IN THE SENATE OF THE UNITED STATES

APRIL 10 (legislative day, MARCH 29), 1950

Mr. HUMPHREY (for himself, Mr. PEPPER, and Mr. MURRAY) introduced the following bill: which was read twice and referred to the Committee on Banking and Currency

A BILL

To aid small business, to assist in promoting maximum employment and production, and to encourage the free flow of capital into small business enterprises.

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

2 That this Act may be cited as the “Small Business Act of 1950”.

3 TITLE I—AMENDMENTS TO RECONSTRUCTION FINANCE CORPORATION ACT

4 Sec. 101. Subsection (a) of section 4 of the Reconstruction Finance Corporation Act, as amended, is amended by adding three new paragraphs to read as follows:

5 “(5) To insure banks or other lending institutions
against losses which they may sustain as a result of loans
to or purchases of obligations representing loans to small
business enterprises. In no case shall insurance under-
written by the Corporation under this paragraph exceed 10
per centum of the total amount of such loans or purchases
of an insured bank or other lending institution. In addition
to such insurance conditions as may be prescribed by the
Corporation—

"(A) not more than $100,000 of loans or obliga-
tions of one small business enterprise may be insured;

"(B) no insured loan or obligation shall be for a period longer than ten years;

"(C) the rate of insurance premium and the in-
terest rate on insured loans or obligations shall be fixed by the Corporation; and

"(D) notwithstanding a lack of commercial assets, collateral, or security, no audits or appraisals shall be required on insured loans or obligations but banks or other lending institutions shall certify to the borrower's good personal and business reputation.

"(6) To purchase, service, or sell any loans, which are insured under paragraph (5) of this subsection, but no loan may be purchased for an amount exceeding the unpaid principal balance thereof, plus accrued interest, at the time of the purchase. No loan shall be purchased unless the seller
certifies that the loan is insurable under the standards prescribed for insurance of loans by the Corporation according to the provisions of paragraph (5) of this subsection. The Corporation is authorized to borrow money for the purposes of this paragraph through the issuance of notes or other such obligations. The total amount of purchases and commitments made by the Corporation under the provisions of this paragraph shall not exceed $750,000,000 outstanding at any one time.

"(7) Subject to such limitations, restrictions, and regulations as the Corporation may prescribe, to guarantee any bank or lending institution against loss of principal or interest on, or may make a commitment to purchase and thereafter purchase from a bank or other lending institution, any loan which has a maturity of not more than fifteen years, made to a small business enterprise for the purpose of financing (A) alterations, repairs, and improvements upon or in connection with existing structures or the building of new structures upon real property by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan, or (B) the purchase of equipment or fixtures extends beyond the maturity of the loan, if such structures, equipment, or fixtures are not held by the small business enterprise primarily for sale to customers in the ordinary course of trade.
or business. The Corporation shall not guarantee or make a
commitment to purchase under this paragraph more than
90 per centum of the unpaid balance of any loan. The ag-
gregate amount of guaranties and commitments under this
paragraph outstanding at any one time, together with the
amount of loans acquired thereunder and held at the same
time, shall not exceed $500,000,000.”

Sec. 102. Subsection (b) (1) of section 4 of the Recon-
struction Finance Corporation Act, as amended, is amended
by striking out the period at the end thereof and inserting a
colon and the following: “Provided, That in order to encour-
age small business enterprises the Corporation is authorized to
give accounts receivable, inventories, including raw materials,
work in progress, and finished goods, management skills, past
earnings, and prospective earnings consideration over security
in the form of other types of collateral, in the making of
loans either directly or in cooperation with banks or other
lending institutions under paragraph (1) of subsection (a)
of this section for the purpose of establishing new business
terprises or for meeting the long-term capital requirements
of existing small business enterprises. The Corporation shall
make direct loans pursuant to the foregoing proviso only in
those cases where loans cannot be consummated in coopera-
tion with banks or other lending institutions.”

Sec. 103. Subsection (b) (2) of section 4 is amended
by adding before the period at the end of the first sentence thereof a colon and the following: "Provided further, That any loan made under section 4 (a) (1) for the purposes set forth in the proviso in paragraph (1) of this subsection as amended may be made for such period exceeding ten years as the Corporation may deem proper for the encouragement of small business enterprises".

