

110TH CONGRESS
1ST SESSION

S. 566

To amend the Consolidated Farm and Rural Development Act to establish
a rural entrepreneur and microenterprise assistance program.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 13, 2007

Mr. NELSON of Nebraska (for himself and Mr. SALAZAR) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Consolidated Farm and Rural Development
Act to establish a rural entrepreneur and microenterprise
assistance program.

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 “Rural Entrepreneur
5 and Microenterprise Assistance Act”.

1 **SEC. 2. RURAL ENTREPRENEUR AND MICROENTERPRISE**
 2 **ASSISTANCE PROGRAM.**

3 Subtitle D of the Consolidated Farm and Rural De-
 4 velopment Act is amended by inserting after section 364
 5 (7 U.S.C. 2006f) the following:

6 **“SEC. 365. RURAL ENTREPRENEUR AND MICROENTER-**
 7 **PRISE ASSISTANCE PROGRAM.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) ECONOMICALLY DISADVANTAGED MICRO-
 10 ENTREPRENEUR.—The term ‘economically disadvan-
 11 tagged microentrepreneur’ means an owner, majority
 12 owner, or developer of a microenterprise that has the
 13 ability to compete in the private sector but has been
 14 impaired because of diminished capital and credit
 15 opportunities, as compared to other microentre-
 16 preneurs in the industry.

17 “(2) INDIAN TRIBE.—The term ‘Indian tribe’
 18 has the meaning given the term in section 4 of the
 19 Indian Self-Determination and Education Assistance
 20 Act (25 U.S.C. 450b).

21 “(3) INTERMEDIARY.—The term ‘intermediary’
 22 means a private, nonprofit entity that provides as-
 23 sistance—

24 “(A) to a microenterprise development or-
 25 ganization; or

1 “(B) for a microenterprise development
2 program.

3 “(4) LOW-INCOME INDIVIDUAL.—The term low-
4 income individual means an individual with an in-
5 come (adjusted for family size) of not more than the
6 greatest of—

7 “(A) 80 percent of median income of an
8 area;

9 “(B) 80 percent of the statewide non-met-
10 ropolitan area median income; or

11 “(C) 80 percent of the national median in-
12 come.

13 “(5) MICROCREDIT.—The term ‘microcredit’
14 means a business loan or loan guarantee of not more
15 than \$50,000 that is provided to a rural entre-
16 preneur.

17 “(6) MICROENTERPRISE.—The term ‘micro-
18 enterprise’ means—

19 “(A) a sole proprietorship; or

20 “(B) a business entity with not more than
21 10 full-time-equivalent employees.

22 “(7) MICROENTERPRISE DEVELOPMENT ORGA-
23 NIZATION.—

“(A) IN GENERAL.—The term ‘microenterprise development organization’ means a private, nonprofit entity that—

“(i) provides training and technical assistance to rural entrepreneurs; and

“(ii) facilitates access to capital or another service described in subsection (b) for rural entrepreneurs.

“(B) INCLUSIONS.—The term ‘microenterprise development organization’ includes an organization described in subparagraph (A) with a demonstrated record of delivering services to economically disadvantaged microentrepreneurs, or an effective plan to develop a program to deliver microenterprise services to rural entrepreneurs effectively, as determined by the Secretary.

“(8) MICROENTERPRISE DEVELOPMENT PROGRAM.—The term ‘microenterprise development organization’ means a program administered by an organization serving a rural area.

“(9) MICROENTREPRENEUR.—The term ‘microentrepreneur’ means the owner, operator, or developer of a microenterprise.

1 “(10) PROGRAM.—The term ‘program’ means
2 the rural entrepreneur and microenterprise program
3 established under subsection (b)(1).

4 “(11) QUALIFIED ORGANIZATION.—The term
5 ‘qualified organization’ means—

6 “(A) a microenterprise development orga-
7 nization or microenterprise development pro-
8 gram that has a demonstrated record of deliv-
9 ering microenterprise services to rural entre-
10 preneurs, or an effective plan to develop a pro-
11 gram to deliver microenterprise services to rural
12 entrepreneurs effectively, as determined by the
13 Secretary.

