

federal employees will result in high quality hearing care and reduce the cost of services."

We are not talking about mandating additional benefits. In addition, I believe it would be advisable to add provider non-discrimination assurances to FEHBP plans.

Of course, these matters involve a number of complicated issues, and to this point, the Governmental Affairs Committee has been unable to hold hearings to consider those issues. I would appreciate hearing Senator COCHRAN's and Senator THOMPSON's sense of what can be done, in this Congress or the next, to ensure that those issues are fully considered.

Mr. COCHRAN. Mr. President, as noted by the Senator from Iowa, I supported legislation in the last Congress to address this problem, and I remain committed to ensuring that FEHBP beneficiaries receive quality, cost-effective, hearing care coverage.

As he also noted, there are a number of medical, insurance and public policy issues involved. All these issues need to be considered, as well as the concerns of all members of the hearing health care team, including the Audiologists, the American Academy of Otolaryngology-Head and Neck Surgery and the International Hearing Society.

Whether in this Congress, or the next, I am committed to doing what is necessary to enable this body to understand these issues, and to determine the best way to address them, for the benefit of children and others, who need hearing health services.

Mr. THOMPSON. Mr. President, I appreciate Senator COCHRAN's comments. I am confident my colleagues will agree that any changes to the FEHBP need to be considered carefully through the legislative process in order to ensure the integrity of the program, preservation of choice for enrollees, and competition among plans. Toward that end, I look forward to Senator DASCHLE and Senator HARKIN joining Senator COCHRAN and me in supporting passage of H.R. 1836.

Mr. DASCHLE. Mr. President, I would like to thank my colleagues for this colloquy.

Mr. SHELBY. I ask unanimous consent that the committee amendment be agreed to, the bill be considered read a third time and passed, the motion to reconsider be laid upon the table, and that any statement relating to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendment was agreed to.

The bill (H.R. 1836), as amended, was considered read the third time and passed.

RICHARD C. LEE UNITED STATES COURTHOUSE

Mr. SHELBY. Mr. President, I ask the Chair lay before the Senate a message from the House of Representatives

on the bill (S. 1355) to designate the United States courthouse located at 141 Church Street in New Haven, Connecticut, as the "Richard C. Lee United States Courthouse."

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 1355) entitled "An Act to designate the United States courthouse located in New Haven, Connecticut, as the "Richard C. Lee United States Courthouse", do pass with the following amendments:

Strike out all after the enacting clause and insert:

SECTION 1. DESIGNATION.

The United States courthouse located at 141 Church Street in New Haven, Connecticut, shall be known and designated as the "Richard C. Lee United States Courthouse".

SEC. 2. REFERENCES.

Any reference in a law, map, regulation, document, paper, or other record of the United States to the United States courthouse referred to in section 1 shall be deemed to be a reference to the "Richard C. Lee United States Courthouse".

Mr. SHELBY. Mr. President, I ask unanimous consent that the Senate concur in the amendments to the House.

The PRESIDING OFFICER. Without objection, it is so ordered.

VETERANS' COMPENSATION COST-OF-LIVING ADJUSTMENT ACT OF 1998

Mr. SHELBY. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 593, S. 2273.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 2273) to increase, effective as of December 1, 1998, the rates of disability compensation for veterans with service-connected disabilities, and the rates of dependency and indemnity compensation for survivors of certain service-connected disabled veterans, and for other purposes.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Veterans' Affairs, with an amendment; as follows:

(The part of the bill intended to be stricken are shown in boldface brackets and the part of the bill intended to be inserted are shown in *italic*.)

S. 2273

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Veterans' Compensation Cost-of-Living Adjustment Act of 1998".

SEC. 2. INCREASE IN COMPENSATION RATES AND LIMITATIONS.

(a) IN GENERAL.—(1) The Secretary of Veterans Affairs shall, as provided in paragraph (2), increase, effective December 1, 1998, the rates of and limitations on Department of Veterans Affairs disability compensation and dependency and indemnity compensation.

(2) The Secretary shall increase each of the rates and limitations in sections 1114, 1115(1),

1162, 1311, 1313, and 1314 of title 38, United States Code, that were increased by the amendments made by the Veterans' Compensation Rate Amendments of 1997 (Public Law 105-98; 111 Stat. 2155). This increase shall be made in such rates and limitations as in effect on November 30, 1998, and shall be by the same percentage that benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 1998, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

(3) In the computation of increased dollar amounts pursuant to paragraph (2), any amount which as so computed is not an even multiple of \$1 shall be rounded to the next lower whole dollar amount.

(b) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

(c) PUBLICATION REQUIREMENT.—At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year [1998] 1999, the Secretary shall publish in the Federal Register the rates and limitations referred to in subsection (a)(2) as increased under this section.

Mr. SHELBY. Mr. President, I ask unanimous consent that the committee amendment be agreed to, the bill be considered read a third time, and the Veterans' Affairs Committee then be discharged from further consideration of H.R. 4110, and that the Senate then proceed to its consideration. I further ask unanimous consent that all after the enacting clause be stricken and the text of S. 2273, as amended, be inserted in lieu thereof, the bill be read a third time and passed, the motion to reconsider be laid upon the table, and that any statement relating to the bill be printed in the RECORD.

I finally ask that S. 2273 be placed back on the calendar.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (H.R. 4110), as amended, was read for a third time and passed.

YEAR 2000 READINESS AND SMALL BUSINESS PROGRAMS RESTRUCTURING AND REFORM ACT OF 1998

Mr. SHELBY. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of Calendar No. 645, H.R. 3412.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (H.R. 3412) to amend and make technical corrections in title III of the Small Business Investment Act.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Small Business, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998”.

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

Sec. 1. Short title; table of contents.

TITLE I—SMALL BUSINESS YEAR 2000 READINESS

Sec. 101. Findings.

Sec. 102. Year 2000 computer problem loan guarantee program.

Sec. 103. Pilot program requirements.

Sec. 104. Section 7(a) loan program.

TITLE II—SMALL BUSINESS PROGRAM RESTRUCTURING AND REFORM

Sec. 201. Women's business center program.

Sec. 202. SBIR program.

Sec. 203. SBIC program.

Sec. 204. Certified development company program.

Sec. 205. Small business Federal contract set-asides.

Sec. 206. Assistance for veterans.

Sec. 207. Section 7(a) loan program.

Sec. 208. Disaster mitigation pilot program.

Sec. 209. Microloan program.

Sec. 210. Real estate appraisals.

Sec. 211. Community development venture capital demonstration program.

Sec. 212. Technical amendments.

TITLE III—SMALL BUSINESS ENVIRONMENTAL ASSISTANCE PILOT PROGRAM

Sec. 301. Pilot program.

TITLE I—SMALL BUSINESS YEAR 2000 READINESS

SEC. 101. FINDINGS.

Congress finds that—

(1) the failure of many computer programs to recognize the Year 2000 will have extreme negative financial consequences in the Year 2000 and in subsequent years for both large and small businesses;

(2) small businesses are well behind larger businesses in implementing corrective changes to their automated systems—85 percent of businesses with 200 employees or less have not commenced inventorying the changes they must make to their automated systems to avoid Year 2000 problems;

(3) many small businesses do not have access to capital to fix mission critical automated systems; and

(4) the failure of a large number of small businesses will have a highly detrimental effect on the economy in the Year 2000 and in subsequent years.

SEC. 102. YEAR 2000 COMPUTER PROBLEM LOAN GUARANTEE PROGRAM.

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

“(27) **YEAR 2000 COMPUTER PROBLEM PILOT PROGRAM.**—

“(A) **DEFINITIONS.**—In this paragraph—

“(i) the term ‘eligible lender’ means any lender designated by the Administration as eligible to participate in—

“(I) the Preferred Lenders Program authorized by the proviso in section 5(b)(7); or

“(II) the Certified Lenders Program authorized in paragraph (19); and

“(ii) the term ‘Year 2000 computer problem’ means, with respect to information technology, any problem that prevents the information technology from accurately processing, calculating, comparing, or sequencing date or time data—

“(I) from, into, or between—

“(aa) the 20th or 21st centuries; or

“(bb) the years 1999 and 2000; or

“(II) with regard to leap year calculations.

“(B) **ESTABLISHMENT OF PROGRAM.**—The Administration shall—

“(i) establish a pilot loan guarantee program, under which the Administration shall guarantee

loans made by eligible lenders to small business concerns in accordance with this subsection; and

“(ii) notify each eligible lender of the establishment of the program under this paragraph.

“(C) **USE OF FUNDS.**—A small business concern that receives a loan guaranteed under this paragraph shall use the proceeds of the loan solely to address the Year 2000 computer problems of that small business concern, including the repair or acquisition of information technology systems and other automated systems.

“(D) **MAXIMUM AMOUNT.**—The total amount of a loan made to a small business concern and guaranteed under this paragraph shall not exceed \$50,000.

“(E) **GUARANTEE LIMIT.**—The guarantee percentage of a loan guaranteed under this paragraph shall not exceed 50 percent of the balance of the financing outstanding at the time of disbursement of the loan.

“(F) **REPORT.**—The Administration shall annually submit to the Committees on Small Business of the House of Representatives and the Senate a report on the results of the program under this paragraph, which shall include information relating to—

“(i) the number and amount of loans guaranteed under this paragraph;

“(ii) whether the loans guaranteed were made to repair or replace information technology and other automated systems; and

“(iii) the number of eligible lenders participating in the program.”.

(b) **REGULATIONS.**—

(1) **IN GENERAL.**—Not later than 60 days after the date of enactment of this Act, the Administrator of the Small Business Administration shall implement the program under section 7(a)(27) of the Small Business Act, as added by this section.

(2) **REQUIREMENTS.**—Except to the extent inconsistent with this section or section 7(a)(27) of the Small Business Act, as added by this section, in carrying out paragraph (1), the Administrator shall ensure that the requirements governing the program under section 7(a)(27) of the Small Business Act, as added by this section, are substantially similar to the requirements governing the FASTRAK pilot program of the Small Business Administration, or any successor program or pilot program to that pilot program.

(c) **REPEAL.**—Effective on October 1, 2001, this section and the amendment made by this section are repealed.

SEC. 103. PILOT PROGRAM REQUIREMENTS.

Section 7(a)(25) of the Small Business Act (15 U.S.C. 636(a)(25)) is amended by adding at the end the following:

“(D) **NOTIFICATION OF CHANGE.**—Not later than 30 days prior to initiating any pilot program or making any change in a pilot program under this subsection that may affect the subsidy rate estimates for the loan program under this subsection, the Administration shall notify the Committees on Small Business of the House of Representatives and the Senate, which notification shall include—

“(i) a description of the proposed change; and

“(ii) an explanation, which shall be developed by the Administration in consultation with the Director of the Office of Management and Budget, of the estimated effect that the change will have on the subsidy rate.

“(E) **REPORT ON PILOT PROGRAMS.**—The Administration shall annually submit to the Committees on Small Business of the House of Representatives and the Senate a report on each pilot program under this subsection, which report shall include information relating to—

“(i) the number and amount of loans made under the pilot program;

“(ii) the number of lenders participating in the pilot program; and

“(iii) the default rate, delinquency rate, and recovery rate for loans under each pilot program, as compared to those rates for other loan programs under this subsection.”.

SEC. 104. SECTION 7(a) LOAN PROGRAM.

Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended, in the first sentence, by inserting “and to assist small business concerns in meeting technology requirements for the Year 2000,” after “and working capital.”.

TITLE II—SMALL BUSINESS PROGRAM RESTRUCTURING AND REFORM

SEC. 201. WOMEN'S BUSINESS CENTER PROGRAM.

(a) **FINDINGS.**—Congress finds that—

(1) with small business concerns owned and controlled by women being created at a rapid rate in the United States, there is a need to increase the authorization level for the women's business center program under section 29 of the Small Business Act (15 U.S.C. 656) in order to establish additional women's business center sites throughout the Nation that focus on entrepreneurial training programs for women; and

(2) increased funding for the women's business center program will ensure that—

(A) new women's business center sites can be established to reach women located in geographic areas not presently served by an existing women's business center without jeopardizing the full funding of existing women's business centers for the term prescribed by law; and

(B) the Small Business Administration achieves the goal of establishing at least 1 sustainable women's business center in each State.

(b) **AUTHORIZATION OF APPROPRIATIONS.**—

(1) **IN GENERAL.**—Section 29(k)(1) of the Small Business Act (15 U.S.C. 656(k)(1)) is amended to read as follows:

“(1) **AUTHORIZATION.**—There is authorized to be appropriated to carry out this section, \$12,000,000 for fiscal year 1999 and each fiscal year thereafter.”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall take effect on October 1, 1998.

(c) **TERMS OF ASSISTANCE.**—

(1) **IN GENERAL.**—Section 308(b) of the Small Business Reauthorization Act of 1997 (15 U.S.C. 656 note) is amended—

(A) by striking “(b)” and all that follows through “paragraph (2), any organization” and inserting the following:

“(b) **APPLICABILITY.**—Any organization”; and

(B) by striking paragraph (2).

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall take effect as if included in the enactment of the Small Business Reauthorization Act of 1997.

