

116TH CONGRESS
1ST SESSION

H. R. 3730

To amend the Small Business Act and the Small Business Investment Act of 1958 to increase access to capital for small business concerns that are manufacturers.

IN THE HOUSE OF REPRESENTATIVES

JULY 11, 2019

Mr. RYAN (for himself and Mr. REED) introduced the following bill; which was referred to the Committee on Small Business, and in addition to the Committee on Science, Space, and Technology, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Small Business Act and the Small Business Investment Act of 1958 to increase access to capital for small business concerns that are manufacturers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strengthening Invest-
5 ment to Grow Manufacturing in America Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) Manufacturers contributed over
2 \$2,330,000,000,000 to the United States economy
3 in the first quarter of 2018 and accounted for 12
4 percent of United States gross domestic product in
5 2017.

6 (2) Manufacturing is one of the most important
7 sectors of the United States economy with respect to
8 employment. In 2013, the manufacturing sector sup-
9 ported over 17,000,000 indirect jobs in the United
10 States, in addition to the 12,000,000 individuals
11 who were directly employed in manufacturing. Com-
12 bined, these indirect and direct manufacturing jobs
13 represented more than 20 percent of United States
14 employment in 2013—more than any other sector.

15 (3) While the United States has added over
16 14,000,000 non-farm jobs since 2010, manufac-
17 turing job growth has lagged and added only ap-
18 proximately 900,000 jobs. Post-recession job recov-
19 ery averages since the 1940s indicate that another
20 1,200,000 manufacturing jobs should have been cre-
21 ated during this period.

22 (4) Small manufacturers are the backbone of
23 the United States manufacturing industry, account-
24 ing for nearly half of all manufacturing jobs in the
25 United States. Ensuring that small manufacturers

1 have adequate access to capital is critical to creating
2 manufacturing jobs and the growth of the United
3 States economy.

4 (5) The 2015 Federal Reserve Small Business
5 Credit Survey indicates that of the 52 percent of
6 manufacturers that applied for financing during the
7 survey period, 65 percent did so to expand their
8 business or to pursue a new business opportunity.
9 The survey also indicates that 42 percent of manu-
10 facturers received less financing than they requested,
11 the primary result of which was delayed expansion
12 of their business.

13 (6) The loan guarantee programs of the Small
14 Business Administration under section 7(a) of the
15 Small Business Act (15 U.S.C. 636(a)) and title V
16 of the Small Business Investment Act of 1958 (15
17 U.S.C. 695 et seq.) encourage lenders to provide
18 loans to creditworthy small businesses that would
19 not otherwise obtain financing on reasonable terms
20 and conditions and can serve as an excellent mecha-
21 nism by which to increase the availability of afford-
22 able credit to small manufacturers in the United
23 States.

1 **SEC. 3. SMALL MANUFACTURERS.**

2 (a) LOAN GUARANTEE PERCENTAGE.—Section
3 7(a)(2) of the Small Business Act (15 U.S.C. 636(a)(2))
4 is amended—

5 (1) in subparagraph (A), in the matter pre-
6 ceding clause (i), by striking “and (E)” and insert-
7 ing “(E), and (F)”; and

8 (2) by adding at the end the following:

9 “(F) PARTICIPATION FOR MANUFACTUR-
10 ERS.—

11 “(i) IN GENERAL.—In an agreement
12 to participate in a loan on a deferred basis
13 under this subsection for a small business
14 concern assigned to a North American In-
15 dustry Classification System code for man-
16 ufacturing or that is designated by the Ad-
17 ministrator under clause (ii), the participa-
18 tion by the Administration shall be 90 per-
19 cent.

20 “(ii) ADDITION OF ADVANCED MANU-
21 FACTURING SECTORS.—After submitting
22 notice to the Committee on Small Business
23 and Entrepreneurship of the Senate and
24 the Committee on Small Business of the
25 House of Representatives, the Adminis-
26 trator may designate a North American

1 Industry Classification System code for
2 purposes of clause (i) if the Administrator
3 determines the code—

4 “(I) is not a manufacturing code
5 under the North American Industry
6 Classification System; and

7 “(II) corresponds to a sector in
8 which manufacturing is a considerable
9 component of the operations of a
10 small business concern, as determined
11 by the Administrator, including ad-
12 vanced manufacturing.”.

