

ECONOMIC PERSPECTIVES

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NNDA
Northern Nevada
Development Authority

Federal Funding to Spur Business Growth



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Access to working capital is always a challenge for small and growing businesses in general, and particularly for those in rural areas. Part of NNDA's strategic focus is assisting Sierra Region businesses in identifying funding sources to support expansion and growth. As I previously mentioned in this column, both back in February and last month, federal agencies are working to ease access to capital through grants and loans. The U.S. Small Business Administration (SBA) and U.S. Department of Agriculture

(USDA) especially recognize this and are working to provide easier access to their guaranteed loan programs. Here are a few federal funding programs available to Sierra Region businesses.

SBA: The agency's 7(a) Loan Guarantee Program is their flagship loan guaranty program which augments available private credit options for small businesses. It is designed to expand access to capital to eligible small businesses through approved bank, credit unions and other non-bank lending institutions by reducing lender risk. Both eligible lenders and borrowers must meet strict SBA requirements, and loans are capped at \$5 million. While most small businesses are eligible to receive SBA loan guarantees, nonprofits and certain other small businesses do not qualify.

The 7(a) program helps creditworthy small businesses obtain financing when they cannot otherwise acquire credit at reasonable terms. Loan proceeds can be used to finance a variety of purposes including: 1) purchasing machinery, fixtures, and supplies; 2) making improvements to land and buildings; 3) financing receivables and augmenting working capital; 4) acquiring and starting businesses; and 5) refinancing existing debt under certain conditions. Visit www.sba.gov/offices/district/nv/las-vegas for more detailed information about SBA guaranteed loan requirements.

USDA: The department's Rural Development agency administers their Business & Industry Loan Guarantees Program. It supplements the availability of private credit by guaranteeing loans specifically for rural businesses. The goal of the program is to improve the economic health of rural communities by increasing access to business capital through loan guarantees that enable commercial lenders to provide affordable financing for businesses in eligible rural areas.

Approved lenders who have appropriate legal authority combined with satisfactory financial experience to operate a sufficient lending program can apply for the program. Eligible borrowers include both for profit and nonprofit businesses, cooperatives, federally recognized Tribes, public bodies, and individuals.

Appropriate uses for the loans include but are not limited to: 1) business conversion, enlargement, repair, modernization or development; 2) purchase and development of land, easements, rights-of-way, buildings or facilities; 3) purchase of equipment, leasehold improvements, machinery, supplies or inventory; 4) debt refinancing when refinancing improves cash flow and creates or saves jobs; and 4) business and industrial acquisitions when the loan will create or save jobs. The maximum loan amount is capped at \$25 million. Visit www.rd.usda.gov/nv for additional information regarding USDA guaranteed loan requirements.

SBA-SBIR: Access to capital for research and development (R&D) by both urban and rural businesses has always been limited. Yet, according to the U.S. Department of Commerce, small businesses have been responsible for more than half of the innovations developed during the 20th Century. These included the zipper, helicopter, personal computer, and important advances in the medical world such as insulin, artificial heart valves and the pacemaker.

The late Roland Tibbetts, who headed the U.S. National Science Foundation (NSF) for many years, recognized that small businesses could help meet critical



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U.S. priorities, and partnered with SBA to first pilot his concept at NSF and then launch the SBIR program across federal agencies. Tibbetts believed the mission of SBIR was "to provide funding for some of the best early-stage innovation ideas -- ideas that, however promising, are still too high risk for private investors, including venture capital firms."

SBIR was officially established with the passing of the Small Business Innovation Development Act in 1982 to award federal research grants to eligible small businesses. Federal law requires federal agencies with specific authorized budget levels to participate in SBIR, and presently there are 11 participating agencies. SBA coordinates the program which must be periodically reauthorized by the U.S. Congress. The current reauthorization expires September 30, 2022.

This competitive awards-based program supports scientific excellence and technological innovation through the investment of federal research funds in critical US priorities to build a strong national economy. SBIR requires recipient projects to have the potential for commercialization while meeting specific U.S. Government R&D needs. Essentially, it facilitates cutting edge technology for federal agencies and commercial products for everyone else.

SBIR provides funding in the form of contracts or grants, enabling eligible small businesses to explore their technological potential and offers the incentive to profit from commercialization of the innovations. The program ensures that the SBIR recipient owns the intellectual property and all commercialization rights of the project. SBIR encourages participation in innovation and entrepreneurship by socially and economically disadvantaged persons. For U.S. taxpayers, it seeks to increase private sector commercialization of innovations derived from Federal R&D funding. Recent SBIR commercialization successes include memory foam, freeze dried food, robotics, certain firefighting equipment, and many more. Visit www.SBIR.gov for more information about the SBIR program.

Facilitating access to capital for Sierra Region businesses is part of NNDA's mission. Please join us on Wednesday, April 25, 2018 for our monthly The Business Edge™ from 11:30 am – 1:00 pm at the Carson Nugget Casino. Joe Amato, the new Nevada District Director for SBA and Philip Cowee, the new Nevada State Director for USDA will be featured. They will provide information about their agency's priorities, business resources, and available funding programs. Visit www.NNDA.org for more information.