

109TH CONGRESS
1ST SESSION

S. 138

To make improvements to the microenterprise programs administered by
the Small Business Administration.

IN THE SENATE OF THE UNITED STATES

JANUARY 24, 2005

Mr. KERRY (for himself and Mr. BINGAMAN) introduced the following bill;
which was read twice and referred to the Committee on Small Business
and Entrepreneurship

A BILL

To make improvements to the microenterprise programs
administered by the Small Business Administration.

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 “SBA Microenterprise
5 Improvements Act”.

6 **SEC. 2. MICROLOAN PROGRAM IMPROVEMENTS.**

7 (a) INTERMEDIARY ELIGIBILITY REQUIREMENTS.—
8 Section 7(m)(2) of the Small Business Act (15 U.S.C.
9 636(m)(2)) is amended—

4 (2) in subparagraph (B)—

5 (A) by striking “(B) has at least” and in-
6 serting the following:

9 (B) by striking the period at the end and
10 inserting the following: “; or

15 “(C) has at least 1 year experience pro-
16 viding, as an integral part of its microloan pro-
17 gram, intensive marketing, management, and
18 technical assistance to its borrowers.”.

19 (b) CONFORMING CHANGE IN AVERAGE SMALLER
20 LOAN SIZE.—Section 7(m)(3)(F)(iii) of the Small Busi-
21 ness Act (15 U.S.C. 636(m)(3)(F)(iii)) is amended by
22 striking “\$7,500” and inserting “\$10,000”.

23 (c) LIMITATION ON THIRD PARTY TECHNICAL AS-
24 SISTANCE.—Section 7(m)(4)(E)(ii) of the Small Business
25 Act (15 U.S.C. 636(m)(4)(E)(ii)) is amended—

4 (2) by striking “25 percent” and inserting “30
5 percent”.

6 (d) LOAN TERMS.—Section 7(m)(1)(B)(i) of the
7 Small Business Act (15 U.S.C. 636(m)(1)(B)(i)) is
8 amended by striking “short-term”.

9 (e) REPORT ON TRANSFERRED AMOUNTS.—Section
10 7(m)(9)(B) of the Small Business Act (15 U.S.C.
11 636(m)(9)(B)) is amended—

12 (1) by striking “The Administration” and in-
13 serting the following:

16 (2) by striking the period after "financing";

17 and

18 (3) by adding at the end the following:

1 (f) ACCURATE SUBSIDY MODEL.—Section 7(m) of
2 the Small Business Act (15 U.S.C. 636(m)) is amended
3 by adding at the end the following:

4 “(14) IMPROVED SUBSIDY MODEL.—The Ad-
5 ministrator shall develop a subsidy model for the
6 microloan program under this subsection, to be used
7 in the fiscal year 2006 budget, that is more accurate
8 than the subsidy model in effect on the day before
9 the date of enactment of this paragraph.”.

10 (g) INCREASED FLEXIBILITY FOR PROVIDING TECH-
11 NICAL ASSISTANCE TO POTENTIAL BORROWERS.—Section
12 7(m)(4)(E)(i) of the Small Business Act (15 U.S.C.
13 636(m)(4)(E)(i)) is amended by striking “25 percent” and
14 inserting “30 percent”.

15 **SEC. 3. PRIME REAUTHORIZATION AND TRANSFER TO THE**
16 **SMALL BUSINESS ACT.**

17 (a) PROGRAM REAUTHORIZATION.—Subtitle C of
18 title I of the Riegle Community Development and Regu-
19 latory Improvement Act of 1994 (15 U.S.C. 6901 note)
20 is amended to read as follows:

21 **“SEC. 37. PROGRAM FOR INVESTMENT IN MICROENTRE-
22 PRENEURS.**

23 “(a) DEFINITIONS.—For purposes of this section, the
24 following definitions shall apply:

1 “(1) ADMINISTRATION.—The term ‘Administra-
2 tion’ means the Small Business Administration.

3 “(2) ADMINISTRATOR.—The term ‘Adminis-
4 trator’ means the Administrator of the Small Busi-
5 ness Administration.

6 “(3) CAPACITY BUILDING SERVICES.—The term
7 ‘capacity building services’ means services provided
8 to an organization that is, or that is in the process
9 of becoming, a microenterprise development organi-
10 zation or program, for the purpose of enhancing its
11 ability to provide training and services to disadvan-
12 taged entrepreneurs.

13 “(4) COLLABORATIVE.—The term ‘collabo-
14 rative’ means 2 or more nonprofit entities that agree
15 to act jointly as a qualified organization under this
16 section.

17 “(5) DISADVANTAGED ENTREPRENEUR.—The
18 term ‘disadvantaged entrepreneur’ means a micro-
19 entrepreneur that—

20 “(A) is a low-income person;

21 “(B) is a very low-income person; or

22 “(C) lacks adequate access to capital or
23 other resources essential for business success,
24 or is economically disadvantaged, as determined
25 by the Administrator.

