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PROGRAM FOR INVESTMENT IN MICROENTREPRENEURS (PRIME)

JUNE 14, 1999.—Ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial Services, submitted the following

REPORT

together with

DISSENTING AND SUPPLEMENTAL VIEWS

[To accompany H.R. 413]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 413) to authorize qualified organizations to provide technical assistance and capacity building services to microenterprise development organizations and programs and to disadvantaged entrepreneurs using funds from the Community Development Financial Institutions Fund, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

The purpose of H.R. 413, the "Program for Investment in Microentrepreneurs Act of 1999" (the "Act"), as reported out of the Committee on Banking and Financial Services, is to encourage entrepreneurship and community development by providing assistance to microenterprise development organizations, thereby enabling these organizations to more effectively meet the growing training and technical assistance needs of low income entrepreneurs. The Act authorizes the Community Development Financial Institutions ("CDFI") Fund to establish a microenterprise technical assistance and capacity building grant program that would award grants on a competitive basis to eligible microenterprise development organizations and programs. Eligible organizations include Indian Tribes.

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The Act is not a loan program. The PRIME Act provides funding to support the training and technical assistance needs of microenterprise development organizations that target low income and very low income individuals.

The general philosophy of the microenterprise industry is to bring new sources of income to segments of the population where job opportunities are low by combining small amounts of credit with business management skills. A microenterprise is generally a sole proprietorship with fewer than five employees, has not had access to credit from commercial banks, and can initially use a loan in an amount under $15,000.

In the past ten years, encouraging entrepreneurship as a strategy for poverty alleviation and community development has evolved. The "1999 Director of U.S. Microenterprise Programs" lists 342 microenterprise programs in forty-six states and the District of Columbia, a significant increase over the 195 programs listed in the 1994 directory. Such programs provide a range of services to help low income entrepreneurs, including business training, financial management, counseling, and assistance in accessing capital.

In testimony provided in the Committee, the Aspen Institute, a nonprofit education and research organization, presented the findings of its Self-Employment Learning Project ("SELP"). Over a five year period, SELP's study tracked 405 entrepreneurs who were each served by one of seven microenterprise programs. The purpose of the study was to evaluate the costs and performance of the programs, as well as the outcomes experienced by the microentrepreneurs. SELP reported the following results:

The average change in household income was $8,485—rising from $13,889 to $22,374 over five years;

Fifty-three percent of the entrepreneurs increased their incomes enough to cross the poverty line (using 150% of the poverty line as the reference point);

Entrepreneurs reduced their reliance on government assistance by 61% with the largest reduction in the amount of AFDC benefits;

The business survival rate was 49% over five years; which is comparable to Census Bureau and Internal Revenue Service survival rates for businesses with similar characteristics as the sampled microenterprises.

The SELP study reinforces the arguments that microenterprise organizations are of critical importance to low income entrepreneurs. As stated, existing funding for microenterprise programs is largely in the form of credit. However, the study indicates that credit without training is of limited success. Thus, the intent of the Act is to fill this void. PRIME Act funds cannot be used to capitalize loans to microentrepreneurs, rather the funds may be used for technical assistance purposes only. The Act's funding targets low-income individuals and at least 50% of the funding must be used to target very low income individuals (those at or below 150% of the poverty line).

The Act authorizes the CDFI Fund to establish a microenterprise technical assistance and capacity building grant program that would award grants on a competitive basis to eligible microenterprise development organizations and programs. The Act is author-

ized for four years at levels of $15 million for FY00, $25 million for FY01, $30 million for FY02, and $35 million for FY03. Under the Act, funds could be used by qualifying nonprofit organizations to:

Provide training and technical assistance to low income and disadvantaged individuals interested in starting or expanding their own business;

Engage in capacity building activities targeted to microenterprise development organizations that serve low income and disadvantaged individuals; and

Support research and development activities designed to identify and promote entrepreneurial training and technical assistance programs that can effectively serve low income and disadvantaged individuals.

