

**Prepared Statement of Senator Chuck Grassley of Iowa  
Chairman, Senate Judiciary Committee  
Hearing on “Small Business Bankruptcy: Assessing the System,”  
Wednesday, March 7, 2018**

I would like to thank Chairman Sasse for organizing this hearing.

It is important that the Judiciary Committee study whether small businesses are experiencing problems with reorganization in bankruptcy and whether changes to the Bankruptcy Code are necessary.

Small businesses are the lifeblood of our economy. According to the Small Business Association, 99.7% of U.S. employer firms and 48% of private-sector employment are made up of small and medium sized businesses. Bank loans going to small businesses totaled almost \$600 billion in 2015.

A well-functioning bankruptcy system, specifically for small businesses, allows businesses to reorganize, preserves jobs, maximizes the value of assets, and ensures the proper allocation of resources. To that end, improving and refining the Bankruptcy Code has been an effort of mine for decades.

A subset of these small businesses are this country’s farmers, for which I have worked tirelessly to develop efficient bankruptcy relief under chapter 12 of the Bankruptcy Code. Chapter 12 has been a proven success, allowing farmers and their lenders to sit down and work out alternatives for debt repayment. Still, further changes have been needed over the years, and just this Congress we passed legislation to address an unintended tax issue.

Similar to chapter 12, Congress has improved chapter 11 for the broader set of small businesses, allowing small business debtors to expedite their cases in order to make them less costly and more efficient. I included several provisions in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) which were based on recommendations of the National Bankruptcy Review Commission to increase the likelihood of success for those debtors who could reorganize, quickly address a likely-to-fail debtor, and minimize time spent in chapter 11.

I look forward to hearing from today’s witnesses regarding the current state of the bankruptcy system as it applies to small businesses. We should determine whether the existing provisions are working and assess whether further improvements – such as reducing administrative costs and streamlining procedures – can be made to better address the special problems presented by small business bankruptcies. I am curious to hear how changes in the economy and various industries have impacted our previous revisions to the Bankruptcy Code relating to small business bankruptcies under BAPCPA.

I understand that both the American Bankruptcy Institute and the National Bankruptcy Conference have devoted a significant amount of time and effort on two proposals to improve

the small business bankruptcy provisions. I would like to thank both organizations for their efforts on this important topic and look forward to hearing about each proposal and the processes by which they were developed. Importantly, we must ensure that we understand the full impact of how any proposed change would impact the larger system, including all constituencies impacted by a bankruptcy.