1 “(6) DISADVANTAGED NATIVE AMERICAN EN-
2 TREPRENEUR.—The term ‘disadvantaged Native
3 American entrepreneur’ means a disadvantaged en-
4 trepreneur who is also a member of an Indian Tribe.

5 “(7) INDIAN TRIBE.—The term ‘Indian tribe’
6 has the same meaning as in section 4(a) of the In-
7 dian Self-Determination and Education Assistance
8 Act.

9 “(8) INTERMEDIARY.—The term ‘intermediary’
10 means a private, nonprofit entity that seeks to serve
11 microenterprise development organizations and pro-
12 grams, as authorized under subsection (d).

13 “(9) LOW-INCOME PERSON.—The term ‘low-in-
14 come person’ means having an income, adjusted for
15 family size, of not more than—

16 “(A) for metropolitan areas, 80 percent of
17 the area median income; and

18 “(B) for nonmetropolitan areas, the great-
19 er of—

20 “(i) 80 percent of the area median in-
21 come; or

22 “(ii) 80 percent of the statewide non-
23 metropolitan area median income.

1 “(10) MICROENTREPRENEUR.—The term
2 ‘microentrepreneur’ means the owner or developer of
3 a microenterprise.

4 “(11) MICROENTERPRISE.—The term ‘micro-
5 enterprise’ means a sole proprietorship, partnership,
6 or corporation that—

7 “(A) has fewer than 5 employees; and
8 “(B) generally lacks access to conventional
9 loans, equity, or other banking services.

10 “(12) MICROENTERPRISE DEVELOPMENT ORGA-
11 NIZATION OR PROGRAM.—The term ‘microenterprise
12 development organization or program’ means a non-
13 profit entity, or a program administered by such an
14 entity, including community development corpora-
15 tions or other nonprofit development organizations
16 and social service organizations, that provides serv-
17 ices to disadvantaged entrepreneurs.

18 “(13) TRAINING AND TECHNICAL ASSIST-
19 ANCE.—The term ‘training and technical assistance’
20 means services and support provided to disadvan-
21 taged entrepreneurs, such as assistance for the pur-
22 pose of enhancing business planning, marketing,
23 management, financial management skills, and as-
24 sistance for the purpose of accessing financial serv-
25 ices.

1 “(14) VERY LOW-INCOME PERSON.—The term
2 ‘very low-income person’ means having an income,
3 adjusted for family size, of not more than 150 per-
4 cent of the poverty line (as defined in section 673(2)
5 of the Community Services Block Grant Act (42
6 U.S.C. 9902(2)), including any revision required by
7 that section).

8 “(b) ESTABLISHMENT OF PROGRAM.—The Adminis-
9 trator shall establish a microenterprise technical assist-
10 ance and capacity building grant program to provide as-
11 sistance from the Administration in the form of grants
12 to qualified organizations in accordance with this section.

13 “(c) USES OF ASSISTANCE.—A qualified organization
14 shall use grants made under this section—

15 “(1) to provide training and technical assist-
16 ance to disadvantaged entrepreneurs;

17 “(2) to provide training and capacity building
18 services to microenterprise development organiza-
19 tions and programs and groups of such organiza-
20 tions to assist such organizations and programs in
21 developing microenterprise training and services;

22 “(3) to aid in researching and developing the
23 best practices in the field of microenterprise and
24 technical assistance programs for disadvantaged en-
25 trepreneurs;

1 “(4) to provide training and technical assistance to disadvantaged Native American entrepreneurs and prospective entrepreneurs; and

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

7 “(d) **QUALIFIED ORGANIZATIONS.**—For purposes of
8 eligibility for assistance under this section, a qualified organization shall be—

10 “(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;

15 “(2) an intermediary;

16 “(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

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

24 “(e) **ALLOCATION OF ASSISTANCE; SUBGRANTS.**—

25 “(1) **ALLOCATION OF ASSISTANCE.**—

1 “(A) IN GENERAL.—The Administrator
2 shall allocate assistance from the Administra-
3 tion under this section to ensure that—

4 “(i) activities described in subsection
5 (c)(1) are funded using not less than 75
6 percent of amounts made available for
7 such assistance; and

8 “(ii) activities described in subsection
9 (c)(2) are funded using not less than 15
10 percent of amounts made available for
11 such assistance.

12 “(B) LIMIT ON INDIVIDUAL ASSISTANCE.—
13 No single person may receive more than 10 per-
14 cent of the total funds appropriated under this
15 section in a single fiscal year.

16 “(2) TARGETED ASSISTANCE.—The Adminis-
17 trator shall ensure that not less than 50 percent of
18 the grants made under this section are used to ben-
19 efit very low-income persons, including those resid-
20 ing on Indian reservations.

21 “(3) SUBGRANTS AUTHORIZED.—

22 “(A) IN GENERAL.—A qualified organiza-
23 tion receiving assistance under this section may
24 provide grants using that assistance to qualified
25 small and emerging microenterprise organiza-

10 “(4) DIVERSITY.—In making grants under this
11 section, the Administrator shall ensure that grant
12 recipients include both large and small microenter-
13 prise organizations, serving urban, rural, and Indian
14 tribal communities serving diverse populations.

