Financing Manufacturing Efficiency and Growth

A Manufacturer's Guide to State and Federal Resources

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Northeast-Midwest Institute

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The Northeast-Midwest Institute is a nonprofit and public education organization that seeks to enhance the region's economic vitality and environmental quality. It conducts research, develops public policies, provides technical assistance, sponsors regional conferences, and distributes publications.

The Institute is unique among Washington policy centers because of its close working relationship with the Northeast-Midwest Congressional and Senate Coalitions. Founded in 1976, the Congressional Coalition, co-chaired by Reps. Bob Franks (R-NJ) and Marty Meehan (D-MA), is a bipartisan group of 114 representatives who recognize the common problems facing their states. The Northeast-Midwest Senate Coalition, formed in 1978 and now co-chaired by Sens. James Jeffords (R-VT) and Daniel Patrick Moynihan (D-NY), has 36 members.

The Institute also supports the Congressional Task Force on Manufacturing and the Northeast-Midwest Leadership Council. Composed of corporate, academic, and labor leaders, the Leadership Council presents private-sector viewpoints on how public policies could be shaped to create jobs and expand business.

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Foreword

The bipartisan Congressional Task Force on Manufacturing was formed in 1993 to address the needs of U.S. manufacturers. As Task Force members talked with experts, visited technology centers and labs, and met with plant owners and workers on the shop floor, a basic manufacturing fact of life became clear: If U.S. companies are to compete effectively, they must have access to affordable capital.

Since few small and mid-sized manufacturers are capable of securing all the financial resources they need to modernize, we welcome the Northeast-Midwest Institute's *Financing Manufacturing Efficiency and Growth*. This informative guidebook profiles the principal assistance programs offered by federal and state governments that can help U.S. firms make their facilities and production processes efficient and up to date technologically. The book's federal section describes resources within the various federal agencies — including the Small Business Administration, and the Departments of Energy, Commerce, and Housing and Urban Development — as well as tax incentives such as industrial development bonds and foreign trade zones. The guide also includes information on nearly 100 state initiatives that manufacturers have found to be especially helpful.

Written in a straightforward style, *Financing Efficiency and Growth* discusses each program's eligibility, application processes, and costs. It also highlights examples of how these public-sector programs have been used to support manufacturing projects, and it contains extensive contact lists.

The Northeast-Midwest Institute's useful guidebook will help plant managers better understand the economic development process in general, as well as their options regarding public-sector financing and services. It makes a key contribution to the manufacturing sector, which is vital to this nation's prosperity.

Rep. Bob Franks (R-NJ)
Rep. Marty Meehan (D-MA)
Co-Chairs, Congressional Task Force on Manufacturing

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Financing Manufacturing Efficiency: An Introduction

If U.S. companies are to compete, their facilities and production processes must be efficient and up to date technologically. Adequate, affordable capital is essential if manufacturing modernization is to take hold on a significant scale in communities across the country.

Successful modernization efforts bring several benefits, including new, expanded, or retained industrial operations, strengthened supplier or supportive enterprises, and new or retained jobs and tax revenues. Accordingly, federal agencies and state and local governments are becoming much more involved in meeting the challenges posed by technological change and by domestic and foreign competition. As Commerce Secretary Ronald Brown noted in testimony before the Northeast-Midwest Congressional Coalition's Task Force on Manufacturing, "The private sector fuels the engine of manufacturing growth, but the government sector serves as an important partner" in advancing manufacturing competitiveness.

Without outside guidance and support, few small manufacturers are capable of securing all the financial resources they need to modernize. *Financing Manufacturing Efficiency and Growth* seeks to serve as a handbook of basic information for several audiences: federal agencies, such as the Department of Energy, that want to ensure a strong national economic base, but historically have not played a prominent role in local economic development; interested private-sector players, such as utilities, that have a stake in the continued strength and economic viability of communities; and manufacturers that want to stay competitive, but often don't know where to look for help.

This guidebook focuses on the federal and state programs and tax incentives best suited to advance manufacturing modernization. Its objectives are to:

- offer a basic analysis of the economic development process;
- provide manufacturers, technical assistance providers, and interested parties such as utilities with the basic objectives of public-sector financing programs, the premises upon which they are built, and insights into their operation;
- provide a conceptual framework for the types of financial assistance and related programs that manufacturers rely upon;
- profile federal and state programs, providing information on eligibility, costs, application process, and various additional considerations, as well as several "program in practice" examples; and
- offer extensive lists of program contacts and data for use by manufacturers, interested agencies, and development advocates.

What Is "Economic Development" and How Does It Relate to Manufacturing Competitiveness?

The term *economic development* has been defined differently over the years, but increasingly it serves as a multi-purpose buzzword in the language of politics, used to respond to a variety of economic and social issues. In practice, economic development is essentially the process by which individuals and organizations make decisions to invest in certain businesses and areas. Through innovations and adaptations these investors increase their capacity to create wealth. The results are new, expanded, or retained industrial, commercial, or service enterprises, and new or retained jobs. Across the country, federal and state agencies and local governments of all sizes are becoming more involved in meeting the challenges posed by economic change and by domestic and foreign competition. This involvement is reflected in the programs they have devised to meet a variety of development needs, including those of manufacturers.

Utilities, laboratories, technology agencies, technical assistance providers, manufacturers, and others not typically involved in public program development and implementation need to understand that economic development — an issue area which consumes enormous public-sector attention and resources — is in reality a complex and time-consuming process that needs the efforts of both the public and private sectors to be successful. Public-sector participation in economic development has become more and more sophisticated in the last decade. It no longer relies solely on a few people with grantsmanship skills pushing a few applications in relative isolation. Now, governments are taking a more comprehensive and activist role. To grapple with shrinking federal program budgets (as well as stretch their own resources), local leaders are cultivating new types of development partnerships, adopting a more entrepreneurial approach, and taking the lead in identifying and packaging necessary financial and technical ingredients.

In pursuing development opportunities or fighting to retain an industrial base, small jurisdictions may face technical and financial problems that differ considerably from those of inner cities and metropolitan suburbs. Yet no matter how different the size or setting of a community, the economic climate must be conducive to investment. The ingredients necessary for growth remain the same. The components of this climate are variously described and much debated by experts, but in the final analysis they include several critical factors:

- affordable, accessible capital;
- adequate infrastructure and other support services, including transportation for products;
- accessible research and development capacity to support innovation and entrepreneurship;
- accessible and sufficient technical information, available in a manner that business can easily assimilate and deploy;
- work force that is appropriately educated, skilled, and trained;
- availability of suitable land or space at an affordable price;
- manageable volume and appropriate flexibility in regulations pertaining to business;
- tax system that enhances, rather than inhibits, development efforts; and
- a public-sector capacity to support development.

A match between these physical, financial, technical/research, and labor components and the needs of investors and entrepreneurs can make a specific project or a larger area attractive for development. In practice, these components vary by location, project, and opportunity; different players may emphasize different factors, but they all are represented in some way. The significance of any one factor relative to the others depends on the game plan pursued by a given community, the needs of local business and industry, and the community's economic situation. Local leaders must identify gaps and work to fill them. Moreover, they must assume greater responsibilities in the development process because of the federal government's de-emphasized role. They must find the right strategy or program to produce the blend of development factors that gives the community and its key local industrial sectors their greatest economic advantage.

Specific Economic Development Needs of Manufacturers

While the basic elements of economic development are the same for all areas and situations, manufacturing projects bring their own set of problems and characteristics. Local leaders, among others, should note these concerns as they consider ways to support industrial competitiveness in specific communities, and to adapt federal programs for manufacturers' specific needs. Several important variations merit mention.

First, virtually all federal financing programs feature some type of job creation requirement, which may be difficult for manufacturers to meet. Typically, they require that one job be created per X-thousand of federal dollars; while the amounts vary by program, the most common increment is $10,000. Thus, a company seeking $500,000 in federal assistance would need to show that it would be creating 50 new jobs as a result of the government investment. And while most programs acknowledge that job retention is important, it usually does not carry the same weight in the application review process. Such a stipulation often causes problems for manufacturers. Modernization projects — such as new computerized systems and other technologies that gain greater production efficiency — often do not create a net number of new jobs; in fact, they may lead to a net loss of employees. In addition, long-time workers simply may not be able to be trained to perform new, more technologically-advanced operations.

Second, manufacturing projects tend to be very capital intensive. Equipment is expensive, and structural modifications needed to revamp product lines or replace old systems require considerable investment. Such costs raise several concerns. Based on anticipated levels of sales and other revenues, companies simply are unable to afford the carrying costs associated with borrowing large sums needed for technology modernization. Most manufacturers are too small to be able to issue and successfully market their own bonds or commercial paper to raise capital. At the same time, conventional lenders often are reticent to lend for innovative technologies with great promise but little track record in the company — even if the technology has been proven elsewhere. Banks usually view the risk as too great, and few manufacturers have sufficient cash reserves or alternative collateral to assuage nervous lenders.

Third, the problems of environmental contamination and lender liability cause significant problems for manufacturers in nearly every sector. The uncertainties of Superfund rules and their interpretation make industrial rehabilitation projects longer and more costly to complete. Lenders worry about the reduced value of collateral should contamination be discovered, as well as the inability of borrowers to repay their loans if they also must cover site cleanup costs. Most important, though, is the specter of lender liability — the potential that the bank will be forced to pay for the costs of site cleanup if it forecloses on the property and takes title. Even with the prospect of federal loan guarantees, many financial institutions simply will not lend on projects involving manufacturing operations.

Manufacturers in small towns and rural areas often face additional barriers. Scattered residential patterns make delivery of basic services more difficult, and usually more expensive on a per-capita basis.

Many small towns cannot provide the same range of services — training opportunities, access to technology providers, or public transportation systems for workers — that urban manufacturers can tap. Delivery of privately-provided services, such as air and freight hauling, also tend to be more expensive in rural areas, if available at all. In addition, rural communities often lack the capacity — namely, enough trained staff, locally generated development resources, and sufficient access to outside resources and technical information — to take advantage of public-sector programs and private-development opportunities. While metropolitan jurisdictions are able to staff large departments with technical and financial specialists capable of serving specific constituencies, small towns must depend on a few generalists and unpaid volunteers. Often, manufacturers are left to fend for themselves. Moreover, the handicaps of manufacturers in rural areas are not limited to public services; they often include access to capital and R&D. For example, venture capital firms are highly concentrated in metropolitan areas, and their investments are made largely in big cities and their suburbs. Most rural areas also do not have ready access to first-class research and technology transfer facilities.

In many ways, the promotion of economic growth is more an art than a science, neither exact nor fully predictable. Manufacturers and service providers need to understand that the public sector plays an important role in framing the climate in which economic activity proceeds, as well as encouraging public-private partnerships and promoting effective local leadership and participation. The public sector often makes specific investments to spark or sustain economic development in general, and (often) to enhance manufacturing modernization activities in particular. To carry out this many-faceted role most effectively, local leaders must undertake a strategic planning process that involves:

- analyzing the local economy and defining its competitive advantage;
- identifying key issues, needs, opportunities, and goals;
- devising strategies to address these issues; and
- implementing programs and projects to carry out the strategies.

As explained throughout this guidebook, state agencies and the federal government offer several types of financial assistance programs that address the different money needs manufacturers face. In each case, the "right" financial package will depend on a number of factors, and is influenced by the company's competitive advantage, its fiscal and physical condition, and often the needs of its workforce.

All in all, the path of a development project from concept to completion can be long and circuitous, even with careful planning. The most effective communities strive to eliminate barriers and speed project completion, and service providers can provide crucial guidance. Their actions can reduce costs greatly and increase the rate of return on investment, thereby making the project more profitable or, in some cases, economically viable. The return on the government's assistance can be a substantive public good. The project, for example, might generate jobs and tax revenues, anchor an industrial area targeted for revitalization, or attract additional investment.

Economic Development Tools

As manufacturers, technical assistance providers, and other interested parties work to enhance manufacturing competitiveness, they must gain an understanding of the advantages and limitations of the various economic development tools. These tools and techniques continue to evolve, as new barriers are identified and new opportunities surface.

During the past 30 years, federal officials have tried numerous methods and approaches to stimulate development activities, with many of their efforts aimed at strengthening the manufacturing base. In recent years, they have moved beyond the mere spending of more money. Now, programs and incentives may differ in terms of targeted clientele, size, and required outcomes. Many programs, shaped by various government agencies, share funding, technical assistance, and decision-making responsibilities. Federal economic development tools fall into two broad categories: financial and nonfinancial assistance.

Financial Assistance Programs

These efforts have been shaped to meet several objectives, including:

- reducing the lender's risk;
- reducing the borrower's cost of financing;
- easing borrower's repayment situations with flexible payment terms;
- improving business cash flow by reducing or forestalling taxes; and
- providing equity capital.

Federal finance initiatives meet one or more of these objectives through a variety of program structures, with the most common noted below.

Grants. These contributions provide direct financial help and carry no repayment obligation. Usually they are given for site preparation, infrastructure improvements, or training — capital intensive activities typically associated with manufacturing projects. The Department of Housing and Urban Development (HUD) and the Economic Development Administration (EDA) are the most likely sources of grant funding. Only in rare cases are grants given directly to private firms for permanent capital improvements.

Loans. Loans allow companies to borrow from federal agencies — most frequently the Small Business Administration (SBA) — either directly or through local economic development agencies, authorities, or corporations. Loans often are made at advantageous terms and below-market rates of interest. They are important in filling capital gaps that impede further private investment in manufacturing projects. Loan programs are particularly attractive to new or small businesses and firms engaged in speculative undertakings, such as a new technology. These companies usually lack access to affordable capital from conventional lending sources. Most loan programs require certain performance thresholds — often linked to job creation. Usually, these loans finance long-term fixed assets, such as machinery or buildings. They seldom provide the flexible, short-term working capital needed for inventories and day-to-day operating expenses.

A few federal programs provide grants to states or localities to help capitalize loan pools or revolving loan funds (RLFs). State funds and investments or donations from private institutions frequently are included. The resources of RLFs and loan pools are reinvested as outstanding loans are repaid, multiplying the impact of the initial capital and creating a self-sustaining source of capital. Traditionally, communities have used EDA-capitalized revolving funds to support manufacturing improvement projects.

Subordinated or secondary loans are essentially companion loans made by public agencies, such as SBA's Section 504 program. Publicly-backed subordinated loans improve a business' creditworthiness in two ways. First, they lower the amount of capital that private financiers must invest in a single project. Second, they give the private lender first claim on assets in the event of a default by the borrower. Secondary loans can be especially helpful to manufacturers who must secure significant levels of capital to undertake modernization or expansion projects.

Loan guarantees. The pledge to cover most or all of an outstanding balance on a loan made by a private lending institution in the event of a default constitutes a loan guarantee. At the federal level, SBA is the predominant source of such assistance. Loan guarantees lower the risk of lending, thereby increasing the availability of private capital. Often they reduce the cost of borrowing as well. From the public-sector perspective, guarantees are more attractive than direct loans because they are less expensive; most guarantees are never exercised.

Interest subsidies. Loans are more affordable to business borrowers when their carrying charges are lowered. Interest subsidies can be paid directly to lenders to reduce the rates charged to borrowers. The public-sector sponsor, in exchange, usually stipulates eligible uses or outcomes (such as type or location of investment, or number of jobs created) for the proceeds of the subsidized loan. Frequently, rates are brought several points below the prevailing market rate. Interest-subsidy efforts have proven to be quite effective as state programs, but they are rare at the federal level. Usually, they are tied to HUD-supported Community Development Block Grant activities.

Bond financing. Federally-sanctioned industrial development bonds (IDBs) are private-purpose bonds authorized or issued by a public agency, development corporation, or similar nonprofit organization. Targeted to manufacturers, IDB proceeds provide companies with financing to acquire fixed assets for industrial projects. The issuing government encounters little risk because the private beneficiary repays the debt and the bond buyers bear the loss in the event of default. In essence, IDBs are a form of federal interest subsidy. Because the interest they bear is not subject to federal and state taxation, IDBs can be offered at lower-than-market interest rates to bond buyers, effectively making the cost of capital less to the beneficiary manufacturer. Because of perceived and real abuses of IDB subsidies, Congress in the 1984 and 1986 tax acts curtailed levels of issuance (generally, to $50 per capita per state) and restricted eligible uses. Consequently, a few states have experimented with taxable bond issues to promote economic development. Most states and local governments also use other forms of tax-exempt bond borrowings to help finance public and private projects, with the latter often focusing on manufacturers that typically have higher capital needs.

Equity financing. Equity investors essentially buy into a firm. They usually accept a variable, rather than a fixed-term, payback obligation. The amount and schedule of payments are geared to the firm's future income or profitability, not the calendar. Companies receiving equity finance frequently obtain a waiver on repayments until they generate a return on the investment. Paybacks often are pegged to a percentage of return rather than a fixed amount. Some SBA venture and seed capital funds are structured as a form of equity financing. Like any equity partner, the sponsoring agency could earn a tidy return if the venture succeeds, and it risks losing the entire amount if the venture fails.

Tax credits and deductions. Tax benefits commonly are pegged to certain types of activity (such as manufacturing), specific types of capital investment (such as structural renovation), or jobs for certain numbers or types of workers (often youth and the economically disadvantaged).

