

PROGRAM FOR INVESTMENT IN MICROENTREPRENEURS
(PRIME)

JULY 2, 1999.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. TALENT, from the Committee on Small Business,
submitted the following

REPORT

[To accompany H.R. 413]

[Including cost estimate of the Congressional Budget Office]

The Committee on Small Business, 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 with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. PROVISION OF TECHNICAL ASSISTANCE TO MICROENTERPRISES.

Title I of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4701 et seq.) is amended by adding at the end the following new subtitle:

**“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, with respect to 2 or more nonprofit entities, having agreed 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 who 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;

“(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, except that grant amounts may not be used to make loans of any kind.

“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, and is 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 certifies 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.

“(e) CONSIDERATION OF INTERMEDIARIES PARTICIPATING IN MICROLOAN PROGRAM.—The Administrator shall establish and use criteria for selecting applications for grants under this subtitle from among applications that meet the requirements under this subtitle for approval for a grant, which—

“(1) may not exclude from consideration any application made by a qualified organization that is a participant in the program established under section 7(m) of the Small Business Act (15 U.S.C. 636(m)); and

“(2) shall provide positive consideration to an application made by a qualified organization that is a participant in the program established under section 7(m) of the Small Business Act (15 U.S.C. 636(m)).

“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. REPORT.

“Not later than 1 year after the date that the first grant is awarded under this subtitle, the Administrator shall submit to the Committees on Banking and Financial Services and Small Business of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and Small Business of the Senate a report on the microenterprise technical assistance and capacity building program under this subtitle, which shall include the Administrator’s evaluation of the effectiveness of the first year of operation of the program and the following information:

- “(1) The number and locations of the qualified organizations funded under the grant program.
- “(2) The amount of each grant made to a qualified organization.
- “(3) A description of the matching contributions provided in accordance with section 177 by each qualified organization receiving a grant.
- “(4) The numbers and amounts of subgrants made by qualified organizations to microenterprise concerns.
- “(5) For each grant made under the program, the purpose for which the grant funds were used.

“SEC. 181. 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. 182. IMPLEMENTATION.

“(a) REGULATIONS.—The Administrator shall, by regulation, establish such requirements as may be necessary to carry out this subtitle. The Administrator of the Fund shall submit a copy of any such proposed, preliminary, interim, or final regulation to the Administrator of the Small Business Administration for review and comment by such Administrator, and shall review any comments of such Administrator submitted pursuant to such review. No regulation issued to carry out this subtitle may take effect before the expiration of the 60-day period beginning upon the submission of such regulation to the Administrator of the Small Business Administration.

“(b) COORDINATION WITH SMALL BUSINESS ADMINISTRATION.—Not later than 60 days after the date of the enactment of this section, the Administrator of the Fund and the Administrator of the Small Business Administration shall conduct any necessary consultations and enter into a memorandum of understanding providing that the program under this subtitle and the microloan program under section 7(m) of the Small Business Act (15 U.S.C. 636(m)) will be carried out in conjunction and coordination with each other in a manner that advances the purposes of both such programs. Notwithstanding any other provision of this subtitle, the Administrator of the Fund may not make any grant under this subtitle before such memorandum of understanding is agreed to.”.

SEC. 2. ADMINISTRATIVE EXPENSES.

Section 121(a)(2)(A) of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4718(a)(2)(A)) is amended—

- (1) by striking “\$5,550,000” and inserting “\$6,100,000”; and
- (2) in the first sentence, by inserting before the period “, including costs and expenses associated with carrying out subtitle C”.

SEC. 3. CONFORMING AMENDMENTS.

(a) IN GENERAL.—Section 104(d) of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4703(d)) is amended—

- (1) in paragraph (2)—
 - (A) by striking “15” and inserting “17”;
 - (B) in subparagraph (G)—
 - (i) by striking “9” and inserting “11”;
 - (ii) by redesignating clauses (iv) and (v) as clauses (v) and (vi), respectively; and
 - (iii) by inserting after clause (iii) the following:
 - “(iv) 2 individuals who have expertise in microenterprises and microenterprise development;”;
- (2) in paragraph (4), in the first sentence, by inserting before the period “and subtitle C”.

(b) TABLE OF CONTENTS.—The table of contents in section 1(b) is amended by adding after the item relating to section 158 the following:

“Subtitle C—Microenterprise Technical Assistance and Capacity Building Program

“Sec. 171. Short title.
 “Sec. 172. Definitions.
 “Sec. 173. Establishment of program.
 “Sec. 174. Uses of assistance.
 “Sec. 175. Qualified organizations.
 “Sec. 176. Allocation of assistance; subgrants.
 “Sec. 177. Matching requirements.
 “Sec. 178. Applications for assistance.
 “Sec. 179. Recordkeeping.
 “Sec. 180. Report.
 “Sec. 181. Authorization.
 “Sec. 182. Implementation.”.