To be considered qualified for funds under the Act, an organization must be a nonprofit microenterprise development organization or program with a demonstrated record of serving economically disadvantaged individuals. Financial assistance under the Act must be matched with funds from sources other than the Federal government on a basis of not less than 50% of each dollar. The intent of the Act is to ensure that technical assistance and capacity building funds are made available to a range of microenterprise organizations, including small and emerging organizations as well as larger and more established organizations.

HEARINGS

The Committee held a hearing on H.R. 413, the "Program for Investment in Microentrepreneurs Act of 1999," on May 26, 1999. Testifying at the hearing were: the Honorable Edward M. Kennedy; the Honorable Bobby L. Rush; Gary Gensler, Undersecretary for Domestic Finance, Department of the Treasury; Ellen W. Lazar, Director, Community Development Financial Institutions Fund; Jason J. Friedman, Vice President, Institute for Social and Economic Development; Marguerite Sisson, Owner, River City Cleaning; Joan Dallis, Vice President, Rural Opportunities Enterprise, Inc.; Karla Melvin, Director, Employment Services, Women Venture; Peggy Clark, Executive Director, Economic Opportunities Program, The Aspen Institute; Ellen Golden, Chair, Association for Enterprise Opportunities; and Mark Pinsky, Chairman, Coalition of Community Development Financial Institutions.

COMMITTEE CONSIDERATION AND VOTES

On May 26, 1999, the full committee met in open session to mark up H.R. 413, the "Program for Investment in Microentrepreneurs Act in 1999." The Committee called up H.R. 413 as original text for purposes of amendment. No amendments were offered. On the question of final passage, the Committee, by voice vote, favorably reported H.R. 413 to the full House of Representatives for consideration. Also, the Committee passed by voice vote a motion to authorize the Chairman to offer such motions as may be necessary in the House of Representatives to go to conference with the Senate on a similar bill.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

COMMITTEE ON GOVERNMENT REFORM

No findings and recommendations of the Committee on Government Reform were received as referred to in clause 3(c)(4) of rule XIII of the Rules of the House of Representatives.

CONSTITUTIONAL AUTHORITY

In compliance with clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the constitutional authority for Congress to enact this legislation is derived from both the power to regulate interstate commerce (Clause 3, Section 8, Article I) and "to coin money" and "regulate the value thereof" (Clause 5, Section 8, Article I). The latter Constitutional power has been broadly construed to allow for the Federal regulation of the provision of credit and other forms of economic assistance via the financial services industry and to regulate every phase of the subject of currency. In addition, Congress is granted the authority to make laws (Clause 18, Section 8, Article I) that are necessary and proper to carry out the foregoing powers as well as other powers vested by the Constitution.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, please see the attached Congressional Budget Office cost estimate.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONGRESSIONAL ACCOUNTABILITY ACT

The reporting requirement under section 102(b)(3) of the Congressional Accountability Act (P.L. 104–1) is inapplicable because this legislation does not relate to terms and conditions of employment or access to public services or accommodations.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE AND UNFUNDED MANDATES ANALYSIS

The cost estimate pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974 is attached herewith:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 10, 1999.

Hon. JAMES A. LEACH,
Chairman, Committee on Banking and Financial Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 413, the Program for Investment in Microentrepreneurs Act of 1999 (PRIME Act).

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Deborah Reis.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

H.R. 413—Program for Investment in Microentrepreneurs Act of 1999 (PRIME Act)

Summary: H.R. 413 would establish within the Community Development Financial Institutions (CDFI) Fund a new program to provide assistance to nonprofit organizations and other entities that serve low-income entrepreneurs of very small businesses. The bill would authorize the fund to provide grants to qualified organizations to help them assist such businesses through training and other aid. Up to 15 percent of such grants also could be used to expand the capacity of these organizations. For the purposes of carrying out the new program, the bill would authorize appropriations of $15 million in 2000, $25 million in 2001, $30 million in 2002, and $35 million in 2003. CBO estimates that appropriations of the authorized amounts would result in discretionary spending of $70 million over the 2000–2004 period.

Enacting H.R. 413 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandate Reform Act (UMRA) and would impose no costs on state or local governments. Any costs incurred by tribal governments would be voluntary.