(d) **GENERAL ACCOUNTING OFFICE REPORTING REQUIREMENTS.**—

(1) **BASELINE REPORT.**—Not later than October 31, 1999, the Comptroller General of the United States shall—

(A) conduct a review of the administration of the women's business center program under section 29 of the Small Business Act (15 U.S.C. 656) by the Office of Women's Business Ownership of the Small Business Administration, which shall include an analysis of—

(i) the operation of the women's business center program by the Administration;

(ii) the efforts of the Administration to meet the legislative objectives established for the program;

(iii) the oversight role of the Administration of the operations of women's business centers;

(iv) the training and assistance provided by centers receiving funding from the Administration as compared to the activities of the centers that no longer receive funding from the Administration;

(v) the degree to which—

(I) the Administration has taken the actions necessary to ensure that the annual report submitted by the Administrator under 29(j) of the Small Business Act (15 U.S.C. 656(j)) meets the requirements of that section; and

(II) the annual report submitted by the Administrator under 29(j) of the Small Business Act (15 U.S.C. 656(j)) meets the requirements of that section; and

(vi) any other matters that the Comptroller General determines to be appropriate in consultation with and as directed by the Committees on Small Business of the Senate and House of Representatives; and

(B) submit to the Committees on Small Business of the Senate and House of Representatives a report describing the results of the review under subparagraph (A).

(2) FOLLOWUP REPORT.—Not later than October 31, 2002, the Comptroller General of the United States shall—

(A) conduct a review of any changes, during the period beginning on the date on which the report is submitted under paragraph (1)(B) and ending on the date on which the report is submitted under subparagraph (B) of this paragraph, in the administration of the women's business center program under section 29 of the Small Business Act (15 U.S.C. 656) by the Office of Women's Business Ownership of the Small Business Administration, which shall include an analysis of any changes during that period in—

(i) the operation of the women's business center program by the Administration;

(ii) the efforts of the Administration to meet the legislative objectives established for the program;

(iii) the oversight role of the Administration of the operations of women's business centers;

(iv) the training and assistance provided by centers receiving funding from the Administration as compared to the activities of the centers that no longer receive funding from the Administration;

(v) the degree to which—

(I) the Administration has taken the actions necessary to ensure that the annual report submitted by the Administrator under 29(j) of the Small Business Act (15 U.S.C. 656(j)) meets the requirements of that section; and

(II) the annual report submitted by the Administrator under 29(j) of the Small Business Act (15 U.S.C. 656(j)) meets the requirements of that section; and

(vi) any other matters that the Comptroller General determines to be appropriate in consultation with and as directed by the Committees on Small Business of the Senate and House of Representatives; and

(B) submit to the Committees on Small Business of the Senate and House of Representatives a report describing the results of the review under subparagraph (A).

SEC. 202. SBIR PROGRAM.

(a) ASSISTIVE TECHNOLOGY.—Section 9(c) of the Small Business Act (15 U.S.C. 638(c)) is amended by adding at the end the following: "In order to carry out the purposes of this section, the Administration shall, to the maximum extent practicable, encourage Federal agencies to fund programs for the research and development of assistive and universally designed technology that is designed to result in the availability of new products for individuals with disabilities (as defined in section 3 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12102))."

(b) FEDERAL AGENCY EXPENDITURES FOR THE SBIR PROGRAM.—Section 9(f)(1) of the Small Business Act (15 U.S.C. 638(f)(1)) is amended by adding at the end the following: "Notwithstanding any other provision of law, any rule, regulation, or order promulgated by the Director of the Office of Management and Budget relating to the definition of the term 'extramural budget' in subsection (e)(1) shall, except with respect to the Federal agencies specifically identified in that subsection, apply uniformly to all departments and agencies of the Federal Government that are subject to the requirements of this section."

(c) IMPLEMENTATION OF OUTREACH AUTHORITIES.—Existing procurement outreach activities of the Federal Government, including, but not limited to, electronic commerce resource centers and procurement technical assistance centers,

shall conduct program outreach activities for the Small Business Innovation Research program using funds that are otherwise available for such existing procurement outreach activities.

(d) REPEAL OF TERMINATION PROVISION.—Section 9 of the Small Business Act (15 U.S.C. 638) is amended by striking subsection (m) and inserting the following:

"(m) [Reserved]."

SEC. 203. SBIC PROGRAM.

(a) IN GENERAL.—Section 308(i)(2) of the Small Business Investment Act of 1958 (15 U.S.C. 687(i)(2)) is amended by adding at the end the following: "In this paragraph, the term 'interest' includes only the maximum mandatory sum, expressed in dollars or as a percentage rate, that is payable with respect to the business loan amount received by the small business concern, and does not include the value, if any, of contingent obligations, including warrants, royalty, or conversion rights, granting the small business investment company an ownership interest in the equity or future revenue of the small business concern receiving the business loan."

(b) FUNDING LEVELS.—Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended—

(1) in subsection (d)(1)(C)(i), by striking "\$800,000,000" and inserting "\$1,000,000,000"; and

(2) in subsection (e)(1)(C)(i), by striking "\$900,000,000" and inserting "\$1,200,000,000".

(c) TECHNICAL CORRECTIONS.—Title III of the Small Business Investment Act of 1958 (15 U.S.C. 661 et seq.) is amended—

(1) in section 303(g) (15 U.S.C. 683(g)), by striking paragraph (13);

(2) in section 308 (15 U.S.C. 687) by adding at the end the following:

"(j) For the purposes of sections 304 and 305, in any case in which an incorporated or unincorporated business is not required by law to pay Federal income taxes at the enterprise level, but is required to pass income through to its shareholders or partners, an eligible small business or smaller enterprise may be determined by computing the after-tax income of such business by deducting from the net income an amount equal to the net income multiplied by the combined marginal Federal and State income tax rate for corporations."; and

(3) in section 320 (15 U.S.C. 687m), by striking "6" and inserting "12".

SEC. 204. CERTIFIED DEVELOPMENT COMPANY PROGRAM.

(a) LIQUIDATION AND FORECLOSURE.—Title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) is amended by adding at the end the following:

"SEC. 510. FORECLOSURE AND LIQUIDATION OF LOANS.

"(a) IN GENERAL.—The Administration shall authorize qualified State and local development companies (as defined in section 503(e)) that meet the requirements of subsection (b) to foreclose and liquidate loans in their portfolios that are funded with the proceeds of debentures guaranteed by the Administration under section 503.

"(b) REQUIREMENTS.—The requirements of this subsection are that—

"(1) the qualified State or local development company—

"(A) participated in the loan liquidation pilot program established by section 204 of the Small Business Programs Improvement Act of 1996 (15 U.S.C. 695 note), as in effect on the day before the promulgation of final regulations by the Administration implementing this section;

"(B) is participating in the Premier Certified Lenders Program under section 508; or

"(C) is participating in the Accredited Lenders Program under section 507 and meets the requirements of paragraph (2)(B); or

"(2)(A) during the 3 most recent fiscal years, the qualified State or local development company has made an average of not less than 10

loans per year that are funded with the proceeds of debentures guaranteed under section 503; and

"(B) 1 or more of the employees of the qualified State or local development company have—

"(i) not less than 2 years of substantive, decision-making experience in administering the liquidation and workout of problem loans secured in a manner substantially similar to loans funded with the proceeds of debentures guaranteed under section 503; and

"(ii) completed a training program on loan liquidation developed by the Administration in conjunction with qualified State and local development companies that meet the requirements of this subsection.

"(c) AUTHORITY OF DEVELOPMENT COMPANIES.—

"(1) IN GENERAL.—Each qualified State or local development company authorized to foreclose and liquidate loans under this section shall, with respect to any loan described in subsection (a) in the portfolio of the development company that is in default—

"(A) perform all liquidation and foreclosure functions, including the purchase of any other indebtedness secured by the property securing the loan, in a reasonable and sound manner and according to commercially accepted practices, pursuant to a liquidation plan, which shall be approved in advance by the Administration in accordance with paragraph (2)(A);

"(B) litigate any matter relating to the performance of the functions described in subparagraph (A), except that the Administration may—

"(i) assume the defense or prosecution of any case if—

"(I) the outcome of the litigation may adversely affect the Administration's management of the loan program established under section 502; or

"(II) the Administration is entitled to legal remedies not available for a qualified State or local development company and such remedies will benefit either the Administration or the qualified State or local development company in such litigation; or

"(ii) oversee the conduct of any such litigation to which the qualified State or local development company is a party; and

"(C) take other appropriate actions to mitigate loan losses in lieu of total liquidation or foreclosure, including restructuring the loan, which such actions shall be in accordance with prudent loan servicing practices and pursuant to a workout plan, which shall be approved in advance by the Administration in accordance with paragraph (2)(C).

"(2) ADMINISTRATION APPROVAL.—

"(A) LIQUIDATION PLAN.—

"(i) IN GENERAL.—In carrying out paragraph (1), a qualified State or local development company shall submit to the Administration a proposed liquidation plan.

"(ii) TIMING.—Any request under this subparagraph shall be approved or denied by the Administration not later than 15 business days after the date on which the request is received by the Administration. If the Administration does not approve or deny a request for approval of a liquidation plan before the expiration of the 15-business day period beginning on the date on which the request is received by the Administration, the Administration shall notify the qualified State or local development company, in writing, of the specific concerns of the Administration within that 15-business day period.

"(iii) ROUTINE ACTIONS.—A routine action under a liquidation plan approved in accordance with this subparagraph shall not require additional approval by the Administration.

"(B) PURCHASE OF INDEBTEDNESS.—

"(i) IN GENERAL.—In carrying out paragraph (1)(A), a qualified State or local development company shall submit to the Administration a request for written approval from the Administration before committing the Administration to purchase any other indebtedness secured by the property securing the loan at issue.

“(ii) **TIMING.**—Any request under this subparagraph shall be approved or denied by the Administration not later than 15 business days after the date on which the request is received by the Administration. If the Administration does not approve or deny a request for purchase of indebtedness before the expiration of the 15-business day period beginning on the date on which the request is received by the Administration, the Administration shall notify the qualified State or local development company, in writing, of the specific concerns of the Administration within that 15-business day period.

“(C) **WORKOUT PLAN.**—

“(i) **IN GENERAL.**—In carrying out paragraph (1)(C), a qualified State or local development company may submit to the Administration a proposed workout plan.

“(ii) **TIMING.**—Any request under this subparagraph shall be approved or denied by the Administration not later than 15 business days after the date on which the request is received by the Administration. If the Administration does not approve or deny a request for approval of a proposed workout plan before the expiration of the 15-business day period beginning on the date on which the request is received by the Administration, the Administration shall notify the qualified State or local development company, in writing, of the specific concerns of the Administration within that 15-business day period.

“(D) **COMPROMISE OF INDEBTEDNESS.**—In carrying out paragraph (1)(A), a qualified State or local development company may—

“(i) consider an offer made by an obligor to compromise the debt for less than the full amount owing; and

“(ii) pursuant to such an offer, release any obligor or other party contingently liable, if—

“(I) the State or local development company submits to the Administration a written request for that release; and

“(II) the Administration approves the request.

“(3) **CONFLICT OF INTEREST.**—A qualified State or local development company that is liquidating or foreclosing a loan under this section shall not take any action that would result in an actual or apparent conflict of interest between the qualified State or local development company, or any employee thereof, and any third party lender, associate of a third party lender, or any other person participating in any manner in the liquidation or foreclosure of the loan.

“(d) **SUSPENSION OR REVOCATION OF AUTHORITY.**—The authority of a qualified State or local development company to foreclose and liquidate loans under this section may be suspended or revoked by the Administration, if the Administration determines that the qualified State or local development company—

“(1) does not meet the requirements of subsection (b);

“(2) has failed to adhere to any applicable rule or regulation of the Administration, or has violated any other applicable provision of law; or

“(3) fails to comply with any reporting requirement that may be established by the Administration relating to the liquidation and foreclosure of loans.

“(e) **REPORT.**—

“(1) **IN GENERAL.**—Based on information provided by the qualified State and local development companies and the Administration, the Administration shall annually submit to the Committees on Small Business of the House of Representatives and the Senate a report on the results of the delegation of authority to qualified State and local development companies to liquidate and foreclose loans under this section.

“(2) **INFORMATION INCLUDED.**—Each report under this paragraph shall include the following information:

“(A) With respect to each qualified State or local development company authorized to foreclose and liquidate loans under this section, and

in the aggregate, for each loan foreclosed or liquidated by the qualified State or local development company, or for which loan losses were otherwise mitigated by the qualified State or local development company pursuant to a workout plan under this section—

“(i) the total cost of each project financed with the loan;

“(ii) the total original dollar amount guaranteed by the Administration;

“(iii) the total dollar amount of the loan at the time transferred into liquidation, foreclosure, or mitigation;

“(iv) the total dollar losses resulting from the liquidation, foreclosure, or mitigation; and

“(v) the total recoveries resulting from the liquidation, foreclosure, or mitigation, both as a percentage of the amount guaranteed and the total cost of the project financed.

“(B) **A comparison between—**

“(i) the information described in clauses (i) through (v) of subparagraph (A) with respect to loans foreclosed and liquidated, or for which loan losses were otherwise mitigated pursuant to a workout plan, by qualified State and local development companies under this section during the 12-month period preceding the date on which the report is submitted; and

“(ii) the same information with respect to loans foreclosed and liquidated by the Administration during that period.

“(C) The number of times that the Administration has failed to approve or deny a request for written approval of a liquidation plan, purchase of indebtedness, or workout plan within the time periods described in subparagraphs (A), (B), and (C) of subsection (c)(2).”.

