Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	From Lisa Green To Sarah Rosen Wartell and Melissa G Green (2 pages)	05/18/1999	P5
002. email	From Sarah Rosen Wartell To Lisa Green (3 pages)	05/19/1999	P5

COLLECTION:

Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20587

FOLDER TITLE:

Prime [3]

2012-0043-S
ms443

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
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b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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26th House Markup & Hearing

Lazar - CDFI
Greg [illegible]
Kennedy [illegible]
Donnie

[illegible] (Cards)

[illegible]
-SBA [illegible]
93 Co-Sponsors

Congreſs of the United States

Washington, DC 20515

NOE [illegible]
[illegible]

Peggy Clarke,
[illegible]

Bobby Rush
[illegible]
[illegible]

Joan Dallas - [illegible]
[illegible] SBA
[illegible]

also CDFI a
Mnt day
all in as bill or
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Slock is leading
Republican
McCollum
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Bailey [illegible]
passed in [illegible]
Stark [illegible]
Donnie

A PRIME INVESTMENT CO-SPONSOR

H.R. 413

21st Bobby Rush is organ[illegible]
Vincent Barnes
Roybal-Allard
CWC, CBC, HC[illegible] Vel[illegible] ([illegible] issue)
SH [illegible] budget

April 27, 1999

[illegible] will still work on a stand alone bill

micro group for Baltimore, [illegible] entrepreneurs of Baltimore
were in [illegible] Kennedy and Donnie

Dear Colleague:

Alison will [illegible] hear [illegible] groups working on the field entrepreneurs

It's quite simple. Microentrepreneurs (entrepreneurs of businesses with five employees or less) are more successful when they have access to technical assistance and business training.

A recent five year independent study tracked low income entrepreneurs involved in microenterprise training and technical assistance programs. The study found that 72% of low income entrepreneurs increased their household income. Of that number, 53% increased their income enough to move above the poverty level. On average, low income entrepreneurs increased their household income by $8,484 a year. Even more striking, these microentrepreneurs decreased their reliance on government benefits by 61%, with average government benefits decreasing by $1,679.

The Program for Investment in Microentrepreneurs Act of 1999, **The PRIME Act**, is a national investment in business growth. **PRIME** will provide grants to not-for-profit organizations who will in turn perform the hard work of training and educating microentrepreneurs in areas such as starting a business, record keeping, advertising, financial management and business development. **PRIME** will invest an average of 26 million a year over the next four years in America's small businesses.

[illegible] duplication

We urge you to co-sponsor this bi-partisan legislation and support innovative small business growth. To co-sponsor **The PRIME Act**, or for more information, please contact Vincent Barnes at 6-1039 or Dalen Harris at 6-0161.

Sincerely,

Bill McCollum

Bobby L. Rush
James A. Leach
John J. LaFalce
Bill McCollum

Members of Congress

want WH to say budget includes #s → Pres. [illegible] Awards info to Distribute

Congress of the United States
House of Representatives
Washington, DC 20515

May 10, 1999

Dear Women's Caucus Colleague:

From Bangladesh to Guatemala, one of the most exciting strategies for fighting poverty in developing countries is micro-enterprise development. For poor women especially, the practice of extending very small loans and improving access to financial services has revolutionized the lives of poor people and the way in which we think about poverty focussed development.

We are now learning that micro-enterprise development can transform the lives of poor Americans as well. The time has come for Congress to provide the same support to these hard-working Americans that we have provided to millions of people around the world. **The Program for Investment in Microentrepreneurs (PRIME) Act of 1999 (H.R. 413), sponsored by Rep. James Leech and Rep. Bobby Rush**, provides us with an opportunity to do just that.

The PRIME Act would provide $105 million over four years to support micro-enterprise practitioners in providing critical training and technical assistance to low-income Americans. Furthermore, half of the funds must go to people at or below 150% of the poverty line. To ensure local government involvement and responsible use of federal funds, organizations which receive money under the PRIME Act must contribute one dollar of non-federal money for every two dollars which the federal government provides.

