

112TH CONGRESS
1ST SESSION

H. R. 3754

To amend the Small Business Act to improve the program under section 8(a), and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 20, 2011

Ms. RICHARDSON introduced the following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Act to improve the program under section 8(a), and for other purposes.

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 “Small Business Reform
5 Act of 2011” or the “Not Too Small to Succeed in Busi-
6 ness Act of 2011”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

9 (1) Small businesses are a vital part of the
10 economy of the United States.

1 (2) The 26,800,000 small businesses in the
2 United States account for more than 99.7 percent of
3 all employer firms.

4 (3) Small businesses employ just over half of all
5 private sector employees.

6 (4) The 4,100,000 small businesses owned by
7 individuals who are members of economically dis-
8 advantaged groups generate approximately
9 \$694,000,000,000 in revenues and employ approxi-
10 mately 4,800,000 individuals each year.

11 (5) Small businesses need help to remain com-
12 petitive in the global economy, particularly during
13 difficult economic times.

14 (6) Together, women-owned and minority-
15 owned businesses receive less than 7 percent of ven-
16 ture capital.

17 (7) Seventy percent of small businesses survive
18 at least 2 years, but less than half survive 5 years.

19 (8) The Small Business Administration was es-
20 tablished in 1953 by the Federal Government to aid,
21 counsel, assist, and protect the interests of small
22 business concerns, to preserve free competitive enter-
23 prise, and to maintain and strengthen the overall
24 economy of the United States.

1 (9) The Small Business Administration assists
2 firms owned and controlled by economically dis-
3 advantaged individuals to enter the economic main-
4 stream by providing firm-specific analysis, coun-
5 seling, management training, professional consulting
6 and monitoring services, and access to business de-
7 velopment opportunities under section 8(a) of the
8 Small Business Act.

9 (10) Although the program under section 8(a)
10 is well intended, the problems of the program are
11 well known.

12 (11) The program under section 8(a) has a
13 record of graduating companies that are not suffi-
14 ciently prepared to compete for contracts with large
15 and established companies in the private sector, re-
16 sulting in a large number of former participants in
17 the program failing to remain in business shortly
18 after leaving the program.

19 (12) The problem of graduating companies
20 from the program under section 8(a) that are not
21 sufficiently prepared to compete for contracts with
22 large and established companies in the private sector
23 is caused by the reliance of the Small Business Ad-
24 ministration on outdated measures of adjusted gross
25 income and net worth in determining whether a

1 company participating in the program continues to
2 be economically disadvantaged.

3 (13) Reliance by the Small Business Adminis-
4 tration on measures that do not reflect contem-
5 porary conditions has had, and will continue to have,
6 the unintended consequence of keeping small busi-
7 nesses too small to succeed, which is as undesirable
8 as protecting companies that are too big to fail.

9 **SEC. 3. IMPROVEMENT OF PROGRAM UNDER SECTION 8(a)**
10 **OF THE SMALL BUSINESS ACT.**

11 (a) PERIOD OF ELIGIBILITY.—

12 (1) EXTENSION.—Section 7(j)(15) of the Small
13 Business Act (15 U.S.C. 636(j)(15)) is amended—

14 (A) in the matter preceding subparagraph

15 (A) by striking “nine years” and inserting “11
16 years”; and

17 (B) in subparagraph (B) by striking “five
18 years” and inserting “7 years”.

19 (2) COMPLETED PERIODS.—A small business
20 concern that completed a 9-year period of participa-
21 tion in the program under section 8(a) of the Small
22 Business Act (15 U.S.C. 637(a)) prior to the date
23 of enactment of this Act and that is otherwise eligi-
24 ble to participate in such program except for having
25 completed such 9-year period, including that such

1 concern satisfies net worth requirements applicable
2 to continued eligibility after initial program admis-
3 sion, may participate in such program during the 2-
4 year period beginning on the date of enactment of
5 this Act.

6 (b) NET WORTH AND INCOME LIMITATIONS.—

7 (1) INCREASE.—Section 8(a)(6)(A) of the
8 Small Business Act (15 U.S.C. 637(a)(6)(A)) is
9 amended by inserting after “disadvantaged indi-
10 vidual.” the following: “For purposes of eligibility
11 for admission as a Program Participant the net
12 worth of such individual may be any amount not ex-
13 ceeding \$750,000 and for purposes of continued eli-
14 gibility after admission the net worth of such indi-
15 vidual may be any amount not exceeding
16 \$2,250,000. For purposes of eligibility for admission
17 as a Program Participant and continued eligibility
18 after admission, the modified adjusted gross income
19 (as such term is defined in section 25A(d)(3) of the
20 Internal Revenue Code of 1986) of such individual
21 for an applicable taxable year may be any amount
22 not exceeding \$500,000.”.

23 (2) COMPLETED PERIODS OF PARTICIPATION.—

24 If the Administrator of the Small Business Adminis-
25 tration graduated a small business concern from the

1 program under section 8(a) of the Small Business
2 Act (15 U.S.C. 637(a)) prior to the date of enact-
3 ment of this Act as a result of a determination that
4 such concern did not meet standards relating to eco-
5 nomic disadvantage and such concern meets require-
6 ments under such section as amended by this Act,
7 such concern may participate in such program for a
8 period—

9 (A) of 11 years less the period of time
10 such concern previously participated in such
11 program; and

12 (B) beginning on the date of enactment of
13 this Act.

○