PURPOSE

The purpose of H.R. 413, the “Program for Investment in Micro-entrepreneurs Act of 1999” (the “Act”, or “PRIME”), as reported out of the Committee on Small Business, is to work in conjunction with the Small Business Administration’s (SBA) Microloan program to encourage entrepreneurship and community development by providing technical assistance and capacity building 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 program that would award grants on a competitive basis to eligible microenterprise development organizations and programs. Eligible organizations shall include Indian Tribes.

NEED FOR LEGISLATION

One of the greatest challenges to small or micro entrepreneurs is access to capital. Often before they can grow their businesses several needs must be addressed. Traditionally, these needs are in the areas of training, education or general capacity building. The Program for Investment in Microentrepreneurs was created to assist entrepreneurs and community development through the establishment of a grant program.

The passage of the PRIME Act will create an additional federal microenterprise assistance-related program. Currently, there are a number of such programs dispersed throughout various agencies of the federal government. The SBA conducts the main program, the 7(m) Microloan program, which was permanently authorized in the Fall of 1997. Through the 7(m) program, SBA provides loans and grants to nonprofit microenterprise intermediaries which, in turn, provide small loans and technical assistance to microentrepreneurs. In addition to the technical assistance that SBA’s 7(m) Microloan program provides in conjunction with its loans, it provides technical assistance even without the loan component. Through its Non-lending Technical Assistance Provider (“NTAP”) program, SBA can provide up to \$125,000 in capacity building grants—like the PRIME Act—that are not tied to loans for the explicit purpose of capacity building. In addition to the 7(m) program, SBA administers other technical assistance and capacity building programs through the Small Business Development Center (“SBDC”) Program to provide technical assistance to current and prospective

small business owners; and the Women's Business Development Program, which provides technical assistance to women entrepreneurs who are economically disadvantaged. Additional microenterprise programs are administered through HHS, HUD, Labor, Agriculture and Commerce.

With so many programs currently operating to assist microentrepreneurs, and at a time when government is being expected to do more with less, it is critical that any new program is not repetitive or duplicate of currently established programs. The potential does exist for PRIME to duplicate some of the services already provided to the microenterprise community by the 7(m) program.

This possibility for conflict is demonstrated by examining both the PRIME and the 7(m) programs' statements of purpose. As approved by the Committee on Small Business, 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, management, and technical assistance to assist low-income entrepreneurs and other low-income individuals * * *

Because of the potential for duplication, the Committee worked to ensure that the PRIME program will work with existing federal microenterprise technical assistance and capacity building grant programs, especially those that already exist at the Small Business Administration. PRIME has the ability to make capacity building and technical assistance grants, just as the SBA Microloan Program. But, in addition to the technical assistance and capacity building that both SBA and PRIME can do, the SBA 7(m) Microloan program can make loans in the area of entrepreneur development and loans that are tied to technical assistance.

The Committee believes that PRIME can play an important role in supplementing the current microenterprise technical assistance programs administered through the SBA. This is especially true given the fact that PRIME's purpose is to focus on only technical assistance and capacity building, an area that has been historically under-funded. The PRIME program should never extend beyond the level of providing technical assistance and capacity building. Hearings and Committee action made clear that CDFI does not possess the infrastructure to support and administer a Microloan program, and that the PRIME Act is not structured in a way to create a framework to administer loans in a safe and sound manner.

Microenterprise programs play a key role in economic development and job creation in low-income areas. 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 federal programs to provide our entrepreneurs with the technical assistance and capacity building they need to succeed.

COMMITTEE CONSIDERATION AND VOTES

On June 24, 1999, the Committee on Small Business met in open session to mark up H.R. 413, the "Program For Investment In Microentrepreneurs" Act of 1999, pursuant to a referral from the Committee on Banking and Financial Services. The Committee called up H.R. 413 as reported by the Committee on Banking and Financial Services as original text for the purpose of amendment. The Committee on Small Business adopted one en bloc amendment offered by the Chairman and Ranking Democratic Member of the Committee. The amendment prohibits CDFI from making loans, requires the inclusion of participants of SBA's 7(m) program in the PRIME program, adds reporting requirements, and requires SBA and CDFI to enter into a Memorandum of Understanding (MOU) over the implementation of the PRIME legislation, as well as gives SBA the opportunity to comment on the final regulations. These changes were made to ensure that there is proper coordination of the program and that the fiscal safety and soundness of the program is maintained.