SEC. 104. Subsection (b) (3) of section 4 is amended by striking out the period at the end thereof and inserting a colon and the following: "Provided, That such participations by the Corporation may amount to 90 per centum of the loan outstanding at the time of the disbursement, in the case of loans made for the benefit of small business enterprises in pursuance of the authority set forth in the proviso in subsection (b) (1) of this section as amended. In order to encourage loans in cooperation with banks or other lending institutions under the proviso in subsection (b) (1) of this section as amended, priority shall be given to private lending institutions over the Corporation against the assets of borrowers for the satisfaction of such loans made thereunder."

SEC. 105. Subsection (g) of section 4 is amended to read as follows:

"(g) As used in this Act—

“(1) The term 'State' includes the District of Co-
lumbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

"(2) The term 'small business enterprise' means any business enterprise determined to be a small business enterprise by the Small Business Coordinator in accordance with section 306 of the Small Business Act of 1950."

Sec. 106. Section 4 is amended by adding at the end thereof a new subsection to read as follows:

"(i) Those functions of the Corporation dealing with loans to and the insurance, guaranty, purchase, service, or sale of loans to small business enterprises shall be administered independently of the Board of Directors of the Corporation by a Small Business Division, which is hereby created as a division within the Corporation. The management of the Small Business Division shall be vested in a Director of such Division appointed by the President of the United States by and with the advice of the Senate. The office of Director of the Small Business Division shall be a full-time position. The term of the Director shall be for a term of three years, but he may continue in office until his successor is appointed and qualified. The Director shall receive basic compensation at the rate of $15,000 per annum. The
Title II—Small Business Participation in Government Procurements

Sec. 201. (a) It is the policy of Congress that a fair and substantial portion of the supplies or services purchased, or contracted for, by Government agencies shall be furnished by small business enterprises.

(b) Every Government agency which procures or contracts for supplies or services shall issue regulations and prescribe conditions to the end that small business enterprises shall receive a fair and substantial portion of any procurement of such supplies or services.

Sec. 202. The heads of the National Military Establishment and the General Services Administration shall coordinate efforts in the formulation of regulations and prescribing of conditions, as required herein, for their respective agencies, toward the end of achieving uniformity wherever practicable. Insofar as practicable, the head of each other Government agency shall conform such regulations and conditions for his agency to those of the General Services Administration. In the procurement of supplies or services...
each Government agency shall accept certifications issued by
the Small Business Coordinator pursuant to section 402 (4)
of title III of this Act.

SEC. 203. As used in this title—

(A) The term "Government agency" includes any
Government agency, department, bureau, commission, ad-
ministration, or other instrumentality, including Government-
owned or controlled corporations, and any establishment in
the legislative or judicial branch.

(B) The term "small business enterprise" means any
business enterprise determined to be a small business enter-
prise by the Small Business Coordinator in accordance with
section 306 of this Act.

TITLE III—SMALL BUSINESS COORDINATOR

SEC. 301. (a) There is hereby established in the Execu-
tive Office of the President a Small Business Coordinator
(hereinafter called the "Coordinator") who shall be ap-
pointed by the President, by and with the advice and con-
sent of the Senate, and shall receive compensation at the
rate of $15,000 per annum.

(b) The Coordinator shall assist the President in the
coordination of the activities of the executive agencies in
furtherance of the interests of independent small business
concerns and perform such other functions pursuant to this
Act as the President may designate. For this purpose the
Coordinator shall make or cause to be made such studies, require such reports and information from executive agencies, and consult with such representatives of industry, agriculture, labor, consumers, State and local governments, and other groups, as he deems necessary.

(c) To the fullest extent practicable, the Coordinator shall utilize the facilities and personnel of other executive agencies. Within the limits of funds which may be made available, he may employ and fix the compensation of such officers and employees, and may make such expenditures for supplies, facilities, and services as may be necessary to carry out his functions. The Coordinator may appoint not to exceed six deputies, specialists, or other experts without regard to the civil-service laws and may fix their compensation without regard to the Classification Act of 1949. One such person shall be compensated at a rate of not to exceed $14,000 per annum and five such persons shall be compensated at rates of not to exceed $12,000 per annum. All other officers and employees shall be appointed in accordance with the civil-service laws and their compensation fixed in accordance with the Classification Act of 1949.

(d) To the fullest extent practicable, the Coordinator shall utilize the facilities of small business advisory boards created to assist and counsel Federal agencies, and he may utilize the services of Federal, and, with their consent, State,
1 regional, and local agencies, and utilize such voluntary and uncom-
2 pensated services as may from time to time be needed.