Unlike developing countries, where access to credit is the biggest obstacle to poor entrepreneurs, American entrepreneurs face significant challenges to access the training and technical assistance necessary to navigate the complex American economy. Though poor entrepreneurs may already have a business idea and a willingness to work hard, they may lack the financial and business skills necessary to turn a good idea into a sustainable business. Very often, a little training and technical assistance can be the difference between success and failure, between food on the table, and an evening of hunger.

When the smallest of businesses prosper, all of America benefits. The PRIME Act is a common sense investment in America. Please join us in co-sponsoring H.R. 413 by calling Dalen Harris or Vincent Barnes with Rep. Bobby Rush at x54372.

Sincerely,

Connie Morella
Connie Morella
Member of Congress

Sue Kelly
Sue Kelly
Member of Congress

Congress of the United States
Washington, DC 20515

May 6, 1999

Dear Democratic Colleague:

We encourage you to co-sponsor and support the Program for Investments in Micro-Entrepreneurs, "**PRIME**" Act of 1999, or H.R. 413. The PRIME Act will provide critical resources to low income entrepreneurs and prospective entrepreneurs who are striving to become economically self-sufficient by creating their own businesses.

As Members of the Banking Committee, last fall we participated in Committee hearings on the PRIME Act. The message from the witnesses was clear: technical assistance and training are among the most expensive and sorely needed resources for a struggling small business entrepreneur. We learned that the more disadvantaged a population is, the greater the need for training and technical assistance. However, no federal program currently provides sufficient funding to support the training and technical assistance needs of microenterprise development organizations that target very low income entrepreneurs.

While we know that access to credit is extremely important to micro-entrepreneurs, experience has shown that many low income individuals are in fact reluctant to borrow, particularly in the early stages of business development. The availability of adequate technical assistance and training support is essential to help these entrepreneurs achieve their potential.

As Democratic co-sponsors of this bi-partisan legislation, we urge you to support the growth of small businesses and the expansion of opportunity for all Americans by co-sponsoring the PRIME Act. To co-sponsor the PRIME Act, or for more information, please contact Vincent Barnes at 6-1039.

Sincerely,

JOHN J. LaFALCE, M.C.

BARNEY FRANK, M.C.

KEN BENTSEN, M.C.

GREGORY W. MEEKS, M.C.

JAY INSLEE, M.C.

Charles A. Gonzalez
CHARLES A. GONZALEZ, M.C.

MICHAEL CAPUANO, M.C.

Bruce F. Vento
BRUCE F. VENTO, M.C.

Carolyn B. Maloney
CAROLYN B. MALONEY, M.C.

Julia Carson
JULIA CARSON, M.C.

Barbara Lee
BARBARA LEE, M.C.

JAN SCHAKOWSKY, M.C.

STEPHANIE TUBBS JONES, M.C.

Association for Enterprise Opportunity (AEO)

Program for Investments in Microentrepreneurs Act of 1999 (PRIME Act)

(S. 409 and H.R. 413)

What is PRIME?

The PRIME Act (S. 409 and HR. 413) would establish a new program designed to meet the training and technical assistance needs of low income and very low income entrepreneurs. PRIME would also provide resources to build the institutional strength of microenterprise development organizations so that they can effectively respond to the training and technical assistance needs of these entrepreneurs.

The PRIME Act authorizes the Community Development Financial Institutions Fund to establish a microenterprise technical assistance and capacity building program that would award grants on a competitive basis to microenterprise programs that are providing training and business assistance to low and very low income entrepreneurs.

The PRIME Act would authorize a cumulative appropriation level of $105 over four years, starting with an appropriation of $15 in FY 2000, $25 million in FY 2001, $30 million in FY 2002, and $35 million in FY 2003.

Why the need for PRIME?

One of the clearest lessons that has emerged from the first decade of microenterprise development in the U.S. is that credit without training and technical assistance is of limited success and therefore not cost effective. This is especially true for microenterprise programs that serve economically disadvantaged entrepreneurs who require higher levels of intensive technical assistance, training and support.