13 (b) GUARANTEE FEE REDUCTION.—Section 7(a)(18)
14 of the Small Business Act (15 U.S.C. 636(a)(18)) is
15 amended—

16 (1) in subparagraph (A), by striking “With re-
17 spect” and inserting “Except as provided in sub-
18 paragraph (C), with respect”; and

19 (2) by adding at the end the following:

20 “(C) MANUFACTURERS.—

21 “(i) IN GENERAL.—Subject to clause
22 (ii), with respect to a loan guaranteed
23 under this subsection for a small business
24 concern described in paragraph (2)(F)(i)—

1 “(I) the Administration may not
2 collect a guarantee fee under this
3 paragraph for a loan of not more than
4 \$350,000; and

5 “(II) for a loan of more than
6 \$350,000, the Administration shall
7 collect a guarantee fee under this
8 paragraph equal to 50 percent of the
9 guarantee fee that the Administration
10 would otherwise collect for the loan.

11 “(ii) EXCEPTION.—The requirements
12 of clause (i) shall not apply to loans made
13 during a fiscal year if—

14 “(I) the budget of the President
15 for that fiscal year, submitted to Con-
16 gress under section 1105(a) of title
17 31, United States Code, includes a
18 cost for the program established
19 under this subsection that is above
20 zero; and

21 “(II) the Administrator submits
22 to Congress—

23 “(aa) notice regarding the
24 determination of cost described
25 in subclause (I); and

1 “(bb) a detailed discussion
 2 indicating why not implementing
 3 clause (i) will cause the cost of
 4 the program established under
 5 this subsection to be not more
 6 than zero.”.

7 (c) CERTIFIED DEVELOPMENT COMPANY LOANS.—

8 (1) MANUFACTURING LOAN AMOUNT.—Section
 9 502(2)(A)(iii) of the Small Business Investment Act
 10 of 1958 (15 U.S.C. 696(2)(A)(iii)) is amended by
 11 striking “\$5,500,000” and inserting “10,000,000”.

12 (2) CONTRIBUTION REQUIREMENT.—Section
 13 502(3)(C) of the Small Business Investment Act of
 14 1958 (15 U.S.C. 696(3)(C)) is amended—

15 (A) in clause (iii), by striking “or” at the
 16 end;

17 (B) by redesignating clause (iv) as clause
 18 (v); and

19 (C) by inserting after clause (iii) the fol-
 20 lowing:

21 “(iv) for a small manufacturer (as de-
 22 fined in section 501(e)(7))—

23 “(I) at least 5 percent of the
 24 total cost of the project financed, if
 25 the small business concern has been in

1 operation for a period of 2 years or
 2 less;

3 “(II) at least 5 percent of the
 4 total cost of the project financed, if
 5 the project involves a limited or single
 6 purpose building or structure;

7 “(III) at least 10 percent of the
 8 total cost of the project financed if the
 9 project involves both of the conditions
 10 set forth in subclauses (I) and (II); or

11 “(IV) at least 5 percent of the
 12 total cost of the project financed, in
 13 all other circumstances, at the discre-
 14 tion of the development company; or”.

15 (3) CREATION OR RETENTION OF JOBS RE-
 16 QUIREMENT.—Section 501(e) of the Small Business
 17 Investment Act of 1958 (15 U.S.C. 695(e)) is
 18 amended—

19 (A) in paragraph (1), by striking “creates
 20 or retains” and all that follows and inserting
 21 “creates or retains 1 job for every \$75,000
 22 guaranteed by the Administration, except that
 23 the amount is \$150,000 in the case of a project
 24 of a small manufacturer.”;

1 (B) in paragraph (2), by striking “creates
2 or retains” and all that follows and inserting
3 “creates or retains 1 job for every \$75,000
4 guaranteed by the Administration, except that
5 the amount is \$150,000 in the case of a project
6 of a small manufacturer.”;

7 (C) by redesignating paragraph (6) as
8 paragraph (7); and

9 (D) by inserting after paragraph (5) the
10 following:

11 “(6) For a loan for a project directed toward the cre-
12 ation of job opportunities under subsection (d)(1), the Ad-
13 ministrator shall publish on the website of the Administra-
14 tion the number of jobs created or retained under the
15 project as of the date that is 2 years after the completion
16 (as determined based on information provided by the de-
17 velopment company) of the project.”.

18 (4) BUILDING OCCUPANCY.—Section 502(5) of
19 the Small Business Investment Act of 1958 (15
20 U.S.C. 696(5)), is amended—

21 (A) by striking “In addition” and inserting
22 the following:

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), in addition”; and

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

1 “(B) EXCEPTION.—With respect to an as-
2 sisted small business that is a small manufac-
3 turer (as defined in section 501(e)(7)), the
4 small manufacturer may lease not more than 49
5 percent of the project to 1 or more other ten-
6 ants, if the small manufacturer occupies perma-
7 nently and uses not less than a total of 51 per-
8 cent of the space in the project after the execu-
9 tion of any leases authorized under this section,
10 without regard to whether the project is with
11 respect to an existing building or new construc-
12 tion.”.