Tax-advantaged zones. Designated geographical areas, such as federal foreign trade zones (FTZs) and HUD/U.S. Department of Agriculture-designated empowerment zones (EZs), are offered special incentives or allowed special activities. In the case of FTZs, most production in the zone earmarked for export is exempt from specified levies (such as income taxes and customs duties), while comparable activity taking place outside the zone is not exempt. Businesses locating in any empowerment zone can take advantage of easier tax-exempt bond financing incentives, worker training incentives, and advantageous tax treatment of investment through equity expensing. Urban empowerment zones have been designated in Atlanta; Chicago; Baltimore; Detroit; New York City; and Philadelphia-Camden. Rural zones have been defined in the Kentucky Highlands section of that state, the Mid-Delta region of Missouri, and the Grand Valley area of Texas.

Nonfinancial Assistance

While this guidebook focuses on public-sector financing, nonfinancial assistance is important and must be mentioned. Lowering the cost of doing business or the amount of capital needed can have as much impact on development as financial incentives. Economic development advocates use nonfinancial aid to improve their business and development climates. Common types of assistance include the following.

Management assistance. Management seminars, counseling, or tailored "consulting" services help new and small businesses boost their chances for survival. SBA's Small Business Development Centers (SBDCs) were established to collect and coordinate all types of management assistance information. Skills taught may include accounting, loan document preparation, and procedures for applying to state and federal programs. SBDCs and similar organizations also may offer customized business plan development advice, or loan underwriting guidance and support. Most services are available free or at low cost. Providing high-quality management education at a low cost may be one of the most effective things a community can do to assure economic development.

Referral or liaison services. Referrals in this context means putting businesses in touch with potential clients or vendors gratis or at low cost. Several federal programs support referral services for suppliers and promote client matches with domestic and overseas buyers; this type of export promotion is one of the main missions of the U.S. and Foreign Commercial Service . Some specialize in linking producers with procurement opportunities available at the federal or state levels. Others support state, local, and non-profit efforts to coordinate networks of private funding sources, venture capital contacts, and professional-service providers such as management consultants and accountants.

Loan packaging. Assembling loan components is a service that some technical assistance programs will provide to new or small firms. It may involve liaison efforts with private lenders and government agencies. The service can be essential if firms must obtain capital from several sources with differing interest rates, payback arrangements, and levels of risk to lenders. Loan-packaging staff provide valuable support to manufacturers in small towns, where financial institutions may be less sophisticated in terms of products and technologies, and thus more reluctant to lend.

Market-identification services. Some federal programs, notably those overseen by the International Trade Administration, focus on international marketing opportunities. Program staff help firms conduct market studies or uncover suitable economic data, such as labor force information and community profiles. Many take an active role in export development, organizing trade missions and providing market leads.

Training. Without a suitably trained work force, business attraction and development efforts are more difficult, and manufacturing modernization activities are more likely to run aground. An area's ability to offer qualified workers to a company can be pivotal in landing a new prospect or retaining one. States are designing new ways to build on federal job-training programs that help workers upgrade their skills.

Technology development and transfer. Federal initiatives to promote technology diffusion are arguably the most significant new area of public-sector activity vis-a-vis manufacturing. Program resources and expertise have grown as the need and potential benefits have become apparent. A critical aspect of technology assistance is bringing existing technologies to established manufacturers that have not used (or even learned about) them before. This type of technology deployment can make older operations more cost efficient, productive, and competitive. These programs are proving to be a boon to small firms. Manufacturers in particular are tapping them more readily to improve their productivity and profitability.

Targeting policies. Targeted efforts may be quite diverse, depending on the state and the constituency served. Business-procurement programs, for instance, aim to improve local economic conditions by promoting "buy local" campaigns. Some states employ targeted-industry programs to ensure that sufficient resources are allocated to key state or local business sectors. Small towns have benefited from state designations of food processing, timber, and other rurally-based industries.

Addressing the Needs of American Manufacturing

The manufacturing sector's recent difficulties often lie outside the control of individual plant owners and operators — for example, changes in federal monetary policy, low foreign demand for manufactured goods, and disinvestment in small companies related to the recent rash of mergers and acquisitions. Secretary of Labor Robert Reich has emphasized that the nature of manufacturing is changing, shifting from mass production operations carried out by workers with few skills, to more specialized production that requires a much higher skill level.

The economic downturns that buffeted much of the nation during the 1980s and early 1990s hit industrial operations and their work forces particularly hard, triggering plant retrenchments and shutdowns throughout the country. There is no doubt that the nation's manufacturing sector experienced dramatic changes during the past two decades. Employment, wages, and income all stagnated or fell. By obtaining a basic understanding of the parameters of this change, state and federal agencies, utilities, and others with a vested interest in a strong U.S. industrial base will be in a better position to link manufacturers with the most appropriate technical and financial resources available. With this same understanding, manufacturers themselves will be able to make more reasoned judgements about the types of services most appropriate to meet their specific needs.

Creating a more competitive manufacturing sector will not — on its own — solve the problems of sluggish income growth or a shrinking jobs base. Yet modernizing production facilities and strengthening supplier companies can strengthen local, regional, and state economies. To this end, technical and financial assistance programs can play an important part. Technical experts, such as those at Industrial Assessment Centers, and manufacturers themselves can enhance these efforts with a better understanding of the economic development process, as well as knowledge of specific programs, how they operate, and what needs they address and benefits they bring. The Northeast-Midwest Institute intends this guide to do just that.

HOW TO USE THIS GUIDE

State and federal governments provide considerable resources to help manufacturers strengthen their competitive position in the nation and world marketplaces. This book offers companies and service providers — such as utilities, technical assistance sources, and program officials — with descriptions of the diverse state and federal programs that manufacturers can tap to meet their financing needs.

This guide lays out a series of program profiles and topical analyses to illustrate the different types of financial incentives that support manufacturing competitiveness. *Financing Manufacturing Efficiency and Growth* highlights the initiatives that are most useful to meeting the financial needs of manufacturers.

Profiles of nearly 100 state programs and more than a dozen federal initiatives are provided in the following chapters. They illustrate the benefits of linking financial assistance programs to manufacturers in need of modernization and production efficiencies. They also offer insights into the characteristics of useful and effective public assistance efforts.

Financing Manufacturing Efficiency and Growth is divided into two broad sections. The first is a state-by-state look at financing programs best suited to meeting the needs of manufacturers. Several initiatives are profiled in detail, highlighting the services they offer, the application process, how they work in practice, and who to contact for additional information.

The second section focuses on several federal agencies that offer financial assistance programs that can be used to help manufacturers modernize:

- Department of Energy;
- Small Business Administration
- Department of Housing and Urban Development;
- Department of Commerce;
- Department of Agriculture; and
- Department of Labor.

In addition, the tax advantages of industrial development bonds and foreign trade zones are described.

A short overview sets the context for each agency, highlighting key issues, practices, and trends. Key programs are examined in each section. For organizational purposes, every program profile is laid out in eight parts.

- **Program objective** — its basic mission.

- **Description** — overview information, such as when the program was established, how it is administered, and funding levels.

- **Funding form** — how the financial assistance is provided (i.e,. grants, loan guarantees, etc.).

- **Eligible activities** — depending on the program, this part includes analysis of any specialized technical area of the program, as well as a general discussion of how help is provided, grants made, loan criteria followed, workshops or seminars offered, and other relevant aspects.

- **Application process** — procedures that prospective beneficiaries are expected to follow in order to be considered for program assistance, including the time frame for decision making and the acceptance rate.

- **Additional considerations** — information to give a greater grasp for how the program works, as well as specifics on the number of projects undertaken, and the benefits attributable to program support (i.e., the number of jobs created or saved, level of investment stimulated, or tax revenues generated).

- **Program examples** — brief descriptions of specific projects supported by the program, and what they achieved.

- **Contact** — address, phone, and fax numbers of the program's headquarters office, as well local or regional program centers.

Each discussion includes a brief analysis of key policy, program, and appropriations issues currently affecting the program.

Financing Manufacturing Efficiency and Growth is designed to help plant owners and others think through key issues and alternatives related to manufacturing modernization. It may be used in different ways. Some readers may benefit by reading the entire document. Others will want to concentrate on different types of available assistance, such as loans or equity capital, in order to learn how these programs can be tapped, and at what cost. Still others will use the section overviews to gain a firmer grasp of the rationales and theories behind certain types of federal assistance and how relevant programs can best assist manufacturers to become more competitive.

PART I
STATE ECONOMIC DEVELOPMENT PROGRAMS

The state role in devising and promoting economic development activity is growing in scope and sophistication. Fifteen years ago, few states had the technical capability or the will to implement a leveraged financial-assistance project or to package a deal jointly with a private company. State functions then were limited largely to land use and acquisition, infrastructure construction and maintenance, and tax policy. Development programs were the province of the federal government, and consisted mostly of infrastructure grants.

Restructuring America's economic base to meet new global situations has required the coordinated efforts of government, business, labor, research, and educational institutions. New companies and industries had to be created, capital sources uncovered, and new jobs generated. Viable older firms also had to be revived, so they could adapt and grow. This restructuring has been a tall order for many communities with limited resources to tap. Increasingly, state governments are taking the lead in these activities, in part because federal program direction has shifted and funding has diminished. State development agencies have recruited talented staffs, which are putting new programs in place to meet local development needs and to take advantage of emerging opportunities.

State Powers Influencing the Economic Development Process

State governments have great impact on the nature, location, and even creation of new economic activity within their borders. Through fiscal, expenditure, technical assistance, and regulatory policies, states can help retain existing economic enterprises, promote the expansion of growth industries, structure worker-training programs for expanding sectors, and help create new enterprises — all in a politically acceptable fashion.

State public services are essential if the private sector is to thrive. The availability and quality of basic and fundamental services — rail and highway networks, water and sewer, job services, and education — play an important part in either attracting or discouraging economic activities.

States have regulatory and adjudicatory powers. State governments regulate banking, insurance, telecommunications, professions and trades, land use, the environment, employment, health, safety, public welfare, and consumer affairs. Some level of oversight of business and industry is required in the public interest, but excessive regulation often retards investment and expansion. Streamlining state permit and licensing procedures and regulatory requirements, or establishing state offices to help industries meet set standards, can boost the rate and extent of economic growth.

States can respond to conditions that vary by area. State governments have more flexibility to address special needs in substate areas than does either the federal government, which may not be able to move quickly or target assistance properly, or local jurisdictions, which may be too small to respond efficiently or too scattered to coordinate their efforts. States also have much more freedom to test new approaches to solving development problems, especially capacity-building and technical-assistance plans.

States can take direct steps to meet specific shortcomings in an area's economic development climate. State help is as varied as the need, and may include: site inventories; business retention and attraction services; export development and trade missions; technology transfer assistance; research parks and innovation centers; business incubators; entrepreneur training; workforce re-training; venture capital; and marketing.

States can promote partnerships among key participants. Joint action among various levels of government, business, education, and labor to promote economic development usually is best coordinated at the state level. Governors, more than other elected officials, are positioned to promote strategic planning and drive the development process.

States can coordinate public and private sectors for specific projects. State agencies can bring together the tax, regulatory, financial, and technical-assistance components needed to launch a development project. They can have tremendous influence by pursuing joint ventures, making direct investments, or becoming developers in their own right.

States often set the limits and define the terms for local activities. States can set the direction and tone for public-private economic development ventures by defining the legal, structural, and financial frameworks within which city and county officials have to work. States prescribe the types of revenues that localities can raise to finance projects. They also determine the types of economic development institutions that can be created, their structure and financial authority, and the scope of their powers.

As the case studies throughout this section indicate, many state departments of development and commerce have the technical and financial expertise to package sophisticated development ventures, negotiate financing, and coordinate public-sector infrastructure, service, and training activities needed for specific projects. Some departments promote new business formation, participate in complex business operation, location, and expansion decisions, and even make selected investments in promising enterprises. All strive to remove various barriers to development, such as limited or ineffective local markets and unnecessary regulatory or paperwork requirements. Quite simply, state officials are trying to improve the development climate to allow innovation and entrepreneurship to flourish. They are trying to keep private investment dollars in their home state, and attract new money from abroad.

Business Financial Needs

Plenty of capital is available nationally, but many firms have trouble borrowing money at affordable rates, especially smaller firms or enterprises using new technologies or products. These types of companies are the focus of programs examined in this chapter. In addition, small firms face considerable difficulties in securing long-term credit, and ventures located in remote rural areas face their own types of problems in dealing with the money markets.. Most commercial banks favor short and medium loan terms, usually five to ten years; most insurance companies and pension funds prefer large projects requiring investments of $1 million or more.

Manufacturers must secure several types of credit to operate.

Short-term loans. Generally these loans are needed to cover immediate production costs, and they run for terms of less than one year. They are bankable only if the business can generate the cash flow to redeem them during the same period.

Working-capital loans. They are used to purchase inventory or operate a company after the sale of its products or services, but before payments are received. Working-capital loans are absolutely essential for most small and medium-sized companies. Those with peak production periods that generate most of their income (a harvest season, for example) may take working capital loans on a seasonal basis.

Long-term loans. Purchase of capital equipment and construction or rehabilitation of production facilities are the uses of most long-term loans. Generally they are repaid in installments over a period pegged to the life of the assets.

Construction loans. Loans covering professional services, labor, and building materials purchased during the early stages of development are considered construction loans. When construction is complete, the long-term or "permanent" financing institution usually redeems the construction note as part of the property mortgage.

Lines of credit. These are funds that banks make available up to a prearranged level for a short time (usually 90 days). Frequently the loans are secured by accounts receivable. Lines of credit can be a valuable part of a small company's cash-flow management strategy. They help overcome cash shortages resulting from delays of large customers in processing invoices and sending payments. Most small firms face ongoing problems in terms of cash-on-hand.

Letters of credit. These instruments are, in essence, types of commercial loans used to finance international transactions involving the shipment of merchandise.

Firms seeking funds in private financial markets essentially compete with each other. Lenders and investors scrutinize the risk and potential rate of return each deal offers. Based on this assessment, companies gain or are denied access to capital. The cost of capital will be lower to those with lower risk and higher return, while more expensive capital — or none at all — will go to those with higher risk and uncertain return.

Larger, established companies have easier access to capital, often at advantageous rates. New or small firms, on the other hand, face numerous stumbling blocks in obtaining any kind of loan. Many small companies, in fact, are not able to land long-term capital or construction loans at any price; they are viewed as too risky. Their owners often lack enough collateral to meet underwriting requirements. Informal surveys of bank loan officers continue to find that owners' lack of sufficient equity in a business was the most common reason for rejection of their loan applications. Other enterprises fare even less well. In all areas, technological enterprises that may be praised by public and corporate leaders often are scorned by bank underwriters; innovative projects without a record of success do not compete well in financial markets.

States that wish to promote development activities must make sure that adequate capital is available to all sizes and types of firms. As the case studies show, several states have entered the financial field to stimulate private-sector capital flow.

Benefits of State Actions

State officials recognize the pervasiveness of project-financing difficulties. Many state economic development agencies now include capital strategies in their finance programs, which attempt to modify private capital-allocation behavior through various "carrots and sticks." The Michigan Strategic Fund, for example, uses state money to create a less risk-averse lending marketplace that encourages banks to make riskier loans than they would consider ordinarily. In a recent interview, the fund's president emphasized that "we are not deal makers, we are market makers."[1] Some states invest in selected projects directly. Others address problems of capital availability as well as cost. More and more states are providing equity financing in addition to more traditional low-interest direct loans or rate-reducing guarantees of private-sector loans. In a 1987 study, the Economic Policy Institute noted that "this strategy of filling capital gaps encourages new players to enter the game, rather than merely subsidizing those who are already playing. In particular, it improves the odds for new and small firms — precisely the kind that make bankers nervous."[2]

Government-sponsored business finance and capital-formation programs can yield important benefits to state and local economies. They can help create some jobs and retain others, and keep businesses and jobs that might otherwise relocate. They can bring increased diversity, which could prove essential to the survival of small, one-industry towns. These programs also can lead to a more favorable climate in which entrepreneurs can flourish — making it possible, for example, to bring new products and services to town and help rejuvenate declining main street business districts.

Finally, state investments can produce more state and local revenues — often in amounts exceeding the public-sector capital infusion. The income and profits generated by new, expanded, or retained enterprises produce higher business and personal tax revenues, which are sorely needed in many small communities. State-sponsored financial-assistance programs are not lost subsidies; rather, they are beneficial economic development tools with the potential to repay initial state outlays — directly as well as through spin-off benefits.

Development Finance Tools

States have devised sophisticated financing tools to reverse shortcomings in capital markets. Most defray operating costs by imposing at least minimal user fees. These programs take numerous forms, but three predominate: grants, debt, and equity. Their boundaries often blur. For example, some states offer loans with equity "kickers" (i.e., performance thresholds at which the state as lender shares in project ownership), "near" equity programs, and low-interest loans with repayment-forgiveness provisions that make them comparable to grants. The structure of debt and equity offerings also varies considerably from state to state. With these caveats noted, the three program categories are examined below.

Grants

Business-development grants are direct transfers of money to the recipient firm, usually with no payback obligation. Average grant amounts per project are lower than those of other public financings because they act as deal "clinchers" to complement other financial or development packages. Grants are very expensive to states, however, and hard to justify politically. From a practical standpoint, they offer a one-time boost and are not recycled or recaptured. Although 45 states give grants for necessary business-support facilities such as infrastructure and public works, few allow direct business-finance grants. Those that do give grants, usually directing them to specific business-development situations rather than making them part of a broader financial program. Several states have structured creative grant programs to support rural economic development efforts; Mississippi's Business Investment Act program, discussed later in this chapter, distributes part of its resources as grants to small towns facing major development barriers.