While access to credit is extremely important to microentrepreneurs, data now shows that the need for entrepreneurial training and technical assistance is greater - especially for low income individuals who require higher levels of intensive technical assistance, training and support. Experience has shown that many low income entrepreneurs are in fact reluctant to borrow, particularly in the early stages of business development. The availability of adequate technical assistance and training support is essential to help these entrepreneurs achieve their potential.

The benefits of microenterprise on low income individuals are substantial and documented. A recent report from the Aspen Institute's Self Employment Learning Project (SELP) tracked the progress of 403 low income individuals who were operating their own businesses from 1991 to

1997. The study found that 72% of the low income microentrepreneurs experienced gains in their income and more than 53% of them had household income gains large enough to move them out of poverty. These entrepreneurs reduced their reliance on public assistance by 61%.
Funding for training and technical assistance is consistently identified as the primary funding need of the microenterprise development field. There is currently no federal program which supports the training and technical assistance needs of low income entrepreneurs. The Program for Investments in Microentrepreneurs Act of 1999 (PRIME Act) was developed to address this funding gap and ensure that adequate resources are targeted to low income entrepreneurs and the microenterprise organizations that serve them.

What activities would be eligible under PRIME?
PRIME funds could be used by qualifying non-profit organizations to:

- provide training and technical assistance to low income and disadvantaged entrepreneurs interested in starting or expanding their own business

- engage in capacity building activities targeted to microenterprise development organizations that serve low income and disadvantaged entrepreneurs

- support research and development activities aimed at identifying and promoting entrepreneurial training and technical assistance programs that effectively serve low income and disadvantaged entrepreneurs

What organizations would be eligible to apply for PRIME grant funds?
In order to apply for PRIME grant funds an organization must be a nonprofit microenterprise development organization or program that has a demonstrated track record of delivering services to economically disadvantaged entrepreneurs. Nonprofit organizations could apply for PRIME funds on their own or in collaboration with other qualified organizations. Intermediary organizations that serve microenterprise development organizations would also be eligible to apply for PRIME funds. An organization would not need to be a certified CDFI to qualify for PRIME funds.

While state or local governments may not apply for PRIME funds directly, a community-based microenterprise development organization may apply in conjunction with a state, local government or Indian tribe. An Indian tribe may apply directly for funds if it can certify that a nonprofit microenterprise development organization does not exist in the area.

Are there match requirements on PRIME grant funds?
In order for an organization to qualify for PRIME funds it must be able to demonstrate the ability to match any federal PRIME dollars with $0.50 for every dollar. Qualifying organizations will be encouraged to use PRIME funds to leverage additional public and private investment into their microenterprise development activities. Though all matching funds must be derived from non-federal sources, they can be contributed to the organization in the form of in-kind resources, grants or loans.

How are PRIME funds targeted?
PRIME funds are targeted to economically distressed areas and to serve low income individuals, at least 50 percent of the grants made through PRIME must be used to benefit very low income individuals, those with incomes of not more than 150 percent of the poverty line.

What is the definition of a microenterprise in The PRIME Act legislation?
The PRIME Act defines a microenterprise to be a sole proprietorship, partnership or corporation that has fewer than five employees and generally lacks access to conventional loans, equity or other traditional banking services.

What is the status of the PRIME Act in the 106th Congress?
The PRIME Act enjoys strong bi-partisan support in both the House and the Senate. Senators Edward Kennedy (D-MA) and Pete Domenici (R-NM) took the lead on S.409 and Representatives Bobby Rush (D-IL) and Jim Leach (R-IA) took the lead in introducing HR 413. In addition, the Administration has expressed its their support for PRIME and the President's FY 2000 budget called for passage of the requested $15 million for PRIME.

What is AEO's Position?
AEO urges members of Congress to co-sponsor PRIME and to work to see that this critical legislation is passed into law and $15 million is appropriated in Fiscal 2000.

Sign on letter in support of the
Program for Investments in Microentrepreneurs Act of 1999
(The PRIME Act)

March, 1999

We, the undersigned, represent a broad spectrum of national organizations involved in microenterprise development in the United States. We are writing to express our support for the Program for Investments in Microentrepreneurs Act of 1999 (The PRIME Act). The PRIME Act is focused on building the institutional strength of community-based microenterprise development organizations to meet the growing training and technical assistance needs of low income entrepreneurs.