13 (5) COLLATERAL REQUIREMENTS.—Section
14 502(3)(E)(i) of the Small Business Investment Act
15 of 1958 (15 U.S.C. 696(3)(E)(i)), is amended by
16 adding at the end the following: “Additional collat-
17 eral shall not be required in the case of a small man-
18 ufacturer (as defined in section 501(e)(7)).”.

19 (6) DEBT REFINANCING.—Section 502(7)(B) of
20 the Small Business Investment Act of 1958 (15
21 U.S.C. 696(7)(B)) is amended in the matter pre-
22 ceding clause (i) by inserting “(or in the case of a
23 small manufacturer (as defined in section 501(e)(7))
24 that does not exceed 100 percent of the project cost
25 of the expansion)” after “cost of the expansion”.

1 (7) AMOUNT OF GUARANTEED DEBENTURE.—

2 Section 503(a) of the Small Business Investment
3 Act of 1958 (15 U.S.C. 697(a)) is amended by add-
4 ing at the end the following:

5 “(5) Any debenture issued by a State or local devel-
6 opment company to a small manufacturer (as defined in
7 section 501(e)(7)) with respect to which a guarantee is
8 made under this subsection shall be in an amount equal
9 to not more than 50 percent of the cost of the project
10 with respect to which such debenture is issued, without
11 regard to whether good cause has been shown.”.

12 (d) MANUFACTURING DEBENTURES.—

13 (1) IN GENERAL.—Section 303 of the Small
14 Business Investment Act of 1958 (15 U.S.C. 683) is
15 amended by adding at the end the following:

16 “(1) MANUFACTURING DEBENTURES.—In addition to
17 any other authority under this Act, on and after the first
18 day of the first fiscal year beginning after the date of en-
19 actment of this subsection, a small business investment
20 company may issue manufacturing debentures.”.

21 (2) DEFINITIONS.—Section 103 of the Small
22 Business Investment Act of 1958 (15 U.S.C. 662) is
23 amended—

24 (A) in paragraph (19), by striking “and”
25 at the end;

1 (B) in paragraph (20), by striking the pe-
 2 riod at the end and inserting a semicolon; and

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

4 “(21) the term ‘manufacturing debenture’
 5 means a deferred interest debenture that—

6 “(A) is issued at a discount;

7 “(B) has a 5-year maturity or a 10-year
 8 maturity;

9 “(C) requires no interest payment or an-
 10 nual charge for the first 5 years;

11 “(D) is restricted to companies assigned to
 12 a North American Industry Classification Sys-
 13 tem code for manufacturing; and

14 “(E) is issued at no cost (as defined in
 15 section 502 of the Credit Reform Act of 1990
 16 (2 U.S.C. 661a)) with respect to purchasing
 17 and guaranteeing the debenture.”.

18 (3) STARTUP SMALL MANUFACTURERS.—Sec-
 19 tion 502(3)(C)(i) of the Small Business Investment
 20 Act of 1958 (15 U.S.C. 696(3)(C)(i)) is amended by
 21 inserting “is not a small manufacturer (as defined in
 22 section 501(e)(7)) and” after “small business con-
 23 cern”.

24 (e) ADDITIONAL LEVERAGE FOR MANUFACTUR-
 25 ERS.—Section 303(b)(2) of the Small Business Invest-

1 ment Act of 1958 (15 U.S.C. 683(b)(2)) is amended by
2 adding at the end the following:

3 “(E) ADDITIONAL LEVERAGE BASE ON IN-
4 VESTMENT IN MANUFACTURERS.—

5 “(i) DEFINITION.—In this subpara-
6 graph, the term ‘covered small manufac-
7 turer’ means a small manufacturer (as de-
8 fined in section 501(e)(7)) that—

9 “(I) is located in a low or mod-
10 erate income geographic area;

11 “(II) is not less than 51 percent
12 owned by 1 or more veterans (as de-
13 fined in section 101 of title 38,
14 United States Code);

15 “(III) is not less than 51 percent
16 owned by 1 or more socially disadvan-
17 tagged individuals or economically dis-
18 advantaged individuals (within the
19 meaning given such terms under sec-
20 tion 8(a) of the Small Business Act
21 (15 U.S.C. 637(a)));

22 “(IV) is not less than 51 percent
23 owned by 1 or more women;

24 “(V) is located in an area with
25 above average unemployment;

1 “(VI) is a smaller business con-
2 cern described in subparagraph (A) of
3 section 103(12);

4 “(VII) is located in a rural area;

5 “(VIII) has increased its full
6 time employment by not less than 25
7 percent (not including any new em-
8 ployees added by an acquisition) since
9 the small manufacturer receiving an
10 initial financing under this title; or

11 “(IX) is engaged in researching,
12 developing, or manufacturing tech-
13 nologies important to national secu-
14 rity.