[1]Jonathan Rauch, "Stateside Strategizing," *National Journal*, vol. 21 no. 21, May 27, 1989, p. 1296.

[2]David Osborne, *Economic Competitiveness: The States Take the Lead* (Washington, D.C.: Economic Policy Institute, 1987), p. 61.

Debt

Most states offer several debt programs. They include loans, loan guarantees, and other types of interest subsidies. These programs either subsidize the cost of capital or help ensure its availability. Rates of interest are at or below prevailing market rates, depending on the program's objectives and constituency. Debt programs are popular in small towns, where they are often used to help bring in the capital for business retention or expansion projects. They help support promising firms that private lenders view as high risk and otherwise solid companies unable to meet standard commercial lending terms.

According to a 1987 Northeast-Midwest Institute survey of state development programs, 42 states offer loan programs for small business capital needs. At least 32 states loan money to help finance buildings, and 34 offer loans for equipment and machinery. Some of these programs reserve funds for plant expansions. All are designed to improve the availability and affordability of capital. They all are offered in small communities. Most states, however, follow strict guidelines to minimize risk; loan program administrators are as afraid of business failure as their private-sector counterparts. As a result, capital access remains a problem for many new or small enterprises in spite of state attempts to improve it.

Some 22 states guarantee loans made by private lenders. Their programs attempt to increase the participation of private investors in needed activities by reducing their risks. By guaranteeing the debt, the state lowers or eliminates the risk premiums lenders place on commercial loans. Guarantees open a financing window for otherwise ineligible borrowers such as new businesses. Guarantees also may allow firms to obtain capital below the prevailing market rate. This type of debt program is attractive to states because they obligate only enough money to cover defaults. The drawback, of course, is that state guidelines may be too rigid to permit guarantees on projects with real capital-access problems. Administratively, guarantees may prove burdensome for small banks in small towns.

Working capital often is in short supply for new and small firms. About a dozen states have loan and loan-guarantee programs to make working capital available. In some states, though, these programs are hampered by narrowly defined eligibility criteria, restrictions on the use of funds, and strict private-funds matching requirements.

Interest subsidies are another form of debt assistance allowed by a few states to lower the cost of borrowing and expand capital availability. Interest subsidies are financial arrangements involving three parties: the state, private lenders, and participating businesses. Occasionally, states write down interest carrying charges by making direct payments to lending institutions. More frequently, states provide indirect subsidies through linked-deposit programs that place state financial reserves into commercial banks for less than peak return. In exchange, the bank must make loans at less than market terms to specified types of clients — usually small businesses or manufacturers that serve the state's economic development goals.

States are beginning to offer "taxable" bonds as an option for raising resources to finance local development projects. Unlike conventional IDBs, the interest they pay is subject to federal tax (although most states exclude this income from their own tax structure). Publicly issued taxable bonds can fill a capital-need niche in economic development strategies. They are one of the newest finance tools available to states and localities with tremendous potential to spark development in small towns. Although interest costs on taxable bonds may be two or three points higher than tax-exempt IDB rates, they are versatile and marketable; flexibility is one of their big assets. Taxable bonds are not restricted by volume or eligibility restrictions imposed on private-activity tax exempt bonds by the 1986 Tax Act.

There are two types of taxable bonds: pooled (for multiple activities), and project-specific. Pooled bonds can provide capital for several projects. They can be good substitutes for other public resources. Investors may find publicly issued bonds more desirable than private bonds because they are backed by a government's full faith and credit. According to estimates by the National Council for Urban Economic Development, the final interest cost of a taxable public issue can be at least 0.2 percent less than comparably sized private-debt issuances because of reduced fees and related expenses.[3]

Project-specific bonds give companies access to the bond market for individual deals through any public-purpose corporation created to deliver the project. These bonds offer some advantages in terms of underwriting, loan term, and long-term interest rates compared to conventional financing.[4] They are well suited to complement other public economic development incentives.

Although debt financing is a much-used state approach, it is not well suited to new or expanding businesses. Many have initial cash-flow difficulties. Debt programs require a constant stream of repayments beginning almost immediately, regardless of the financial status of the firm. Many small firms fail because they cannot meet debt installments, rather than lack of demand for their products or services. The time lag on accounts receivable, for instance, can turn into an insurmountable cash-flow chasm for small businesses. State agency employees servicing the debt also must have good management and technical skills to help their business constituencies. Debt programs can be more complex administratively for state governments, local financial institutions, and participating firms than other forms of financial help.

Nevertheless, some state-sponsored loan and guarantee programs make it possible for enterprises to obtain the capital necessary to start or grow. Several innovative financing arrangements described in the case study section make debt financing more attractive to new and small firms. Minnesota's Export Finance Authority program and Maine's Job Start effort are good examples.

Equity

Equity-finance programs attempt to make capital available rather than lowering its cost. They promote development by investing funds in capital-poor but otherwise competitive, often technologically innovative enterprises. In practice, states make equity investments much like private investors: the state, through its administering agency or publicly chartered institution, takes an ownership interest in a company in exchange for funds. Equity is a riskier channel of investment for the state. If there are no profits or the business folds, the state makes nothing or even loses its money. On the other hand, if the company does well, the state can reap a substantial return.

Some states have undertaken equity-finance programs to help businesses with cash-flow difficulties that traditional loan and loan-guarantee programs often bring. Equity programs operate more like a stock purchase than a debt investment. They are structured to give a company relief from redeeming its obligation until a certain level of return is reached.

Equity financing usually is handled by a specially designated agency or entity. At least 30 states have chartered development-credit corporations; many have the authority to make equity investments. Most are

[3]National Council for Urban Economic Development, *Financing Tools & Techniques: A Guide to Planning for Business Development* (Washington, D.C., July 1987), p. 16.

[4]Ibid., p. 17.

relatively new; only three existed before 1979. Activities undertaken in these programs usually involve venture capital or pension-fund investments.

Many state venture capital programs are managed by professionals hired from the private sector. Most states operate their programs through either a separate agency or as an autonomous state-chartered company. Venture-capital investment is an intensive and long-term process, requiring a five- to ten-year commitment. It is a high risk/high reward situation, strongly driven by the profit motive — finding, financing, and supporting companies that will be big "winners." According to the 1987 Institute survey, 25 states have active venture-capital programs in place, but most are small with less than $5 million in capital to invest. State programs are very new; only a handful existed before 1983. Most have not operated long enough to judge their performance accurately. Few have channeled significant amounts of investment capital to projects in rural areas, however.

States first considered public pension funds to support businesses in the early 1980s. These funds represent a vast reservoir of capital with investment potential. According to the Small Business Administration, state and local pension-fund assets exceed $300 billion. At the present time, a dozen states have assigned at least a nominal economic development role to their pension funds, although "prudent man" fiduciary concerns continue to limit fund managers' willingness to tap this resource.

Traditionally, pension-fund investors have ignored small firms, which has limited their effectiveness as a rural development tool. In the interest of stimulating economic growth and diversification, however, more than half the states have eased their rules prescribing a minimum amount for pension investments and lengthy histories of dividend payments. To alleviate risk, pension-fund managers have formed limited partnerships to spread the potential cost. More recently, some state officials have experimented with channeling funds to certain types of recipients, such as small enterprises.

In contrast to debt financing, equity usually is more "patient" money. Because returns are a function of profit, they are not expected immediately. In fact, many investments take five to ten years to provide any significant return. The timing and size of payments are geared to the financial condition of the company, thus removing early cash-flow pressures and giving a company time to get off the ground.

In many ways, equity financing is preferable to debt programs in promoting business activity and creating job opportunities. But the risk status of many equity investments with desirable public benefits — such as size, newness, and location — shut many companies out of private equity markets. In addition, program outreach is a major problem for small town areas — local business and government leaders have little knowledge of available public programs and how they work. The potential for stimulating economic growth in rural areas through business-equity investments, however, has led some states to step in where private investors are rare. The West Virginia Capital Company program, explained in more detail later in this chapter, has channeled risk capital to enterprises located in small towns. Equity investment increases a firm's asset base, and improves its debt-to-equity ratio. This, in turn, encourages more traditional private lending and borrowing.

Goals of State Business-Development Efforts

In the 1980s states made great strides in crafting effective business-development programs, broadening the scope and increasing the sophistication of management assistance and other nonfinancial programs. These initiatives aim to offset labor, capital, and managerial imperfections found in both new and existing firms. These efforts are increasingly activist, rely on more public-sector technical expertise, and emphasize "home-grown" activities rather than relocations.

Most state business-development efforts have four goals:

Increase the new business birth rate. State programs encourage emerging enterprises, helping with crucial elements such as access to technology. Rural areas can share in economic growth through entrepreneurial activities sparked by state help.

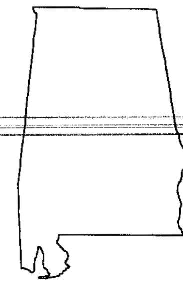
Nurture budding small firms to help assure their survival. Technical assistance programs can increase the survival odds for small businesses by confronting the most common causes of failure, notably, poor management and accounting practices and weak marketing.

Ease the expansion process for firms already extant. This step builds on the other two, helping firms that have successfully overcome start-up hurdles prepare to expand. State efforts take on a new character at this stage: meeting the development needs of a maturing company brings real payoffs in jobs and tax revenues.

Prevent closings and relocations with preplanned interventions. States take the lead in contacting troubled firms, helping them overcome identified difficulties and anticipating their needs. States can help traditional rural industries develop new products and seek new markets. Technology transfer may surface as an issue for these companies. Business retention is a crucial but often overlooked factor in maintaining the economic base of a city or state.

Below are descriptions of key business development initiatives administered by the 50 states. In most cases, these case studies provide an overview of the program and a description of its services. Also included are comments about the application process, the program's impact, and examples of the program in practice. In order for readers to obtain additional information, the case studies also include contact names, addresses, and phone numbers.

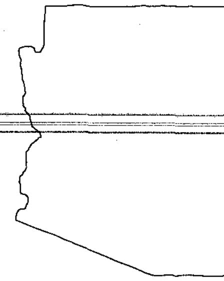
Alabama



RESOURCES

• **Southern Development Council, Inc.'s EDA Revolving Loan Fund**
• **State Economic Development Loan Program**
Southern Development Council, Inc.
401 Adams Avenue, Suite 680
Montgomery, AL 36130
Phone: (334) 264-5441

Arizona



Arizona Department of Commerce — Business Finance Division

Overview

The Arizona Department of Commerce offers two state programs that supplement federal programs and private bank loans. The Commerce and Economic Development Commission (CEDC) administers the CEDC fund, capitalized each year with lottery proceeds; this program focuses on business expansion and job creation. Arizona also offers Revolving Energy Loans for Arizona (RELA), which encourages energy conservation.

Services

The CEDC fund uses direct loans, loan guarantees, and interest rate subsidies to help Arizona businesses attain financing. Eligibility requirements include: two years of successful business operation and potential for job creation. The program does not set specific criteria or numerical targets for job creation, but businesses must retain or create jobs in the state. CEDC can help finance machinery, equipment, and buildings and tenant improvements. The program gives special priority to companies wishing to locate in economically disadvantaged areas of the state, and to minority- and women-owned businesses. Although there is no maximum limit on eligible project sizes, the maximum direct loan size is $1 million. Interest rates are flexible and primarily based on the borrower's projected cash flow. The CEDC also provides an export loan guarantee program.

RELA promotes alternative sources of energy and conservation through direct loans. Eligible recipients include companies with a minimum of two years successful operation, nonprofit entities, and political subdivisions. While there is no limit on project size, the maximum loan size is $500,000. Approved uses include the acquisition of renewable energy, alternative energy, or energy conserving products in business facilities. The program also will provide fixed asset loans to manufacturers of these products. Interest rates range from 5 to 6 percent, and RELA bases terms upon energy savings payback.

Applying

Applicants apply to the Department of Commerce, and they should indicate, among other things, the number of jobs the project will create, the projected amount of sales and income tax revenues it will generate, and a detailed description of the project and related activity. The application process takes approximately one month, depending upon how frequently the commission that approves the loans meets to consider applications. To prevent delays in the process, businesses should provide all the information requested in the application.

Impact

Not available.

Program Examples

The department was unable to provide an example.

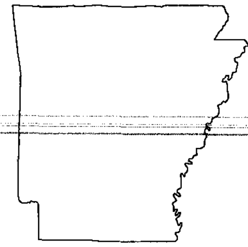
Future Prospects

No changes to Arizona's financing programs are foreseen.

Contact

Market Officer-Financial Services
Arizona Department of Commerce
3800 North Central Avenue, Suite 1500
Phoenix, Arizona 85012
Phone: (602) 280-1352
Fax: (602) 280-1358

Arkansas



Arkansas Development Finance Authority

Overview

The Arkansas Development Finance Authority (ADFA), created in 1985, issues both taxable and tax-exempt bonds, as well as a variety of direct loans to revive industrial manufacturing facilities.

Services

The federal government limits tax-exempt bonds, for which ADFA serves as a conduit, to manufacturers. ADFA targets nearly all of its own financial resources to small and mid-sized manufacturers.

For the Bond Guaranty Program, ADFA acts as a guarantor for bond issues that average about $1 million, but range from a minimum of $100,000 to a maximum of $4 million. ADFA requires a minimum of 20 percent equity. Applicants also need to factor in a one-time issuance fee of 1 percent of the principal amount. Other fees and legal expenses average about 2 percent of the value of the bond. ADFA pools loans for smaller companies to minimize the overhead costs, and each borrower pays a proportionate share.

ADFA also offers its own taxable development bonds whose interest charges are usually 1.5 percent higher than those of tax-exempt bonds. They can be used with SBA loans. Generally, these are purchased by the state pension fund. The program favors assistance to companies building in underdeveloped or high unemployment regions, although funding is not limited to these regions. ADFA also strongly encourages the purchase of new equipment but does not mandate efficiency standards. Most ADFA loans are between 1-2 percent below the prime rate. As of June 1994, companies could secure loans at 6.25 percent — the equivalent of about 7 percent with fees.

The Capital Access Program helps borrowers who experience difficulty obtaining conventional financing. The program requires that 3-7 percent of the loan be paid up front and matched by ADFA, resulting in a 14 percent reserve account. This program operates with a minimum of regulatory supervision.

Applying

ADFA anticipates a maximum of 90 days from application to loan closing. The application period is continuous. For borrowers seeking both taxable and tax-exempt bonds, ADFA estimates the net effective interest rate early in the application process.

Impact

In 1993 and 1994, ADFA bond guarantees created nearly 1,000 jobs in Arkansas. Typically, the program helps ten or more companies each year.

Program Examples

Currently, Memphis Drum is using a $1.5 million loan to construct and equip a 40,000 square foot drum reclamation facility on 40 acres in Saline County Industrial Park. The company remanufactures, sells, and reconditions drums, barrels, and other containers.

The Cloud Corporation received a $350,000 loan to construct a dry kiln and to purchase equipment that will increase the efficiency of its facility in Harrison. The company produces oak flooring for truck trailers.

Villines Foods, Inc. used an ADFA loan to purchase and renovate a facility in order to expand its production capacity. The company further processes eggs and egg products.

Future Prospects

As an independent agency of the Arkansas government, ADFA is self financed and does not rely on the legislature. As of March 31, 1993, the Bond Guaranty Fund totaled over $18 million. In the unlikely event that defaults exhaust the fund, the legislature authorizes ADFA to issue new bonds to retire the debt. This ability lends the agency a high degree of stability.

Contact

Development Finance Officer
Arkansas Development Finance Authority
P.O. Box 8023
Little Rock, AR 72203-8023
Phone: (501) 682-5900
Fax: (501) 682-5939

Additional Resources

• **Arkansas Capital Corporation's Loans**
C. Sam Walls
Executive Vice President
225 South Pulaski Street
Little Rock, AR 72201-1925
(501) 374-9247

• **Arkansas Microloan Program**
Steve Nipper
Manager, Financial Services
Arkansas Enterprise Group
605 Main Street, Suite 203
Arkadelphia, AR 71923
(501)246-9739

Michael Jackson
Delta Community Development Corporation
675 Eaton Road, P.O. Box 852
Forrest City, AR 72335
(501) 633-9113

Van C. Thomas
White River Planning and Development District
1652 White Drive, P.O. Box 2396
Batesville, AR 72503
(501) 793-5233

• **Manufacturing Services Financial Assistance**
Steve Nipper
Manager, Financial Services
Arkansas Enterprise Group
605 Main Street, Suite 203
Arkadelphia, AR 71923
(501) 246-9739

• Seed Capital and Investment Program
Mr. Brock Patterson
Finance Program manager
Arkansas Science and Technology Authority
100 Main Street, Suite 450
Little Rock, AR 72201
(501) 324-9006

• Targeted Jobs Tax Credit Program
John Nabors
TJTC Coordinator
Arkansas Employment Security Department
P.O. Box 2981
Little Rock, AR 72203
(501) 682-3130

California

California Pollution Control Financing Authority

Overview

Established in 1973, the California Pollution Control Financing Authority (CPCFA) provides California businesses with tools for financing pollution control and waste disposal, as well as complying with state and federal environmental standards. The authority issues bonds and provides the proceeds to businesses to finance pollution prevention measures. The authority also encourages banks to make loans under California Capital Access Program.

Services

The Tax-Exempt Bond Financing Program is the agency's primary financing mechanism. CPCFA issues tax-exempt bonds to finance projects that abate, eliminate, prevent, and control pollution or solid waste disposal. The authority acts as an intermediary between bondholders and borrowers. Qualifying businesses can be any size. Bonds are issued for qualified projects in amounts ranging from $2 million to hundreds of millions of dollars.

