

July 21, 2022

The Small Business Administration's Program for Investment in Microentrepreneurs

To help address the needs of America's smallest businesses, the Small Business Administration (SBA) operates the Program for Investment in Microentrepreneurs (PRIME). While 97% of all American employer firms meet the SBA's definition of a small business, some may have hundreds of employees or generate tens of millions of dollars in receipts. Services and support tailored for those businesses may not be effective for very small businesses. PRIME grant awards facilitate technical assistance and other efforts in support of microenterprises, or businesses with fewer than five employees and that generally lack access to conventional loans, equity, or other banking services. A majority of PRIME awards are statutorily required to target disadvantaged entrepreneurs.

SBA annually awards PRIME grants to nonprofit microenterprise development organizations (MDOs) and other intermediaries that then use the funds for technical assistance to microenterprises and other related purposes, including:

- training and technical assistance for disadvantaged microentrepreneurs;
- training and capacity building services for MDOs, as well as programs helping MDOs develop microenterprise training and services;
- development and sharing of best practices in the field of microenterprise development, and technical assistance programs for disadvantaged microentrepreneurs; and
- other activities determined to be consistent with PRIME's goals.

Most recently, in FY2021, the SBA awarded \$5.2 million in PRIME grants to 27 intermediary organizations which then assisted 12,700 microenterprises. Since FY2018, PRIME awards have ranged from \$75,000 to \$250,000.

History

The Gramm-Leach-Bliley Act (P.L. 106-102) authorized PRIME in 1999 when it amended the Riegle Community Development and Regulatory Improvement Act of 1994 (P.L. 103-325) and directed the SBA to "establish a microenterprise technical assistance and capacity building grant program." In debate on the bill, some Members of Congress argued that technical assistance for microenterprises was critical to small business development and that microenterprise development had helped lift some individuals out of poverty. Other Members noted that PRIME's goals seemed similar to the SBA's existing

Microloan technical assistance program, and that the two programs might compete for funding.

PRIME's authorization is not in the Small Business Act of 1953 (Small Business Act, P.L. 83-163, as amended) although a number of legislative proposals have sought to change that. For example, the House-passed Microloan Amendments and Modernization Act, introduced in 2007 as H.R. 3020, would have transferred PRIME's statutory authority to the Small Business Act. Some Members of Congress stated that the move would have no direct impact on PRIME's operation, noting that the program was already run by the SBA, but would give the agency explicit statutory authority over PRIME. Some Members also argued that transferring statutory authority to the Small Business Act would consolidate all federal elements of microenterprise assistance in one legislative vehicle and allow for streamlined congressional oversight. The Small Business Lending Reauthorization and Improvements Act of 2007 (S. 1256) and the SBA Reauthorization and Improvement Act of 2008 (S. 2920) also would have transferred PRIME's statutory authority to the Small Business Act.

Some proposed legislation would have increased PRIME's reporting requirements. In 2005, the SBA Microenterprise Improvements Act (S. 138) would have required PRIME awardees to submit an annual activities report to the SBA and collect data on individuals receiving counseling or training and related information.

In a final rule issued on October 6, 2020, the SBA repealed 19 regulations related to PRIME. The SBA determined that these regulations duplicated guidance provided elsewhere, including in statute, SBA's annual notice of funding opportunity, and government-wide grant regulations.

PRIME Award Uses

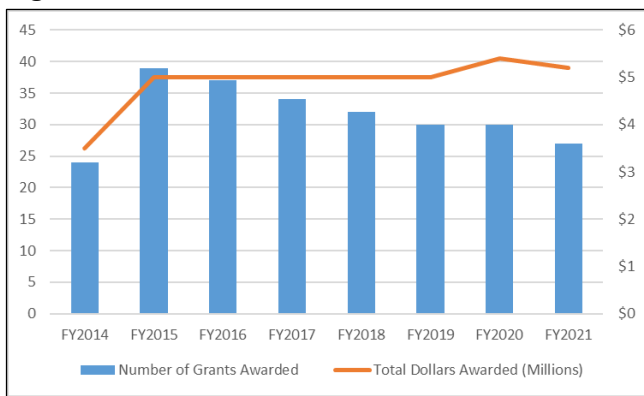
SBA awards PRIME grants to MDOs and other intermediaries primarily to provide technical assistance to disadvantaged microentrepreneurs. Disadvantaged microentrepreneurs are statutorily defined as either:

- a low-income person, which for a metropolitan area is someone with a maximum income of 80% of the area median income; and for a nonmetropolitan area is someone with a maximum income the greater of either 80% of the area median income or 80% of the statewide nonmetropolitan area median income;
- a very low-income person, which is someone with a maximum income of 150% of the poverty line; or

- an entrepreneur lacking adequate access to capital or other resources, or who is economically disadvantaged, as determined by the SBA Administrator.