15 “(ii) EXCLUSION OF AMOUNTS.—In
16 calculating the outstanding leverage of a
17 company for purposes of subparagraphs
18 (A) and (B), the Administrator shall ex-
19 clude the amount of leverage outstanding
20 to covered small manufacturers, not to ex-
21 ceed a total of \$50,000,000.”.

22 **SEC. 4. ASSISTANCE FOR SMALL MANUFACTURERS.**

23 (a) ASSISTANCE THROUGH SBA PROGRAMS.—

1 (1) AMENDMENTS TO THE SMALL BUSINESS
2 ACT.—The Small Business Act (15 U.S.C. 631 et
3 seq.) is amended—

4 (A) in section 7(a) (15 U.S.C. 636(a)), by
5 adding at the end the following:

6 “(36) ASSISTANCE FOR SMALL MANUFACTUR-
7 ERS.—The Administrator shall ensure that each dis-
8 trict office of the Administration partners with not
9 less than 1 resource partner of the Administration,
10 including a small business development center, a
11 women’s business center described in section 29, the
12 Service Corps of Retired Executives, and a Veteran
13 Business Outreach Center, to provide training to
14 small business concerns described in paragraph
15 (2)(F)(i) in obtaining assistance under the programs
16 under this subsection and title V of the Small Busi-
17 ness Investment Act of 1958 (15 U.S.C. 695 et
18 seq.), including with respect to the application proc-
19 ess under such programs and partnering with par-
20 ticipating lenders under this subsection.”;

21 (B) in section 8 (15 U.S.C. 637), by strik-
22 ing subsection (c) and inserting the following:

23 “(c) ASSISTANCE FOR SMALL MANUFACTURERS IN
24 SCORE AND SMALL BUSINESS DEVELOPMENT CENTER
25 PROGRAMS.—

1 “(1) DEFINITION.—In this subsection, the term
2 ‘SCORE program’ means the Service Corps of Re-
3 tired Executives authorized under subsection
4 (b)(1)(B).

5 “(2) VOLUNTEERS.—Under the SCORE pro-
6 gram, the Administrator may recruit volunteers to
7 assist small business concerns described in section
8 7(a)(2)(F)(i) in obtaining assistance under section
9 7(a) and title V of the Small Business Investment
10 Act of 1958 (15 U.S.C. 695 et seq.), including with
11 respect to the application process under such pro-
12 grams and partnering with participating lenders
13 under such section 7(a).”;

14 (C) in section 21(c)(3) (15 U.S.C.
15 648(c)(3))—

16 (i) in subparagraph (T), by striking
17 “and” at the end;

18 (ii) in the first subparagraph des-
19 ignated as subparagraph (U), as added by
20 section 862 of division A of the John S.
21 McCain National Defense Authorization
22 Act for Fiscal Year 2019 (Public Law
23 115–232), by striking the period at the
24 end and inserting a semicolon;

1 (iii) by redesignating the second sub-
2 paragraph designated as subparagraph
3 (U), as added by section 5 of the Small
4 Business Innovation Protection Act of
5 2017 (Public Law 115–259; 132 Stat.
6 3665), as subparagraph (V);

7 (iv) in subparagraph (V), as so redes-
8 ignated, by striking the period at the end
9 and inserting “; and”; and

10 (v) by adding at the end the following:

11 “(W) providing training to small business
12 concerns described in section 7(a)(2)(F)(i) in
13 obtaining assistance under section 7(a) and title
14 V of the Small Business Investment Act of
15 1958 (15 U.S.C. 695 et seq.), including with re-
16 spect to the application process under such pro-
17 grams and partnering with participating lenders
18 under such section 7(a).”;

19 (D) in section 29(b) (15 U.S.C. 656(b))—

20 (i) in paragraph (2), by striking
21 “and” at the end;

22 (ii) in paragraph (3), by striking the
23 period at the end and inserting “; and”;
24 and

1 (iii) by adding at the end the fol-
2 lowing:

3 “(4) training to small business concerns owned
4 and controlled by women that are small business
5 concerns described in section 7(a)(2)(F)(i) in obtain-
6 ing assistance under section 7(a) and title V of the
7 Small Business Investment Act of 1958 (15 U.S.C.
8 695 et seq.), including with respect to the applica-
9 tion process under such programs and partnering
10 with participating lenders under such section 7(a).”;
11 and