(b) **REGULATIONS.**—

(1) **IN GENERAL.**—Not later than 150 days after the date of enactment of this Act, the Administrator of the Small Business Administration shall promulgate such regulations as may be necessary to carry out section 510 of the Small Business Investment Act of 1958, as added by subsection (a) of this section.

(2) **ELIMINATION OF PILOT PROGRAM.**—Effective on the date on which final regulations are promulgated under paragraph (1), section 204 of the Small Business Programs Improvement Act of 1996 (15 U.S.C. 695 note) is repealed.

(c) **PUBLIC POLICY GOALS.**—Section 501(d)(3)(C) of the Small Business Investment Act of 1958 (15 U.S.C. 695(d)(3)(C)) is amended by inserting “or women-owned business development” before the comma.

SEC. 205. SMALL BUSINESS FEDERAL CONTRACT SET-ASIDES.

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

(1) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively;

(2) by inserting after paragraph (1) the following:

“(2)(A) Not later than 180 days after the last day of each fiscal year, based on the reports submitted under paragraph (1) for that fiscal year, the Administration shall submit to the Committees on Small Business of the House of Representatives and the Senate a report, which shall include—

“(i) the information required by paragraph (3);

“(ii) a detailed description of the procurement data that is included in the reports submitted under paragraph (1) for that fiscal year, which shall identify—

“(I) any data on contracts from Federal agencies that is excluded from those reports, accompanied by an explanation for such exclusion; and

“(II) each Federal agency that has submitted a report that deviates from the requirements of paragraphs (3) and (4), accompanied by an explanation of the reasons for each such deviation;

“(iii) a detailed description of any change in statistical methodology used by any Federal agency that is reflected in any statistic in the

report submitted under paragraph (1) for that fiscal year, including any inclusion or exclusion of the value of any contracts or types of contracts in any statistic represented by the Federal agency in the report submitted under paragraph (1) as the total value of contracts or subcontracts awarded by the Federal agency or as the total value of contracts or subcontracts awarded to small business concerns; and

“(iv) with respect to each change in statistical methodology by a Federal agency described in clause (iii), a separate calculation (which shall be provided to the Administration by the Federal agency) of the total value of contracts for that fiscal year, using the statistical methodology used by the Federal agency during each of the 2 preceding fiscal years.

“(B)(i) Not less than 45 days before issuing any waiver or permissive letter allowing any Federal agency or group of agencies to make any change in statistical methodology described in subparagraph (A)(iii), the Administration shall submit to the Committees on Small Business of the House of Representatives and the Senate, and to the Chief Counsel for Advocacy of the Administration, a copy of that waiver or letter.

“(ii) Not later than 30 days after the submission of a waiver or letter under clause (i), the Chief Counsel for Advocacy of the Administration shall submit to the Committees on Small Business of the House of Representatives and the Senate, and to each affected Federal agency, the written comments of the Chief Counsel regarding the appropriateness of the decision of the Administration to issue the waiver or letter.”; and

(3) in paragraph (4), as redesignated, by striking “paragraph (2)” and inserting “paragraphs (2) and (3)”.

SEC. 206. ASSISTANCE FOR VETERANS.

(a) **DEFINITIONS.**—Section 3 of the Small Business Act (15 U.S.C. 632) is amended by adding at the end the following:

“(g) **DEFINITIONS RELATING TO VETERANS.**—In this Act:

“(1) **SERVICE-DISABLED VETERAN.**—The term ‘service-disabled veteran’ means a veteran with a disability that is service-connected (as defined in section 101(16) of title 38, United States Code).

“(2) **SMALL BUSINESS CONCERN OWNED AND CONTROLLED BY SERVICE-DISABLED VETERANS.**—The term ‘small business concern owned and controlled by service-disabled veterans’ means a small business concern—

“(A) not less than 51 percent of which is owned by 1 or more service-disabled veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by 1 or more service-disabled veterans; and

“(B) the management and daily business operations of which are controlled by 1 or more service-disabled veterans.

“(3) **SMALL BUSINESS CONCERN OWNED AND CONTROLLED BY VETERANS.**—The term ‘small business concern owned and controlled by veterans’ means a small business concern—

“(A) not less than 51 percent of which is owned by 1 or more veterans or, in the case of any publicly owned business, not less than 51 percent of the stock of which is owned by 1 or more veterans; and

“(B) the management and daily business operations of which are controlled by 1 or more veterans.

“(4) **VETERAN.**—The term ‘veteran’ has the meaning given the term in section 101(2) of title 38, United States Code.”.

(b) **OFFICE OF VETERANS BUSINESS DEVELOPMENT.**—

(1) **ASSOCIATE ADMINISTRATOR FOR VETERANS BUSINESS DEVELOPMENT.**—Section 4(b)(1) of the Small Business Act (15 U.S.C. 633(b)(1)) is amended—

(A) in the fifth sentence, by striking “four” and inserting “5”; and

(B) by inserting after the fifth sentence the following: "One shall be the Associate Administrator for Veterans Business Development, who shall administer the Office of Veterans Business Development established under section 32."

(2) **ESTABLISHMENT OF OFFICE.**—The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(A) by redesignating section 32 as section 33; and

(B) by inserting after section 31 the following:

"SEC. 32. VETERANS PROGRAMS.

"(a) OFFICE OF VETERANS BUSINESS DEVELOPMENT.—

"(1) ESTABLISHMENT.—There is established in the Administration an Office of Veterans Business Development, which shall be administered by the Associate Administrator for Veterans Business Development (in this section referred to as the 'Associate Administrator') appointed under section 4(b)(1).

"(2) ASSOCIATE ADMINISTRATOR FOR VETERANS BUSINESS DEVELOPMENT.—The Associate Administrator shall be—

"(A) a career appointee in the competitive service or in the Senior Executive Service; and

"(B) responsible for the formulation and execution of the policies and programs of the Administration that provide assistance to small business concerns owned and controlled by veterans and small business concerns owned and controlled by service-disabled veterans.

"(b) ADVISORY COMMITTEE ON VETERANS BUSINESS AFFAIRS.—

"(1) IN GENERAL.—There is established an advisory committee to be known as the Advisory Committee on Veterans Business Affairs (in this subsection referred to as the 'Committee'), which shall serve as an independent source of advice and policy recommendations to the Administrator (through the Associate Administrator), to Congress, and to the President.

"(2) MEMBERSHIP.—

"(A) IN GENERAL.—The Committee shall be composed of 15 members, each of whom shall be appointed by the Administrator, of whom—

"(i) 8 shall be veterans who are owners of small business concerns; and

"(ii) 7 shall be representatives of national veterans service organizations.

"(B) POLITICAL AFFILIATION.—Not more than 8 members of the Committee shall be of the same political party as the President.

"(C) PROHIBITION ON FEDERAL EMPLOYMENT.—No member of the Committee may be an officer or employee of the Federal Government. If any member of the Committee commences employment as an officer or employee of the Federal Government after the date on which the member is appointed to the Committee, the member may continue to serve as a member of the Committee for not more than 30 days after the date on which the member commences employment as such an officer or employee.

"(D) SERVICE TERM.—Each member of the Committee shall serve for a term of 3 years.

"(E) VACANCIES.—Not later than 30 days after the date on which a vacancy in the membership of the Committee occurs, the vacancy be filled in the same manner as the original appointment.

"(F) CHAIRPERSON.—The Committee shall select a Chairperson from among the members of the Committee. Any vacancy in the office of the Chairperson of the Committee shall be filled by the Committee at the first meeting of the Committee following the date on which the vacancy occurs.

"(G) INITIAL APPOINTMENTS.—Not later than 60 days after the date of enactment of this Act, the Administrator shall appoint the initial members of the Committee.

"(3) DUTIES.—The Committee shall—

"(A) review, coordinate, and monitor plans and programs developed in the public and private sectors, that affect the ability of veteran-owned business enterprises to obtain capital and credit;

"(B) promote and assist in the development of business information and surveys relating to veterans;

"(C) monitor and promote the plans, programs, and operations of the departments and agencies of the Federal Government that may contribute to the establishment and growth of veteran's business enterprises;

"(D) develop and promote new initiatives, policies, programs, and plans designed to foster veteran's business enterprises; and

"(E) advise and assist in the design of a comprehensive plan, which shall be updated annually, for joint public-private sector efforts to facilitate growth and development of veteran's business enterprises.

"(4) POWERS.—

"(A) HEARINGS.—The Committee may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Committee considers advisable to carry out the duties of the Committee under this subsection.

"(B) INFORMATION FROM FEDERAL AGENCIES.—The Committee may secure directly from any department or agency of the Federal Government such information as the Committee considers to be necessary to carry out the duties of the Committee under this subsection. Upon request of the Chairperson of the Committee, the head of such department or agency shall furnish such information to the Committee.

"(C) POSTAL SERVICES.—The Committee may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

"(D) GIFTS.—The Committee may accept, use, and dispose of gifts or donations of services or property.

"(5) MEETINGS.—

"(A) IN GENERAL.—The Committee shall meet not less than biannually at the call of the Chairperson, and otherwise upon the request of the Administrator.

"(B) LOCATION.—Each meeting of the full Committee shall be held at the headquarters of the Administration located in Washington, District of Columbia. The Administrator shall provide suitable meeting facilities and such administrative support as may be necessary for each meeting of the Committee.

"(6) PERSONNEL MATTERS.—

"(A) NO COMPENSATION.—Members of the Committee shall serve without compensation for their services to the Committee.

"(B) TRAVEL EXPENSES.—The members of the Committee shall be reimbursed for travel and subsistence expenses in the same manner and to the same extent as members of advisory boards and committees under section 8(b)(13).

"(C) SCORE PROGRAM.—The Administrator shall enter into a memorandum of understanding with the Service Core of Retired Executives (in this subsection referred to as 'SCORE') participating in the program under section 8(b)(1)(B) for—

"(1) the appointment by SCORE in its national office of a National Veterans Business Coordinator, whose exclusive duties shall be those relating to veterans' business matters, and who shall be responsible for the establishment and administration of a program to provide entrepreneurial counseling and training to veterans through the chapters of SCORE throughout the United States;

"(2) the establishment and maintenance of a toll-free telephone number and an Internet website to provide access for veterans to information about the entrepreneurial services available to veterans through SCORE; and

"(3) the collection of statistics concerning services provided by SCORE to veterans and service-disabled veterans and the inclusion of those statistics in each annual report published by the Administrator under section 4(b)(2)(B).

"(d) ANNUAL REPORT.—Beginning on March 31, 2000, and on March 31 of each year thereafter, the Administrator shall submit to the Committees on Small Business of the House of Representative and the Senate a report on the needs of small business concerns owned by con-

trolled by veterans and small business concerns owned and controlled by service-disabled veterans, which shall include—

"(1) the availability of programs of the Administration for and the degree of utilization of those programs by those small business concerns during the 12-month period preceding the date on which the report is submitted;

"(2) the percentage and dollar value of Federal contracts awarded to those small business concerns during the 12-month period preceding the date on which the report is submitted; and

"(3) proposed methods to improve delivery of all Federal programs and services that could benefit those small business concerns.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$2,500,000 for each fiscal year."

(c) OFFICE OF ADVOCACY.—Section 202 of Public Law 94-305 (15 U.S.C. 634b) is amended—

(1) in paragraph (10), by striking "and" at the end;

(2) in paragraph (11), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(12) evaluate the efforts of each Federal agency and of private industry to assist small business concerns owned and controlled by veterans and small business concerns owned and controlled by service-disabled veterans, and make appropriate recommendations to the Administrator and to Congress in order to promote the establishment and growth of those small business concerns."

(d) MICROLOAN PROGRAM.—Section 7(m)(1)(A)(i) of the Small Business Act (15 U.S.C. 636(m)(1)(A)(i)) is amended by striking "low-income, and" and inserting "low-income individuals, veterans,"

SEC. 207. SECTION 7(a) LOAN PROGRAM.

Section 7(a)(4) of the Small Business Act (15 U.S.C. 636(a)(4)) is amended—

(1) by striking "(4)" and all that follows through "Notwithstanding" and inserting the following:

"(4) INTEREST RATES.—Notwithstanding"; and

(2) by striking subparagraph (B).

SEC. 208. DISASTER MITIGATION PILOT PROGRAM.

(a) IN GENERAL.—Section 7(b)(1) of the Small Business Act (15 U.S.C. 636(b)(1)) is amended—

(1) in subparagraph (B), by adding "and" at the end; and

(2) by adding at the end the following:

"(C) during fiscal years 1999 through 2003, to establish a pre-disaster mitigation program to make such loans (either directly or in cooperation with banks or other lending institutions through agreements to participate on an immediate or deferred (guaranteed) basis), as the Administrator may determine to be necessary or appropriate, to enable small businesses to install mitigation devices or to take preventive measures to protect against disasters, in support of a formal mitigation program established by the Federal Emergency Management Agency, except that no loan or guarantee shall be extended to a small business under this subparagraph unless the Administration finds that the small business is otherwise unable to obtain credit for the purposes described in this subparagraph;"

(b) AUTHORIZATION OF APPROPRIATIONS.—Section 20 of the Small Business Act (15 U.S.C. 631 note) is amended by adding at the end the following:

"(f) DISASTER MITIGATION PILOT PROGRAM.—The following program levels are authorized for loans under section 7(b)(1)(C):

"(1) \$15,000,000 for fiscal year 1999.

"(2) \$15,000,000 for fiscal year 2000.