Bipartisan support for PRIME has grown steadily since the legislation was first introduced near the end of the 105th Congress. The President's Budget calls for passage of PRIME and requests $15 million for PRIME in Fiscal 2000. In the 106th Congress, legislation authorizing PRIME has been introduced by bipartisan teams in both the House and Senate. In the House, The PRIME Act (HR 413) was introduced with Congressmen Bobby Rush(D-IL) and Jim Leach(R-IA) in the lead, and Senators Edward Kennedy(D-MA) and Pete Domenici (R-NM) introduced PRIME (S 409) in the Senate.

The supporters of PRIME recognize that microenterprise development is a human capacity building strategy as much as it is a credit and finance strategy. PRIME is aimed at investing in nonprofit microenterprise development programs and building the capacity of these programs to provide the training and technical assistance that best supports low income entrepreneurs. One of the clearest lessons that has emerged from the first decade of microenterprise development in the U.S. is that credit without training and technical assistance is of limited success and therefore not cost effective. This is especially true for microenterprise programs that serve economically disadvantaged entrepreneurs.

Hundreds of thousands of individuals across the U.S. successfully operate micro businesses in order to provide income for their families. In today's labor market, many individuals without traditional education or recognized skills are unable to find work that pays above minimum wage or work that provides them with opportunities for advancement. Many individuals in households below 150% of the poverty line operate, or have proven the potential to operate, micro businesses in order to bring needed income and resources into the family, often running such businesses while holding down low wage jobs. Because these microenterprises are small, they generally do not have access to credit from commercial sector banks or technical assistance and training from business centers.

Over the last decade, an infrastructure of hundreds of microenterprise programs that provide technical assistance and credit has been created to serve these entrepreneurs. Data now shows that these programs are having a positive economic and social impact on the individual business owners they serve, their families, and on the economic and social well-being of their communities. With the exception of support from a few national private foundations, funding to cover the operational, training and technical assistance costs associated with these microenterprise programs has been difficult to find. While new sources of funding have been created to provide loan capital, federal support for the operating costs of such programs to meet the training needs of entrepreneurs has been minimal.

The PRIME Act creates a program at the Community Development Financial Institutions Fund (the CDFI Fund) dedicated to building the network of nonprofit community-based institutions that can effectively provide training and technical assistance to low income entrepreneurs. Under PRIME, the CDFI Fund would award grants on a competitive basis to nonprofit microenterprise development organizations and programs. PRIME funds could be used by qualifying nonprofit organizations to:

- provide training and technical assistance to low income and disadvantaged entrepreneurs interested in starting or expanding their own business
- engage in capacity building activities targeted to microenterprise development organizations that serve low income and disadvantaged entrepreneurs
- support research and development activities aimed at identifying and promoting entrepreneurial training and technical assistance programs that effectively serve low income and disadvantaged entrepreneurs

The Association for Enterprise Opportunity (AEO), the national association of organizations committed to microenterprise development, has issued a challenge to all microenterprise supporters across the country. The challenge is to help one million low income individuals in the United States to achieve self sufficiency through self employment by the year 2008. Passage of The PRIME Act is critical in helping nonprofit microenterprise development organizations meet this challenge.

We urge you to support The PRIME Act (HR 413 and S 409) and work for its passage in this Congress.

Sincerely,

Aspen Institute - Economic Opportunities Program
Association for Enterprise Opportunity (AEO)
Association of Women's Business Centers (AWBC)
The Coalition of Community Development Financial Institutions (CDFI Coalition)
Center for Policy Alternatives (CPA)
Community Development Venture Capital Alliance (CDVCA)
Corporation for Enterprise Development (CFED)
The Enterprise Foundation
FINCA U.S.A.
First Nations Development Institute
Ms. Foundation for Women
National Community Capital Association (NCCA)
National Community Reinvestment Coalition (NCRC)
National Congress for Community Economic Development (NCCED)
RESULTS
Wider Opportunities for Women (WOW)
Woodstock Institute
Working Capital

What are the differences between the SBA Microloan Program and PRIME?