SEC. 302. The Coordinator shall have power, and he is hereby directed, whenever and to the extent that he de-
termines such action to be necessary—

(1) to make, or arrange with the Bureau of the Census, or such other governmental agency as may be possessed of the necessary personnel and facilities for the making of, a complete study of all productive facilities of independent small business enterprises in the United States which may be used for national defense, the needs of the Federal Government, or civilian purposes; and to develop a definite criterion based upon census statistics and other data to determine what is a small business enterprise, and recommend to the Congress the enactment of a clear definition of small business that will be uniformly interpreted by all the executive agencies;

(2) to direct the attention of officers of the Government having procurement powers to the potential productive capacity of small business enterprises and to recommend to the Congress remedial legislation to correct any inadequacy in the present laws relating to the protection of the interests of small business enterprises;
(3) to take such action as will result in the granting of such Government contracts to small business enterprises operating small plants as will provide them with a sufficient incentive to engage in production for the national defense and Government procurement, thereby eventually lowering the per unit cost to the Government; and

(4) to certify to procurement officers of the Military Establishment or other procurement officers with respect to the competency, or the capacity and credit, of any small business enterprise or group of such enterprises to perform a specific Government procurement contract, and such procurement officers are directed to accept such certification as conclusive, and are authorized notwithstanding the provisions of any other law, to let such Government procurement contract to such enterprise or group of enterprises without requiring it to meet any other requirements with respect to competency, capacity, and credit, such as the furnishing of performance bonds.

(5) to supervise the establishment of rules and regulations by Government agencies pursuant to title II of this Act to insure that a fair and substantial portion of the supplies or services purchased, or contracted for, shall be furnished by small business enterprises and to encourage bids by small business enterprises by pub-
lishing and mailing requests for bids and notification of
awards to all interested small business enterprises. Proc-
curement officers are directed to supply the Coordinator
with such information as the Coordinator may request
to accomplish this purpose.

SEC. 303. The Coordinator is hereby directed to con-
sult with the various Federal, State, and local agencies and
with independent small business enterprises and associations
thereof with a view to recommending to the Congress ap-
propriate legislation designed to further the interests of
independent small business enterprises.

The Coordinator shall promote the adoption of poli-
cies by the executive departments designed to encourage
the growth and development of independent small busi-
ness enterprises consistently with our traditional national
system of free enterprise, and he shall recommend to the
Congress the enactment of specific legislation to accomplish
this result. While the Congress is determined to insure that
independent small business enterprises obtain a fair share
of Government contracts, the Congress is fully aware of the
fact that the eventual success of independent small busi-
ness enterprises is dependent upon their ability to compete
in the market place and that the Government should con-
fine its endeavors to the removal of the barriers which im-
pede the efforts of small business enterprises to compete
fairly and equitably with larger business enterprises of equal
benefit to the national welfare.

Sec. 304. The Coordinator shall make an annual re-
port of his operations under this Act to the President, the
President of the Senate, and the Speaker of the House of
Representatives. Such report shall include such information,
and such comments and specific recommendations for legis-
lation, with respect to the relation of independent small
business concerns to the national economy as the Coordi-
nator may deem advisable.

Sec. 305. There is hereby authorized to be appropriated
such funds as may be necessary to carry out the functions
of this title.

Sec. 306. As used in this title, the term “small business
enterprise” means any business enterprise (a) the number
of whose employees does not exceed five hundred, except
that the Coordinator shall, where appropriate, specify a
smaller number for any particular trade or industry; and (b)
whose position in the trade or industry of which it is a part
is determined by the Coordinator not to be dominant. In
determining whether an enterprise is a small business enter-
prise, there shall be considered the relative size and portion
of the business in relation to the trade or industry in which
it is engaged, the size and nature of the area of its operation,
the size and independence of the group supplying capital or
holding ownership or control of the business; and no enter-
prise shall be considered to be a small business enterprise
which is affiliated through stock ownership or otherwise with
any other enterprise in the same trade or industry which is
determined to be dominant in the trade or business in which
it is engaged.
A BILL

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By Mr. Humphrey, Mr. Pepper, and Mr. Murray

April 10 (legislative day, March 29), 1950
Read twice and referred to the Committee on Banking and Currency