"(3) \$15,000,000 for fiscal year 2001.

"(4) \$15,000,000 for fiscal year 2002.

"(5) \$15,000,000 for fiscal year 2003."

(c) EVALUATION.—On January 31, 2001, the Administrator of the Small Business Administration shall submit to the Committees on Small Business of the House of Representatives and

the Senate a report on the effectiveness of the pilot program authorized by section 7(b)(1)(C) of the Small Business Act (15 U.S.C. 636(b)(1)(C)), as added by subsection (a) of this subsection, which report shall include—

- (1) information relating to—
 - (A) the areas served under the pilot program;
 - (B) the number and dollar value of loans made under the pilot program; and
 - (C) the estimated savings to the Federal Government resulting from the pilot program; and
- (2) other such information as the Administrator determines to be appropriate in evaluating the pilot program.

SEC. 209. MICROLOAN PROGRAM.

(a) IN GENERAL.—Section 7(m) of the Small Business Act (15 U.S.C. 636(m)) is amended—

- (1) in paragraph (7)—
 - (A) by striking “(7)” and all that follows through “During the program” and inserting the following:
 - “(7) PROGRAM FUNDING FOR MICROLOANS.—During the program”; and
 - (B) by striking subparagraph (B); and
 - (2) in paragraph (8)—
 - (A) by inserting “and providing funding to intermediaries” after “program applicants”; and
 - (B) by inserting “and provide funding to” after “shall select”.
- (b) LOAN LOSS RESERVE.—Section 7(m)(3)(D) of the Small Business Act (15 U.S.C. 636(m)(3)(D)) is amended—
 - (1) in the first sentence, by striking “The Administrator” and inserting the following:
 - “(i) IN GENERAL.—The Administrator”; and
 - (2) by striking the second sentence and inserting the following:
 - “(ii) LEVEL OF LOAN LOSS RESERVE FUND.—
 - “(I) IN GENERAL.—Subject to subclause (II), the Administration shall require the loan loss reserve fund to be maintained at a level equal to not more than 15 percent of the outstanding balance of the microloans owed to the intermediary.
 - “(II) REDUCTION OF LOAN LOSS RESERVE REQUIREMENT.—After the initial 5 years of an intermediary's participation in the program under this subsection, upon the initial request of the intermediary made at any time after that period, the Administrator shall annually conduct a review of the average annual loss rate of the intermediary and, if the intermediary demonstrates to the satisfaction of the Administrator that the average annual loss rate for the intermediary during the preceding 5-year period is less than 15 percent, and the Administrator determines that no other factor exists that is likely to impair the ability of the intermediary to repay all obligations owed to the Administration under this subsection, the Administrator shall reduce that annual loan loss reserve requirement to reflect the actual average annual loss rate for that intermediary during that period, except that in no case shall the loan loss reserve requirement for an intermediary be reduced to less than 10 percent of the outstanding balance of the microloans owed to the intermediary.”.

“(i) IN GENERAL.—The Administrator”; and

“(ii) LEVEL OF LOAN LOSS RESERVE FUND.—

“(I) IN GENERAL.—Subject to subclause (II), the Administration shall require the loan loss reserve fund to be maintained at a level equal to not more than 15 percent of the outstanding balance of the microloans owed to the intermediary.

“(II) REDUCTION OF LOAN LOSS RESERVE REQUIREMENT.—After the initial 5 years of an intermediary's participation in the program under this subsection, upon the initial request of the intermediary made at any time after that period, the Administrator shall annually conduct a review of the average annual loss rate of the intermediary and, if the intermediary demonstrates to the satisfaction of the Administrator that the average annual loss rate for the intermediary during the preceding 5-year period is less than 15 percent, and the Administrator determines that no other factor exists that is likely to impair the ability of the intermediary to repay all obligations owed to the Administration under this subsection, the Administrator shall reduce that annual loan loss reserve requirement to reflect the actual average annual loss rate for that intermediary during that period, except that in no case shall the loan loss reserve requirement for an intermediary be reduced to less than 10 percent of the outstanding balance of the microloans owed to the intermediary.”.

SEC. 210. REAL ESTATE APPRAISALS.

(a) SMALL BUSINESS INVESTMENT ACT OF 1958.—Section 502(3) of the Small Business Investment Act of 1958 (15 U.S.C. 696(3)) is amended by adding at the end the following:

“(F) REAL ESTATE APPRAISALS.—

“(i) LOANS EXCEEDING \$250,000.—Notwithstanding any other provision of law, if a loan under this section involves the use of more than \$250,000 of the loan proceeds for a real estate transaction, prior to disbursement of the loan, the Administrator shall require an appraisal of the real estate by a State licensed or certified appraiser.

“(ii) LOANS OF \$250,000 OR LESS.—Notwithstanding any other provision of law, if a loan under this subsection involves the use of \$250,000 or less of the loan proceeds for a real es-

tate transaction, prior to disbursement of the loan, the participating lender may, in accordance with the policy of the participating lender with respect to loans made without a government guarantee, require an appraisal of the real estate by a State licensed or certified appraiser.

“(iii) DEFINITION.—In this subparagraph, the term ‘real estate transaction’ includes the acquisition or construction of land or a building and any improvement to land or to a building.”.

(b) SMALL BUSINESS ACT.—Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended by adding at the end the following:

“(27) REAL ESTATE APPRAISALS.—

“(A) LOANS EXCEEDING \$250,000.—Notwithstanding any other provision of law, if a loan guaranteed under this subsection involves the use of more than \$250,000 of the loan proceeds for a real estate transaction, prior to disbursement of the loan, the Administrator shall require an appraisal of the real estate by a State licensed or certified appraiser.

“(B) LOANS OF \$250,000 OR LESS.—Notwithstanding any other provision of law, if a loan guaranteed under this subsection involves the use of \$250,000 or less of the loan proceeds for a real estate transaction, prior to disbursement of the loan, the participating lender may, in accordance with the policy of the participating lender with respect to loans made without a government guarantee, require an appraisal of the real estate by a State licensed or certified appraiser.

“(C) DEFINITION.—In this paragraph, the term ‘real estate transaction’ includes the acquisition or construction of land or a building and any improvement to land or to a building.”.

SEC. 211. COMMUNITY DEVELOPMENT VENTURE CAPITAL DEMONSTRATION PROGRAM.

(a) FINDINGS.—Congress finds that—

(1) there is a need for the development and expansion of organizations that provide private equity capital to smaller businesses in areas in which equity-type capital is scarce, such as inner cities and rural areas, in order to create and retain jobs for low-income residents of those areas;

(2) to invest successfully in smaller businesses, particularly in inner cities and rural areas, requires highly specialized investment and management skills;

(3) there is a shortage of professionals who possess such skills and there are few training grounds for individuals to obtain those skills;

(4) providing assistance to organizations that provide specialized technical assistance and training to individuals and organizations seeking to enter or expand in this segment of the market would stimulate small business development and entrepreneurship in economically distressed communities; and

(5) assistance from the Federal Government could act as a catalyst to attract investment from the private sector and would help to develop a specialized venture capital industry focused on creating jobs, increasing business ownership, and generating wealth in low-income communities.

(b) COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.—The Small Business Act (15 U.S.C. 631 et seq.) is amended—

(1) by redesignating section 33 (as redesignated by section 206(b)(2) of this Act) as section 34; and

(2) by inserting after section 32 (as added by section 206(b)(2) of this Act) the following:

“SEC. 33. COMMUNITY DEVELOPMENT VENTURE CAPITAL ACTIVITIES.

“(a) DEFINITIONS.—In this section:

“(1) COMMUNITY DEVELOPMENT VENTURE CAPITAL ORGANIZATION.—The term ‘community development venture capital organization’ means a privately-controlled organization that—

“(A) has a primary mission of promoting community development in low-income communities, as defined by the Administrator, through investment in private business enterprises; or

“(B) administers or is in the process of establishing a community development venture capital fund for the purpose of making equity investments in private business enterprises in such communities.

“(2) DEVELOPMENTAL ORGANIZATION.—The term ‘developmental organization’—

“(A) means a public or private entity, including a college or university, that provides technical assistance to community development venture capital organizations or that conducts research or training in community development venture capital investment; and

“(B) may include an intermediary organization.

“(3) INTERMEDIARY ORGANIZATION.—The term ‘intermediary organization’—

“(A) means a private, nonprofit entity that has—

“(i) a primary mission of promoting community development through investment in private businesses in low-income communities; and

“(ii) significant prior experience in providing technical assistance or financial assistance to community development venture capital organizations;

“(B) may include community development venture capital organizations.

(b) AUTHORITY.—In order to promote the development of community development venture capital organizations, the Administrator, may—

“(1) enter into contracts with 1 or more developmental organizations to carry out training and research activities under subsection (c); and

“(2) make grants in accordance with this section—

“(A) to developmental organizations to carry out training and research activities under subsection (c); and

“(B) to intermediary organizations to provide intensive marketing, management, and technical assistance and training to community development venture capital organizations under subsection (d).

“(c) TRAINING AND RESEARCH ACTIVITIES.—

“(1) IN GENERAL.—Subject to paragraph (2), a developmental organization that receives a grant under subsection (b) shall use the funds made available through the grant for 1 or more of the following training and research activities:

“(A) STRENGTHENING PROFESSIONAL SKILLS.—Creating and operating training programs to enhance the professional skills for individuals in community development venture capital organizations or operating private community development venture capital funds.

“(B) INCREASING INTEREST IN COMMUNITY DEVELOPMENT VENTURE CAPITAL.—Creating and operating a program to select and place students and recent graduates from business and related professional schools as interns with community development venture capital organizations and intermediary organizations for a period of up to 1 year, and to provide stipends for such interns during the internship period.

“(C) PROMOTING ‘BEST PRACTICES’.—Organizing an annual national conference for community development venture capital organizations to discuss and share information on the best practices regarding issues relevant to the creation and operation of community development venture capital organizations.

“(D) MOBILIZING ACADEMIC RESOURCES.—Encouraging the formation of 1 or more centers for the study of community development venture capital at graduate schools of business and management; providing funding for the development of materials for courses on topics in this area; and providing funding for research on economic, operational, and policy issues relating to community development venture capital.

“(2) LIMITATION.—The Administrator shall ensure that not more than 25 percent of the amount made available to carry out this section is used for activities described in paragraph (1).

“(d) INTENSIVE MARKETING, MANAGEMENT, AND TECHNICAL ASSISTANCE AND TRAINING.—An intermediary organization that receives a grant

under subsection (b) shall use the funds made available through the grant to provide intensive marketing, management, and technical assistance and training to promote the development of community development venture capital organizations, which assistance may include grants to community development venture capital organizations for the start up costs and operating support of those organizations.

“(e) **MATCHING REQUIREMENT.**—The Administrator shall require, as a condition of any grant made to an intermediary organization under this section, that a matching amount equal to the amount of such grant be provided from sources other than the Federal Government.

“(f) **REQUIREMENTS.**—The Administrator may promulgate such regulations as may be necessary to carry out this section, which regulations may take effect upon issuance.

“(g) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to carry out this section a total of \$20,000,000 for fiscal years 1999 through 2002.”.

SEC. 212. TECHNICAL AMENDMENTS.

(a) **SMALL BUSINESS ACT.**—Section 3(p) of the Small Business Act (15 U.S.C. 632(p)) is amended—

(1) in paragraph (1)(A), by inserting “located in a metropolitan statistical area (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986)” before the semicolon;

(2) in paragraph (3)(B), by striking “; or” at the end and inserting a period; and

(3) in paragraph (4)—

(A) in subparagraph (A), by striking “(I)”;

and

(B) in subparagraph (B)—

(i) in clause (ii), by striking “(ii)” and inserting “(I)”; and

(ii) in clause (i), by striking “Department of Commerce” and all that follows through “median household” and inserting the following: “Department of Commerce, is not located in a metropolitan statistical area (as defined in section 143(k)(2)(B) of the Internal Revenue Code of 1986); and

“(ii)(I) in which the median household”.

(b) **SMALL BUSINESS INVESTMENT ACT OF 1958.**—Section 101 of the Small Business Investment Act of 1958 (15 U.S.C. 661 note) is amended by striking the table of contents.

TITLE III—SMALL BUSINESS ENVIRONMENTAL ASSISTANCE PILOT PROGRAM

SEC. 301. PILOT PROGRAM.

The Small Business Act (15 U.S.C. 637 et seq.) is amended by inserting after section 21A the following:

“SEC. 21B. SMALL BUSINESS ENVIRONMENTAL ASSISTANCE PILOT PROGRAM.

“(a) **DEFINITIONS.**—In this section:

“(1) **ADVISORY COMMITTEE.**—The term ‘Advisory Committee’ means the Advisory Committee on Small Business Environmental Assistance Programs established under subsection (b).

“(2) **ADVOCACY CHAIR.**—The term ‘Advocacy Chair’ means the Chair of Small Business Advocacy of the Environmental Protection Agency.

“(3) **ASSISTANT ADMINISTRATOR.**—The term ‘Assistant Administrator’ means the Assistant Administrator for Small Business Development Centers of the Administration.

“(4) **CHIEF COUNSEL.**—The term ‘Chief Counsel’ means the Chief Counsel of the Office of Advocacy of the Administration.

“(5) **EPA ADMINISTRATOR.**—The term ‘EPA Administrator’ means the Administrator of the Environmental Protection Agency.