Estimated cost to the Federal Government: Assuming appropriation of the authorized amounts, CBO estimates that the CDFI fund would spend about $70 million through fiscal year 2004 to implement the assistance program established by H.R. 413. (The balance of $35 million authorized for this purpose would be spent after 2004.) The estimated budgetary impact of H.R. 413 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By fiscal year, in millions of dollars—				
	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION					
Authorization Level	15	25	30	35	0
Estimated Outlays	3	8	14	22	23

Basis of estimate: For purposes of this estimate, CBO assumes that the full amounts authorized for the microentrepreneur investment program will be appropriated for each fiscal year and that outlays will occur at spending rates similar to those experienced with existing CDFI programs. The activities authorized by H.R. 413 would constitute a new program within the CDFI fund; at present, there is no spending for such activities.

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state or local governments. Any costs incurred by tribal governments would be voluntary.

Estimate prepared by: Deborah Reis.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

SECTION-BY-SECTION ANALYSIS—PROGRAM FOR INVESTMENT IN MICROENTREPRENEURS ACT OF 1999

SECTION 1. PROVISION OF TECHNICAL ASSISTANCE TO MICROENTERPRISES

Section 1 amends Title I of the "Riegle Community Development and Regulatory Improvement Act of 1994" by adding the following new sections:

Section 171. Short title

This section designates new Subtitle C as the "Program for Investment in Microentrepreneurs Act of 1999" (PRIME Act).

Section 172. Definitions

This section defines terms as they apply to the PRIME Act.

Section 173. Establishment of program

This section requires the Treasury Secretary to establish a microenterprise technical assistance and capacity building grant program which shall provide assistance from the CDFI Fund in the form of grants to qualified organizations.

Section 174. Uses of assistance

This section provides that grants can be used for the following purposes: (1) to provide training and technical assistance to disadvantaged entrepreneurs; (2) to engage in capacity building activities targeted to microenterprise development organizations that serve low income entrepreneurs; and (3) to aid in researching and developing the best practices in the field of microenterprise and technical assistance programs of disadvantaged entrepreneurs.

Section 175. Qualified organizations

This section defines a qualified organization as a nonprofit microenterprise development organization that has a demonstrated record of assisting disadvantaged entrepreneurs, an intermediary private nonprofit entity that serves microenterprise development organizations, or an Indian tribe if it can certify that a nonprofit microenterprise development does not exist in the area.

Section 176. Allocation of assistance; subgrants

This section provides that not less than seventy-five percent of PRIME's funding shall be used for training and technical assistance to microenterprise development organization and not less than fifteen percent for capacity building activities.

The legislation targets very low income entrepreneurs. Specifically, this section requires that not less than fifty percent of PRIME's grants be made to very low income persons. Very low income person is defined as having an income, adjusted for family size, of not more than 150 percent of the poverty line.

This section requires diversity in the extension of grants to ensure that grant recipients include both large and small microenterprise organizations, serving urban, rural, and Indian tribal communities and racially and ethnically diverse populations.

Section 177. Matching requirements

This section provides matching requirements from sources other than the Federal government equal to fifty percent of each dollar provided by the CDFI Fund. Sources of matching funds may include fees, grants, gifts, funds from loan sources, or in the form of in-kind resources, grants, or loans to the organization.

In the case of an applicant with severe economic constraints on sources available for matching funds, the Administrator may reduce or eliminate the matching requirement. Not more than 10% of the total funds made available under the Act may be excepted from the matching requirements.

Section 178. Applications for assistance

This section requires the CDFI Fund to establish procedures for submission of applications for assistance.

Section 179. Recordkeeping

This section establishes recordkeeping requirements for organizations that receive PRIME Act grants, including an annual report in which the organization discloses its activities, financial condition and its success in satisfying the terms and conditions of its assistance agreement.

Section 180. Authorization

This section authorizes appropriations of $15 million for fiscal year 2000, $25 million for fiscal year 2001, $30 million for fiscal year 2002, and $35 million for fiscal year 2003.

Section 181. Implementation

This section gives the Treasury Secretary the authority to carry out the PRIME Act.

SECTION 2. ADMINISTRATIVE EXPENSES

Section 2 increases the CDFI Fund's authorized administrative expenses from $5,550,000 to $6,100,000 to accommodate administration of the PRIME Act.