At least 50% of PRIME awards made must be used to benefit very low-income persons, including those living on Native American reservations. At least 75% of PRIME grant funds must be used for technical assistance to disadvantaged entrepreneurs, and at least 15% must be used for training and capacity building services. No single grantee (meaning an MDO or intermediary) may receive more than \$250,000 or 10% of the total funds made available for the program in one fiscal year, whichever is less. For FY2023, House-passed H.R. 8294 recommends that PRIME receive \$10 million in funding, and the SBA estimated it would award \$7 million in grants for FY2022. Grants require a 50% match for each dollar awarded. The match can be made in cash or in-kind contributions. **Figure 1** presents the number of PRIME grants and total dollars awarded for FY2014 to FY2021.

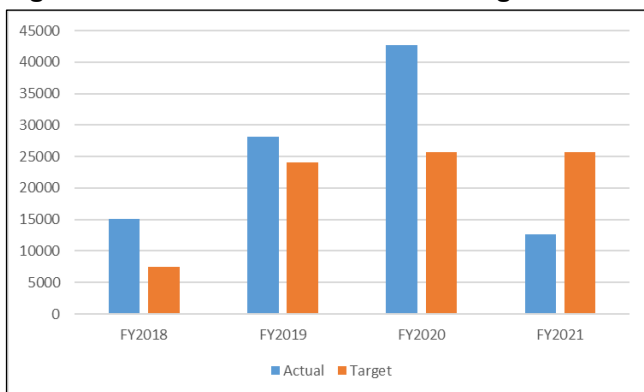
Figure 1. PRIME Grant Awards, FY2014-FY2021



Source: U.S. Small Business Administration, *PRIME Grantees*.

The SBA tracks the number of small businesses assisted through PRIME, and the target number it seeks to assist. Those numbers are presented in **Figure 2**.

Figure 2. Small Businesses Assisted Through PRIME



Source: U.S. Small Business Administration, *FY2023 Congressional Budget Justification FY2021 Annual Performance Report*.

As shown, the SBA met its target each year since FY2018 except for FY2021. The SBA attributed the missed target

that year to the challenge of shifting from in-person to remote, virtual services in response to the COVID-19 pandemic.

Congress has regularly debated whether PRIME duplicates other SBA programs, specifically the technical assistance provided through its Microloan Program. As mentioned earlier, some Members of Congress noted the similarity between the two programs when PRIME was authorized. Like PRIME, one of the goals of the Microloan Program is capacity building. In its budget requests from FY2012 to FY2017, the Obama Administration requested no funding for PRIME, arguing it duplicated the Microloan technical assistance program. The Trump Administration also requested no funding for PRIME in its budget requests for FY2018 to FY2021. PRIME did continue to receive an annual appropriation during these periods.

Considerations for Congress

Congress may wish to consider whether PRIME could benefit from additional reporting requirements or evaluation. There do not appear to have been any publicly available evaluations of PRIME, either by the federal government or third parties. Additionally, the number of small businesses assisted through PRIME is the only metric publicly reported by the SBA. Congress has previously considered requiring additional metrics, as in the SBA Microenterprise Improvements Act.

Additional metrics for PRIME could also help Congress consider the question of possible duplication, particularly with SBA's Microloan technical assistance program. For example, PRIME could be required to track and report how often each specific type of assistance was provided. This level of granularity could help SBA and Congress determine if PRIME was duplicative of other programs.

When PRIME fell short of its targeted number of small businesses assisted in FY2021, the SBA determined that the cause was the difficulty of providing remote services necessitated by the COVID-19 pandemic. Congress may wish to determine if the provision of remote services is likely to be a long-term necessity, and if and how PRIME can be adjusted to accommodate that. For example, one of the allowable uses of PRIME awards is for developing best practices for microenterprise technical assistance. These awards could be put toward research into developing remote technical assistance support. However, at most 10% of PRIME awards may be put toward this type of use. If Congress determines there is a need for additional research into best practices, the percentage of allowable funding for that use could be increased, either permanently or temporarily.

Additional Reading

CRS Report R41352, *Small Business Management and Technical Assistance Training Programs*.

CRS Report R43846, *Small Business Administration (SBA) Funding: Overview and Recent Trends*.

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