“(6) **PARTICIPATING SMALL BUSINESS DEVELOPMENT CENTER.**—The term ‘participating small business development center’ means a small business development center selected under subsection (c) to participate in the demonstration program under this section.

“(7) **SMALL BUSINESS DEVELOPMENT CENTER.**—The term ‘small business development center’—

“(A) means a small business development center established pursuant to section 21; and

“(B) includes a consortium of 2 or more small business development centers.

“(b) **ADVISORY COMMITTEE ON SMALL BUSINESS ENVIRONMENTAL ASSISTANCE PROGRAMS.**—

“(1) **IN GENERAL.**—There is established an advisory committee to be known as the Advisory Committee on Small Business Environmental Assistance Programs which shall provide advice and recommendations to the Administration, the EPA Administrator, and Congress on the manner in which to enhance existing programs designed to improve the environmental performance of small businesses.

“(2) **MEMBERSHIP.**—

“(A) **IN GENERAL.**—The Advisory Committee shall be composed of the following members:

“(i) 1 member shall be the Chief Counsel, who shall serve as the Chairperson of the Advisory Committee.

“(ii) 1 member shall be the Assistant Administrator.

“(iii) 1 member shall be the Advocacy Chair.

“(iv) Not more than 15 additional members, each of whom shall be appointed by the Chief Counsel after consultation with the Assistant Administrator and the Advocacy Chair, of whom—

“(I) not more than 7 members shall be representatives of small business concerns or trade associations of small business concerns;

“(II) not more than 4 members shall be representatives of small business development centers selected by the Assistant Administrator; and

“(III) not more than 4 members shall be representatives of small business technical assistance programs selected by the EPA Administrator.

“(B) **SERVICE OF MEMBERS.**—Each member of the Advisory Committee shall serve for a term of 1 year.

“(C) **VACANCIES.**—If a vacancy in the membership of the Advisory Committee occurs, the vacancy shall be filled at the discretion of the Advisory Committee.

“(D) **APPOINTMENTS.**—Not later than 60 days after the date of enactment of this subsection, the Chief Counsel shall appoint the members of the Advisory Committee.

“(3) **DUTIES.**—The Advisory Committee shall—

“(A) review each program under the jurisdiction of the Administration or the EPA Administrator that is designed to assist the small business concerns in complying with environmental laws and regulations or to enhance the environmental performance of small business concerns, including the programs established under section 21 of this Act, section 213 of the Small Business Regulatory Enforcement Fairness Act of 1996, and section 507 of the Clean Air Act;

“(B) develop a strategy to enhance the efficacy of the programs described in subparagraph (A) in assisting small businesses to comply with environmental laws and regulations and improve their environmental performance through such means as—

“(i) improved techniques for measuring program achievement;

“(ii) innovative compliance assistance demonstration projects; and

“(iii) strengthening the capabilities of State and local programs;

“(C) develop recommendations regarding the types of pilot programs that would implement the strategy developed under subparagraph (B); and

“(D) not later than September 30, 1999, submit to the Administration, the EPA Administrator, and the Committees on Small Business of the House of Representatives and the Senate, a report on the strategy developed under subparagraph (B) and the recommendations developed under subparagraph (C).

“(4) **POWERS.**—

“(A) **INFORMATION FROM FEDERAL AGENCIES.**—The Advisory Committee may secure directly from any department or agency of the Federal Government such information as the Advisory Committee considers to be necessary to carry out

the duties of the Advisory Committee under this subsection. Upon request of the Chairperson of the Advisory Committee, the head of such department or agency shall furnish such information to the Advisory Committee.

“(B) **GIFTS AND DONATIONS.**—The Advisory Committee may accept, use, and dispose of gifts or donations of services or property.

“(5) **MEETINGS.**—

“(A) **IN GENERAL.**—The Advisory Committee shall meet not less than twice during fiscal year 1999, and otherwise upon request of the Chief Counsel.

“(B) **LOCATION.**—Each meeting of the Advisory Committee shall be held at the office of the Chief Counsel located in Washington, D.C., or such other location as the Chief Counsel may specify. The Chief Counsel shall provide suitable meeting facilities and such administrative support as may be necessary for each meeting of the Advisory Committee.

“(6) **PERSONNEL MATTERS.**—

“(A) **NO COMPENSATION.**—Members of the Advisory Committee shall serve without compensation for their services to the Advisory Committee.

“(B) **TRAVEL EXPENSES.**—The members of the Advisory Committee shall be reimbursed for travel and subsistence expenses in the same manner and to the same extent as members of Regional Small Business Regulatory Fairness Boards established under section 30(c).

“(C) **INDEPENDENT NATIONAL ASSESSMENT.**—Not later than March 1, 2003, the Comptroller General of the United States shall submit to the Committees on Small Business of the House of Representatives and the Senate an evaluation of the demonstration program established under this section. The criteria for such evaluation shall be based on the strategy and recommendation in the Advisory Committee report and developed under the direction of the Committees on Small Business of the House of Representatives and the Senate.

“(7) **TERMINATION.**—The Advisory Committee shall terminate on the date on which the report is submitted under subsection (b)(3)(D).

“(c) **DEMONSTRATION PROGRAM.**—

“(1) **NOTICE OF PROGRAM ESTABLISHMENT.**—Not later than 60 days after the date on which the Advisory Committee submits the report under subsection (b)(3)(D), the Administration shall publish in the Federal Register a notice of the demonstration program under this section, which shall include application requirements for small business development centers seeking to participate in the program, including selection criteria based on the strategy and recommendation included in the report of the Advisory Committee under subsection (b)(3)(D).

“(2) **APPLICATIONS.**—Not later than 60 days after the date on which the notice is published under paragraph (1), each small business development center seeking to participate in the pilot program under this section shall submit to the Administration an application that meets the requirements described in paragraph (1).

“(3) **SELECTION OF PARTICIPATING SMALL BUSINESS DEVELOPMENT CENTERS.**—

“(A) **IN GENERAL.**—Not later than 90 days after the date on which the notice is published under paragraph (1), the Administration shall select, from among applicants under paragraph (2), 10 small business development centers to participate in the demonstration program under this section.

“(B) **ADDITIONAL SELECTION CRITERIA.**—In carrying out subparagraph (A), the Administration shall—

“(i) give highest priority to applicants that—

“(I) form a partnership between small business development centers and State small business stationary source technical and compliance assistance programs (established under section 507 of the Clean Air Act) or other environmental assistance providers, including trade associations; and

“(II) demonstrate a cooperative approach utilizing the relative strengths of each; and

"(ii) to the extent practicable, select 1 small business development center from each region of the United States for which there is a regional office of the Environmental Protection Agency.

"(d) GRANTS TO PARTICIPATING SMALL BUSINESS DEVELOPMENT CENTERS.—

"(1) IN GENERAL.—Not later than 60 days after the date on which the Administration selects a small business development center to receive a grant, the Administration shall make a grant to the participating small business development center.

"(2) GRANT AMOUNT.—

"(A) IN GENERAL.—Subject to subparagraph (B), the total amount made available under this subsection to a participating small business development center for any fiscal year shall be not more than \$400,000.

"(B) EXCEPTION.—Amounts made available to a small business development center by the Administration or another agency to carry out section 21(c)(3)(G) shall not be included in the calculation of maximum funding of a small business development center under subparagraph (A).

"(C) NO MATCHING REQUIREMENT.—Notwithstanding section 21(a)(4), the Administration shall not require, as a condition of any grant made to a small business development center under this subsection, that a matching amount be provided from sources other than the Federal Government.

"(e) AUTHORIZATION OF APPROPRIATIONS.—

"(1) IN GENERAL.—There is authorized to be appropriated to carry out this section—

"(A) \$500,000 for fiscal year 1999, which shall be used for direct support and reimbursement for costs of the Advisory Committee; and

"(B) \$4,000,000 for each of fiscal years 2000 through 2003, of which not more than 6 percent may be used for administrative expenses.

"(2) ADMINISTRATIVE COSTS.—

"(A) IN GENERAL.—Not more than 6 percent of the amount made available under paragraph (1)(B) in each fiscal year may be used by the Administration for the costs of administration, evaluation, and reporting under this section, which shall include costs associated with the employee designated under subparagraph (B).

"(B) FULL-TIME EMPLOYEE.—The Administration shall designate an employee of the Administration to assist in administering the pilot program under this section on a full-time basis."

AMENDMENT NO. 3674

(Purpose: To make an amendment relating to small business Federal contract set-asides)

Mr. SHELBY. Mr. President, Senator BOND has an amendment at the desk. I ask for its consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Alabama [Mr. SHELBY], for Mr. BOND, proposes an amendment numbered 3674.

The amendment is as follows:

Strike section 205 of the bill and insert the following:

SEC. 205. SMALL BUSINESS FEDERAL CONTRACT SET-ASIDES.

(a) ANNUAL COMPREHENSIVE REPORT.—

(1) IN GENERAL.—Section 15(h) of the Small Business Act (15 U.S.C. 644(h)) is amended—

(A) in paragraph (1)—

(i) by striking "At the conclusion of each fiscal year" inserting "(A) Not later than April 15 of each year";

(ii) in the first sentence, by inserting "during the fiscal year that ended on September 30 of the preceding year" before the period; and

(iii) by adding at the end the following:

"(B)(i) Not later than May 15 of each year, the Administration shall submit to the Com-

mittees on Small Business of the House of Representatives and the Senate a comprehensive report on the extent of the participation by small business concerns described in subparagraph (A) in procurement contracts during the fiscal year that ended on September 30 of the preceding year. In preparing the report, the Administration shall use the data from the reports submitted to the Administration for that fiscal year under subparagraph (A), and the Federal Procurement Data System.

"(ii) Each comprehensive report under this subparagraph shall include a detailed description and qualitative analysis of the procurement data submitted to the Administration under subparagraph (A).

"(iii)(I) The description and analysis included under clause (ii) shall include a reconciliation of the apparent differences, if any, between the small business participation levels reported for that fiscal year and the small business participation levels reported for preceding fiscal years, that result from differences in classification or reporting of data under this subsection. In the report, the Administration shall identify the differences in classification or reporting, as the case may be, and set forth the statistics on total dollar values for the later fiscal year as those statistics would have been calculated if the categories of contracts had been classified or otherwise reported without the differences.

"(II) The total dollar values referred to in subclause (I) are the total dollar values of prime contracts awarded, total dollar values of subcontracts awarded, and total dollar values of prime contracts and subcontracts awarded to small businesses."

(B) in paragraph (2), by striking "paragraph (1)" and inserting "paragraph (1)(A)"; and

(C) by adding at the end the following:

"(4)(A) The Administration may not issue a waiver or permissive letter authorizing the head of a Federal agency or the heads of any group of Federal agencies to change the statistical methodology used for meeting the reporting requirements of paragraph (1)(A) or (2) unless, when issued, the waiver or permissive letter is accompanied by the comments of the Chief Counsel for Advocacy regarding the appropriateness of the decision of the Administration to issue the waiver or letter.

"(B) No waiver or permissive letter referred to in subparagraph (A) shall be effective until—

"(i) the Administration submits a copy of the waiver or permissive letter, together with the comments of the Chief Counsel for Advocacy, to the Committees on Small Business of the House of Representatives and the Senate; and

"(ii) 30 days have elapsed since the date of the submission to the committees under clause (i)."

(2) INAPPLICABILITY OF CONTENT REQUIREMENT TO FISCAL YEAR 1998 REPORT.—Clause

(iii) of subparagraph (B) of section 15(h)(1) of the Small Business Act, as added by paragraph (1)(A)(iii) of this subsection, does not apply to the comprehensive report submitted under that subparagraph for fiscal year 1998.

(b) HUBZONE PROGRAM.—Section 602(b)(2) of the Small Business Reauthorization Act of 1997 (15 U.S.C. 657a note) is amended—

(1) in subparagraph (I), by striking "and" at the end;

(2) in subparagraph (J), by striking the period at the end and inserting "; and"; and

(3) by adding at the end the following:

"(K) the Department of Labor."

Mr. BOND. Mr. President, I rise today in support of H.R. 3412, the Year 2000 Readiness and Small Business Pro-

grams Restructuring and Reform Act of 1998. On September 15, 1998, the Committee on Small Business conducted a mark-up of H.R. 3412, a bill making technical amendments to the SBIC Program which passed the House of Representatives on March 24, 1998, and was referred to the Committee on Small Business.

The Committee approved 18-0 my amendment in the nature of a substitute to H.R. 3412, which included the Year 2000 Readiness Act (S. 2372), the Small Business Restructuring and Reform Act of 1998 (S. 2407) and portions of Senator KERRY's bill, the Small Business Loan Enhancement Act (S. 2448). Prior to approving my substitute amendment, the Committee approved seven amendments by unanimous voice votes.

TITLE I

Title I addresses the Committee's concerns about the impact the Year 2000 computer problem will have on small businesses. Earlier this year, the Committee held a hearing on this problem, and the witnesses' testimony was alarming. The majority of small businesses that are likely to have Y2K computer failures are unprepared. In a study conducted by Wells Fargo Bank and the NFIB, there are an estimated 4,750,000 small employers who will encounter Y2K problems. However, only 15 percent of all businesses with under 200 employees have begun to inventory the automated systems that may be affected by this computer glitch, much less commenced fixing such systems.