SECTION 3. CONFORMING AMENDMENTS

This section makes technical and conforming amendments.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

THE RIEGLE COMMUNITY DEVELOPMENT AND REGULATORY IMPROVEMENT ACT OF 1994

* * * * * * *

TITLE I—COMMUNITY DEVELOPMENT AND CONSUMER PROTECTION

SUBTITLE A—COMMUNITY DEVELOPMENT BANKING AND FINANCIAL INSTITUTIONS ACT

* * * * * * *

SEC. 104. ESTABLISHMENT OF NATIONAL FUND FOR COMMUNITY DEVELOPMENT BANKING.

(a) * * *

* * * * * * *

(d) ADVISORY BOARD.—

(1) * * *

(2) MEMBERSHIP.—The Board shall consist of [15] *17* members, including—

(A) * * *

* * * * * * *

(G) [9] *11* private citizens, appointed by the President, who shall be selected, to the maximum extent practicable, to provide for national geographic representation and racial, ethnic, and gender diversity, including—

(i) 2 individuals who are officers of existing community development financial institutions;

(ii) 2 individuals who are officers of insured depository institutions;

(iii) 2 individuals who are officers of national consumer or public interest organizations;

(iv) 2 individuals who have expertise in microenterprises and microenterprise development;

[(iv)] *(v)* 2 individuals who have expertise in community development; and

[(v)] *(vi)* 1 individual who has personal experience and specialized expertise in the unique lending and community development issues confronted by Indian tribes on Indian reservations.

* * * * * * *

(4) BOARD FUNCTION.—It shall be the function of the Board to advise the Administrator on the policies of the Fund regarding activities under this subtitle *and subtitle C*. The Board shall not advise the Administrator on the granting or denial of any particular application.

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SEC. 121. AUTHORIZATION OF APPROPRIATIONS.

(a) FUND AUTHORIZATION.—

(1) * * *

* * * * * * *

(2) ADMINISTRATIVE EXPENSES.—

(A) IN GENERAL.—Of amounts authorized to be appropriated to the Fund pursuant to this section, not more than **[**$5,550,000**]** *$6,100,000* may be used by the Fund in each fiscal year to pay the administrative costs and expenses of the Fund*, including costs and expenses associated with carrying out subtitle C*. Costs associated with the training program established under section 109 and the technical assistance program established under section 108 shall not be considered to be administrative expenses for purposes of this paragraph.

* * * * * * *

Subtitle C—Microenterprise Technical Assistance and Capacity Building Program

SEC. 171. SHORT TITLE.

This subtitle may be cited as the "Program for Investment in Microentrepreneurs Act of 1999", also referred to as the "PRIME Act".

SEC. 172. DEFINITIONS.

For purposes of this subtitle—

(1) the term "Administrator" has the same meaning as in section 103;

(2) the term "capacity building services" means services provided to an organization that is, or is in the process of becoming a microenterprise development organization or program, for the purpose of enhancing its ability to provide training and services to disadvantaged entrepreneurs;

(3) the term "collaborative" means 2 or more nonprofit entities that agree to act jointly as a qualified organization under this subtitle;

(4) the term "disadvantaged entrepreneur" means a microentrepreneur that is—

(A) a low-income person;

(B) a very low-income person; or

(C) an entrepreneur that lacks adequate access to capital or other resources essential for business success, or is economically disadvantaged, as determined by the Administrator;

(5) the term "Fund" has the same meaning as in section 103;

(6) the term "Indian tribe" has the same meaning as in section 103;

(7) the term "intermediary" means a private, nonprofit entity that seeks to serve microenterprise development organizations and programs as authorized under section 175;

(8) the term "low-income person" has the same meaning as in section 103;

(9) the term "microentrepreneur" means the owner or developer of a microenterprise;

(10) the term "microenterprise" means a sole proprietorship, partnership, or corporation that—

(A) has fewer than 5 employees; and

(B) generally lacks access to conventional loans, equity, or other banking services;

(11) the term "microenterprise development organization or program" means a nonprofit entity, or a program administered by such an entity, including community development corporations or other nonprofit development organizations and social service organizations, that provides services to disadvantaged entrepreneurs or prospective entrepreneurs;

(12) the term "training and technical assistance" means services and support provided to disadvantaged entrepreneurs or prospective entrepreneurs, such as assistance for the purpose of enhancing business planning, marketing, management, financial management skills, and assistance for the purpose of accessing financial services; and

(13) the term "very low-income person" means having an income, adjusted for family size, of not more than 150 percent of the poverty line (as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2), including any revision required by that section).