14 “(B) an intermediary that has a dem-
15 onstrated record of delivery assistance to micro-
16 enterprise development organizations or micro-
17 enterprise development programs;

18 “(C) a microenterprise development orga-
19 nization or microenterprise development pro-
20 gram that serves rural entrepreneurs;

21 “(D) an Indian tribe, the tribal govern-
22 ment of which certifies to the Secretary that no
23 microenterprise development organization or
24 microenterprise development program exists
25 under the jurisdiction of the Indian tribe;

1 “(E) a group of 2 or more organizations or
 2 Indian tribes described in any of subparagraphs
 3 (A) through (D) that agree to act jointly as a
 4 qualified organization under this section; or

5 “(F) for purposes of subsection (b), a pub-
 6 lic college or university.

7 “(12) RURAL AREA.—The term ‘rural area’
 8 means any community that is rural in character and
 9 has a population of not more than 25,000 individ-
 10 uals.

11 “(13) RURAL CAPACITY BUILDING SERVICE.—
 12 The term ‘rural capacity building service’ means a
 13 service provided to an organization that—

14 “(A) is, or is in the process of becoming,
 15 a microenterprise development organization or
 16 microenterprise development program; and

17 “(B) serves rural areas for the purpose of
 18 enhancing the ability of the organization to pro-
 19 vide training, technical assistance, and other re-
 20 lated services to rural entrepreneurs.

21 “(14) RURAL ENTREPRENEUR.—The term
 22 ‘rural entrepreneur’ means a microentrepreneur, or
 23 prospective microentrepreneur—

24 “(A) the principal place of business of
 25 which is in a rural area; and

1 “(B) that is unable to obtain sufficient
2 training, technical assistance, or microcredit
3 elsewhere, as determined by the Secretary.

4 “(15) SECRETARY.—The term ‘Secretary’
5 means the Secretary of Agriculture, acting through
6 the Rural Business-Cooperative Service.

7 “(16) TRIBAL GOVERNMENT.—The term ‘tribal
8 government’ means the governing body of an Indian
9 tribe.

10 “(b) RURAL ENTREPRENEURSHIP AND MICRO-
11 ENTERPRISE PROGRAM.—

12 “(1) ESTABLISHMENT.—The Secretary shall es-
13 tablish a rural entrepreneurship and microenterprise
14 program.

15 “(2) PURPOSE.—The purpose of the program
16 shall be to provide low-income individuals and mod-
17 erate-income individuals with—

18 “(A) the skills necessary to establish new
19 small businesses in rural areas; and

20 “(B) continuing technical and financial as-
21 sistance as individuals and business starting or
22 operating small businesses.

23 “(3) GRANTS.—

1 “(A) IN GENERAL.—The Secretary may
2 make a grant under the program to a qualified
3 organization—

4 “(i) to provide training, operational
5 support, or a rural capacity building serv-
6 ice to a qualified organization to assist the
7 qualified organization in developing micro-
8 enterprise training, technical assistance,
9 market development assistance, and other
10 related services, primarily for business with
11 5 or fewer full-time-equivalent employees;

12 “(ii) to assist in researching and de-
13 veloping the best practices in delivering
14 training, technical assistance, and micro-
15 credit to rural entrepreneurs; and

16 “(iii) to carry out such other projects
17 and activities as the Secretary determines
18 to be consistent with the purposes of this
19 section.

20 “(B) SUBGRANTS.—Subject to such regu-
21 lations as the Secretary may promulgate, a
22 qualified organization that receives a grant
23 under this paragraph may use the grant to pro-
24 vide assistance to other qualified organizations,

1 such as small or emerging qualified organiza-
2 tions.

3 “(C) DIVERSITY.—In making grants under
4 this paragraph, the Secretary shall ensure, to
5 the maximum extent practicable, that grant re-
6 cipients include qualified organizations—

7 “(i) of varying sizes; and

8 “(ii) that serve racially- and eth-
9 nically-diverse populations.

10 “(D) COST SHARING.—

11 “(i) FEDERAL SHARE.—The Federal
12 share of the cost of a project carried out
13 using funds from a grant made under this
14 paragraph shall be 75 percent.

15 “(ii) FORM OF NON-FEDERAL
16 SHARE.—The non-Federal share of the
17 cost of a project described in clause (i)
18 may be provided—

19 “(I) in cash (including through
20 fees, grants (including community de-
21 velopment block grants), and gifts); or

22 “(II) in kind.