Given the impact that a substantial number of small business failures would have on our Nation's economy, the Committee determined that it was not only important for small businesses to be aware of the Y2K problem, but that they also had to have access to capital to fix such problems. H.R. 3412 directs SBA to establish a limited-term loan program under the FASTRAK pilot program that would guarantee 50 percent of the principal amount of a loan made by a private lender to assist small businesses in correcting Y2K computer problems. The Committee adopted an amendment sponsored by Senator KERRY that states that all SBA-approved lenders under the 7(a) loan program may also make loans for Y2K corrections under the 7(a) loan program.

Since I became Chairman of the Committee in 1995, the Committee has maintained an active role overseeing credit programs at the Small Business Administration. To assist the Committee in conducting its oversight of these credit programs, H.R. 3412 includes a new provision that requires SBA to provide notification to the Senate and House Committees on Small Business whenever it initiates or changes a pilot program under the 7(a) loan program. Further, SBA is required to report annually to the Committees on the status of each pilot program. Such report will include the number and amount of

loans, the number of lenders participating, and the default rate, delinquency rate, and recovery rate for loans made under each pilot program.

TITLE II

Title II of the Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998 includes improvements in Federal Programs that are in great demand by small firms. Just last year, the Committee approved a significant increase in the Women's Business Center Program. Demands being placed on this program are exceeding last year's estimates, and H.R. 3412 increases the annual authorization level for grants from \$8 million to \$12 million. To assist the Committee in its oversight role, the bill directs the Comptroller General to conduct a baseline study and a follow-up study on the management of the Women's Business Center Program by SBA's Office of Women's Business Ownership.

Last year, the Committee approved an increase from 20 percent to 23 percent in the amount of Federal prime contract dollars that will be set aside each year for small businesses. This goal is extremely important to the viability of thousands of small firms. Importantly, the Federal government is also a big winner, since small businesses deliver high quality, competitively priced goods and services.

The managers' amendment that Senator KERRY and I have offered amends a provision in H.R. 3412 that requires SBA to report annually to the Senate and House Committees on Small Business on the success of each Federal agency in meeting the 23 percent goal. The provision in the bill was crafted after the Committee received a report issued in April 1998 by the Department of Energy's Office of Inspector General that indicates that the Department of Energy exploited a change in its statistical methodology to inflate its small business contracting achievements.

The managers' amendment refines the provision contained in H.R. 3412 that was approved unanimously by the Committee on September 15. These changes reflect clarifications requested by the Small Business Administration, while retaining the bill's key provisions intended to discourage the reporting of erroneous or misleading statistics. At SBA's request, the managers' amendment provides for use of data from the Federal Procurement Data System in preparing reports to the Congress on Federal procurement activities.

The managers' amendment also reduces the burden placed on the Chief Counsel for Advocacy for commenting on SBA letters authorizing changes in statistical methodology by the reporting agencies. As reported by the Committee on Small Business, H.R. 3412 would have allowed such letters to take effect 45 days after copies had been transmitted to the Senate and House Committee on Small Business. During this time, the Chief Counsel

would have had 30 days to comment on such letters. The Chief Counsel expressed concern to us about being able to meet this deadline due to limited staff resources, so the managers' amendment changes these deadlines. The Chief Counsel's comments will now be included with the initial transmission from SBA notifying the Committees and will not be subject to a separate statutory deadline. The managers anticipate that this approach will encourage SBA to make the Chief Counsel a part of any negotiations leading to the preparation of such a letter in the first place.

The managers' amendment retains three key facets of the Committee-reported bill, with some simpler language. The Committee continues to believe it is appropriate, and consistent with the Chief Counsel's other reporting responsibilities, for the Chief Counsel to comment on letters authorizing changes in statistical methodology. Second, whenever an agency seeks to reclassify contracts so they are not included in statistics issued in previous years, or are included as part of the calculation of a different statistic, the Committee wants this information disclosed. Disclosure is vital so that recipients of these statistics will know that they attempt to measure the same thing from year to year—and if they do not, how they differ. Finally, the Committee continues to require a separate calculation of what the reporting year's statistics would have been in the absence of such changes. This is intended to remove any incentive for an agency to massage its statistics to inflate its small business contracting achievements.

The managers' amendment also makes an adjustment to the HUBZone program that was approved last year as part of the Small Business Reauthorization Act of 1997 (P.L. 105-135). At the request of SBA, the Department of Labor would be added to the list of Federal agencies that may participate under the HUBZone Program within the provision limiting participation to selected agencies prior to September 30, 2000.

Title II of H.R. 3412 has other significant provisions to improve Federal programs to help small business owners. The following highlights the changes:

The Small Business Innovation Research (SBIR) program is made permanent. Since this program was last reauthorized in 1992, its success has exceeded our expectations. The bill requires Federal agencies to utilize its outreach activities to encourage greater participation of small research firms from states that receive few SBIR awards.

The program authorization level for participating securities under the Small Business Investment Company (SBIC) Program is increased from \$800 million to \$1 billion in FY 1999; from \$900 million to \$1.2 billion in FY 2000. Following the statutory changes in the SBIC Program approved by the Com-

mittee in 1996, the growth in the program has exceeded most estimates.

The Pilot Liquidation Program under the 504 Certified Development Company Program is made permanent.

A new Office of Veterans Business Development is established at SBA, which is directed to provide comprehensive help to veteran-owned small businesses. An Advisory Committee on Veterans' Business Affairs composed of 15 members is established, and a new position of National Veterans' Business Coordinator is created within SCORE.

Title II also includes amendments that were offered by members of the Committee on Small Business. It includes two amendments offered by Senator KERRY. The first restructures the loan loss reserve requirements under SBA's Microloan Program. His second amendment changes SBA's appraisal standards under the 504 and 7(a) loan programs to require appraisals of real estate collateral by state-licensed or state-certified appraisers only when more than \$250,000 of the loan proceeds are to be used to acquire, construct or improve real property.

The Committee approved an amendment included in Title II sponsored by Senator BUMPERS to strike the cap on the amount of loan funds that a single state can receive under the Microloan Program, while ensuring equitable funding to Microloan Lender Intermediaries. An amendment sponsored by Senator CLELAND to establish a pilot disaster mitigation loan program at SBA was accepted. And lastly, the Committee approved an amendment offered by Senator WELLSTONE which authorizes a total of \$20 million over four years to create the Community Development Venture Capital Demonstration Program at SBA.

TITLE III

Title III of the Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998 incorporates an amendment offered by Senator BURNS to create the Small Business Environmental Assistance Pilot Program at SBA. The purpose of this pilot program is to provide technical assistance to small businesses to help them comply with environmental regulations. Witnesses have testified before the Committee on Small Business about the complexity of environmental regulations and the importance of environmental compliance tools designed to help small businesses comply with the law and regulations administered by the Environmental Protection Agency.

The Small Business Environmental Assistance Pilot Program has two principal sections. The first establishes an Advisory Committee on Small Business Environmental Assistance Programs that will review existing programs that provide environmental assistance to small businesses and chart the course for small business environmental compliance assistance. The second section authorizes SBA to establish a demonstration grant program based on the

recommendations and strategy developed by the Advisory Committee. Under this program, SBA will make 4-year grants to certain Small Business Development Centers to provide environmental compliance assistance to small businesses in partnership with existing programs.

Mr. President, when the Committee on Small Business filed its report on S. 3412, the Congressional Budget Office had not completed its estimate of the costs associated with the bill. I am now in receipt of the CBO analysis of H.R. 3412 and ask unanimous consent that it be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 28, 1998.

Hon. CHRISTOPHER S. BOND,
Chairman, Committee on Small Business,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for the H.R. 3412, the Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley and Kristen Layman (for federal costs), and Marc Nicole (for the state and local impact).

Sincerely,

JUNE E. O'NEILL, *Director*.

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE
H.R. 3412—Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998

Summary: H.R. 3412 would establish three new pilot programs for the Small Business Administration (SBA) and would make a number of changes to existing SBA loan and grant programs. Assuming appropriation of the necessary amounts, CBO estimates that this legislation would result in new discretionary spending of \$99 million over the 1999–2003 period. Of this total, \$66 million is from amounts specifically authorized in the bill for SBA programs—primarily for grants and administrative expenses. The remaining \$33 million would be primarily for the subsidy costs of the Small Business Investment Company (SBIC) Participating Securities program and the proposed disaster mitigation pilot program.

H.R. 3412 would also modify the terms of SBA guarantees for existing general business loans. CBO estimates that provision would increase direct spending by \$4 million in fiscal year 1999. The act also could affect governmental receipts, but CBO estimates that any such changes would be less than \$500,000 a year. Because the act would affect direct spending and could affect receipts, pay-as-you-go procedures would apply.

H.R. 3412 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state, local or tribal governments resulting from enactment of the bill would be the result of complying with grant conditions.

Description of the bill's major provisions: Title I would establish a pilot loan program under the SBA general business program to address the year 2000 computer problems of small businesses. It would require that SBA provide annual reports on the pilot program and a detailed annual report on all pilot programs.

Title II contains a number of changes in small business programs. Provisions with expected budgetary effects are outlined below:

Section 201 would increase the amount authorized for grants to women's business centers from \$8 million a year to \$12 million a year. It would also clarify certain provisions of the Small Business Innovation Research Program.

Section 203 would increase the authorized level of the SBIC-Participating Securities program in 1999 and 2000.

Section 205 would allow qualified community development companies (CDCs) to liquidate loans in their portfolio that SBA has purchased. This section also would eliminate a pilot program that allowed CDCs to liquidate loans and would allow the CDCs to litigate in place of SBA.

Section 206 would authorize the appropriation of \$2.5 million each fiscal year to establish an office of veterans business development and an advisory committee on veterans business affairs.

Section 207 would eliminate a provision of law that allows SBA to pay interest on guaranteed general business loans that have defaulted at a rate 1 percent less than the borrower's interest rate between the time of default and the time SBA purchases the loan.

Section 208 would establish a disaster mitigation pilot loan program and authorize a program level of \$15 million for each year during the 1999–2003 period.

Section 211 would establish a demonstration program for venture capital in distressed communities.

Other provisions in title II would not have any significant budgetary impact.

Title III would establish a pilot program to improve the environmental performance of small businesses and would also establish an advisory committee on small business environmental assistance programs. Finally, title III would authorize the appropriation of \$500,000 for 1999 and \$4 million for each year over the 2000–2003 period.

Estimated cost to the Federal Government: CBO's estimate of the budgetary impact of implementing H.R. 3412 is shown in Table 1. The table does not include any estimated effects for section 205 because CBO cannot determine whether that section would have any budgetary impact, or what the direction or magnitude of any such impact might be. The costs of this legislation fall within budget functions 370 (commerce and housing credit) and 450 (community and regional development).

TABLE 1.—ESTIMATED FEDERAL COSTS FOR THE YEAR 2000 READINESS AND SMALL BUSINESS PROGRAMS RESTRUCTURING AND REFORM ACT OF 1998

	By fiscal years in millions of dollars—				
	1999	2000	2001	2002	2003
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Specified Authorization Level	7	11	31	11	11
Estimated Authorization Level	9	11	5	5	4
Total Authorization Level	16	22	36	16	15
Estimated Outlays	12	20	31	20	16
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	4	0	0	0	0
Estimated Outlays	4	0	0	0	0

Basis of estimate: For the purposes of this estimate, CBO assumes that the bill will be enacted in October 1998 (the beginning of fiscal year 1999) and that the necessary amounts will be appropriated for each fiscal year. Outlay estimates are based on historical spending rates for existing or similar programs.

Spending subject to appropriation

Specified Authorizations. H.R. 3412 would increase the authorization for grants to wom-

en's business centers from \$8 million to \$12 million each year. The act would also establish an Office of Veterans Business Development, a demonstration program for venture capital in distressed communities, and a pilot program to improve the environmental performance of small businesses. Assuming appropriation of the specified amounts, CBO estimates that additional outlays for these programs would total \$66 million over the 1999–2003 period.

Estimated Authorization for Loan Programs. H.R. 3412 would make numerous changes to loan programs administered by SBA. The Federal Credit Reform Act of 1990 requires appropriation of the subsidy costs and administrative costs for credit programs. The subsidy cost is the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis and excluding administrative costs.

Section 203 would increase the authorized program level of the SBIC Participating Securities program from \$800 million to \$1 billion in 1999 and from \$900 million to \$1.2 billion in 2000. Based on information from the SBA and on historical data for this program, CBO estimates that the subsidy costs of guarantees for the authorized levels would increase by \$11 million over the 1999–2003 period. CBO estimates that this provision would not significantly increase the administrative costs of the agency.

Section 207 would eliminate a provision of law that allows SBA, on defaulted general business loans guaranteed by the agency, to pay 1 percent less than the borrower's interest rate between the time of default and the time SBA purchases the loan. Based on information from SBA and the Office of Management and Budget (OMB), CBO estimates that this provision would increase the subsidy rate by 0.01 percent. That change would slightly increase the cost of guaranteeing each new loan. CBO estimates that H.R. 3412 would increase the cost of guaranteeing the authorized level of \$14 billion in loans in fiscal year 1999 from \$195 million to \$196 million, subject to the availability of appropriations. This provision would also affect direct spending by increasing the costs of loans that SBA has already guaranteed (see below).