SEC. 173. ESTABLISHMENT OF PROGRAM.

The Administrator shall establish a microenterprise technical assistance and capacity building grant program to provide assistance from the Fund in the form of grants to qualified organizations in accordance with this subtitle.

SEC. 174. USES OF ASSISTANCE.

A qualified organization shall use grants made under this subtitle—

(1) to provide training and technical assistance to disadvantaged entrepreneurs;

(2) to provide training and capacity building services to microenterprise development organizations and programs and groups of such organizations to assist such organizations and programs in developing microenterprise training and services;

(3) to aid in researching and developing the best practices in the field of microenterprise and technical assistance programs for disadvantaged entrepreneurs; and

(4) for such other activities as the Administrator determines are consistent with the purposes of this subtitle.

SEC. 175. QUALIFIED ORGANIZATIONS.

For purposes of eligibility for assistance under this subtitle, a qualified organization shall be—

(1) a nonprofit microenterprise development organization or program (or a group or collaborative thereof) that has a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs;

(2) an intermediary;

(3) a microenterprise development organization or program that is accountable to a local community, working in conjunction with a State or local government or Indian tribe; or

(4) an Indian tribe acting on its own, if the Indian tribe can certify that no private organization or program referred to in this paragraph exists within its jurisdiction.

SEC. 176. ALLOCATION OF ASSISTANCE; SUBGRANTS.

(a) ALLOCATION OF ASSISTANCE.—

(1) IN GENERAL.—The Administrator shall allocate assistance from the Fund under this subtitle to ensure that—

(A) activities described in section 174(1) are funded using not less than 75 percent of amounts made available for such assistance; and

(B) activities described in section 174(2) are funded using not less than 15 percent of amounts made available for such assistance.

(2) LIMIT ON INDIVIDUAL ASSISTANCE.—No single organization or entity may receive more than 10 percent of the total funds appropriated under this subtitle in a single fiscal year.

(b) TARGETED ASSISTANCE.—The Administrator shall ensure that not less than 50 percent of the grants made under this subtitle are used to benefit very low-income persons, including those residing on Indian reservations.

(c) SUBGRANTS AUTHORIZED.—

(1) IN GENERAL.—A qualified organization receiving assistance under this subtitle may provide grants using that assistance to qualified small and emerging microenterprise organizations and programs, subject to such rules and regulations as the Administrator determines to be appropriate.

(2) LIMIT ON ADMINISTRATIVE EXPENSES.—Not more than 7.5 percent of assistance received by a qualified organization under this subtitle may be used for administrative expenses in connection with the making of subgrants under paragraph (1).

(d) DIVERSITY.—In making grants under this subtitle, the Administrator shall ensure that grant recipients include both large and small microenterprise organizations, serving urban, rural, and Indian tribal communities and racially and ethnically diverse populations.

SEC. 177. MATCHING REQUIREMENTS.

(a) IN GENERAL.—Financial assistance under this subtitle shall be matched with funds from sources other than the Federal Government on the basis of not less than 50 percent of each dollar provided by the Fund.

(b) SOURCES OF MATCHING FUNDS.—Fees, grants, gifts, funds from loan sources, and in-kind resources of a grant recipient from public or private sources may be used to comply with the matching requirement in subsection (a).

(c) EXCEPTION.—

(1) IN GENERAL.—In the case of an applicant for assistance under this subtitle with severe constraints on available sources of matching funds, the Administrator may reduce or eliminate the matching requirements of subsection (a).

(2) LIMITATION.—Not more than 10 percent of the total funds made available from the Fund in any fiscal year to carry out this subtitle may be excepted from the matching requirements of subsection (a), as authorized by paragraph (1) of this subsection.