Concerns were raised, by Mr. Davis, that should the MOU not be agreed to in 60 days, implementation of the PRIME program would be delayed. It is not the intent of the Committee that the MOU process be used to delay the implementation of the PRIME program. The Committee will use its full oversight capabilities to ensure that the SBA and CDFI enter into the MOU within the allotted 60 day period. The en bloc amendment was then accepted by voice vote.

Ms. Velázquez then moved that H.R. 413, as amended, be ordered reported. A quorum being present, H.R. 413 passed the Committee by a voice vote.

It should also be noted that the Committee held several hearings on the Small Business Administration's 7(m) Microloan program since its inception. The Committee has always received the strongest support testimony for the program from the Administration and the program participants. This evidence supports the Committee's concern that efforts to assist microenterprises may be injured, not by neglect, but rather by a dissipation of focus caused by a proliferation of overlapping programs. In addition, the legislative package received by the Committee from the Small Business Administration included several amendments to the Section 7(m) microloan program, particularly the NTAP provisions, which point to this lack of coordination in Administration efforts. The Committee firmly believes that the amendments to H.R. 413 will aid the SBA and CDFI in synchronizing their efforts to assist microenterprises.

SECTION-BY-SECTION ANALYSIS

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 a new subtitle, “Subtitle C—Microenterprise Technical Assistance and Capacity Building Program” which includes the following 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 assistance to provide training, technical assistance, capacity building and educational assistance targeted to microenterprise and microenterprise development organizations that serve low income entrepreneurs. The Committee added language prohibiting the PRIME act to be used as a loan program. The Committee further believes that funding for this program should be focused in manner that provides the maximum assistance directly to the microentrepreneurs and not in manner that would have only secondary or limited benefits for the microenterprise community.

Section 175. Qualified organizations

This section defines a qualified organization as a non-profit microenterprise development organization as one that has a demonstrated record of assisting disadvantaged entrepreneurs, an intermediary nonprofit entity that serves microenterprise development organizations, or an Indian tribe if it can certify that a non-profit microenterprise development program exists in the area.

Section 176. Allocation of assistance; subgrants

This section provides the manner in which funding is to be used and defines the parameter under which organizations will participate in the program. The Committee added language ensuring that all participants of SBA’s 7(m) Microloan program will be eligible for funding under PRIME. It is critical to PRIME’s success, that those participants in the SBA’s 7(m) program be included in the PRIME program. CDFI should make every effort to ensure that participants of SBA’s 7(m) Microloan program are included in the PRIME program. The 7(m) intermediaries have the institutional experience and expertise to help the PRIME program hit the ground running, and allow the program to work efficiently and effectively.

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

Section 180. Report

This section requires the Administrator to submit to the House and Senate Small Business and Banking Committees, within one year after CDFI has awarded and funded the first grant, and annually after that, the following information: (1) the number and locations of the organizations funded under the grant program; (2) the amount of each grant made to a qualified organization; (3) a description of the matching contributions provided by each qualified organization receiving a grant; (4) the numbers and amounts of sub-grants made by qualified organizations to small business concerns; (5) each grant made under the program, the purpose for which the grant funds were used.

Section 181. 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 182. Implementation

This section directs the administrator to develop regulations for the implementation of the program. Prior to the development of these regulations and before any grants are awarded, the Administrator is to enter into a Memorandum of Understanding with the Small Business Administration. This should include, but not be limited to such items as outreach and information to organizations. This agreement must be completed within 60 days of enactment of the legislation. The Committee encourages both SBA and CDFI to complete this agreement quickly, and the committee will closely monitor the progress of this agreement to ensure that this is carried out in an expeditious manner. Should issues arise that make completion of the MOU by the 60 day deadline impossible, it is the

Committee's hope that a third party, such as the Office of Budget and Management, would be available to assist in resolving any outstanding issues.

Prior to the issuing any proposed preliminary, interim or final regulations, the Administrator of the fund must provide the Administrator of SBA 60 days to comment and suggest changes to these regulation that reflect SBA's experience in the area of assisting micro-entrepreneurs and to ensure that the two programs do not duplicate services already provided by SBA.

SECTION 2. ADMINISTRATIVE EXPENSES

Section 2 increases the CDFI Fund's authorized administrative expenses from \$5,500,000 to \$6,100,000 to accommodate administration of the PRIME Act.

SECTION 3. CONFORMING AMENDMENTS

This section makes technical and conforming amendments.

COMMITTEE ESTIMATE OF COSTS

Pursuant to the Congressional Budget Act of 1974, the Committee estimates that the amendments made by the Committee on Small Business to H.R. 413 will not increase discretionary spending. The Committee estimate concurs with the Congressional Budget Office (CBO) estimate on H.R. 413 included with the original report from the Committee on Banking and Financial Services.