Section 208 would authorize a disaster mitigation pilot program to make direct and guaranteed loans to small businesses for preventive measures that would reduce the long-run costs of disasters. To be eligible for a pre-disaster mitigation loan, the small business must be unable to obtain loans elsewhere for mitigation purposes. This section would authorize a program level of \$15 million each year over fiscal years 1999 through 2003. Based on the 1998 subsidy rate for SBA disaster loans, CBO estimates that the subsidy appropriations for these loans and guarantees would total \$17 million over the 1999–2003 period. We estimate that the costs of administering the pre-disaster mitigation loan program would total less than \$500,000 each year.

Section 205 would authorize qualified community development companies to liquidate loans in their portfolio that SBA has purchased, and would allow CDCs to litigate in place of SBA. CDC loans, also known as section 503 and 504 loans, provide small businesses with long-term, fixed-rate financing for the purchase of land, buildings, and equipment. H.R. 3412 would make permanent the pilot program that allowed CDCs to liquidate such loans. The pilot program has not produced enough information to date to allow CBO to make any determination about the amount the government would recover on defaulted loans if those loans are liquidated by CDCs instead of by SBA.

In addition, it is not clear how expenses associated with liquidation would be paid. The

Federal Credit Reform Act stipulates that administrative expenses cannot be paid out of the subsidy for loan programs, but expenses to foreclose, maintain, or liquidate an asset can. Many of the expenses CDCs would incur would be to foreclose, maintain, or liquidate assets. It is not clear whether SBA would have the authority to reimburse CDCs for administrative expenses, including litigation costs.

Enacting section 205 could change the subsidy rate for previous cohorts of CDC loans or the administrative costs of SBA. However, CBO has no basis for estimating the direction, magnitude, or timing of any such changes. The bill would not affect the subsidy rate for future CDC loans. By law, the Administrator of SBA must adjust an annual fee on 504 loans to produce an estimated subsidy rate of zero at the time loans are guaranteed. If enacting H.R. 3412 changed the costs of future loans, that change would be reflected in fees paid by borrowers, rather than in the appropriation required to fund the authorized loan level.

H.R. 3412 also would make other technical changes to SBA's loan programs, but CBO estimates that those changes would not have any significant budgetary effect.

Table 2 summarizes estimated changes in loan levels and subsidy costs assuming appropriation action consistent with H.R. 3412. The increased discretionary spending associated with SBA's loan programs would represent about \$25 million of the total cost of implementing H.R. 3412.

Reports. H.R. 3412 would require SBA and the General Accounting Office to produce numerous reports. Based on historical costs for similar reports and information from the two agencies, CBO estimates that these provisions would increase discretionary spending by less than \$500,000 in each year over the 1999–2003 period.

TABLE 2.—CHANGES IN SBA LOAN LEVELS AND SUBSIDY COSTS UNDER H.R. 3412¹

	By fiscal years, in millions of dollars—				
	1999	2000	2001	2002	2003
CHANGES IN AUTHORIZED LOAN LEVELS					
SBIC Participating Securities Loans	200	300	0	0	0
Disaster Mitigation Pilot Loans	15	15	15	15	15
LOAN SUBSIDY COSTS					
SBIC Participating Securities Loans					
Estimated Authorization Level	4	7	0	0	0
Estimated Outlays	3	6	2	0	0
Disaster Mitigation Pilot Loans					
Estimated Authorization Level	3	3	3	3	3
Estimated Outlays	2	3	3	3	3

¹ Implementing H.R. 3412 also would increase SBA's costs for administering loans, but CBO estimates that the changes in administrative expenses would be less than \$500,000 a year.

Direct spending

Loan Programs. Section 207, which would increase the subsidy rate on future general business loans, would also modify the expected cost of the guarantees SBA has provided for existing loans. According to OMB's Circular A-11 Preparation and Submission of Budget Estimates: "If the modification is mandated in legislation, the legislation itself provides the budget authority to incur the subsidy cost obligation (whether explicitly stated or not)." CBO estimates that enacting this provision would increase direct spending by about \$4 million in fiscal year 1999.

Gifts. Section 206 would establish an advisory committee on veterans business affairs, and section 301 would establish an advisory committee on small business environmental assistance programs. H.R. 3412 would authorize the two advisory committees to accept and use gifts and donations to assist in their work. Donations of money are recorded in the budget as governmental receipts (re-

venues) and the use of any such amounts under the act would be direct spending, but CBO estimates that any such donations would be less than \$500,000 a year.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting the bill would increase direct spending by \$4 million in 1999. The bill could also increase governmental receipts, but any such changes would be less than \$500,000 a year.

Estimated impact on State, local, and tribal governments: H.R. 3412 contains no intergovernmental mandates as defined in UMRA. The bill would establish new programs or modify existing programs that provide grants or contracts to various organizations, including state, local and tribal governments. Any costs to these governments from the requirements of the programs would be incurred voluntarily.

Estimated impact on the private sector: This act would impose no new private-sector mandates as defined in UMRA.

Previous CBO estimate: On March 16, 1998, CBO transmitted an estimate for H.R. 3412 as ordered reported by the House Committee on Small Business on March 12, 1998. The House version of H.R. 3412 would make only technical corrections to existing law, and as a result, CBO estimated that it would not have a significant impact on the federal budget.

Estimate prepared by: Federal Costs: Mark Hadley and Kristen Layman. Impact on State, Local, and Tribal Governments: Marc Nicole.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

Mr. BOND. Mr. President, this is an important bill that will benefit thousands of small businesses throughout the United States. I urge my colleagues strong support for its final passage.

Mr. KERRY. Mr. President, we have an opportunity today in the Senate to vote for legislation that will help our nation's 23 million small businesses.

On September 15, the Senate Committee on Small Business, made up of ten Republicans and eight Democrats, passed a comprehensive small business bill, H.R. 3412, that includes all the provisions of my Small Business Loan Enhancement Act of 1998. It also includes Senator BOND's two bills, the Small Business Programs Restructuring and Reform Act of 1998 and the Small Business Year 2000 Readiness Act, bills introduced by Senators CLELAND and WELLSTONE, and four other amendments.

This bi-partisan vote was a big step towards final passage of legislation that augments the opportunities available to every small business owner and helps these entrepreneurs contribute to their communities and the economy. In Massachusetts and across the country, these are the programs that are working; assisting individuals with the tools to successfully manage their own business.

If enacted, these changes would make a number of improvements to the Small Business Administration's lending programs which reduce small businesses' costs and paperwork, increase access to capital for women-owned businesses, and promote small business

lending, particularly to those small businesses needing loans to meet the challenges of Year 2000 computer problem. They also build upon successful programs such as the Small Business Innovation Research program and the Women's Business Centers.

One of the most important provisions passed revises the loan loss reserve requirement (a cash reserve to guarantee that the government is paid back if a loan defaults) for microlenders by setting a 15-percent ceiling and a 10-percent floor. After a microloan intermediary has participated in the SBA Microloan program for five years and demonstrated its ability to maintain a healthy loan fund, it can request that SBA review and, when appropriate, reduce its loan loss reserve from 15 percent to a percentage based on its average loan loss rate for the five-year period. The proposed change would continue to protect the government's interest in microloans as well as enhance the program by freeing up cash which microlenders could reprogram for more microloans or technical assistance to small business owners. Based on the program's success since it was started six years ago, 36 out of 42 microlenders would qualify to maintain a loan loss reserve of ten percent, rather than 15 percent.

To reduce unnecessary regulatory burden and costs to small business lenders, this legislation raises the requisite appraisal threshold from \$100,000 to \$250,000 for 7(a) guaranteed loans and 504 development loans. This is consistent with federal bank regulatory policy in place since 1994. After reviewing the legislation, SBA Administrator Aida Alvarez sent a statement of Administration Policy, approved by the Office of Management and Budget, to Chairman BOND on September 15 saying it had no objection to making the requisite appraisal threshold amount consistent with existing policy. This change is estimated to save borrowers on average from \$1,000 to \$3,000.

To help small businesses meet the escalating challenges of the Year 2000 (Y2K) computer problem, this bill specifies that small businesses can use 7(a) loans to finance the cost of making their systems and computers Y2K-compliant. The Committee complemented this change by also approving a loan guarantee pilot program introduced by Senator BOND which would allow 7(a) preferred and certified lenders to use their paperwork to expedite loans capped at \$50,000 to help small businesses with Y2K expenses.

The bill expands SBA's 504 Development Company program to make women-owned businesses eligible for loans up to \$1 million to acquire equipment and expand facilities. Currently, 504 loans to women-owned businesses are capped at \$750,000. The Committee also endorsed a provision, based on the Kerry-Cleland Women's Business Centers bill introduced earlier this year, which increases annual funding from \$8 million to \$12 million for Women's Business Centers.

The Committee passed several other important provisions to improve the business climate for small business. For the sector of small, high-tech companies that participate in federal research and development, the Committee voted to make the Small Business Innovation Research (SBIR) program permanent after 16 years of success. The SBIR program is a great example of how government and business can work together to advance the cause of both science and our economy. The results have been dramatic for small, high-technology companies participating in the program. From 1983 to the end of 1996, some 8,000 small, high-technology firms have received more than 40,000 SBIR research awards, totaling \$6 billion.

Massachusetts is the second largest recipient of SBIR awards in the nation, receiving \$148 million in SBIR research dollars in 1996. Knowing the benefits of the SBIR program, I believe we need to find ways to make sure the SBIR awards are more equitably distributed throughout the country without changing the program's reliance on competition. The highly competitive nature of SBIR awards is one of the main reasons the program has been so popular and successful.

A recent SBA study showed that one-third of the states received 85 percent of all SBIR awards. I joined my colleagues to support Senator CARL LEVIN's amendment to promote the SBIR program in states that receive the fewest awards. This amendment directs the ten federal agencies that participate in the SBIR program to use their existing procurement outreach efforts for SBIR outreach.

Responding to requests from Veterans Service Organizations to assist veterans with entrepreneurial endeavors, I joined my colleagues and supported Chairman BOND's bill that, among other things, would increase outreach and assessment of opportunities and services for veterans by establishing the Office of Veterans Business Development within SBA. I am proud that the Committee adopted a version that included my suggestion to authorize \$2.5 million for this important effort.

The microloan community has more than just the loan loss reserve improvements to applaud in this legislation. Senator BUMPERS successfully eliminated the cap on the amount of microloan funds a single state can receive. The cap has penalized several rural states with small populations that have a high demand for microloans. And Senator WELLSTONE won unanimous support for an innovative four-year demonstration program to spawn community development venture capital organizations nationwide. The purpose of Senator WELLSTONE's initiative is to stimulate and promote small business development and entrepreneurship in economically distressed communities.

The Small Business Investment Company (SBIC) program is vital to our

fastest growing small companies that have capital needs exceeding the caps on SBA's loan program, but are not large enough to be attractive to traditional venture capital investors. The demand is clear: Last year, participating securities in the SBIC program invested \$360 million in 495 financings. In my state, where we have an impressive community of fast-growing companies, particularly in the hi-tech industry, there were 140 SBIC financings, worth \$145.4 million.

The Participating Securities component of the SBIC program invests principally in the equities of new or expanding businesses. To leverage the private capital of participating securities and better serve these fast-growing businesses, I supported Senator LIEBERMAN's amendment which raises the authorization level for participating securities from \$800 million to \$1 billion in fiscal year 1999 and from \$900 million to \$1.2 billion in fiscal year 2000.

In response to the increasing costs, loss of businesses and personal devastation caused by disasters, the Committee passed Senator CLELAND's five-year disaster mitigation pilot program. The program, recommended by the Administration as part of its Fiscal Year 1999 Budget, would allow SBA to make direct loans to small business owners, who can't get credit elsewhere and who live in disaster-prone areas, for financing preventive measures to protect their businesses against future disaster damage. Disaster mitigation is expected to reduce the costs of disaster repair by 50 percent for small businesses.

To help small businesses maneuver the maze of environmental regulations, the Committee passed a small business environmental assistance pilot program introduced by Senator BURNS. Administered through existing Small Business Development Centers in ten states, the program is designed to help small businesses comply with often complex environmental regulations.

Lastly, in addition to the Committee-reported bill, the Senate today will adopt a Bond-Kerry amendment. First, it adds the Department of Labor to the SBA's HUBZone program, which Congress enacted last year. And second, it amends Section 205 of this bill, H.R. 3412, to improve the reporting tools concerning small business set-asides of federal contracts.

Mr. President, I thank my colleagues for their support of small businesses and ask unanimous consent that this statement be entered in the RECORD.

• Mr. LEVIN. Mr. President, H.R. 3412, as amended by the Senate Small Business Committee, has broad bipartisan support. I am particularly pleased that H.R. 3412 makes permanent the Small Business Innovation Research Program SBIR, which was originally established in 1982 and reauthorized and expanded in 1992. This competitive program has a well deserved reputation for success and it is fitting that it be made permanent.

H.R. 3412 also addresses a problem pointed out by GAO in its April, 1998 SBIR report regarding the lack of uniformity in defining the term "extramural budget". GAO found that participating agencies had different interpretations of what should be included in their extramural research budgets. This is a problem because a participating agency's extramural budget is the base from which that agency's SBIR funding is calculated. To resolve any discrepancies, H.R. 3412, as amended by the Senate Small Business Committee, directs OMB to define the term "extramural budget" and ensure that it is applied uniformly throughout the government.

Finally, this bill includes a provision I authored which authorizes existing procurement outreach programs of the Department of Defense and other federal agencies to conduct program outreach efforts for the SBIR program out of funds that are already available to them.