SEC. 178. APPLICATIONS FOR ASSISTANCE.

An application for assistance under this subtitle shall be submitted in such form and in accordance with such procedures as the Fund shall establish.

SEC. 179. RECORDKEEPING.

The requirements of section 115 shall apply to a qualified organization receiving assistance from the Fund under this subtitle as if it were a community development financial institution receiving assistance from the Fund under subtitle A.

SEC. 180. AUTHORIZATION.

In addition to funds otherwise authorized to be appropriated to the Fund to carry out this title, there are authorized to be appropriated to the Fund to carry out this subtitle—

(1) $15,000,000 for fiscal year 2000;

(2) $25,000,000 for fiscal year 2001;

(3) $30,000,000 for fiscal year 2002; and

(4) $35,000,000 for fiscal year 2003.

SEC. 181. IMPLEMENTATION.

The Administrator shall, by regulation, establish such requirements as may be necessary to carry out this subtitle.

DISSENTING VIEWS

A new federal subsidized lending program to copy another problem-ridden one should be rejected for a variety of reasons. While the proponents of the bill may be well meaning, one should make a distinction between intentions and results. The initial government intervention in the private market (with high taxes, overburdening regulation and easy credit) is the cause of much of the problem, and it is what must be addressed. Congress should, of course, recognize Constitutional restraints and not interfere in local lending initiatives.

When I was sworn in as a U.S. Congressman, I pledged to uphold the Constitution. This document detailed an agenda of limited government: Article One, Section 8 (the enumerated powers clause) and the ninth and tenth amendments (reserving to the states and people those powers not specifically granted to the federal government). A careful reading of the Constitution, Bill of Rights, and Declaration of Independence make the unconstitutional status of this vast expansion of federal powers easy to discern.

H.R. 413, the PRIME Act, continues not only the expansion of federal powers beyond the bounds set by the Constitution but increases its unconstitutional expenditure by $15 million of other people's money to create yet another new, wasteful government program. And the amount is set to double in just two years!

Whatever the merits or demerits of the idea of microlending, the question before this body is whether we will respect constitutional constraints and always remember that we are allocating other people's money. The answer to the problem of community development will not be found in Federal government programs. Indeed, previous expenditures to fund an increasing number of expanding programs has not solved the problem. Yet the problem remains—to listen to the supporters of this bill who call for ever-increasing funding for programs that have not worked, the problem is actually worsening. It is time to reject this approach and focus on sound fiscal and monetary fundamentals as the best path to true community development.

RON PAUL.

SUPPLEMENTAL VIEWS

We strongly support the goals of the Program for Investments and Micro Entrepreneurs ("PRIME") Act. It is vital that we provide technical assistance and capacity building to low-income and very low-income micro-entrepreneurs.

Technical assistance programs for micro-entrepreneurs, as well as funding for these programs, are desperately needed. Although the PRIME program was drafted to provide much-needed assistance to low-income micro-entrepreneurs, it does not address the largest issue confronting micro-enterprise programs—the need for adequate funding. Funding for the SBA Microloan program has historically been inadequate. Although the authorization for the Microloan technical assistance program has remained at $40 million since FY 1998, the Administration requested only $16.5 million for the program in FY 1998, and the Congress appropriated just over $12.9 million. In FY 1999, the Administration again requested $16.5 million and the Congress appropriated that same amount. In Fiscal Years 1998 and 1999, the SBA Microloan technical assistance program has received only $17.4 million in total funding. This clearly insufficient amount represents less than one-fourth of the program's total authorized funding level during that period.

We are concerned that the PRIME program will be forced to share already scarce funding with the SBA Microloan program, creating two well-intention, but underfunded programs.

As members of the Banking Committee who also serve on the Small Business Committee, we have spent a great deal of time working to assist low- and moderate-income entrepreneurs which programs like PRIME are targeted to assist. We are especially concerned that this program complement—and not simply duplicate—the services already provided by the Small Business Administration, especially the 7(m) Microloan program.