15 “(5) PROHIBITION ON PREFERENTIAL CONSID-
16 ERATION OF CERTAIN SBA PROGRAM PARTICI-
17 PANTS.—In making grants under this section, the
18 Administrator shall ensure that any application
19 made by a qualified organization that is a partici-
20 pant in the program established under section 7(m)
21 of the Small Business Act does not receive pref-
22 erential consideration over applications from other
23 qualified organizations that are not participants in
24 such program.

25 "(f) MATCHING REQUIREMENTS.—

1 “(1) IN GENERAL.—Financial assistance under
2 this section shall be matched with funds from
3 sources other than the Federal Government on the
4 basis of not less than 50 percent of each dollar pro-
5 vided by the Administration.

6 “(2) SOURCES OF MATCHING FUNDS.—Fees,
7 grants, gifts, funds from loan sources, and in-kind
8 resources of a grant recipient from public or private
9 sources may be used to comply with the matching
10 requirement in paragraph (1).

11 “(3) EXCEPTION.—

12 “(A) IN GENERAL.—In the case of an ap-
13 plicant for assistance under this section with se-
14 vere constraints on available sources of match-
15 ing funds, the Administrator may reduce or
16 eliminate the matching requirements of para-
17 graph (1).

18 “(B) LIMITATION.—Not more than 10 per-
19 cent of the total funds made available from the
20 Administration in any fiscal year to carry out
21 this section may be excepted from the matching
22 requirements of paragraph (1), as authorized by
23 subparagraph (A) of this paragraph.

24 “(g) APPLICATIONS FOR ASSISTANCE.—An applica-
25 tion for assistance under this section shall be submitted

1 in such form and in accordance with such procedures as
2 the Administrator shall establish.

3 “(h) RECORDKEEPING AND REPORTING.—

4 “(1) IN GENERAL.—Each organization that re-
5 ceives assistance from the Administration in accord-
6 ance with this section shall—

7 “(A) submit to the Administration not less
8 than once in every 18-month period, financial
9 statements audited by an independent certified
10 public accountant;

11 “(B) submit an annual report to the Ad-
12 ministration on its activities; and

13 “(C) keep such records as may be nec-
14 essary to disclose the manner in which any as-
15 sistance under this section is used.

16 “(2) ACCESS.—The Administration shall have
17 access upon request, for the purposes of determining
18 compliance with this section, to any records of any
19 organization that receives assistance from the Ad-
20 ministration in accordance with this section.

21 “(3) DATA COLLECTION.—Each organization
22 that receives assistance from the Administration in
23 accordance with this section shall collect information
24 relating to, as applicable—

1 “(A) the number of individuals counseled
2 or trained;

3 “(B) the number of hours of counseling
4 provided;

5 “(C) the number of startup small business
6 concerns formed;

7 “(D) the number of small business con-
8 cerns expanded;

9 “(E) the number of low-income individuals
10 counseled or trained; and

11 “(F) the number of very low-income indi-
12 viduals counseled or trained.

13 “(i) AUTHORIZATION OF APPROPRIATIONS.—

14 “(1) IN GENERAL.—There are authorized to be
15 appropriated to the Administrator \$15,000,000 for
16 each of the fiscal years 2005 through 2007 to carry
17 out the provisions of this section, which shall remain
18 available until expended.

19 “(2) TRAINING FOR NATIVE AMERICAN ENTRE-
20 PRENEURS.—In addition to the amount authorized
21 under subsection (i)(1), there are authorized to be
22 appropriated to the Administrator \$2,000,000 for
23 each of the fiscal years 2005 through 2007 to carry
24 out the provisions of subsection (c)(4), which shall
25 remain available until expended.”.

1 (b) TRANSFER PROVISIONS.—

2 (1) SMALL BUSINESS ACT AMENDMENTS.—The
3 Small Business Act (15 U.S.C. 631 et seq.) is
4 amended by redesignating section 37 as section 38.

5 (2) TRANSFER.—Section 37 of the Riegle Com-
6 munity Development and Regulatory Improvement
7 Act of 1994 (15 U.S.C. 6901 note), as so designated
8 by subsection (a) of this section, is transferred to,
9 and inserted after, section 36 of the Small Business
10 Act.

11 (c) REFERENCES.—All references in Federal law to
12 the “Program for Investment in Microentrepreneurs Act
13 of 1999” or the “PRIME Act” shall be deemed to be ref-
14 erences to section 37 of the Small Business Act, as added
15 by this section.

16 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
17 tion or the amendments made by this section shall affect
18 any grant or assistance provided under the Program for
19 Investment in Microentrepreneurs Act of 1999, before the
20 date of enactment of this Act, and any such grant or as-
21 sistance shall be subject to the Program for Investment
22 in Microentrepreneurs Act of 1999, as in effect on the day
23 before the date of enactment of this Act.

○