CREDIT vs TECHNICAL ASSISTANCE - The principal difference between the SBA's Microloan Program and PRIME - is that the SBA program is a microcredit program focused on making small loans available to viable microbusinesses while PRIME is focused on providing technical assistance to low income entrepreneurs. PRIME will not provide any loan capital to entrepreneurs.

The SBA Microloan Program is principally a microcredit program focused on making loans of under $25,000 available to viable microentrepreneurs who are unable to access credit from conventional financial institutions. The SBA program works through a network of local non-profit intermediaries and since it's inception in 1991 has made over 7,800 microloans totaling close to $80 million to microentrepreneurs around the country.

While the SBA makes technical assistance grants to their lending intermediaries, these grants are used to provide marketing, management and technical assistance to their microloan borrowers. In addition to the the 107 lending intermediaries administering the program, SBA funds 25 technical assistance providers whose charge is to assist entrepreneurs and prospective entrepreneurs to access capital from banks or other loan funds. But again, SBA technical assistance funds are only intended to assist entrepreneurs access capital.

PRIME is not a microcredit program - PRIME will provide training and technical assistance to low income entrepreneurs or prospective entrepreneurs. While access to credit is extremely important to microentreprenurs, data now shows that the need for entrepreneurial training and technical assistance is greater - especially for low income individuals who require higher levels of intensive technical assistance, training and support. Experience has shown that many low income entrepreneurs are in fact reluctant to borrow, particularly in the early stages of business development. The availability of adequate technical assistance and training support is essential to help these entrepreneurs achieve their potential.

A 1996 survey of 266 microenterprise development programs conducted by the Aspen Institutes in collaboration with the Association for Enterprise Opportunity (AEO) revealed that 68% of the microenterprise development programs provide both lending and technical assistance and 27% provide only technical assistance and training. However, there is no federal program that specifically supports such training and technical assistance needs of microentrepreneurs.

LOW INCOME TARGETING - PRIME funds will be targeted to low income and very low income entrepreneurs. While all PRIME funds must meet the current CDFI targeting requirements (80% median income/20% poverty) 50% of the funds appropriated to PRIME each year must be used to benefit people that are at or below 150% of poverty. (family of 4 with an income of $23,354)

In contrast, the SBA Microloan Program is targeted to entrepreneurs who are unable to access loans from conventional sources. While many of the SBA's microloan borrowers are low income, SBA microloan intermediaries are not required to target their loans to very low income individuals. This is none the less important for two reasons. First many entrepreneurs with viable business ideas are unable to access loans from conventional banks for a variety of reasons: women and minorities face barriers; other entrepreneurs lack sufficient collateral; the size of their credit needs are too small; and start-ups are often considered too high risk. The SBA Microloan Program is designed to meet the needs of a broad range of entrepreneurs who cannot otherwise secure a business loan.

Secondly, while SBA Microloan Intermediaries borrow funds from SBA to capitalize their loan funds, these funds must be repaid to the SBA (loans are made at the 5 yr T-bill rate with a 10 year term). SBA Microloan Intermediaries are making loans to entrepreneurs that other lenders have turned down because by conventional standards these are seen as high risk non-cost effective loans. Despite the risk involved in microlending, the average SBA Microloan Intermediary maintains a default rate of between 1-5%. The SBA Microloan Program reaches a critical sector of viable small businesses - but they are not necessarily the same low income population of entrepreneurs that the PRIME program is intended to serve.

PRIME and the SBA Microloan Program are two different but complimentary ways to release the full potential of microentrepreneurs.

BUILDING THE CAPACITY OF COMMUNITY BASED INSTITUTIONS - While the SBA's focus is on supporting the development of businesses, the CDFI fund is focused on supporting the growth of community based institutions, both CDFIs or microenterprise development organizations, so that they that can effectively generate wealth in poor communities.

The microenterprise development industry has grown dramatically over the last decade and there is a strong demand for training and support activities targeted to the growing number of community based microenterprise programs. Ten years ago microenterprise development was considered the province of several dozen struggling community programs. Today it is estimated that more than 350 organizations operate microenterprise programs across the country. These programs have proven that low income people can be successful entrepreneurs.