23 “(4) RURAL MICROLOAN PROGRAM.—

1 “(A) ESTABLISHMENT.—In carrying out
2 the program, the Secretary may carry out a
3 rural microloan program.

4 “(B) PURPOSE.—The purpose of the rural
5 microloan program shall be to provide technical
6 and financial assistance to sole proprietorships
7 and small businesses located in rural areas with
8 a particular focus on those businesses with 5 or
9 fewer full-time equivalent employees.

10 “(C) AUTHORITY OF SECRETARY.—In car-
11 rying out the rural microloan program, the Sec-
12 retary may—

13 “(i) make direct loans to qualified or-
14 ganizations for the purpose of making
15 short-term, fixed interest rate microloans
16 to startup, newly established, and growing
17 rural microbusiness concerns; and

18 “(ii) in conjunction with those loans,
19 provide grants in accordance with subpara-
20 graph (E) to those qualified organizations
21 for the purpose of providing intensive mar-
22 keting, management, and technical assist-
23 ance to small business concerns that are
24 borrowers under this paragraph.

1 “(D) LOAN DURATION; INTEREST RATES;
2 CONDITIONS.—

3 “(i) LOAN DURATION.—A loan made
4 by the Secretary under this paragraph
5 shall be for a term of 20 years.

6 “(ii) APPLICABLE INTEREST RATES.—
7 A loan made by the Secretary under this
8 paragraph to a qualified organization shall
9 bear an annual interest rate of at least 1
10 percent.

11 “(iii) DEFERRAL OF INTEREST AND
12 PRINCIPAL.—The Secretary may permit
13 the deferral of payments, for principal and
14 interest, on a loan made under this para-
15 graph for a period of not more than 2
16 years, beginning on the date on which the
17 loan was made.

18 “(E) GRANT AMOUNTS.—

19 “(i) IN GENERAL.—Except as other-
20 wise provided in this section, each qualified
21 organization that receives a loan under this
22 paragraph shall be eligible to receive a
23 grant to provide marketing, management,
24 and technical assistance to small business

1 concerns that are borrowers or potential
2 borrowers under this subsection.

3 “(ii) MAXIMUM AMOUNT OF GRANT
4 FOR MICROENTERPRISE DEVELOPMENT
5 ORGANIZATIONS.—Each microenterprise
6 development organization that receives a
7 loan under this paragraph shall receive an
8 annual grant in an amount equal to not
9 more than 25 percent of the total out-
10 standing balance of loans made to the
11 microenterprise development organization
12 under this paragraph, as of the date of
13 provision of the grant.

14 “(iii) MATCHING REQUIREMENT.—

15 “(I) IN GENERAL.—As a condi-
16 tion of any grant made to a qualified
17 organization under this subparagraph,
18 the Secretary shall require the quali-
19 fied organization to match not less
20 than 15 percent of the total amount
21 of the grant.

22 “(II) SOURCES.—In addition to
23 cash from non-Federal sources, a
24 matching share provided by the quali-
25 fied organization may include indirect

1 costs or in-kind contributions funded
2 under non-Federal programs.

3 “(c) ADMINISTRATIVE EXPENSES.—Not more than
4 10 percent of assistance received by a qualified organiza-
5 tion for a fiscal year under this section may be used to
6 pay administrative expenses.

7 “(d) FUNDING.—

8 “(1) IN GENERAL.—Not later than 30 days
9 after the date of enactment of this Act, and on Octo-
10 ber 1, 2008, and each October 1 thereafter through
11 October 1, 2012, out of any funds in the Treasury
12 not otherwise appropriated, the Secretary of the
13 Treasury shall transfer to the Secretary to carry out
14 this section \$50,000,000, to remain available until
15 expended.

16 “(2) ALLOCATION OF FUNDS.—Of the amount
17 made available by paragraph (1) for each fiscal
18 year—

19 “(A) not less than \$30,000,000 shall be
20 available for use in carrying out subsection
21 (b)(3); and

22 “(B) not less than \$20,000,000 shall be
23 available for use in carrying out subsection
24 (b)(4), of which not more than \$7,000,000 shall
25 be used to support direct loans.

1 “(C) RECEIPT AND ACCEPTANCE.—The
2 Secretary shall be entitled to receive, shall ac-
3 cept, and shall use to carry out this section the
4 funds transferred under paragraph (1), without
5 further appropriation.”.

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