CPCFA provides technical assistance to businesses exploring the possibility of bond financing for pollution control projects. This assistance primarily involves determining if the project meets eligibility criteria and ensuring that the application for financing is complete. In addition, companies may tap CPCFA resources to help with legal and engineering expertise needed to present properly their proposed project and to prepare their application.

For small businesses the authority's Small Business Assistance Fund (SBAF) pays some bond issuance costs, usually making the borrower's cost similar to that of a large "A-rated" company. Recently, these tax-exempt interest rates averaged about 6 percent, about 3 percent below market rates. Market interest rates and bond rating also affect the interest rate. The authority charges an application fee of 1/20 percent of the bond issuance amount.

Created in 1993, the California Capital Access Program (CalCAP) increases the availability of loans to California small businesses. Through the use of state-established loan reserve funds, the program encourages banks to make loans to small businesses that have higher-than-conventional risk. To qualify, a business must have a Standard Industry Classification code; must do business in California and have 50 percent of its income, sales, or payroll in California; and must be classified as a small business by the Small Business Administration or have fewer than 500 employees. In addition, business activity resulting from the bank's loan must be created and retained in California.

Under CalCAP, loans can be used to finance the acquisition of land, construction, or renovation of buildings, the purchase of equipment, other capital projects, and working capital. There are limitations on real estate loans and loan refinancings. The maximum loan amount is $2.5 million. The maximum premium CPCFA will pay is $100,000 (per loan). Lenders set all the terms and conditions of the loans and decide which loans to enroll into CalCAP. Lenders determine the premium levels to be paid by the borrower and lender. Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.

This program is non-bureaucratic and flexible because the loan is a private transaction between the borrower and the lender. The state also leverages its money. Every dollar contributed by the state encourages more than $20 in private lending.

Applying

Obtaining tax-exempt bond financing takes at least three to six months. Applications include:

- General business information;
- Certified financial statements for the last three years;
- Project information — detailed cost breakdown, scheduled starting and completion dates, a consulting engineer and contact, a list of environmental regulations with which the project complies and any resulting by-products that the project would create; and
- Public benefits, including a breakdown of jobs created in California, and projections of improvements to the environment.

Under CalCAP, a "near bankable" business approaches a bank and obtains a loan at a high premium. The bank then enrolls the loan in CalCAP and contributes a premium to the loan loss reserve account. Once this is done, the state pays a matching premium into the loan loss reserve account.

Impact

CPCFA has not yet conducted a detailed economic impact analysis of its programs. However, job creation and retention play a major role in CPCFA financing decisions. In the first year of CalCAP's operation, the program created or retained over 4,000 jobs, making loans to over 700 businesses.

The program's environmental impact has not been directly measured. However, companies frequently reduce energy cost and hazardous waste fees by enough to service a large portion of their debt.

Program Examples

CPCFA has assisted more than 200 large and small businesses with affordable financing of qualified pollution control projects. These businesses include, among others, petroleum products manufacturers, resource recovery firms, food processors, public utilities, dry cleaners, and circuit board manufacturers.

Future Prospects

The authority plans to continue offering its current programs.

Contact

California Pollution Control Financing Authority (CPCFA)
915 Capitol Mall, Room 466
Sacramento, CA 95814
Phone: (916) 654-5610
Fax: (916) 657-4821

California Alternative Energy Source and Advanced Transportation Financing Authority

The California Alternative Energy Source and Advanced Transportation Financing Authority is an independent state agency created to help businesses finance facilities that use new or more energy efficient resources. The authority issues tax-exempt revenue bonds for alternative energy and transportation projects. The agency broadly defines alternative energy sources, such as conservation, co-generation, solar, biomass, wind, geothermal, and small hydroelectric facilities. Advanced transportation projects provide emerging technologies that could be commercially competitive. These include technologies identified by the authority as capable of creating long-term, high value-added jobs for Californians while enhancing the state's commitment to energy conservation, pollution reduction, and transportation efficiency. Examples of such technologies are intelligent vehicle highway systems, advanced telecommunications for transportation, and electric and ultra-low-emission vehicles.

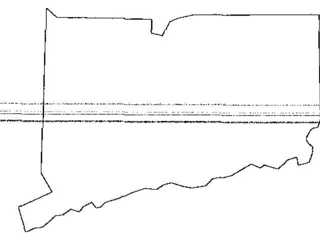
Applicants should send a letter of intent that includes details of the project under consideration and company background.

The authority provided $55 million for a large gas turbine co-generation facility that now sells electricity to a local utility. The turbine uses thermal energy, and it powers a nearby recreational complex and skating rink. Additionally, the authority secured $20 million for a biomass project that turns lumber mill waste into energy.

Contact

California Alternative Energy Source and Advanced Transportation Financing Authority
915 Capitol Mall, Room 466
Sacramento, California 95814
Phone: (916) 654-5610
Fax: (916) 657-4821

Connecticut



Connecticut Development Authority

Overview

Started in 1973 with a single loan fund, the Connecticut Development Authority (CDA) now offers a wide variety of financing options. CDA programs are designed to further the development of the state's manufacturing sector. The agency's overriding goals are job creation and retention, energy conservation, and pollution reduction.

Services

Projects financed through CDA have a number of features in common. Interest rates are based on the U.S. Treasury Bonds rate plus ½ percent. Priority is given to manufacturers, skilled jobs, distressed urban areas, minorities, and exports. Typical uses include: acquiring and improving land and buildings, purchasing equipment, providing working capital, and financing business acquisition.

The Connecticut Works Fund provides both direct loans and custom guarantees for economic development projects. The agency provides up to $25 million in loans and up to $15 million in loan guarantees. Connecticut Works focuses specifically on businesses unable to obtain conventional financing from banks or other state programs.

The Growth Fund provides small to mid-sized manufacturers with loans for buildings, equipment, and working capital. The maximum limit is $4 million to those unable to obtain conventional financing. Borrowers must have a minimum of $25 million in annual revenue to qualify under the program, and they should project job creation.

Investment Finance makes direct loans of up to $1 million to small manufacturers making high-technology products. Firms should possess or be poised to create high-tech jobs, high value-added production techniques or services, strong export sales, high growth, profit potential, market penetration, or experienced management.

Connecticut also offers several more specialized programs. The Special Purposes Financing initiative targets small businesses owned by minorities; it provides loans of up to $250,000 for particular projects, including the purchase of machinery. The Naugatuck Valley fund focuses on this geographic region and provides up to $250,000 in loans for facility expansion and equipment purchase; it requires matching private dollars in a 2:1 ratio.

The Environmental Clean-Up Fund loans up to $200,000 to business and property owners unable to obtain site and facility clean-up financing from conventional sources. The program strongly encourages the use of energy efficiency equipment. Loans are available to companies established in Connecticut for at least one year and having fewer than 150 employees or gross revenues of less than $3 million.

Similarly, the Environmental Assistance Fund provides both loans and loan guarantees for projects approved by the Hazardous Waste Management Service to reduce the use of hazardous and toxic substances in manufacturing processes. Maximum loans of $250,000 are available to companies with either fewer than 150 employees or less than $25 million in revenue. The program seeks to encourage pollution prevention through production changes.

Applying

Businesses seeking loans must first apply at a conventional bank. If the loan request does not meet the bank's underwriting standards or if available collateral is insufficient, the CDA may guarantee part of the loan. Banks play a central role in the process and they file the CDA applications. Before CDA makes a direct loan, the firm must prove that sufficient credit is not available on a loan guarantee basis. When applying for a CDA loan, companies must provide a business plan, current balance sheet, a business statement for the most recent three years, and detailed projections of monthly earnings and expenses for the next year. Individual proprietors and/or any stockholder holding more than 10 percent of a company also must prepare a personal financial statement and provide an appraisal of assets if available. Firms can obtain applications at most banks.

Impact

In 1993, CDA directly loaned more than $90 million and helped secure another $173 million via loan guarantees. These efforts helped more than 200 firms. Of those 200, 81 received assistance through Connecticut Works and 35 through the Growth Fund.

Program Examples

Derm Cosmetic Labs of CT, Inc., located in Windsor, received $290,000 through the Growth Fund in April 1993 for the purchase of equipment and machinery.

Through the Connecticut Works Loan Program, Numa Tool Company of Thompson in July 1993 obtained $489,000 to create a line of credit and for working capital. This amount constituted 20 percent of the financing secured for the project.

Joma, Inc. of Wolcott received $151,000 through the Environmental Assistance Fund in August 1993 for the purchase of equipment.

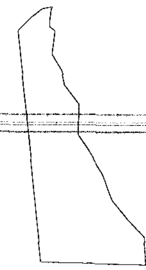
Future Prospects

The state will factor CDA's success into any decisions it makes regarding the authority's future.

Contact

Connecticut Development Authority
845 Brook St.
Rocky Hill, CT 06067
Phone: (203) 258-7800
Fax: (203) 257-8331, or
(203) 257-7582

Delaware



Delaware Development Office — Delaware Small Business Revolving Loan and Credit Enhancement Fund

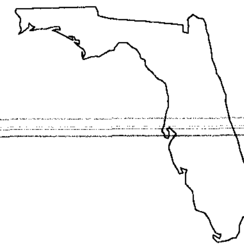
This program helps small manufacturers, having 100 or fewer employees, secure financing when it cannot be obtained from a bank. Companies seeking financing should apply first at a conventional bank; if rejected, the borrower and the bank can contact the program for assistance. The program requires 75 percent bank financing; it provides the remaining 25 percent, up to $100,000. In most cases, interest rates are 80 percent of the prime rate. Funds from the program can be used for most purposes except debt restructuring. Additionally, applicants should indicate that their projects will create jobs, although no exact numerical guidelines exist. The program also favors high-wage jobs. Economically distressed areas receive priority for assistance.

The Delaware Small Business Revolving Loan and Credit Enhancement Fund made four loans in 1993. One was to Microleague, a computer games manufacturer, which developed a new concept for video games. The loan helped Microleague purchase new equipment to modify its production process. A highway sign manufacturer, Sigma, also used a loan from the fund to purchase new equipment.

Contact

Delaware Development Office
99 Kings Highway
P.O. Box 1401
Dover, Delaware 19903
Phone: (302) 739-4271
Fax: (302) 739-5749

Florida



Florida Small Business Development Center Network — Florida Energy Loan Program

The Florida Energy Loan Program (FELP) provides loans to businesses to pay for energy conservation measures. Any business with fewer than 50 employees can apply, including manufacturing and retail. Eligible uses include purchasing machinery and equipment, as well as replacing existing lighting, insulation, and air conditioning with more efficient units. Loans average about $40,000 and range from $1,500 to $50,000. The program has a total of $3 million to loan. Interest rates are ½ percent below the prime rate.

A Florida Small Business Development Center energy specialist first will conduct a survey of the business facility. If the specialist recommends cost-effective energy conservation measures, the business may apply through the energy specialist for a FELP loan. The program makes about 20 loans per year.

Contact

Energy Conservation Assistance Program
State Director's Office
FSBDC Network
19 West Garden Street, Suite 300
Pensacola, Florida 32501
Phone: (904) 444-2060
Fax: (904) 444-2070

Florida Development Finance Corporation

The Florida Development Finance Corporation (FDFC) provides access to long-term, fixed-rate debt. FDFC acts as a special development finance authority that works with public agencies and local governments by way of multi-jurisdictional agreements. As a partnership of the commercial banking industry and the state of Florida, the FDFC:

- offers financing services to borrowers having sound credit;
- obtains superior loan terms for sound borrowers who might otherwise be unable to obtain secure financing; and
- secures a very high bond rating through the use of credit enhancements or guarantees.

Contact

Florida Development Finance Corporation
Sun Bank Center
200 South Orange Avenue, Suite 1200
Orlando, Florida 32801
Phone: (407) 425-5313
Fax: (407) 425-1921

Florida Black Business Investment Board

The Florida Black Business Investment Board provides financial assistance to Florida businesses that are at least 51 percent owned by African Americans. The board currently has a $5 million investment trust fund. As of December 1992, the Board had invested more than $17 million in about 150 African American-owned businesses. The average loan package is a little over $120,000.

Contact

Florida Black Business Investment Board
519 East Park Avenue
Tallahassee, Florida 32301
Phone: (904) 487-4850
Fax: (904) 487-2003

Georgia

RESOURCES

• **Business Development Revolving Loan Fund Job Tax Credit**
Steed Robinson
Phone: (404) 656-6200

or

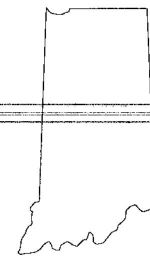
Georgia Department of Community Affairs
1200 Equitable Building
100 Peachtree Street
Atlanta, Georgia 30303
Phone: (404) 656-3879

• **Business Infrastructure Finance Program**
Brian Williamson
Phone: (404) 656-2900

or

Georgia Department of Community Affairs
1200 Equitable Building
100 Peachtree Street
Atlanta, Georgia 30303
Phone: (404) 656-3879

Indiana



Indiana Department of Commerce — Indiana Energy Efficiency Fund

Overview

The Energy Policy Division of the Indiana Department of Commerce administers the Indiana Energy Efficiency Fund (IEEF). The fund, established in 1994, provides loans to help industry improve energy efficiency. Loans are available for the acquisition and installation of energy efficient equipment.

Services

The fund loans a maximum $100,000 per applicant or 50 percent of eligible equipment costs, whichever is less. Loans are available at zero interest. The fund ties repayment terms to the projected energy-cost savings, but the term will not exceed seven years.

Any Indiana business planning an energy efficient project will be considered. Projects resulting in economic and environmental benefits are preferred.

In addition to serving as a conduit for federal funding programs, the Energy Policy Division provides energy management seminars for industry. These seminars are designed to help bring energy experts and business owners together, resulting in a more energy efficient industrial sector.

A toll-free hot line gives information on energy price, supply, and trends in Indiana. The number is 1-800-382-4631.

Applying

Applicants for an IEEF loan must show calculations demonstrating significant energy savings. Preference is given to projects that contribute to state economic development goals, including job creation or retention, worker training, and environmental protection.

Impact

Because the IEEF is a new program, no statistics exist on economic impact.

Program Examples

Because the IEEF is a new program, no success stories are available yet.

Future Prospects

The total amount of money available to lend is $2 million. It is not know how many loans will be made each year.

Contact

Dan Merkler, Program Manager
Indiana Department of Commerce
Energy Policy Division
One North Capitol Avenue, Suite 700
Indianapolis, IN 46204
Phone: (317) 232-8961
Fax: (317) 232-8995

Indiana Development Finance Authority

Overview

Established in 1990, the Indiana Development Finance Authority (IDFA) is an independent state agency. In addition to serving as a conduit for federal industrial development bonds, IDFA administers a number of programs that enable relatively high-risk companies—primarily industrial and manufacturing entities—to attain financing that would not be available otherwise.

Services

The Capital Access Program (CAP) provides default insurance to lenders, enabling them to make business loans that carry a higher-than-traditional degree of risk. Under the CAP, interest rates are higher than for private commercial loans. When taking out a CAP loan, the borrower must pay a premium of 1.5-3.5 percent of the loan amount (as required by the lender) into a loss reserve fund. The lender matches the payment, and IDFA matches the total of the two. Decisions are made quickly by the lenders, and IDFA places few regulations on the transaction. The program has not set minimum or maximum funding levels. The size of IDFA-guaranteed loans has ranged from $1,200 to $350,000.

The Industrial Development Project Loan Guarantee Program may guarantee a variety of financial instruments (including loans, leases, bonds, and letters of credit) made to benefit industrial, mining, and agricultural processing projects. Job creation and retention is the primary goal, but the program does not operate under numerical targets. IDFA may guarantee up to 90 percent of a loan with real estate as collateral, or up to 75 percent of one secured by personal property. IDFA guarantees average about $500,000 and never exceed $2 million. The maximum term is 20 years.

Applying

The application process usually takes about four to seven weeks. There is a $500 initial application fee, paid either by the bank or borrower, and an additional fee of 1 percent of the amount of the loan guarantee.

Impact

IDFA expects to make 15 loan guarantees in 1994 on loans worth between $5 million and $6 million. Since 1990, more than 3,000 jobs have been created or saved by IDFA guarantees.

Program Examples

The Indiana Steel and Wire Company, a strand and galvanized wire manufacturer founded in 1901, was scheduled in 1993 to be liquidated by its parent company. With 250 jobs in Muncie, Indiana, at stake, the employees formed an Employee Stock Ownership Plan to purchase the company's and to continue its operations. As part of an $11 million buyout, the IDFA issued a 50 percent guarantee on a $300,000 term loan made by the Muncie Revolving Loan Fund Board.

Future Prospects

The agency obtains most of its funding from the legislature, and program officials deem the source reliable. The IDFA currently is contemplating a new program to attract equity investments in firms that are not able to attract venture capital.

Contact

Indiana Development Finance Authority
One North Capital, Suite 320
Indianapolis, IN 46204-2226
Phone: (317) 233-IDFA
Fax: (317) 232-6786

Indiana Community Business Credit Corporation

Overview

The Indiana Community Business Credit Corporation (ICBCC) is a consortium of Indiana banks formed to pool resources and minimize the risks of high-risk lending. It engages in relatively high-risk lending to promising firms that don't meet the requirements of conventional lenders.

Services

ICBCC loans to existing small and medium-size companies that require sources of supplemental funding. Only Indiana-based companies or companies with Indiana-based operations are eligible. Approved uses include:

- primary working capital;
- subordinated working capital;
- long-term loans for new equipment;
- first mortgages on existing properties and planned construction projects;
- second mortgages;
- leveraged buy-outs; and
- subordinated debt and equity combinations.