Furthermore, pursuant to clause 3(d)(2)(A) of rule XIII of the Rules of the House of Representatives, the Committee estimates that implementation of H.R. 413, as amended, will not significantly increase administrative costs.

OVERSIGHT FINDINGS

In accordance with clause 4(c)(2) of rule X of the Rules of the House of Representatives, the Committee states that no oversight findings or recommendations have been made by the Committee on Government Reform with respect to the subject matter contained in H.R. 413.

In accordance with clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 413 are incorporated into the descriptive portions of this report.

STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in Article I, Section 8, clause 18, of the Constitution of the United States.

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 omit-

ted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

RIEGLE COMMUNITY DEVELOPMENT & REGULATORY IMPROVEMENT

* * * * *

SECTION 1. SHORT TITLE; TABLE OF CONTENTS

(a) SHORT TITLE.—This Act may be cited as the “Riegle Community Development and Regulatory Improvement Act of 1994”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—COMMUNITY DEVELOPMENT AND CONSUMER PROTECTION

Subtitle A—Community Development Banking and Financial Institutions Act

Sec. 101. Short title.

* * * * *

Subtitle C—Microenterprise Technical Assistance and Capacity Building Program

Sec. 171. Short title.

Sec. 172. Definitions.

Sec. 173. Establishment of program.

Sec. 174. Uses of assistance.

Sec. 175. Qualified organizations.

Sec. 176. Allocation of assistance; subgrants.

Sec. 177. Matching requirements.

Sec. 178. Applications for assistance.

Sec. 179. Recordkeeping.

Sec. 180. Report.

Sec. 181. Authorization.

Sec. 182. Implementation.

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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) * * *

* * * * *

(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.

* * * * *

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.

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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, with respect to 2 or more nonprofit entities, having agreed to act jointly as a qualified organization under this subtitle;

(4) the term “disadvantaged entrepreneur” means a micro-entrepreneur that is—

(A) a low-income person;

(B) a very low-income person; or

(C) an entrepreneur who 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;

(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, except that grant amounts may not be used to make loans of any kind.

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, and is 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 certifies 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.

(e) *CONSIDERATION OF INTERMEDIARIES PARTICIPATING IN MICROLOAN PROGRAM.*—The Administrator shall establish and use criteria for selecting applications for grants under this subtitle from among applications that meet the requirements under this subtitle for approval for a grant, which—

(1) may not exclude from consideration any application made by a qualified organization that is a participant in the program established under section 7(m) of the Small Business Act (15 U.S.C. 636(m)); and

(2) shall provide positive consideration to an application made by a qualified organization that is a participant in the program established under section 7(m) of the Small Business Act (15 U.S.C. 636(m)).

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. REPORT.

Not later than 1 year after the date that the first grant is awarded under this subtitle, the Administrator shall submit to the Committees on Banking and Financial Services and Small Business of the House of Representatives and the Committees on Banking, Housing, and Urban Affairs and Small Business of the Senate a re-

port on the microenterprise technical assistance and capacity building program under this subtitle, which shall include the Administrator's evaluation of the effectiveness of the first year of operation of the program and the following information:

- (1) The number and locations of the qualified organizations funded under the grant program.
- (2) The amount of each grant made to a qualified organization.
- (3) A description of the matching contributions provided in accordance with section 177 by each qualified organization receiving a grant.
- (4) The numbers and amounts of subgrants made by qualified organizations to microenterprise concerns.
- (5) For each grant made under the program, the purpose for which the grant funds were used.

SEC. 181. 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. 182. IMPLEMENTATION.

(a) **REGULATIONS.**—The Administrator shall, by regulation, establish such requirements as may be necessary to carry out this subtitle. The Administrator of the Fund shall submit a copy of any such proposed, preliminary, interim, or final regulation to the Administrator of the Small Business Administration for review and comment by such Administrator, and shall review any comments of such Administrator submitted pursuant to such review. No regulation issued to carry out this subtitle may take effect before the expiration of the 60-day period beginning upon the submission of such regulation to the Administrator of the Small Business Administration.

(b) **COORDINATION WITH SMALL BUSINESS ADMINISTRATION.**—Not later than 60 days after the date of the enactment of this section, the Administrator of the Fund and the Administrator of the Small Business Administration shall conduct any necessary consultations and enter into a memorandum of understanding providing that the program under this subtitle and the microloan program under section 7(m) of the Small Business Act (15 U.S.C. 636(m)) will be carried out in conjunction and coordination with each other in a manner that advances the purposes of both such programs. Notwithstanding any other provision of this subtitle, the Administrator of the Fund may not make any grant under this subtitle before such memorandum of understanding is agreed to.