

**Statement of the Honorable David N. Cicilline,  
Chairman, Subcommittee on Antitrust, Commercial, and  
Administrative Law**

**Opening Statement for Markup of Bankruptcy  
Legislation**

**July 11, 2019 at 10:00 a.m.  
2141 of the Rayburn House Office Building**

Thank you, Mr. Chairman.

The overriding principle of the bankruptcy system is to give people who are overwhelmed with unmanageable debt a fresh start through meaningful financial relief.

This system is supposed to work for everyone—from consumer debtors and small business owners to family farmers, servicemembers, and veterans—and give them a new pathway to economic prosperity.

But as we heard during a recent oversight hearing, the bankruptcy system is not working.

To address some of these concerns, today's markup of four bills will make a series of improvements to the bankruptcy system.

One of these bipartisan measures includes H.R. 3311, the "Small Business Reorganization Act of 2019". H.R. 3311 is commonsense legislation that I have introduced with Congressman Ben Cline and Ranking Member Doug Collins in order to streamline the bankruptcy process for small businesses.

Small, locally owned businesses are the lifeblood of our communities.

Whether it's a local bookstore, coffee shop, hardware store, restaurant, or grocer, these small-scale businesses form the backbone of communities, and these businesses make our communities more prosperous, entrepreneurial, and connected.

Leading studies have found that more than half of every dollar **invested** in a locally owned business **stays** in the community.

That's because locally owned businesses invest in labor, goods, and services located within our communities. Profits are paid to both local owners and local workers, who on average earn higher wages at locally owned businesses.

And in times of economic downturn or recession, locally owned businesses create and retain jobs at a higher rate than larger corporations, as leading economists at Yale University and University of Bristol found in 2012.

But according to the Small Business Administration (SBA), only about 20 percent of small businesses survive the first year in businesses. It is essential that our bankruptcy system does not punish entrepreneurship and investment by foreclosing debt relief for honest businesses that have tried but failed.

However, as Judge Thomas Small testified on behalf of the National Bankruptcy Conference, most small business cases are unlikely to reorganize successfully under chapter 11 of the Bankruptcy Code.

As he noted, “Bankruptcy professionals have known for decades that chapter 11 does not work well for small business debtors.”

This is primarily because this process was designed with large, complex corporations in mind, and does not include adequate protections or safeguards for small businesses.

Although the Bankruptcy Code is intended to allow careful monitoring of reorganizations by creditors, this does not happen in many cases because claims are too small to warrant sufficient oversight.

H.R. 3311 addresses this shortcoming by requiring the appointment of a trustee to monitor these cases, and giving courts greater flexibility to approve small business reorganization plans in a fair and equitable manner.

Along with the other bills that will be considered today to advance protections for servicemembers, family farmers, and veterans, I strongly urge my colleagues to support these commonsense measures.

Before yielding back, I want to call attention to an additional area of importance that will not be considered today: the skyrocketing costs of student loan debt.

As we heard during the recent Subcommittee hearing on oversight of the bankruptcy laws, far too many student loan borrowers have been unable to succeed financially due to overwhelming student loan debt. The amount of outstanding student loan debt has ballooned to \$1.5 trillion. According to the Federal Reserve, this amount has tripled since 2006, and is expected to grow to \$2 trillion by 2022.

In addition to undermining the quality of life and earning of borrowers, this crisis has also severely affected the economy overall.

The American Bankruptcy Institute reports that student loan debt has undermined home ownership, automobile ownership, and has also resulted in a decline in students choosing public-service careers over the private sector. As this report notes, “Student loan debt thus affects not only those who owe the loans but also has consequences that ripple through our communities and our nation.”

It is imperative to working people across the country that we tackle this problem.

As an original cosponsor of H.R. 2648, the “Student Borrower Bankruptcy Relief Act of 2019,” legislation introduced by Chairman Nadler and Senator Durbin to provide relief for educational debt through bankruptcy, I look forward to taking this matter up in the months ahead.



With that, I thank the Chairman for scheduling today's markup, and I yield back the balance of my time.