Loans range from $100,000 to $750,000, and must be matched by a participating lender. The minimum project size is $200,000 (with $100,000 from the program and $100,000 from the participating lender). Due to the risky nature of the projects, interest rates are frequently several points above the prime. ~~Terms can range from three to 25 years.~~

Applying

Applications must be accompanied by a detailed business plan, current and past financial statements, cash flow projections, and earnings projections. The application is normally submitted after a member bank has determined interest in financing a portion of a project. The process proceeds quickly as soon as the ICBCC, the bank, and the borrower agree on terms; usually, a response can be obtained within one month.

Impact

From its inception in 1986 through May of 1994, the Credit Corporation has assisted 35 companies. ICBCC has provided nearly $11.2 million of $59.3 million in project costs.

Program Examples

Specialty Blanks, Inc. of Terre Haute, Indiana, is one of ICBCC's success stories. The company stamps aluminum circles used in, among other things, light fixture reflectors, home appliances, and automobile wheels. With the help of $750,000 from Merchants National Bank and a $550,000 loan from the ICBCC, a team of Alcoa managers formed the firm, which commenced operations in March of 1988. The loan helped the company achieve several years of rapid growth. As a result, Specialty Blanks received further funding from Merchants National Bank and the SBA in 1990 to purchase a "Super Press" to enhance the company's competitive position. SBI expects to achieve revenue of over $20 million in 1995. The firm is profitable and projects employment at between 70 and 80 jobs per year.

Future Prospects

The ICBCC will continue to offer financing to small businesses in Indiana.

Contact

Cambridge Capital Management Corporation (a consortium lender)
8440 Woodfield Crossing Blvd., Suite 315
Indianapolis, Indiana 46240
Phone: (317) 469-9704

Indiana Business Modernization and Technology Corporation

The Indiana Business Modernization and Technology Corporation (IBMTC) administers three loan funds that help small and medium-sized businesses in Indiana develop and commercialize new products.

The Product Development Funds (PDF) was designed as a high-risk product R&D capitalization tool. It addresses the funding needed to bring innovative ideas to the proof-of-concept (prototype) stage. It also provides funding of product/process R&D in situations where high risk and lack of collateral discourage private investment. The PDF may invest a maximum of $400,000 in an Indiana company . The monies can be used to cover most expenses associated with the research and development of a viable project.

The Product Commercialization Fund (PCF) was designed to perform as a high-risk, short-term capital pool. It offers bridge financing between prototype development and a product's introduction into the marketplace. PCF reduces investor's and lenders' risk by leveraging their investments. The PCF may invest a maximum of $500,000 in an Indiana company. These monies can be used to cover most expenses associated with the commercialization of a product into a viable Indiana enterprise.

Firms that receive money from both the PDF and PCF are subject to a $750,000 cap. IBMTC funds may not be used for real estate.

The Small Business Innovation Research Bridge Fund was established to leverage the amount of support Indiana companies receive through the federal SBIR program, which provides contract grants to qualified companies performing research and commercializing technology for the federal government. Bridge awards are for a maximum of $50,000.

Contacts

Indiana Business Modernization and Technology Corporation
Corporate Investment Section
One North Capitol Avenue, Suite 925
Indianapolis, Indiana 46204-2242
Phone: (317) 635-3058
Fax: (317) 231-7095

or

Indiana Business Modernization and Technology Corporation
8440 Woodfield Crossing, Suite 315
Indianapolis, Indiana 46240
Phone: (317) 635-3058

Indiana Enterprise Development Fund and Microloan Program

The Indiana Small Business Development Corporation has developed a variety of local revolving loan funds to assist Indiana entrepreneurs and businesses of different sizes. The Enterprise Development Fund (EDF) and Indiana Microloan Program seek to help small disadvantaged entrepreneurs. Local EDF pools provide loans of between $25,000 and $100,000 to entrepreneurs seeking debt refinancing or equity investment. Microloan programs assist disadvantaged entrepreneurs who need to borrow less than $25,000.

Contacts

Gary Government Contracting Corporation
(EDF/Microloan)
Phone: (219) 881-4400

Corporation for Entrepreneurial Development
(EDF/Microloan)
South Bend
Phone: (219) 284-9335

Arden Holdings (EDF)
Indianapolis
Phone: (317) 469-9704

Cambridge Ventures (EDF)
Indianapolis
Phone: (317) 469-9704

Lynx Capital Corporation (EDF)
Indianapolis
Phone: (317) 469-9704

Northern Indiana Business Assistance
Corporation (Microloan)
Ft. Wayne
Phone: (219) 426-0040

Columbus Enterprise Development Corporation
(Microloan)
Columbus
Phone: (812) 379-4041

Hoosier Valley Economic Opportunity
Corporation (Microloan)
Jeffersonville
Phone: (812) 379-4041

Patchwork Central (Microloan)
Evansville
Phone: (812) 428-0241

ISBD Corporation (EDF/Microloan)
Phone: (317) 264-2820

Indiana Department of Commerce — The Strategic Development Fund

The Strategic Development Fund (SDF) aids cities, towns, and non-profits whose purpose is to promote industrial/business development. Funds may be used to establish marketing, training, technology-development, and export-development programs. Grant or loan funds may not exceed 50 percent of the project's cost. The maximum grant amount is $250,000, and grant loan combinations may not exceed $500,000. Two or more businesses must cooperate for the development project, and a 50 percent match is required. The project must promote the development of a geographical region or one or more sectors of Indiana's industrial, business, or agricultural economy.

Contact

Indiana Department of Commerce
Business Development
One North Capital, Suite 700
Indianapolis, IN 46204
Phone: (317) 232-8782
Fax: (317) 232-4146

Indiana Department of Commerce — Trade Finance Program

The Trade Finance Program, operated by IDFA's trade finance division, helps Indiana businesses that:

- have been in business for one or more years;
- offer reasonable assurance of repayment;
- have a positive net worth;
- are fully collateralized;
- produce non-military goods that are at least 50 percent U.S. made; and
- seek to export to nations approved by the Export-Import Bank.

The program provides 100 percent working-capital loan guarantees, medium- and long-term export guarantees, and foreign credit insurance. Amounts, terms, and conditions differ with each case. Technical assistance also is available through the program.

Contacts

Indiana Department of Commerce
International Trade Division
One North Capital, Suite 700
Indianapolis, IN 46204
Phone: (317) 233-3762
Fax: (317) 232-4146

or

Indiana Overseas Offices:
European Trade specialist
Phone: (317) 232-0162

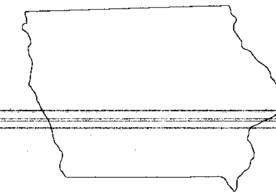
American Trade Specialist
Phone: (317) 232-1703

Asian Trade Specialist
Phone: (317) 232-8846

Japan Trade Specialist
Phone: (317) 232-8909

Trade Finance Specialist
Phone: (317) 232-8845 or
(317) 233-4337

Iowa



Iowa Department of Natural Resources — Landfill Alternatives Financial Assistance Program

Overview

The Groundwater Protection Act (GWPA) of 1987 established a solid waste policy which includes a hierarchy of solid waste management options. The hierarchy places waste reduction at the source as the most preferred method of solid waste management. Administered by the Waste Management Assistance Division of the Department of Natural Resources, the Landfill Alternatives Grant Program was developed and implemented to assist in the diversion of solid waste from Iowa sanitary landfills following one or more of the solid waste management options identified in the GWPA. Two funding rounds have been held each year beginning with the initial round in 1988. The last round was held in June 1994. The Landfill Alternatives Financial Assistance Program was developed in response to the evolution of waste reduction, recycling and other landfill diversion activities currently in place across the state and has replaced the Landfill Alternatives Grant Program beginning with the December 1994 round of funding.

Services

The Landfill Alternatives Financial Assistance Program is intended to reduce the amount of solid waste generated and landfilled in Iowa. The mechanism to accomplish this is through providing financial assistance to implement waste reduction, recycling and reuse, research and development, demonstration, market development, and other types of solid waste management projects.

Preference is given for projects involving regionalization, those involving two or more units of local government or public or private groups. Through the cooperative provision of alternative solid waste management services, a project's impact may have significant influence on such factors as, but not limited to, operational efficiency, materials diversion, and materials market value.

Eligible applicants include any unit of local government, public or private group, business, or individual with an interest in or having responsibility for solid waste management in Iowa. If an applicant is selected to receive financial assistance through the Landfill Alternatives Financial Assistance Program, the financial assistance may be denied if it is later determined that:

- The project will be located or implemented in an area or areas that do not have an approved solid waste management plan;
- The project will be located or implemented in an area or areas that have not submitted a subsequent solid waste comprehensive plan by the assigned date; or
- The project will be located or implemented in an area or areas that do not have a legally permitted landfill.

There are two types of financial assistance: grants and zero-interest loans. Grants may be given for the following kinds of projects: public education, waste reduction, research and development, and demonstration. Loans may be awarded for the following types of projects: recycling and reuse, combustion with energy recovery, and combustion without energy recovery. There are no minimum and maximum limits on the amount of grants and loans. There is no maximum loan term; however, the typical loan term is five to seven years for equipment and up to ten years for building construction.

Eligible costs for reimbursement include, but are not limited to, the following: equipment, including freight and installation, supplies directly related to the project, materials and labor for construction or renovation of buildings, development and distribution of education materials, planning and implementation of educational forums, laboratory analysis costs, and salaries directly related to the implementation and operation of the project.

The maximum amount that the division will fund for equipment, including freight and installation, and supplies is 90 percent of the actual purchase price. The maximum amount the division will fund for construction and buildings is 80 percent. All other eligible costs are fundable up to 100 percent of the actual purchase price. Funds will be provided on a reimbursement basis to grant recipients for eligible expenses. Funds will be provided to loan recipients as project implementation progresses.

The minimum local cost share requirement as a percentage of the total project cost for all grants and for recycling and reuse loans is 35 percent. The minimum local cost share as a percentage of total project cost for combustion with energy recovery loans is 50 percent; for combustion without energy recovery loans, 60 percent.

The program is funded with $1.75 of the tonnage fees assessed on every ton of solid waste landfilled in the state of Iowa.

Applying

The review of applications will be conducted by a three-person committee comprised of staff from the Department of Natural Resources. The review team evaluates each application based on criteria such as project experience, planning and commitment, project compatibility and support, project impact, effectiveness and evaluation, technical and economic feasibility, and transferability.

The application review and selection process begins with review team members individually evaluating applications received by the established deadline. If an application is determined to be incomplete, the review team may reject the application. Once individual application review has been completed, members of the review team meet to discuss each application. A list of recommended projects is forwarded to the administrator of the Waste Management Assistance Division. Recommendations are finalized, applicants are notified, and contract negotiations may begin. Contracts for financial assistance in excess of $25,000 must be approved by the Environmental Protection Commission prior to the department holding a contract meeting with the applicant. Applications not selected for financial assistance will be notified as soon as possible after award decisions have been made. The application review and selection and contract negotiation process may take up to six months.

Impact

The Landfill Alternatives Grant Program awarded $18,529,622 in grants to 158 applicants between ~~1988 and 1994. Since December 1994, 21 projects have been awarded $3,432,548, as either grants or zero-~~ interest loans, through the Landfill Alternatives Financial Assistance Program.

Program Examples

Biofuels Corporation in Ankeny, Iowa, received a $72,152 grant to make more efficient the process of turning non-recyclable mixed waste paper (MWP) material into fuel cubes. Local match for the project totaled $156,798, for a total project cost of $228,950. The corporation has demonstrated a profitable and competitively priced alternative fuel manufactured from the MWP portion of the municipal solid waste stream. This manufactured alternative fuel, called Fuelettes, is a solid fuel product made of non-recyclable MWP processed through die-cells to form a "fuel cube" which can be cut in the range of one to four inches long, as specific by the customer. Prior to cubing the paper must be ground to approximately two inches nominal size. The original paper grinder was a tub grinder that proved to be expensive to operate. As such, the corporation is in the process of replacing the tub grinder with two large hammermills that will produce the required size specifications at a more reasonable cost.

During the project's time frame, a total of 377 tons of fuel have been shipped to customers. The target price of Fuelettes is $18 per ton, as compared to $25 per ton for coal. During the project's time frame, nearly 500 tons of non-recyclable MWP were diverted from local landfills.

Future Prospects

The program is capitalized at $4 million annually. No major changes are expected in the future.

Contact

Waste Management Assistance Division
Iowa Department of Natural Resources
Wallace State Office Building
Des Moines, Iowa 50319
Phone: 515-281-8941
Fax: 515-281-8895

Iowa Department of Economic Development — Community Economic Betterment Account

Overview

Administered by the Iowa Department of Economic Development (IDED), the Community Economic Betterment Account (CEBA) provides financial assistance to new, expanding, and newly-recruited businesses that could not otherwise obtain credit. Job creation and retention is the program's top priority.

Services

All cities, counties, or merged-areas schools (community colleges) may apply on behalf of a business. Eligible projects include, but are not limited to:

- building construction or reconstruction;
- acquisition of land;
- equipment purchases;
- operating and maintenance expenses;
- clearance, demolition, and removal of buildings to develop sites; and
- technical management assistance for businesses that are applying for or have received CEBA funding.

CEBA assistance may take the form of loans, forgivable loans, grants, equity substitutions, buydowns of principal, or interest on commercial loans. Most awards are between $50,000 and $250,000, based partly upon job creation estimates. However, the maximum is $1 million. CEBA rates applications from expanding businesses on the following 200-point scale:

- local effort compared with local resources (20 points possible);
- community need (ten points possible);
- certified Community Builder Plan, which cities develop for businesses (ten points possible);
- private contribution compared with CEBA request (30 points possible);
- extra points if company is a "small business" as defined by the federal SBA (ten points possible);
- project impact upon the state and local economy:
  - cost/benefit analysis (40 points possible);
  - quality of jobs to be created (40 points possible); and
  - economic impact (40 points possible)

For start-up businesses the rules differ slightly:

- private contributions count for 20 points, not 30;
- SBA "small business" definition does not apply; and
- potential future expansion of the industry in general (20 points possible).

Interest rates are negotiated between the borrower and the lender. As of July 1995, interest rates ranged from zero to 4 percent. Loans are forgiven at the end of the term if job creation is achieved; otherwise, funds are repaid on a pro-rata basis.

Applying

Funding applications may be obtained from the Division of Business Development at IDED. Companies ask cities to apply on their behalf, and city officials complete the application. The Economic Development Board reviews applications on a monthly basis, and the department makes the award decision. Awards are given to cities and counties, which in turn pass those along to the business recipient. Most decisions take no more than 30 days.

Impact

The program has created and retained over 20,000 jobs in Iowa. About 40 to 50 CEBA loans are made each year.

Future Prospects

The Iowa legislature annually appropriates funds for CEBA. Loan repayments also contribute to CEBA's funds. The agency currently is developing a new program, called MATCH, that will assist companies with major capital expenditures designed to improve business competitiveness for the future.

Contacts

Iowa Department of Economic Development
Division of Business Development
Bureau of Business Finance
200 East Grand Avenue
Des Moines, IA 50309
Fax: (515) 242-4749

Ken Boyd, Program Manager
Phone: (515) 242-4810 or
(515) 242-4819

Cynthia Thye, Project Manager
Phone: (515) 242-4853

Michael Swesey, Project Manager
Phone: (515) 242-4853

Burt Powley, Project Manager
Phone: (515) 242-4793

Iowa Seed Capital Corporation
(formerly Iowa Product Development Corporation)

Overview

Created in 1983, the Iowa Product Development Corporation — subsequently replaced by the Iowa Seed Capital Corporation (ISCC) — provides seed capital to help businesses develop new products. ISCC provides financial support for entrepreneurs when it cannot be acquired from conventional lending sources.

Services

ISCC assists Iowa companies that have developed innovative new products or processes. Although ISCC has no specific industry or sector focus, it only invests in product-oriented companies (i.e. not service or retail). New products and processes should be ready for commercialization; they must be beyond the prototype stage, and they should have commercial potential. ISCC helps both new and existing businesses.

ISCC does not offer grants or loans. Rather it invests in companies in exchange for rights or proceeds from the product or the business as a whole. Typically, ISCC makes investments in the form of royalty arrangements, an equity position, subordinated debt, or some other form that is advantageous and agreeable to both parties. All investment agreements identify a defined "exit" opportunity for ISCC to realize its return on investment.

Typically, the ISCC makes investments in two stages. First, it makes an initial investment to get the product-development process started. If necessary, the ISCC will set a target the company. When the company meets that target, the ISCC makes more money available. ISCC provides no exact limits on investment size. However, initial investments in the past three years have ranged from a low of $50,000 to a high of $250,000; the average has been about $100,000 to $150,000. ISCC's total final investment size occasionally approaches $500,000.

Applying

Application fees are nominal, about 0.25 percent of the initial investment. An application should include at least the following:

- company description;
- description of the product or process, and research indicating it is technically feasible;
- project schedule;
- market analysis and market plan, indicating the extent to which a viable market exists and how the product or process impacts upon the company's future;
- description of manufacturing operation or requirements;
- organizational chart and resumes of key officials or personnel to demonstrate that sufficient management, marketing, manufacturing, and technical expertise is available to execute the project;
- past, present, and future financial condition and structure;
- pro forma sales, income, cash flow, and balance sheet statements;
- the company's financial commitment and how it plans to share the costs;
- the company's plan to carry the project forward to its full commercial potential once development is complete;
- whether the product or process will be protected by patents, business know-how, or other means; and
- details of the project's financial return to ISCC and its economic development impact.

