the prohibition on duplication of certain disaster relief assistance.
- S. 1256 (Mr. Kerry) May 1, 2007. A bill to amend the Small Business Act to reauthorize loan programs under that Act, and for other purposes.
- S. 1656 (Ms. Snowe) June 19, 2007. A bill to authorize loans for renewable energy systems and energy efficiency projects under the Express Loan Program of the Small Business Administration.
- S. 1657 (Mr. Kerry) June 19, 2007. A bill to establish a small business energy efficiency program, and for other purposes.
- S. 1662 (Mr. Kerry) June 19, 2007. A bill to amend the Small Business Investment Act of 1958 to reauthorize the venture capital program, and for other purposes.
- S. 1663 (Mr. Kerry) June 19, 2007. A bill to amend the Small Business Investment Act of 1958 to reauthorize the New Markets Venture Capital Program, and for other purposes.

- S. 1671 (Mr. Kerry) June 20, 2007. A bill to reauthorize and improve the entrepreneurial development programs of the Small Business Administration, and for other purposes.
- S. 1690 (Ms. Snowe) June 25, 2007. A bill to establish a 4-year pilot program to provide information and educational materials to small business concerns regarding health insurance options, including coverage options within the small group market.
- S. 1714 (Mr. Kerry) June 27, 2007. A bill to establish a multi-agency nationwide campaign to educate small business concerns about health insurance options available to children.
- S. 1784 (Mr. Kerry) July 12, 2007. A bill to amend the Small Business Act to improve programs for veterans, and for other purposes.
- S. 1932 (Mr. Bayh) August 1, 2007. A bill to amend the Small Business Act to increase SBIR and STTR program expenditures.
- S. 1690 (Ms. Snowe) August 2, 2007. A bill to amend the Small Business Investment Act of 1958 to improve surety bond guarantees, and for other purposes.
- S. 2176 (Mr. Johnson) October 17, 2007. A bill to promote the development of Native American small business concerns, and for other purposes.
- S. 2288 (Ms. Snowe) November 1, 2007. A bill to establish portfolio quality standards, improve lender oversight by the Small Business Administration, create economic outcome and performance measurements, strengthen the loan programs under section 7(a) of the Small Business Act and title V of the Small Business Investment Act of 1958, and for other purposes.
- S. 2300 (Mr. Kerry) November 1, 2007. A bill to improve the Small Business Act, and for other purposes.
- H.R. 434 (Mr. Chabot) January 12, 2007. An act to provide for an additional temporary extension of programs under the Small Business Act and the Small Business Investment Act of 1958 through July 31, 2007, and for other purposes.
- H.R. 1468 (Mr. Jefferson) March 12, 2007. To ensure that, for each small business participating in the 8(a) business development program that was affected by Hurricane Katrina of 2005, the period in which it can participate is extended by 18 months.
- H.R. 1873 (Mr. Braley) April 17, 2007. To reauthorize the programs and activities of the Small Business Administration relating to procurement, and for other purposes.
- H.R. 2284 (Mr. Udall) May 10, 2007. To amend the Small Business Act to expand and improve the assistance provided by Small Business Development Centers to Indian tribe members, Alaska Natives, and Native Hawaiians.
- H.R. 2397 (Ms. Fallin) May 21, 2007. To reauthorize the women's entrepreneurial development programs of the Small Business Administration, and for other purposes.
- H.R. 2992 (Mr. Hall) July 11, 2007. To amend the Small Business Act to improve trade programs, and for other purposes.
- H.R. 3020 (Mr. Chabot) July 12, 2007. To amend the Small Business Act to improve the Microloan program, and for other purposes.
- H.R. 3567 (Mr. Altmire) September 18, 2007. To amend the Small Business Investment Act of 1958 to expand opportunities for investments in small businesses, and for other purposes.

• H.R. 3866 (Ms. Velázquez) October 17, 2007. To reauthorize certain programs under the Small Business Act for each of fiscal years 2008 and 2009.

• H.R. 3867 (Ms. Velázquez) October 17, 2007. To update and expand the procurement programs of the Small Business Administration, and for other purposes.