Mr. HARKIN. Mr. President, I would like to thank my colleagues, Chairman of the Small Business Committee, Senator KIT BOND, and Ranking Member, Senator JOHN KERRY, for their work in moving H.R. 3412 through Committee. I would also like to thank Senators BOND and KERRY for agreeing to my language requesting a report from the Small Business Administration (SBA) on the 7(A) loan program's reporting requirements on the subsidy rate. I have heard from a number of community bankers in Iowa who have expressed concerns with the monthly reporting requirement. Previously, these reports were submitted quarterly. I am concerned that small banks, especially small rural banks, lack the loan volume or personnel to meet this requirement in a cost effective manner. I look forward to reviewing this report and working with my colleagues and the SBA in addressing this concern.

In addition to improvements in popular SBA programs, H.R. 3412 also contains a Committee passed amendment, sponsored by Senator MAX CLELAND and cosponsored by myself, which will allow the SBA to conduct a disaster mitigation pilot program. It is my hope that this program will afford small business owners, particularly in rural areas, the ability to invest in their property to help prevent against natural disasters. By providing small businesses with the tools to invest in their business before disasters strike, property destruction can be avoided and insurance claims can be reduced.

• Mr. WELLSTONE. Mr. President, I support H.R. 3412, the "Year 2000 Readiness and Small Business Programs Restructuring and Reform Act of 1998." The bill makes useful reforms to existing Small Business Administration (SBA) programs and authorizes certain new initiatives, including a community development venture capital demonstration program which I proposed during markup in the Small Business Committee. I commend Chairman BOND

for his leadership on the bill, and I thank him for including my proposal in it.

The bill makes permanent SBA's 504 liquidation pilot program, a step I strongly support. Minnesota certified development companies with proven liquidation and foreclosure capabilities have made use of the pilot program, which can help bring costs down and save borrowers from higher fees. The bill's adjustments to the loan loss reserve requirements in the Microloan program also are appropriate. Requiring a loss reserve based on past performance makes sense. This provision will continue to protect the government's interest in these loans but will allow the majority of microlenders to make more loans or provide more technical assistance to borrowers.

I am especially pleased that my proposal to create a new \$20-million, four-year demonstration program at the SBA to develop the capacity of community development venture capital (CDVC) organizations is part of H.R. 3412. I thank Senator BOND again for his support and for working with me to get this amendment accepted. I also thank the SBA for working with my staff and for providing valuable technical assistance in drafting the amendment.

The CDVC Program is about directing venture capital—equity and investment capital—to small businesses with the aim of promoting business growth and economic development in poor communities. That's what we mean by community development venture capital or CDVC. The money the bill authorizes would not be directly invested into small businesses; instead, it would go to provide technical assistance to organizations that invest in businesses in low-income communities.

CDVC organizations have been highly successful at producing a "double bottom line" of strong financial returns and significant social benefits. CDVC funds create social and financial pay-offs because they consider the community impact of their investments to be just as important as the financial returns to investors. Community development venture capitalists target investments to companies that generate good jobs—jobs that pay decent wages, jobs with benefits, jobs with opportunity to advance. They influence and shape the culture of young companies with respect to sustainable development and environmental policies. They look to create local entrepreneurial capacity, local ownership, local wealth. The "double bottom line" philosophy is what makes these venture capitalists so unique and their work so promising. The goal of the CDVC program is to expand and multiply this very meritorious work.

There are about 30 CDVC funds currently operating in urban and rural communities around the country. Northeast Ventures Corporation in Duluth, Minnesota, is a good example of a successful and experienced CDVC com-

pany. Northeast Ventures serves a seven county rural area and focuses on creating good jobs in high value-added industries. Northeast Ventures targets 50% of the jobs created through its investments to women, low-income and structurally unemployed persons. They also require portfolio companies to offer employees an opportunity to participate in a health care plan in which the employer makes some contribution. Partridge River is an example of one of Northeast Ventures successful investments. Northeast made an initial investment in Partridge River, a locally owned specialized manufacturer of precision and wood component parts for furniture and cabinets, in late 1990. Partridge River uses readily available light-colored woods such as aspen, basswood, birch and maples, and has manufacturing customers throughout the United States. When the company needed significant financing for an upgrade of equipment in 1994, another investor purchased Northeast's stake at a significant premium and allowed the entrepreneur to maintain majority ownership. Over the course of Northeast's involvement, the company added 17 net new employees from northeast Minnesota.

Kentucky Highlands Investment Corporation (KHIC), founded in 1968 in London, Kentucky, is one of the oldest and most successful of the CDVC organizations. They focus on developing profitable businesses that provide job opportunities to residents of Southeast Kentucky. For example, KHIC provided over \$600,000 in equity financing to a startup company that manufactures casements for the retail store industry. That company now employs over 125 people who had few prospects for employment in their home county. This company would not be located in rural Clay County if not for the type of equity investment that KHIC made available. Altogether, KHIC has infused about \$40 million in venture capital in their region, invested in more than 100 companies and created over 5,200 jobs.

The organizations operating CDVC funds have been fortunate in attracting talented and dedicated people, but the skills and expertise to produce a double bottom line are still relatively scarce. The CDVC Demonstration Program allows the most experienced and successful in this growing field to teach, advise, and mentor the less experienced, the new and emerging community development venture capitalists.

The CDVC Demonstration Program authorizes \$20 million over four years. Seventy-five percent or \$15 million will be used as grants to intermediary organizations—the private, nonprofit organizations with the most experience and skill in making venture capital investments in poor communities—to provide hands-on technical assistance to the new and emerging venture funds springing up in low-income communities around the country. In addition to providing technical assistance, intermediaries will be able to use the

grants to fund the start up and operating costs of new CDVC organizations. Grants to intermediaries will be matched \$1 for \$1 with funds raised from non-Federal sources. Twenty-five percent or \$5 million will be used as grants to developmental organizations—public or private firms—to create and operate training programs, intern programs, a national conference, and academic research and study of community development venture capital.

I hope that my colleagues in the Senate will support these reforms and new initiatives in the name of good jobs, entrepreneurship and responsibility to community.●

Mr. CLELAND. Mr. President, I thank the Senator from Massachusetts, Senator KERRY and the Senator from Missouri, Mr. BOND, for their continuing leadership on behalf of small businesses. The legislation before the Senate, S. 3412, contains many important programs that will enable small businesses to continue to be a vital part of the nation's economy. This omnibus small business legislation is the result of bipartisan commitment to a number of worthy goals.

Today I wish to address specifically two important initiatives that I proposed earlier in this session: the disaster mitigation pilot program and the Small Business Administration Women's Business Center authorization. I am extremely pleased that both are included in this bill.

On June 11, 1998, Senator KERRY and I introduced the S. 2157, the Women's Business Center Authorization bill. There was broad bipartisan support for this initiative, with seventeen cosponsors. I was especially pleased when Senator BOND included an increased authorization for women's business centers in the pending bill. Funding for these important centers is increased from \$8 million to \$12 million in fiscal year 1999 and thereafter.

The women's business center legislation, simply stated, recognizes the outstanding contributions that women's business centers have made to women entrepreneurs across the Nation. These centers are the only organization, nationally, which focus exclusively on entrepreneurial training for women. Increased funding will allow for new centers and subcenters to be established and for continued funding for existing centers, including the on-line women's business center. Increased funding would achieve the goal of expanding centers to all 50 States.

On March 26, 1998, I introduced a disaster mitigation pilot program, S. 1869. This legislation would permit SBA to establish a pilot program (using up to \$15 million of existing disaster funds) to provide small businesses with low interest, long-term disaster loans to finance preventive measures before a disaster hits. In response to the increasing costs and personal devastation caused by disasters, the Administration has launched an approach to emergency management that moves away

from the current reliance on response and recovery to one that emphasizes preparedness. The Federal Emergency Management Agency (FEMA) has already established administratively a program to assist disaster-prone communities, one in every state, in developing strategies to avoid the crippling effects of natural disasters. My proposal would allow the SBA to begin a pilot program that would be limited to small businesses within those communities which are eligible to receive disaster loans after a disaster has been declared. Currently, SBA disaster loans may only be used to repair or replace existing protective devices that are destroyed or damaged by a disaster. In connection with repairs, funds may also be used to install new mitigation devices that will prevent future damage. My legislation is necessary to authorize SBA to establish this pilot program to provide mitigation loans prior to the occurrence of a disaster.

Mr. President, I believe that this disaster mitigation program will address two areas of need for our small businesses—reducing the cost of recovery from a disaster and reducing future disaster costs for small businesses. It also addresses the opportunity for small businesses to contract work during a period when market forces haven't driven up the prices for these services, thereby ultimately reducing the cost of disaster assistance to the taxpayers.

I thank my colleagues on the Small Business Committee for including both of these initiatives, which I think will serve the needs of so many, in this bipartisan legislation. I look forward to its prompt enactment. Thank you, Mr. President.

Mr. SHELBY. Mr. President, I ask unanimous consent that the amendment be agreed to, the substitute amendment be agreed to, the bill be considered read a third time and passed, the amendment to the title be agreed to, the title, as amended, be agreed to, the motion to reconsider be laid upon the table, and that any statements relating to the bill be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 3674) was agreed to.

The committee amendment, as amended, was agreed to.

The bill (H.R. 3412), as amended, was considered read the third time and passed.

ORDERS FOR THURSDAY, OCTOBER 1, 1998

Mr. SHELBY. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in recess until 9 a.m. on Thursday, October 1. I further ask that the time for the two leaders be reserved.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROGRAM

Mr. SHELBY. For the information of all Senators, on behalf of Senator LOTT, tomorrow the Senate will convene at 9 a.m. and begin 3 hours of debate on the defense authorization conference report.

At the conclusion of debate time at approximately 12 noon, the Senate will proceed to vote on the adoption of the conference report. Following that vote, the Senate may begin consideration of S. 442, the Internet tax bill, with relevant amendments in order and a Bumpers amendment regarding catalog sales. The Senate may also consider S. 1092, the Cold Bay-King Cove legislation under a 6-hour time agreement or any other legislative or executive items cleared for action.

Therefore, Members should expect rollcall votes throughout Thursday's session with the first vote occurring at approximately 12 noon.

ORDER FOR RECESS

Mr. SHELBY. Mr. President, if there is no further business to come before the Senate, I ask that the Senate stand in recess under the previous order following the remarks of Senator ROBB.

The PRESIDING OFFICER. Without objection, it is so ordered.

STROM THURMOND NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998—CONFERENCE REPORT

Mr. ROBB. Mr. President, I have heard many of the statements made here today and yesterday regarding the defense authorization conference report and, indeed, I had hoped to come to the floor earlier, but I was involved in a meeting in my office with the Foreign Minister of the Republic of Yugoslavia in a very serious and protracted discussion about the possible military options that Mr. Milosevic's Government and our Government were considering with respect to the situation in Kosovo, and the readiness of the military forces as well as the ability of those forces to respond to various contingencies was a significant part of our discussion.

Many of our colleagues have expressed their concern over the degraded state of readiness of our armed services. Mr. President, I share those concerns, especially as they relate to our fundamental ability to fight and win two major wars as is called for by our national military strategy.

Admittedly, the need to fight two such wars has been challenged by many, but until the tense situations in the Middle East and the Korean peninsula are behind us, we do not have the luxury of cutting force structure anymore. Indeed, in the words of the well-known Broadway musical, "we've gone about as 'fer' as we can go."

Yesterday, the Chairman of the Joint Chiefs of Staff and the four service

chiefs confirmed that the risk we now associate with fighting in a second theater is high. By "high risk," we mean that the level of troop losses in such a conflict could be unacceptably high. This, Mr. President, is a serious development and one which merits our immediate attention. Many of our colleagues have also expressed frustration that we were made aware of this and other readiness problems only recently.

While I share some of these frustrations, I also appreciate the complexity of predicting problems even a few months out. Pilot retention, for example, can be a function of the strength of the economy. Moreover, I appreciate the comments by our service chiefs in a hearing yesterday that reinforced the immense complexity of managing our readiness, especially like a major downsizing unlike anything we have been through since the end of World War II.

This having been said, we have a serious readiness problem that threatens to nosedive very quickly. We are already eating our seed corn, and the threat of a hollow force, according to our witnesses yesterday, looms only 5 or perhaps a few more years out.

Some fixes can be made in short order; others, such as fielding new equipment that won't consume so much of our resources to maintain, may take years.

The obvious solution and one quoted by many of those participating in the hearing and certainly by our service chiefs is more money.

While I will support supplemental funding for the Department of Defense, I do so with considerable frustration over this Congress' inability to have the courage to cut wasteful defense spending. While we rail on and on about the administration for underfunded readiness, we refuse to cut bases. One more base closure round should realize around \$3 billion a year in steady-state savings, enough to pay for a host of readiness problems.

While some attack our service leaders for not being forthcoming, we add hundreds of millions of dollars in military construction projects that, although requested by the military for future years, we rush to build today so we can score points back in our States and districts just before an election. While some claim we have had no indications of a looming readiness problem, the fact is that we have. But despite this, we added over \$2 billion in this bill for procurement and research and development projects that were simply not requested by the military. I am not suggesting they are not necessary in the long term, but they were not requested by the military in this bill.

Mr. President, I support this conference report. I will support the supplemental funding package. But I hope each and every Member will find the will next year to support substantial infrastructure reductions and stop pushing so many Member interests