Impact

Between 1983 and 1992, ISCC's predecessor, the Iowa Product Development Corporation (IPDC), committed more than $12 million to Iowa business. In 1993 and 1994, ISCC invested an additional $3.3 million. ISCC currently has 40 active investments, and its officials estimate that about 750 jobs have been created over two years as a result.

Program Examples

IPDC in 1993 invested an additional $100,000 in the Blueberry Hill Plastics Corporation, a Des Moines plastics recycler. Blueberry is "Completing the Cycle" by producing and marketing consumer goods made entirely of recycled plastics.

IPDC was a primary sponsor of moving Medical Technology Incorporated to Cedar Falls, Iowa, with a $250,000 investment. The company is developing two health care products: a vision screening camera and a health care data management system for employers.

Future Prospects

On July 1, 1995, ISCC converted from being an independent state agency—the IPDC—to a private not-for-profit entity under a new corporate structure. Officials, however, do not plan any changes in the group's services.

Contact

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Iowa Business Development Finance Corporation — Venture Capital Resources Fund and Iowa Capital Corporation

Overview

Created in 1989, the Iowa Business Development Finance Corporation (IBDFC) administers the Venture Capital Resources Fund (VCRF) and Iowa Capital Corporation (ICC), for-profit venture capital corporations established with funds from the State of Iowa and equity investments from Iowa financial institutions and electric utilities. The corporations' primary purposes are to provide an attractive risk-adjusted rate of return on investment to shareholders and to advance economic development in Iowa.

Services

Both corporations provide financing for a broad range of business capital needs. They will not loan to retail enterprises. Instead, they focus almost entirely on manufacturing, industry, and high-technology enterprises. Finance may be in the form of equity participation, loans with stock purchase, warrants, or royalties; it is tailored to the needs of the particular business. Investments range from $50,000 to $1 million, with the average expected to be about $250,000.

To be eligible a company should in most cases:

- have a three-to-five year operating history;
- meet SBA's definition of "small business;"

- have the ability to provide a reasonable return to investors; and
- provide jobs and economic development activity in Iowa.

The ICC and VCRF seek a 25 percent to 40 percent return on their money. Projects should begin to produce significant returns by their third year.

Applying

Applications may be obtained from either the investment advisor or the Division of Business Development within the Iowa Department of Economic Development. After receiving a $100 non-refundable application fee, the investment advisor will perform an initial due-diligence review of a prospective project before accepting a formal application. The formal application must include a complete business plan, which should contain:

- description of the company's products and services;
- business objectives;
- market potential and assessment of competition;
- business financial history and projections; and
- amount of money needed and how it will be spent.

The process usually takes 60-90 days to complete. The time varies depending upon the completeness of the business plan, the technology involved, the complexity of the project financing, and related factors. Once the ICC or VCRF loan officers approve the investment, they forward the application to the Investment Committee, comprised of the Board of Directors and the corporation's president, which make the final decision.

Impact

In the fiscal year ending September 30, 1993, the ICC and VCRF leveraged more than $63 million in loans to 18 companies. This investment helped to create more than 500 jobs in Iowa.

Program Examples

The ICC and VCRF invested $325,000 in Delta Industries, a Reibeck-based manufacturer of human-like polyurethane archery targets. Police use the targets in training to help them distinguish between criminals and innocent bystanders. Since this investment, the company's revenues have expanded from $3 million to $5 million annually.

Future Prospects

IBDFC officials expect the venture capital funds to continue in their current form.

Contact

Iowa Department of Economic Development
Division of Business Development
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Des Moines, Iowa 50309
Fax: (515) 242-4749

Mary Kay Baker, Vice President
Phone: (515) 242-4839
Michael Miller, President
Phone: (515) 242-4827 or
(515) 242-4819

or

MABSCO Capital, Inc.
Investment Advisor/VCRF
400 Locus, Suite 140
Des Moines, Iowa 50309
Phone: (515) 246-8646

Iowa Department of Economic Development — Iowa Industrial New Jobs Training Program

This Iowa Industrial New Jobs Training Program lowers the cost of expanding and training a work force by providing funds to train employees in newly-created jobs. A community college raises funds by selling training certificates in the financial markets, and it uses the proceeds to set up a training system and reimburse employer costs. Assistance is used to design, deliver, and fund training through community colleges.

Businesses apply through and work with local community colleges. To qualify, applicants need to show they will create jobs, provide quality employment opportunities, and contribute to the locality's economic health. Financing ranges from $15,000 to upwards of $4 million, depending upon the recipient's needs.

Contacts

Iowa Department of Economic Development
Division of Workforce Development
Bureau of State Programs
200 East Grand Avenue
Des Moines, IA 50309

Alan Clausen, Section Supervisor
Phone: (515) 281-9009

JoAnn Callision, Bureau Chief
Phone: (515) 281-9017

Iowa Department of Economic Development — Iowa Jobs Training Program

Authorized in 1992, the Iowa Jobs Training Program helps businesses lower the cost of expanding or establishing a new work force; it also can aid in up-grading the skills of an existing work force. The program, with a goal of fostering the growth and stability of Iowa's work force, can provide up to 50 percent of a new employee's wages and fringe benefits during the training period.

To qualify, a business must:

- have 500 or fewer employees;
- not be a retail, commercial, or health establishment; and
- be located or locating in Iowa.

The program loans up to $50,000 to cover a company's training costs. Instead of using business income, the loan is repaid by diverting a percentage of the firm's incremental property taxes, machinery and equipment taxes, and payroll withholding taxes. If a business completes the training program successfully, the loan is forgiven. The 260F program also provides grants of up to $4,999 for short-term financing that can be used for the same purposes.

Contacts

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Bureau of State Programs
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Iowa Department of Economic Development — Targeted Small Business Financial Assistance Program

The Targeted Small Business Financial Assistance Program (TSBFAP) assists in the creation and expansion of minority- and women-owned businesses within the state of Iowa. Businesses located in Iowa that are at least 51 percent owned, operated, and actively managed by one or more women or minority persons may apply. Awards may be used for legitimate business expenses, including, but not limited to:

- purchasing of equipment, furnishings, or inventory;
- improving land or buildings; and
- covering specific operating expenses.

TSBFAP offers a variety of assistance packages. The agency will make loans of up to $25,000 at interest rates of zero to 5 percent per year. The term is typically three to five years. Applicants also may apply to conventional lenders. TSBFAP will guarantee up to 75 percent of the amount of loans, with a maximum guarantee size of $40,000. The program occasionally grants money, but only when such funds will help leverage a significant amount of SBA or conventional financing.

Before applying, a business must be certified as a "targeted small business" by the Iowa Department of Inspections and Appeals. Applications are evaluated and scored; they must achieve at least 60 of the following 100 possible points:

- business plan (20 points possible);
- financial plan (20 points possible);
- financial need (20 points possible);
- marketing plan (5 points possible);
- management expertise/related experience (20 points possible);
- loan repayment plan/ability (10 points possible); and
- nontraditional business (5 points possible).

Contact

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Iowa Department of Economic Development — Self Employment Loan Program

The Self Employment Loan Program (SELP) provides low-interest loans of up to $10,000 to low-income Iowans for the start-up or expansion of small businesses. Any resident of Iowa may apply if he or she:

- is at least 18 years old;
- has an annualized household income that does not exceed 70 percent of the federal lower living standard income level; or currently receives Aid to Families with Dependent Children (AFDC), general assistance, or other forms of cash welfare; or are JTPA eligible; and
- has a local sponsor (an individual from a local organization who will be able to provide assistance and guidance to the applicant.)

Interest rates are 5 percent and loans mature over a period of five years. The application process usually takes no longer than 30 days. Award recipients should allow 90 days to receive funds from the state. Typically, repayment commences 90 days after funds are received. To obtain financing, applicants must obtain at least ten of the 19 possible points:

- background of applicant (5 points possible);
- business plan-financial (5 points possible);
- business marketing plan (5 points possible);
- need of applicant (3 points possible); and
- creditworthiness (1 point possible).

Contact

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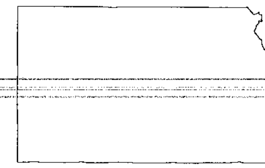
Kansas



Kansas Venture Capital Incorporated

Overview

Established in 1976 to provide equity capital, loans, and management assistance for small businesses, Kansas Venture Capital Incorporated (KVCI) is a private, for-profit entity. It purchases the investment securities of Kansas businesses that promise high growth. As a licensed Small Business Investment Company, KVCI is prohibited from taking a controlling interest in its portfolio companies. Generally it controls one seat on a client's board of directors.

Services

KVCI does not have a specific industry focus. With the exceptions of retail, natural resources, real estate, and financial institutions, KVCI will consider ventures in any field. Many of its investments relate directly to manufacturing, while others focus on product distribution, high-technology, and service businesses. Typically, KVCI looks for companies with several years of operating history, but it will consider companies in various stages of development. It also looks for firms with experienced, committed management teams and unique market opportunities.

KVCI can invest more than $1 million directly into any venture, although initial investments typically range from $250,000 to $750,000. KVCI addresses larger needs by participating in syndications with other venture capitalists. Investments may consist of any combination of common or preferred stock, convertible preferred stock notes, common stock warrants, and subordinate notes. Repayment terms are usually five to seven years. KVCI encourages companies to buy back stock, thereby repaying the investment. To ensure the investment pays off, KVCI offers expert advise to its portfolio companies on a variety of technical and management issues.

Applying

Applicants first should discuss basic project fundamentals with a KVCI representative. After a few weeks, KVCI usually gives an indication of its level of interest.

If KVCI is interested, the business should forward a business development plan. In addition to providing basic information about the company and its management, the plan should include the following:

- market information (size, trends, competitors, customers, and market share);
- plan of action and implementation strategy over the immediate term, describing steps and the division of responsibility within the management team; and
- detailed historical income and balance sheets, to the extent available, and three-to-five year financial projections, including income statements, balance sheets, and a cash flow and break-even analysis.

The application process usually takes about 60 days.

Impact

Data on impact is unavailable.

Program Examples

KVCI keeps most information on its portfolio companies confidential.

Future Prospects

KVCI has not planned any changes in the near future. It expects to continue as a self-sustaining, profitable organization.

Contact

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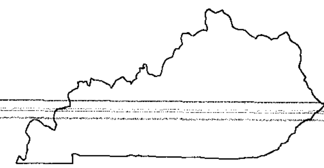
Kentucky



Kentucky Economic Development Finance Authority — Business Loan Program

Overview

Founded in 1980, the Kentucky Economic Development Finance Authority (KEDFA) makes loans available to both new and expanding businesses for fixed assets—including land acquisition, machinery, and equipment. Loans can be used for most types of business except retail and commercial development projects.

Services

In addition to serving as a conduit for Industrial Revenue Bonds and Community Development Block Grants, KEDFA offers two loan categories of its own, both of which are targeted to manufacturers. The first involves projects with fixed asset costs more than $100,000. KEDFA will loan up to 25 percent of a project's fixed asset costs, depending upon how many jobs the loan creates. Because the agency loans from a revolving loan pool, the maximum size fluctuates with the value of the pool. The loan also will be limited to $10,000 for each new job projected to be created over a two-year period. As of June 1995, the maximum loan size was $500,000.

KEDFA also offers another loan pool for projects with fixed asset costs of $100,000 or less. Based upon similar job creation standards, the agency will loan up to 45 percent of projected costs.

KEDFA injects its funds when the project is complete. As a result, companies first must obtain an interim loan from a conventional bank.

Applying

Before contacting KEDFA, which does not provide 100-percent financing, a company must seek help from a conventional bank. The business then must contact KEDFA to determine its eligibility. To receive financial assistance in the most timely fashion, companies must apply 35-40 days before a KEDFA board meeting, which occurs on the third Tuesday of each month. Applicants should present projected job creation data.

Impact

Between July of 1991 and June of 1995, KEDFA awarded loans to about 140 companies. These loans helped create more than 10,000 jobs.

Program Examples

Program officials declined to provide information on companies that have used the program.

Future Prospects

The Kentucky legislature jump-started KEDFA in 1980 with an original capital grant. Since then, the agency has provided its own funding through a revolving loan pool that is replenished by interest on its loans. With a low 3 percent default rate, the agency's future seems secure.

Contact

Kentucky Department of Financial Incentives
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Frankfort, KY 40601
Phone: (502) 564-4554
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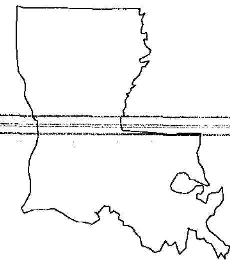
Louisiana



Louisiana Economic Development Corporation

Overview

The Louisiana Economic Development Corporation (LEDC) stimulates investment in private-sector companies by offering loan guarantees and other financing options. The agency seeks to promote job creation, especially in depressed and disadvantaged areas. Loans are available to most types of operations except services such as real estate developers, lending entities, and liquor or gambling establishments.

Services

The Small Business Loan Program (SBLP) guarantees 75 percent of a loan up to $650,000, or as much as 65 percent of a loan up to $1,075,000. Guarantee sizes range from $50,000 to $700,000. LEDC financing can be used to purchase fixed assets, equipment and machinery, or to obtain a line of credit for accounts receivable or inventory. Applicants may not use more than 25 percent of the loan to restructure debt. Interest rates may not be more than 2.5 percent above the prime rate at either a fixed or variable rate. LEDC charges application fees of 2 percent of the guarantee amount. SBLP requires a one-to-one ratio of collateral to loan dollars. Acceptable collateral includes, but is not limited to, fixed assets, equipment and machinery, and accounts receivable. Companies that are start-ups or that are acquiring other companies must provide 20 percent equity; companies wishing to expand, 15 percent. Equity must be in the form of cash and surplus or retained earnings.

The LEDC targets a slightly more generous program to women and minorities. The Small Business Loan Program for Minority, Women, and Disabled guarantees as much as 90 percent of a loan up to $560,000, or as much as 75 percent of a loan up to $930,000.

The Microloan Program Guaranty insures up to 80 percent of loans $5,000 to $50,000; but for minorities, the level is 90 percent. Only 10 percent of these loan amounts can be use for debt restructuring. Interest rates on these loans may not exceed 4 percent above the prime rate. Fees include a $100 base fee plus 1 percent of the guarantee amount. All other requirements are the same as the Small Business Loan Program.

Applying

Applicants must demonstrate that their project has a high chance of success. They should present a detailed business plan with a clear goal, target markets, an analyses of current industry trends and competition, and a fully-developed loan request. Manufacturers also need to describe the materials, supply sources, and production methods they use in their plants.

Impact

Listed below are investment totals for 1988-1994 for the SBLP, formerly the Louisiana Small Business Equity Program (LASBEP), and the SBLP for Minority, Women and Disabled, formerly the Minority and Women Business Development Program (MWBDP).

Louisiana Economic Development Corporation Investment Totals, 1988-1994

Program	88/89	89/90	90/91	91/92	92/93	93/94	Total
LASBEP	$1,872,500	$1,216,125	$3,736,250	$975,000	--	--	$7,799,875
MWBDP	513,000	507,440	202,500	247,500	0	--	$1,470,440
SBLP	--	--	--	--	3,901,452	3,909,933	$7,811,385

Program Examples

Program officials did not provide specific examples of firms that have used the LEDC's programs.

Future Prospects

The LEDC is planning a number of program additions, including a contract financing program for small businesses competing for local, state, and federal government contracts. The LEDC also is considering a bond assistance program that would raise capital for financial assistance. Finally, the agency may begin to provide the 10 percent of project costs not covered by federal Export-Import Bank financing in order to encourage working capital loans to Louisiana exporters.

Contact

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P.O. Box 94185
Baton Rouge, Louisiana 70804-9185
Phone: (504) 342-3000
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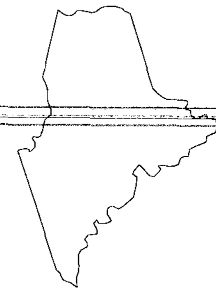
Maine



Finance Authority of Maine

Overview

Created in 1983, the Finance Authority of Maine (FAME) consolidated several related but independent commercial programs to insure a more centralized and professional management structure. To avoid the large financial losses of its predecessors, FAME thoroughly screens applications and is willing and able to reject weak proposals. FAME provides capital resources to financially-sound small businesses that create new jobs and opportunities for the people of Maine.

Services

As originally established, FAME simply provided lenders with loan insurance (guarantees) on high-risk loans to businesses. The agency also served as a conduit for Industrial Development Bonds. The authority's list of services has expanded since to include: interest rate subsidy programs, credit enhancement facilities, export financing services, and direct loans for micro-businesses. FAME will not insure speculative projects or projects that do not have the full commitment of the borrower as evidenced by personal guarantees and appropriate collateralization.

FAME's Small Business Loan Insurance Program helps small businesses (those with fewer than 50 employees or less than $5 million in annual revenue that can not obtain conventional financing). FAME guarantees up to 90 percent of loans ranging in size from a few thousand to a maximum of $1 million. On all FAME guarantees, interest rates are negotiated between the borrower and the lender; they average prime plus two or three points. FAME guaranteed loans can be used for most purposes, including business mortgage financing, but they cannot be used for construction or financing of housing. Limitations also exist on retail and office space.