2. Second session

• S. 2553 (Mr. Kerry) January 24, 2008. A bill to modify certain fees applicable under the Small Business Act for 2008, to make an emergency appropriation for certain small business programs, and to amend the Internal Revenue Code of 1986 to provide increased expensing for 2008, to provide a five-year carryback for certain net operating losses, and for other purposes.

• S. 2608 (Ms. Snowe) February 7, 2008. A bill to make improvements to the Small Business Act.

• S. 2612 (Mr. Kerry) February 7, 2008. A bill to provide economic stimulus for small business concerns.

• S. 2902 (Ms. Snowe) April 23, 2008. A bill to ensure the independent operation of the Office of Advocacy of the Small Business Administration, ensure complete analysis of potential impacts on small entities of rules, and for other purposes.

• S. 3026 (Mr. Kerry) May 15, 2008. A bill to provide for an additional temporary extension of programs under the Small Business Act and the Small Business Investment Act of 1958, and for other purposes.

• S. 3102 (Ms. Snowe) June 9, 2008. A bill to establish the Small Business Information Security Task Force, and for other purposes.

• S. 3223 (Mr. Kerry) June 27, 2008. A bill to establish a small business energy emergency disaster loan program.

• S. 3262 (Mrs. Hutchison) July 14, 2008. A bill to reauthorize the women's entrepreneurial development programs of the Small Business Administration, and for other purposes.

• S. 3285 (Ms. Landrieu) July 17, 2008. A bill to ensure that, for each small business participating in the 8(a) business development program that was affected by Hurricane Katrina of 2005 or Hurricane Rita of 2005, the period in which it can participate is extended by 24 months.

• S. 3342 (Ms. Landrieu) July 26, 2008. A bill to improve access to technology by and increase entrepreneurship among small businesses located in rural communities, and for other purposes.

• S. 3362 (Mr. Kerry) July 29, 2008. A bill to reauthorize and improve the SBIR and STTR programs, and for other purposes.

• S. 3451 (Mr. Feingold) September 8, 2008. A bill to amend the Small Business Act to extend the Small Business Innovation Research and Small Business Technology Transfer programs, to increase the allocation of Federal agency grants for those programs, to add water, energy, transportation, and domestic security related research to the list of topics deserving special consideration, and for other purposes.

• S. 3596 (Mr. Kerry) September 25, 2008. A bill to stabilize the small business lending market, and for other purposes.

• S. 3699 (Ms. Snowe) November 19, 2008. A bill to direct the Administrator of the Small Business Administration to reform and improve the HUBZone program for small business concerns, and for other purposes.

- H.R. 5819 (Ms. Velázquez) April 16, 2008. To amend the Small Business Act to improve the Small Business Innovation Research (SBIR) program and the Small Business Technology Transfer (STTR) program, and for other purposes.

C. PUBLIC LAWS

Public Law: 110–4 (H.R. 434) Additional Temporary Extension of Programs under the Small Business Act and the Small Business Investment Act of 1958. Signed into law: February 15, 2007.

Public Law: 110–28 (H.R. 2206/Related Bill S.A. 187) Women's Business Center Renewal Grants Program. Signed into law: May 25, 2007.

Public Law: 110–136 (H.R. 4252) Additional temporary extension of programs under the Small Business Act and the Small Business Investment Act of 1958 through May 23, 2008, and for other purposes. Signed into law: December 14, 2007.

Public Law 110–140 (H.R. 6/Related Bill S. 1657) Small Business Energy Efficiency Act of 2007. Signed into law: December 19, 2007.

Public Law 110–161 (H.R. 2764/Related Bill S. 1922) The TSA Acquisition Reform Act of 2007. Signed into law: December 26, 2007.

Public Law 110–186 (H.R. 4253/Related Bill S. 1784) Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. Signed into law: February 14, 2008.

Public Law 110–234 (H.R. 2419/Related Bill S. 163) Small Business Disaster Response and Loan Improvements Act of 2007. Signed into law: May 22, 2008.

Public Law 110–235 (S. 3029) Additional temporary extension of programs under the Small Business Act and the Small Business Investment Act of 1958, and for other purposes. Signed into law: May 23, 2008.

Public Law 110–245 (H.R. 6081/Related Bill S. 455) Active Duty Military Tax Relief Act of 2007. Signed into law: June 17, 2008.

○