The similarities between the proposed PRIME Act and the SBA Microloan program are demonstrated by each program's statement of purpose. As approved by the Committee, the PRIME program's purpose is:

> To authorize qualified organizations to provide technical assistance and capacity building services to micro enterprise and development organizations and programs to disadvantaged entrepreneurs * * *

According to the statement of purpose for the SBA's Microloan technical assistance and capacity building program, as originally authorized in 15 U.S.C. Sec. 636 7(m), the program's purpose is:

> To make grants available to eligible nonprofit entities that, together with non-Federal matching funds, will enable such entities to provide intensive marketing, manage-

ment, and technical assistance to assist low-income entrepreneurs and other low-income individuals * * *

Because of the potential for duplication, we have several concerns about how the PRIME program will work with existing federal micro-enterprise technical assistance and capacity building grant programs, especially those that already exist at the Small Business Administration. We are hopeful that further work will be done to ensure that PRIME works in conjunction with existing programs, especially in the following areas:

COORDINATION TO ALLOW PRIME TO COMPLEMENT SBA MICROLOAN PROGRAM

We believe that, for PRIME to be successful, it is critical that it build on the lessons learned by more experienced federal program, such as SBA's Microloan program. By working in concert with SBA to develop the regulations to implement the PRIME program, CDFI will prevent any conflict or duplication. As a result, this step will enable PRIME to operate more efficiently and effectively. It would be unfortunate in this time of budget restraints for Congress to create a new government program, one that closely resembles an existing program, while ignoring the lessons learned and the expertise developed in the operation of a similar program.

Since the inception of the Microloan program, SBA has learned what regulations are necessary to ensure the efficient and effective operation of a technical assistance and capacity building grant program. Since the PRIME program is substantively similar to the existing SBA Microloan program, we believe that CDFI and, in the end, the micro-enterprise community could benefit from the expertise SBA has to offer in developing the initial regulations for the program.

SBA MICROLOAN TECHNICAL ASSISTANCE AND CAPACITY BUILDING PROGRAMS

The PRIME Act holds the potential to complement and supplement what the SBA Microloan program is currently doing. A main component of the PRIME Act, as is the case with SBA's Microloan program, is its focus on capacity building. It should be noted that, in addition to the technical assistance SBA provides with its 7(m) Microloan program, it has the ability to provide technical assistance without the loan component. Through its Non-lending Technical Assistance Provider ("NTAP") program, SBA can provide up to $125,000 in capacity building loans—like the PRIME Act—for the specific purpose of capacity building.

Because SBA has spent a considerable amount of time on the areas targeted by the PRIME Act, namely technical assistance and capacity building, it has cultivated a network of experienced entrepreneurial intermediaries that have developed critical expertise in serving the micro-entrepreneurial community. To move forward with an entirely new program without including or providing an incentive for the already existing network of micro-intermediaries to participate would be a detriment the micro-entrepreneurial community. If the PRIME Act is to be successful, it must take into account

the experience of these intermediaries and provide a catalyst for them to participate in this new program.

CONCLUSION

Our greatest concern with the PRIME Act is that it has the potential to duplicate existing federal programs. Therefore, we urge that steps be taken to ensure this new program work in concert with existing programs, especially those administered by the SBA. If these steps are not taken, then it is likely that a duplicative program will be created. As a result, two underfunded programs will be operating, neither of which will be serving the target community. This is especially of concern since the Microloan program has been traditionally underfunded.

Specifically, we believe for PRIME to be successful that CDFI should work with SBA to draft any regulations regarding the PRIME Act. The Administration has developed a great deal of expertise over the years with technical assistance and capacity building, and their knowledge of the special needs of this type of program is invaluable. At the same time, existing intermediaries with experience in providing technical assistance and capacity building to micro-enterprises must be included in any new program. We believe that the ultimate goal of any program of this nature must be to get technical assistance to the nation's micro-entrepreneurs. The most effective way to do this is to ensure that the Prime Act works in conjunction with existing programs to provide our entrepreneurs with the technical assistance and capacity building they need to succeed.

NYDIA M VELÁZQUEZ.
SUE KELLY.
RICK HILL.
JOHN E. SWEENEY.
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