The Commercial Loan Insurance Program insures loans for borrowers with more than 50 employees or more than $5 million in annual revenue. Eligible borrower can obtain more than $7 million.

Currently, FAME is able to commit $90 million for the commercial and small business programs combined.

Applying

To seek FAME assistance, a potential applicant must first seek assistance from a conventional lender. If the borrower does not meet the lender's requirements, the lending institution can seek FAME assistance. Should the institution decide to apply, borrowers must show their latest three years of financial history, as well as other personal financial statements from each principal owner. The borrower's application also must include a marketing plan, an employment breakdown, and an environmental impact statement approved by Maine's Department of Environmental Protection Certification.

FAME responds to small business loans within ten days. Larger commercial loans usually take four to six weeks to process.

Impact

In its ten years of operation, FAME has provided more than $1 billion in financing to over 10,000 Maine firms. In fiscal year 1993, FAME approved commercial loans on projects worth a total $53 million, of which FAME guaranteed $26 million.

Program Examples

In Winslow, 160 skilled workers at Mid-State Machine Products are using computer controlled machines and other equipment purchased with the proceeds of two FAME-issued development bonds. The workers produce industrial machinery parts for power generation and aircraft engine industries.

Barber Foods, a food processor in Portland, used SMART-E Bonds to acquire new machinery to help the company expand. Since receiving financing, Barber Foods has increased its employment from 210 to 500 people.

Future Prospects

FAME maintained an annual loan default rate of 1.3 percent during the state's recent recession. As of June 30, 1995, the authority had more than $12 million in its loan loss reserve account. During the past year, Maine's economy has recovered significantly, and FAME expects to continue to increase the amount of financing it provides to Maine businesses.

Contact

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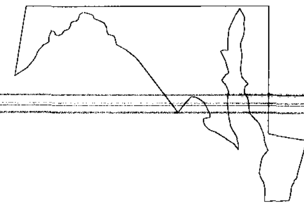
Maryland



Maryland Small Business Development Financing Authority

Overview

The Maryland Small Business Development Financing Authority (MSBDFA), created in 1978, offers a variety of financial services, some of which target businesses owned by minorities and economically- and socially-disadvantaged people.

Services

The Surety Bond Program helps independently owned small businesses, generally those employing fewer than 500 full time employees or those with gross sales of less than $50 million. The initiative is divided into two sections: the Guarantee Program and the Direct Bonding Program. The Guarantee Program finances up to 90 percent of a project, with a maximum exposure of $900,000; it guarantees reimbursement of losses on a bid, payment, or performance bonds required in connection with projects where a majority of funds are from the government or a regulated public utility. The Direct Bonding Program directly issues bonds not to exceed $250,000; it issues bid, payment, or performance bonds on projects where the majority of funds are from government or a regulated public utility. Under both programs, interest rates are determined at the time of loan approval.

The Contract Financing Program assists businesses with at least 70 percent ownership by socially- and economically-disadvantaged minorities. Normally, the program guarantees up to 90 percent of a project's costs, up to $500,000, but it also can make direct loans of the same amount. It provides working capital needed to secure or complete government and utility contracts, as well as the acquisition of machinery and equipment. Interest rates vary but they never exceed 2 percent above the prime. Direct loans carry a rate of 15 percent. Loans must mature in ten years or less.

The Long-Term Guaranty Program assists businesses that are 70 percent or more owned by socially-disadvantaged minorities that have been in business for 18 successive months or more. Project sizes range from a minimum of $50,000 to maximum of $1 million. Loan guarantees may not exceed the lesser of 80 percent of a project's cost or $600,000. Approved funding uses include:

- working capital;
- machinery and equipment; and
- real property improvements.

Interest rates vary but they never exceed 2 percent above the prime. MSBDFA can guarantee 80 percent of a loan made by a lending institution to a qualified applicant. In addition, the agency can provide a loan subsidy of up to 4 percent.

The Equity Participation Investment Program makes equity investments and provides loans for technology-based businesses that are at least 70 percent minority owned, have been in existence for at least five years, and have been profitable for at least two or three years. Projects range in size from $100,000 to $3 million. The maximum investment or loan size is $500,000 for technology-based businesses, and up to the lesser of 25 percent of initial investment or $500,000 for business acquisitions. Eligible fund uses include:

- purchase of machinery and equipment;
- leasehold improvements;
- furniture and fixtures;
- inventory;
- working capital;
- purchase of existing franchise;
- real estate acquisition;
- construction or major renovation;
- sign package and supplies; and
- franchise fees.

Interest rates are commensurate with the risk undertaken. Investments and loans mature over a maximum of seven years. Loan sizes have ranged between about $2,000 and nearly $1 million. The average rate in July 1994 was 8.5 percent. Rates are determined by the prime rate, and usually are between 8.0 percent and 9.0 percent.

Applying

Once a firm submits a complete application, the process usually takes about two months. The firm needs to provide a complete financial statement and a detailed business plan.

Impact

In the fiscal year ending September 9, 1993, the MSBDFA loaned over $9 million to 33 companies in the state. The loans helped to create nearly 700 jobs and retain 1,175 jobs. MSBDFA has closed an additional 23 loans, worth nearly $5 million, between the end of fiscal 1993 and July 26, 1994. These loans helped to create 118 jobs and retain another 369.

Program Examples

Ronald and Francine Driggs formed Security USA in 1990 with initial capitalization from their savings accounts. The firm provides security and patrol services for small and large businesses and governmental facilities. To help the firm expand into Washington, D.C. and Northern Virginia, the MSBDFA approved a 70 percent guaranty on a $125,000 loan from First Capitol Bank. The loan was structured as a $40,000 term loan for 42 months, and a $85,000 revolving line of credit. Subsequently, the authority approved an additional $100,000 revolving line of credit under MSBDFA's Contract Financing Program. Security USA used this line of credit to pursue a contract with Baltimore Gas & Electric, which the company won.

Future Prospects

MSBDFA currently is planning to privatize in order to pool $40 million in investment capital that will help minority business. By changing status, MSBDFA becomes eligible for SBA funding, thereby increasing the resources available to it. The agency now is able to pay its operating expenses with the interest it receives on loans.

Contact

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Baltimore, Maryland 21202
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Maryland Industrial Development Financing Authority

Overview

Established in 1965, the Maryland Industrial Financing Authority (MIDFA) provides financial support for businesses located in Maryland or considering moving to the state. The agency began its conventional loan and bond financing programs in 1983. Significant economic impact is one of MIDFA's key legal and policy requirements when it insures loans.

Services

The Conventional Program insures loans to industrial and non-retail commercial establishments. It supports: land, buildings, machinery and equipment, working capital, procuring government contracts, and establishing revolving credit lines. Project sizes range from $35,000 to $5 million. MIDFA insures up to 80 percent of a loan, with maximum insurance of $1 million. Depending on the borrower's needs, MIDFA usually guarantees 20-50 percent of a loan. The exact amount is mutually determined through discussions between the firm and the lender. Lenders determine whether interest rates are conventional, fixed, or floating. Real-estate loans mature over a 15-20 year period; machinery and equipment loans over seven-to-ten years; and term loans over two-to-five years.

While serving as a conduit for federally regulated tax-exempt industrial development bonds, MIDFA also offers its own Taxable Bond Program. Manufacturers and eligible commercial businesses may apply for $1-5 million in taxable bonds. MIDFA will insure up to 100 percent of the bond amount. Insured loans are available to companies financing land, buildings (new and existing), construction, and new machinery and equipment. These bonds have a taxable floating rate. MIDFA uses different benchmarks but usually pegs interest rates to the prime rate plus one point or a lender's cost of funds. If the bonds are sold on the capital markets, interest rates usually follow the U.S. Treasury bill rate.

The Maryland Energy Financing Administration (MEFA) issues both tax-exempt and taxable bonds to businesses seeking to conserve energy, cogenerate electricity, produce fuels and other energy sources, and recycle material. Typically, MIDFA guarantees 80-90 percent of these bonds for projects ranging from $600,000 to $80 million. Approved uses include land acquisition, machinery and equipment, building acquisition, and hydroelectric facilities. Terms depend upon the type of asset. Normally, bonds for equipment mature in five-to-ten years, and for real estate in 15-20 years.

MIDFA also serves as a conduit for Export-Import Bank guarantees. It handles and reviews all applications within the state for trade loans submitted to the Bank.

Applying

Companies seeking financial help in the state of Maryland must first contact a conventional lending source. If a bank or bond issuer feels the project possesses excessive risk, the company may apply to MIDFA for financial assistance. Once a complete application has been approved by the MIDFA board, closing usually takes between 30 and 90 days, depending upon the nature and complexity of the transaction and the needs of the borrower.

Impact

MIDFA assistance, as shown below, has helped many companies expand and create jobs.

Approved Financing 1994

	Number of Loans	Loan Amount	Insured Amount	New Jobs	Retained Jobs
Tax Exempt Bonds	8	$84,780,000	$2,500,000	186	6,893
Taxable Bonds	8	$66,725,000	$20,600,000	757	1,709
Conventional Program	37	$59,030,000	$13,961,000	727	2,488
Trade Finance/Export	12	$7,125,000	$5,677,000	156	518
Aquaculture Seafood	2	$300,000	$300,000	16	4

Program Examples

In July of 1992, a Maryland biotechnology firm, which develops and manufactures biopesticides and other non-chemical products, attempted to obtain private financing for expansion. However, due to the unattractiveness of biotechnology stocks at the time, it did not raise the needed capital. Later that summer, the firm turned to MIDFA, which approved 88 percent insurance on a $3.4 million loan to the firm. The company used the proceeds to purchase new equipment, improve existing equipment and buildings, and construct a new, larger facility. In return for insuring this transaction, MIDFA received an ownership position in the company.

Future Prospects

MIDFA derives its funding from a bond fund and receives no other funding from the state. Currently, MIDFA is considering a new program that would target the capital hungry biotechnology industry. The agency also is considering a special financing program to supplement EX-IM Bank guarantees. Although the EX-IM Bank guarantees 85 percent of loans, some Maryland banks feel the risk level is too high and would like MIDFA to cover the remaining 15 percent. MIDFA is considering such a proposal.

Contact

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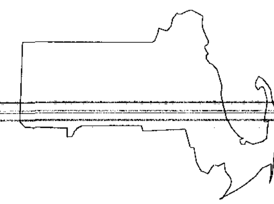
Massachusetts



Massachusetts Technology Development Corporation

Overview

Founded in 1978 with grants from the U.S. Economic Development Administration and the state of Massachusetts, the Massachusetts Technology Development Corporation (MTDC) addresses “capital gap” financing for start-up and expansion of early-stage technology based companies. The state-owned venture capital firm seeks to create jobs and to attract investment to Massachusetts companies. MTDC has supported itself on returns from past investments since 1988.

Services

MTDC will assist promising technology-based Massachusetts companies that are unable to secure conventional financing on affordable terms. MTDC negotiates the terms of its investments with each applicant.

Investments are made as debt, equity, or a combination of both. The debt portion of the financing is usually a long-term, unsecured, subordinated note on favorable terms, with an equity component — usually warrants. Typical equity participation is through the purchase of a company’s stock. Cumulatively, the corporation’s debt participation is 57 percent and equity participation is 43 percent. Current outstanding investments are 65 percent equity and 35 percent debt. Debt investments, or loans, usually have five- to six-year terms. MTDC expects a return on equity investments within five to seven years.

MTDC makes its investments on a co-venture basis with compatible professional investors from the private sector. Although initial investments range from $100,000 to a maximum of $500,000, the private-sector partners generally invest two to five times the amount of capital that MTDC provides.

Applying

Applicants must submit a comprehensive business plan that addresses the following areas:

- financial history;
- present and future markets;
- business strategy;
- characteristics of products and services;
- backgrounds and experience of principal owners and managers;
- job creation and retention figures.

The time between the receipt of a business plan and MTDC’s investment decision is, on average, 13 weeks. Depending on the pace at which co-investors are prepared to commit funds, it takes an average of nine weeks for MTDC funds to become available once the decision is made. There is no application fee.

Impact

As of June 30, 1994, MTDC invested a cumulative total of $25.7 million in 71 companies, helping to create more than 5,000 jobs. Over the past 16 years, the firm's investments have earned about $13.5 million and lost about $4.3 million, for a net gain of some $9.2 million.

Program Examples

In 1982, Jim Logan founded MicroTouch Systems, a pioneer in the computer touch screen technology market. Over the next four years he raised nearly $2 million from banks, venture capital firms, and other private lenders. By 1986, however, market demand was still weak and MicroTouch was running out of cash. MTDC then agreed to invest $250,000 in the corporation, which had 36 employees. Market demand picked up in 1987, and both sales and employment expanded briskly. By 1992, when the firm went public, it had 230 employees and $31 million in annual revenue.

Future Prospects

MTDC in 1995 started a new initiative, the MTDC Commonwealth Fund Investment Program, an investment vehicle for developing early-stage technology-based business in Massachusetts.

Contact

Massachusetts Technology Development Corporation
148 State Street
Boston, Massachusetts 02109
Phone: (617) 723-4920
Fax: (617) 723-5963

Massachusetts Industrial Finance Agency

The Massachusetts Industrial Finance Agency (MIFA) is a quasi-public agency created in 1978 by the Massachusetts legislature. As the state's economic development bank, MIFA's mission is to assist in economic development and job creation throughout the Commonwealth. MIFA provides access to capital for borrowers that may have difficulty gaining access to capital through traditional financing sources.

MIFA serves as a conduit for tax-exempt industrial revenue bonds, tax-exempt and taxable lease/purchase financing for manufacturers, and financing by non-profit institutions and certain environmental facilities. In addition, MIFA offers export finance programs, loan guarantees, and, in some cases, direct loans.

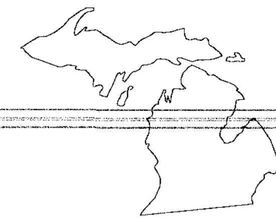
In general, MIFA strives to tailor its financing operations to meet the specific needs of individual borrowers. The agency usually is able to secure funding for borrowers having projects that create jobs.

Over the last 15 years, MIFA secured $7.6 billion in loans to over 2,500 projects, and it created or retained 83,400 jobs. Of this financing, nearly $2.7 billion went to manufacturers, which, in turn, hired 69,217 permanent workers.

Contact

Massachusetts Industrial Finance Agency
75 Federal Street
Boston, Massachusetts 02110
Phone: (617) 451-2477
Fax: (617) 451-3429

Michigan



Michigan Business and Industrial Development Corporations

Overview

Michigan pioneered the concept of Business and Industrial Development Corporations (BIDCOs). These are a type of private lending institution designed to help businesses that conventional lenders consider too risky but that do not exhibit the high-growth potential required by venture capitalists. BIDCOs offer an array of business financing options, including debt, equity, and combinations of the two. Michigan BIDCOs also can provide management assistance to help businesses grow. They may finance out-of-state firms only if the primary economic impact will be in the state in Michigan.

Services

"Access BIDCO" provides debt and equity financing for established service, manufacturing, distribution, and retail businesses in Michigan. Access uses combinations of subordinated debt and commercial bank loans to lower the cost of capital. The minimum financing level is $200,000. For packages exceeding $450,000, Access acts as the lead investor, while working with other financing sources to engineer a solution. To qualify, businesses should have most of the following characteristics:

- be an established business;
- have growth potential;
- represent an unusual investment opportunity;
- possess a strong management;
- be flexible in allocating resources;
- have product and marketing capabilities.

"Arcadia BIDCO" serves the financing needs of a broad base of established manufacturing and service companies. Arcadia's primary market is southwestern Michigan, although it will participate in investment groups throughout the state. Arcadia prefers to help low- to medium-technology companies with at least two years operating history and substantial growth opportunities. Start-ups will not be considered unless a business presents an outstanding opportunity and is headed by proven management. Financing ranges from $200,000 to $600,000 and includes equity, debt with equity features, and royalty participation.

"Capital BIDCO" serves a state-wide market but emphasizes Muskegon, Grand Rapids, Lansing, Flint, and the Tri-Cities. Capital favors firms with high growth potential and acquisitions in the manufacturing and service sectors having annual sales between $1 million and $25 million.

"Discover BIDCO" focuses on marketing and sales expansion programs for service and manufacturing firms operating at a break-even or small profit margin. Its primary market is western Michigan. Financing ranges from $50,000 to $150,000. Candidates are companies with two or three years operating history, sales in the $400,000 to $2.5 million range, and the potential for further profitable growth.

Discovery also will finance up to 50 percent of the initial franchise and start-up fees for acquiring and operating proven franchises.

"Greater Detroit BIDCO" is the first minority-owned BIDCO. It provides financial and management assistance to businesses located within 100 miles of its Detroit office. Greater Detroit targets small firms that are good prospects for growth in employment, sales and profits; it considers an array of industries, such as health care, food service, the automobile sector, and business and consumer services. Minorities receive preference. Financing ranges from $50,000 to $400,000.

"Great Lakes BIDCO," which operates state-wide, finances profitable companies seeking to expand their markets by developing or enhancing products or exporting. Prime candidates are growth-oriented companies having sales of $1 million or more. Great Lakes offers financing beginning at $250,000. That financing may be structured as debt with a yield enhancement, such as royalties or the option to acquire stock.

The "Jackson BIDCO" finances small and medium-sized businesses in central Michigan. It targets firms developing new products or expanding to meet market demand for existing products and services. Applicants should have two or more years of operating history, as well as substantial potential for growth and profits. In most cases, Jackson BIDCO provides a combination of debt and equity-based financing in the range of $150,000 to $350,000.