12 (E) in section 32 (15 U.S.C. 657b), by
13 adding at the end the following:

14 “(h) ASSISTANCE FOR SMALL MANUFACTURERS.—
15 The Associate Administrator shall ensure that Veterans
16 Business Outreach Centers assist small business concerns
17 described in section 7(a)(2)(F)(i) in obtaining assistance
18 under section 7(a) and title V of the Small Business In-
19 vestment Act of 1958 (15 U.S.C. 695 et seq.), including
20 with respect to the application process under such pro-
21 grams and partnering with participating lenders under
22 such section 7(a).”.

23 (2) AMENDMENTS TO THE SMALL BUSINESS IN-
24 VESTMENT ACT OF 1958.—Title V of the Small Busi-

1 ness Investment Act of 1958 (15 U.S.C. 695 et seq.)

2 is amended by adding at the end the following:

3 **“SEC. 511. ASSISTANCE FOR SMALL MANUFACTURERS.**

4 “‘The Administrator shall ensure that each district of-
5 fice of the Administration partners with not less than 1
6 resource partner of the Administration, including a small
7 business development center described in section 21 of the
8 Small Business Act (15 U.S.C. 648), a women’s business
9 center described in section 29 of the Small Business Act
10 (15 U.S.C. 656), the Service Corps of Retired Executives,
11 and a Veteran Business Outreach Center, to provide train-
12 ing to small business concerns described in section
13 7(a)(2)(F)(i) of the Small Business Act (15 U.S.C.
14 636(a)(2)(F)(i)) in obtaining assistance under the pro-
15 gram carried out under this title, including with respect
16 to the application process under that program and
17 partnering with development companies under this title.”.

18 (b) PARTNERING WITH NIST.—The Small Business
19 Administration and its resource partners may establish
20 partnerships with the Hollings Manufacturing Extension
21 Partnership Program of the National Institute of Stand-
22 ards and Technology and its affiliated centers to facilitate
23 outreach to small manufacturers in providing training and
24 guidance with respect to the application process for loans
25 guaranteed by the Administration.

1 **SEC. 5. FEDERAL LOAN GUARANTEES FOR INNOVATIVE**
2 **TECHNOLOGIES IN MANUFACTURING.**

3 (a) TRANSFER OF EXISTING PROGRAM.—The Ste-
4 venson-Wydler Technology Innovation Act of 1980 (15
5 U.S.C. 3701 et seq.) is amended—

6 (1) by striking section 26 (15 U.S.C. 3721);

7 and

8 (2) by redesignating sections 27 and 28 (15
9 U.S.C. 3722 and 3723) as sections 26 and 27, re-
10 spectively.

11 (b) AUTHORITY OF SBA.—

12 (1) DEFINITIONS.—In this subsection—

13 (A) the term “Administrator” means the
14 Administrator of the Small Business Adminis-
15 tration;

16 (B) the term “business loan programs of
17 the Administration” means the programs under
18 section 7(a) of the Small Business Act (15
19 U.S.C. 636(a)) and title V of the Small Busi-
20 ness Investment Act of 1958 (15 U.S.C. 695 et
21 seq.); and

22 (C) the term “small manufacturer” means
23 a small business concern described in section
24 7(a)(2)(F)(i) of the Small Business Act, as
25 amended by this Act.

1 (2) AUTHORIZATION.—To the extent the Ad-
2 ministrator determines that the assistance available
3 to small manufacturers under section 26 of the Ste-
4 venson-Wydler Technology Innovation Act of 1980
5 (15 U.S.C. 3721), as in effect on the day before the
6 date of enactment of this Act, is not available under
7 the business loan programs of the Administration,
8 the Administrator shall ensure that the business
9 loan programs of the Administration provide ade-
10 quate support for innovative technologies in manu-
11 facturing.

12 (3) REPORTING.—The Administrator shall sub-
13 mit to the Committee on Small Business and Entre-
14 preneurship of the Senate and the Committee on
15 Small Business of the House of Representatives a
16 report regarding any determination or activity of the
17 Administrator under paragraph (2).

18 (c) SAVINGS CLAUSE.—Any loan guarantee issued
19 under section 26 of the Stevenson-Wydler Technology In-
20 novation Act of 1980 (15 U.S.C. 3721), as in effect on
21 the day before the date of enactment of this Act, shall
22 remain in full force and effect under the terms, and for
23 the duration, of the loan guarantee agreement.

○