Despite the growing demand for microenterprise development services, there is no federal program that invests in developing and strengthening community based, microenterprise development organizations.

PRIME's capacity building activity will serve to strengthen the growing field of microenterprise development organizations and in particular to ensure that these community based institutions can effectively provide technical assistance and training to low income entrepreneurs. The capacity building activity under PRIME stands to benefit the entire field and, by extension, the intermediaries supported under the SBA Microloan Program.

PRIME will enable the CDFI Fund to put its capacity building expertise to use in assisting microenterprise development organizations to build their institutional strength in serving low income entrepreneurs and prospective entrepreneurs.

Alexis Cornes [illegible] Preference for Micro Loan

entrepreneurs are beneficiaries

T.A. piece always difficult to get

grants prog for T.A. assistance [illegible] [illegible] [illegible] [illegible]

in past some of loan $s got charged to TA program

Velazquez any language including $s for this program to SBA prog

If SBA lenders can prove they serve those target population

giving an explicit preference raises political problem

Proposal represents AOE groups / have issues with preference

training letters

SBA - business development
CDFI - community development

> different constituencies not as focused on [illegible] priority

└ credit led program vs. training program for low income entrepreneurs

2 distinct authorities

Last year Sen Talent hearing
now he is on board
[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] been

He Rogers not [illegible] [illegible] SBA
micro groups meeting w/ Velazquez

Call Steiler on this
concept paper

PRESIDENT CLINTON:
CREATING OPPORTUNITY BY SUPPORTING MICROENTERPRISE

February 5, 1999

Today, President Clinton Unveiled the Administration's Domestic and International Microenterprise Agenda for FY2000 and Honored Recipients of the 1998 Presidential Awards for Excellence in Microenterprise Development. Long a passionate interest of both President Clinton and the First Lady, microenterprise has proven a powerful tool for empowering people left out of the economic mainstream, providing them the skills and credit they need to improve their own lives. President Clinton's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance -- an essential component on fully delivering the microenterprise promise. President Clinton's budget also continues to ensure that America provides global leadership on microenterprise through the U.S. Agency for International Development (USAID).

What Is Microenterprise? Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor, women, minorities, and those in areas of economic downturn. With these resources, these people can start and/or build businesses, creating jobs and opportunity. Recognized for the past twenty-five years as a powerful tool for development in poorer countries, microenterprise has been increasingly successful in providing opportunities in the United States. In this country, a microenterprise is generally defined as a business with five or fewer employees -- at least one of whom is the owner -- and that has a demand for small amounts of credit (less than $25,000).

A 159-Percent Increase in Overall Budget To Support Microenterprise At Home. President Clinton's domestic microenterprise agenda recognizes that in the new economy, simply providing credit to microentrepreneurs is often not enough. Microentrepreneurs often need training and mentoring to help them succeed, and microenterprise organizations need technical assistance to build their capacity and enhance their effectiveness. This year, the Administration seeks to dramatically increase its support for these critical services, nearly tripling funding for training and technical assistance. This year's budget also focuses on leveraging new resources through Individual Development Accounts, and on making microenterprise and other resources more widely available through the Small Business Administration's (SBA) One-Stop Capital Shops. Specifically, the President's plan includes:

- **$15 Million To Support The Program for Investments in Microentrepreneurs (PRIME) Act.** The bipartisan PRIME Act -- introduced by Senators Kennedy and Domenici and Representatives Rush, Leach and LaFalce -- authorizes the Community Development Financial Institutions (CDFI) Fund to establish a microenterprise technical assistance and capacity building program to award grants on a competitive basis to microenterprise development organizations and programs that focus on low-income entrepreneurs. PRIME will also sponsor research on the most innovative and successful ways of encouraging new businesses and enabling them to succeed. PRIME, like all other CDFI programs, will leverage non-federal funding with federal dollars by requiring that all assistance be matched. The PRIME Act authorizes an appropriation level of $105 million over four years, starting with $15 million in FY2000. The President's FY2000 budget includes $15 million for PRIME within CDFI, which the President proposes to expand from $95 million in FY99 to $125 million in FY2000.

PRESIDENT CLINTON:
CREATING OPPORTUNITY BY SUPPORTING MICROENTERPRISE

February 5, 1999

Today, President Clinton Unveiled the Administration's Domestic and International Microenterprise Agenda for FY2000 and Honored Recipients of the 1998 Presidential Awards for Excellence in Microenterprise Development. President Clinton's FY2000 budget includes a 159-percent increase in support for domestic microenterprise programs, with a significant strengthening of the Administration's commitment for training and technical assistance -- an essential component on fully delivering the microenterprise promise. President Clinton's budget also continues to ensure that America provides global leadership on microenterprise through the U.S. Agency for International Development (USAID).

What Is Microenterprise? Microenterprise development programs provide access to capital, other financial services, and training to those traditionally bypassed by the mainstream financial sector, such as the poor, women, minorities, and those in areas of economic downturn. Recognized for 25 years as a powerful tool for development in poorer countries, microenterprise has been increasingly successful in providing opportunity in America. In this country, a microenterprise is generally defined as a business with 5 or fewer employees -- at least one of whom is the owner -- and that has a demand for amounts of credit less than $25,000.

A 159-Percent Increase in Overall Budget To Support Microenterprise At Home. The President's domestic microenterprise agenda -- which increases support from $32 million to $83 million -- includes:

- **$15 Million To Support The Program for Investments in Microentrepreneurs (PRIME) Act.** The President's FY2000 budget includes $15 million for PRIME -- helping provide technical assistance and capacity building -- within CDFI, which the President proposes to expand from $95 million in FY99 to $125 million in FY2000.

- **Doubling of Support For Technical Assistance in SBA Microloan Program** - from $16 million in FY99 to $32 million in FY2000.

- **Doubling of Support for SBA Lending To Leverage Over $75 Million In New Micro-Loans.** The President's new budget doubles support for the SBA Microloan Program, from $3 million in FY99 to $6 million in FY2000 -- which should help leverage over $75 million in new loans.

- **Doubling of Funding for Individual Development Accounts (IDAs)** -- which provides incentives for lower-income Americans to save for a first-home, post-secondary education, or to start a new business -- from $10 million in FY99 to $20 million in FY2000.

- **Tripling of Funding for SBA's One-Stop Capital Shop Initiative** - from $3.1 million in FY99 to $10 million in FY2000.

Focus on Countries in Crisis and Extending Microenterprise's International Reach. Early in his Administration, the President launched the USAID Microenterprise Initiative; today USAID is the world's leading donor in microenterprise development (averaging $135 million per year over the past three years). This year, the Administration will continue to provide global leadership in microenterprise through USAID, focusing on countries in crisis, increasing multi-lateral resources, and creating regulatory environments to assist microenterprise. This year's agenda includes:

- **Increased Funding for Countries in Crisis** -- including $7 million for microenterprise for countries hit hard by the global financial crisis, and a substantial commitment of funds and technical assistance for microenterprise support (in addition to $5 million approved thus far) as part of a supplemental and bipartisan package of relief for Hurricane Mitch.

- **Leveraging International Resources and Developing Conducive Regulatory Environments.** The Administration will work with the World Bank and other Multilateral Development Banks (MDBs) to raise the portion of lending dedicated to building microenterprise worldwide. The Treasury Department and USAID will work with the IMF, MDBs and microfinance institutions to provide technical and other assistance to help central banks and other regulators in less-developed nations develop legislative and regulatory frameworks that support microenterprise.

S 409 IS

106th CONGRESS

1st Session

S. 409

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.

IN THE SENATE OF THE UNITED STATES

February 10, 1999

Mr. KENNEDY (for himself, Mr. DOMENICI, Mr. REID, Mr. GRASSLEY, Mr. ABRAHAM, Mr. ROBB, Ms. COLLINS, Mrs. BOXER, Mr. SANTORUM, Mr. SARBANES, and Ms. SNOWE) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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A BILL

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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 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.'.

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.

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;'; and

(2) in paragraph (4), in the first sentence, by inserting before the period `and subtitle C'.

END