"Liberty BIDCO" provides financing ranging from $50,000 to $600,000 in a combination of debt and equity to small and medium-sized businesses in Michigan. Viable candidates should be profitable or nearly profitable, and have management experience, two or more years of operating history, and a predictable cash flow.

"North Coast BIDCO" makes relatively high-risk capital available to firms in Michigan's Upper Peninsula. North Coast offers working capital loans, gap financing, subordinated debt, equity, and seed capital loans ranging from $30,000 to $250,000. Equity may include combinations of royalties and warrants. North Coast looks for firms that have:

- accepted products or services;
- demonstrated potential employment growth and profitability; and
- a complete business plan.

Firms are still eligible, however, if they have inadequate collateral, are too highly leveraged to attract traditional capital, are diversifying their product line, or are experiencing rapid expansion.

Northern Michigan BIDCO provides capital and business consulting services to firms in or planning to relocate to northern Michigan. All sectors are eligible. Northern Michigan structures investments as loans, equity investments, or profit participation. The minimum lending rate is 2 percent over the *Wall Street Journal* prime. Business plans are preferred but not required.

"Onset BIDCO" focuses on businesses providing products, capital equipment, or services to manufacturing companies. Onset primarily serves the area from Saginaw south to the Ohio border, and as far west as Lansing. Candidates for financing must be innovative, growing companies that are at least two years old, operate at a break even profit, and have sales in excess of $500,000. The range of financing is $250,000 to $1 million.

Applying

Companies should contact BIDCOs directly, at the numbers listed below in the contact section. The various BIDCOs differ in their application processes and investment parameters. Firms should allow 60 days between the time a complete application is received and the financing decision.

Impact

As of summer 1994, licensed BIDCOs had helped finance 139 companies, and as late 1993 they had helped create or retain an estimated 8,175 jobs. (Refer to accompanying table.)

Number of BIDCOs Licensed, Companies Receiving Financing, and Estimated Jobs Created or Retained: 1989 through 1994

	1989	1990	1991	1992	1993	1994
BIDCOs Licensed	4	7	9	10	11	11
Companies Receiving Financing	6	9	20	43	33	28
Jobs Created or Retained	160	840	930	2,561	3,684	NA

Program Examples

A Novi firm, which provides engineering services principally for automotive engine electronics makers, turned to a BIDCO for financing in 1990. The company received an award of $600,000. The firm, which won the Michigan Leading Edge Technology Award, expanded from annual revenues of $4.8 million and 81 employees to revenues of $13 million and 200 employees in only three years. It currently is helping automotive engine manufactures increase their engine efficiency and performance and better compete in world markets.

Another company, located in Ann Arbor, Michigan, is one of the original makers of recycled toner cartridges used in laser printers. It received $350,000 from a BIDCO. Its sales have since expanded by 80 percent annually. For the year ending February 28, 1993, it had gross revenues of $2.6 million.

Future Prospects

Program officials expect some consolidation among the BIDCOs during 1995 as BIDCOs seek to expand and achieve operating efficiencies. They do not expect any new BIDCOs to be formed.

Contacts

Access BIDCO, Inc.
Mike Wallad
Phone: (517) 374-2521

Arcadia BIDCO Corporation
Bill Becker, Bob Brown, and Ron Beike
Phone: (616) 324-4880

Capital BIDCO, Inc.
Berry Wilson
Phone: (517) 323-7772

Craig Woodman
Phone: (616) 456-8995

Discovery BIDCO, Inc.
Todd Recknagal
Phone: (616) 235-4796

Great Lakes BIDCO, Inc.
John Berkshaw, Debra Ball
Phone: (313) 626-6070

Greater Detroit BIDCO, Inc.
Catherine Lockhart
Phone: (313) 962-4326

Jackson BIDCO, Ltd.
Pat Willis, Ray Waters
Phone: (517) 784-5556

Liberty BIDCO Investment Corp.
Pearl Holforty
Phone: (313) 352-9660

North Coast BIDCO, Inc.
Stephen McConnell, Kathryn Polansky
Phone: (906) 228-6080

Northern Michigan BIDCO, Inc.
Joseph Ranzini
Phone: 906-635-9794
Charles McDowell
Phone: (800) 56-BIDCO

Onset BIDCO, Inc.
Hugo Braun
Phone: (313) 662-7667
Mike Wallad
Phone: (517) 374-2521

Michigan Strategic Fund-Capital Access Program

Overview

The Capital Access Program (CAP) allows banks to make business loans that are somewhat riskier than conventional bank loans. It uses a small amount of public resources to generate a large amount of private bank financing, thus providing funds to many Michigan businesses that may otherwise not be able to obtain necessary financing.

Services

CAP assists banks in making loans that are somewhat riskier than conventional bank loans. The program utilizes a special loss reserve to assist banks in covering losses from a portfolio of loans that a bank makes under the program. The program is very broad based and can be used to finance most types of Michigan businesses. One-time premium payments, which range from three percent to seven percent of the amount borrowed, help to fund the special loss reserve. Therefore, the loans under the program are generally more expensive than conventional bank loans. The key point is the program allows banks to provide access to bank financing for many businesses that otherwise might not qualify.

Michigan businesses that satisfy the bank's criteria are eligible; neither housing projects nor passive real estate investments qualify for the program. Refinancing existing debt at a bank or affiliate, and enrolling it in the program, is also prohibited.

Applying

Potential borrowers should contact their local bankers. It is important to understand that loans under the program are private transactions between the bank and the borrower. The Michigan Jobs Commission plays no role in the lending decision. While the program may enable a bank to take more risk than normal, it is still the bank that bears the risk and is responsible for the lending decision.

Impact

Over 4,000 businesses have received loans under the program since it began in 1986. While there are no loan size limitations, the average loan is approximately $52,000.

Program Examples

According to a Comerica Bank of Detroit representative, the bank used CAP to make a $10,000 loan to a small minority-owned roof repair business. At the time, the firm's owner operated the company out of his home, and it drew only about $50,000 in revenue. With the loan, the company expanded rapidly. Currently, it employs 30 people and has $1.5 million in annual revenue.

Future Prospects

Currently, officials plan no changes in the program.

Contact

Michigan Jobs Commission
Michigan Strategic Fund
P.O. Box 30234
Lansing, Michigan 48909
Phone: (517) 373-7550
Fax: (517) 335-3059

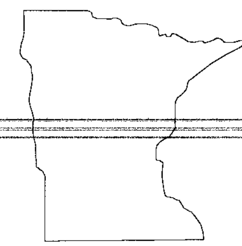
Michigan Jobs Commission — Michigan Seed Capital Program

Administered by the Michigan Jobs Commission, the Seed Capital Program catalyzed the formation of three privately-operated and managed seed capital funds, which make equity investments in start-up businesses with extremely rapid growth potential. Businesses need seed capital to finance activities such as completing a business plan, developing a working prototype, assembling a management team, or doing initial marketing studies.

Contact

Karen Ammarman
Michigan Jobs Commission
Industry and Investment Relations
P.O. Box 30234
Lansing, Michigan 48909
Phone: (517) 373-7550
Fax: (517) 335-3059

Minnesota



Minnesota Department of Economic Development — Capital Access Program (CAP)

The Capital Access Program (CAP) encourages loans through private lending institutions to small and medium-sized businesses. The program's primary goal is economic development.

The terms of all loans are negotiated between the borrower and the lender. Within ten business days after closing the loan, the lender has the option of enrolling it in CAP. A fund, created by the lender, the borrower, and the state, affords the lender a high degree of protection. The lender and the borrower contribute between 3 percent and 7 percent of the loan amount to the loan fund; the two portions must be equal. If the loan is less than $2 million, the state will contribute an additional 150 percent of the size of the borrower's and lender's contributions. Banks frequently match the borrower's funding to obtain risk assistance from the CAP program. Following approval, banks may recover their portion from the borrower in the form of additional fees or interest rates. To encourage participation, CAP allows the lender/borrower contribution to be financed as part of the loan. Loans may be used for industrial, agricultural, and commercial purposes, but not for housing.

Contact

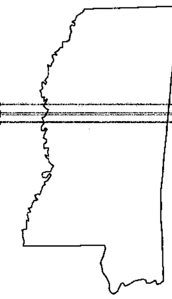
Minnesota Department of Economic Development
Community Development Division
500 Metro Square
121 Seventh Place East
Saint Paul, Minnesota 55101-2146
Phone: (612) 296-6858 (Metro area) or
(800) 657-3858 (Greater Minnesota)
Fax: (612) 296-5287

ADDITIONAL RESOURCES

- **Minnesota Job Skills Partnership Board**
- **Economic Recovery Grant Program**
- **Rural Challenge Grant Program**
- **Urban Challenge Grant Program**

Minnesota Department of Trade and Economic Development
500 Metro Square
121 seventh Place East
Saint Paul, Minnesota 55101-2146
Phone: (612) 297-1291 (Metro Area) or
(800) 657-3858 (Continental USA)

Mississippi



Mississippi Department of Economic and Community Development — Mississippi Business Finance Corporation

Overview

An entity of the Mississippi Department of Economic and Community Development, Mississippi Business Finance Corporation (MBFC) administers a variety of financing programs designed to assist businesses locating or expanding in the state. The agency works with public and private sources to stimulate industrial and commercial development.

Services

In addition to serving as a conduit for all federal loan programs, the agency offers several state programs. The Mississippi Loan Guaranty Program helps a wide range of businesses, including manufacturers and processors, obtain financing. Applicants must have been rejected for loans by two or more Mississippi lenders. The program guarantees up to 75 percent of loans, up to a guarantee size of $375,000 on a $500,000 loan. Recipients may use the loans to purchase land and buildings, machinery and equipment, furnishings, or to cover start-up expenses. Loans are not available to firms wishing to pay off other creditors or purchase vehicles. Applicants and banks negotiate the interest rate privately. The application fee is 2 percent of the guaranteed portion of the loan. Loans mature over a maximum of 15 years, and loans cannot exceed 90 percent of the fair market value of the collateral.

The Mississippi Small Business Enterprise Development Program (SED) specifically targets manufacturers and processors. The issuance of State General Obligation Bonds provides funds for loans in amounts from $250,000 to $2 million. Eligible uses of proceeds include the purchase of new machinery, equipment with a long life span, land, and buildings. The interest rate is the state bond rate plus 1/8 percent. Application fees are approximately 3 percent of the bond issue size. Bonds mature over 10 or 15 years. The program requires collateral in the form of a first mortgage on fixed assets financed and an irrevocable, direct-pay letter of credit with a minimum maturity of 5 years. The loan may not exceed 90 percent of the collateral value.

The Mississippi Small Business Assistance Program (MSBA) directly loans money to manufacturers, processors wholesalers, retailers, and service providers. MSBA loans up to 50 percent of a project or $100,000, whichever is less, as a means of leveraging financial assistance for companies that may be unable to obtain financing through conventional avenues. Interest rates are not less than 5 percent per year or more than the state bond rate plus 2 percent. There is a closing cost of 1 percent of the loan size, plus a service fee. The service fee varies among qualified applicants. Loans for land and buildings mature over 15 years, machinery and equipment over 10 years, and working capital over 5 years. Collateral is negotiable and may be subordinated to senior lenders participating in the project.

The Minority Business Enterprise Loan Program helps finance eligible minority-owned manufacturers, processors, distributors, wholesalers, retailers, and service providers. The program uses the federal definition of minority-owned business and is open to women. It can be used to fund most business expenses, including machinery and equipment. Loan sizes range from $25,000 to $250,000, and they cannot exceed a third of a project's total cost, whichever is less. To be eligible, a proprietor must be a Mississippi resident. For corporations and partnerships, at least 50 percent of stockholders must be state residents and 60 percent of owners must be minorities. Interest rates stay within 2 percent of the federal discount rate.

Applying

Each program has its own application process. Banks apply to the state for the Mississippi Loan Guaranty program. Existing businesses whose banks have applied must:

- describe the history of the business, the benefits a loan would create, and the exact use of the loan proceeds;
- submit a earnings and balance sheet for the last three years;
- prepare personal financial statements for each owner, partner, or stockholder with more than a 20 percent stake, and a resume on each;
- list collateral and the fair market value of each item;
- prepare a projected income statement for the first year of operations;.

New businesses applying for loan guarantees must:

- briefly describe the business and the benefits a loan would provide;
- describe the owners' previous business experience;
- estimate how much the owners can finance and how much they must borrow;
- submit a pro-forma balance sheet and income statement for the first year of operation;
- prepare personal financial statements;
- satisfy collateral rules; and
- meet use-of-loan requirements.

For SED loans, applicants must file three copies of a complete application with MBFC. The standardized application form must be accompanied by a $500 non-refundable application fee and by documentation indicating the issuance of a letter of credit. MBFC reviews applications on the basis of their completeness and financial soundness.

For minority loans, applicants should contact the MBFC for information on participating entities within their geographic area.

Impact

Mississippi's guarantee loan program has secured more than $8 million in financing and helped to create 1,694 jobs. The minority loan program has secured nearly $4 million for minority-owned businesses and helped to create 1,750 jobs. The SED program has loaned over $72 million to businesses and has created 4,453 jobs.

Program Examples

Program officials were not able to provide this information.

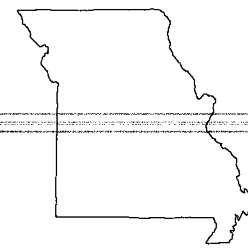
Future Prospects

Program officials plan no changes in the program.

Contact

Mississippi Department of Economic and Community Development
P.O. Box 849
Jackson, MS 39205
Phone: (601) 359-3552
Fax: (601) 359-2832

Missouri



Missouri Department of Economic Development — Finance Program

Overview

The Finance Program is designed to enhance industrial and commercial development in the state of Missouri. It helps small businesses by rewarding their investors with tax credits. Through tax increment financing, local jurisdictions retain larger portions of their property and sales taxes, which they can in turn use for development projects.

Services

The Department of Economic Development (DED) makes capital tax credits available for investors in small businesses. Investors must have less than 50 percent stock ownership in the qualified business. Eligible investments include manufacturing, processing, assembly, research and development in firms that have fewer than 100 employees and less than $500,000 annual revenue. Recipient firms also must be headquartered in Missouri. Investment per business eligible for tax credits ranges from $5,000 to $500,000. Tax credits are based on 30 percent of the investment.

Applying

Applications for tax credits are available through the DED, and copies must be sent to both the DED and the Secretary of State's Office. The process takes about two weeks.

Impact

More than $1.5 million in tax credits have been awarded since the program began in 1992. There is no data on job creation or retention.

Program Examples

Marty Anderson, a former mechanic for TWA, developed a light that works without electricity. He and a number investors in Pnu-Light, the invention's manufacturer, received tax credits on their initial investment.

Future Prospects

The legislature has not planned any changes in the tax code that would endanger the tax credit or increment financing programs.

Contact

Finance Program
Missouri Department of Economic Development
P.O. Box 118
Jefferson City, MO 65102
Phone: (314) 751-0717
Fax: (314) 751-7384

Missouri State Treasurer — Mobucks for More Jobs Linked Deposit Program

Missouri provides a number of financial assistance programs that encourage business growth and job creation. These include a linked deposit program that is among the nation's most used.

Administered by the Missouri State Treasurer, Mobucks for More Jobs can have a total of $110 million in loans outstanding at any given time, with interest rates 3 percent below the average rate on the one-year U.S. Treasury bond for the week preceding the deposit. The minimum deposit rate, however, is 2 percent, which remains fixed until the deposit matures. Eligible are new and expanding firms with more than ten employees and that have their headquarters and operation facilities in Missouri. At least one job must be created or retained in Missouri for each $25,000 borrowed. Deposit size ranges from $90,000 to $5 million. Funds may be used for:

- relocation expenses;
- working capital;
- interim construction;
- inventory;
- site development;
- machinery and equipment; or
- any other expenses necessary to create or retain jobs in the recipient firm

The Mobucks for Small Business offers loans up to $50,000 to proprietors, firms, and corporations with 25 employees or less and that have their headquarters and operations in Missouri. Eligible uses include:

- inventory;
- rent, utilities, insurance and taxes;
- professional fees;
- equipment purchase, rental, or lease;
- renovations, repairs, and maintenance of equipment and facilities; or
- paving, fencing, loading docks, etc.

Loans may not be used for refinancing or purchase of land and buildings. However, they may be used to renovate existing structures.

To apply for this program, a business must contact a bank directly.

Contact

Treasurer Bob Holden
P.O. Box 210
Jefferson City, MO 65102
Phone: (800) 662-8257
Fax: (314) 751-7882

Missouri Department of Natural Resources

The Environmental Improvement and Energy Resources Authority, a division of the Department of Natural Resources, has a $1 million fund available over the five-year period of fiscal years 1992-1997. It promotes the development of markets for recovered materials. An interagency agreement between the Departments of Natural Resources and Economic Development governs the fund. The program provides loans of up to $75,000 for equipment that enables the recovering and recycling of materials. If loan criteria are met in a three-year period, the loan is forgiven and repayment not required. The authority also serves as a conduit for federal tax-exempt bonds.

Contact

EIERA Market Development Program
Missouri Department of Natural Resources
P.O. Box 744
Jefferson City, MO 65102
Phone: (314) 751-4919
Fax: (314) 635-3486

Missouri Development Finance Board

Created in 1982, the Missouri Development Finance Board (MDFB) promotes job creation and expansion of the state's tax base. The board provides loan guarantees targeted to small and mid-sized manufacturers, and it issues taxable and tax-exempt industrial revenue bonds.

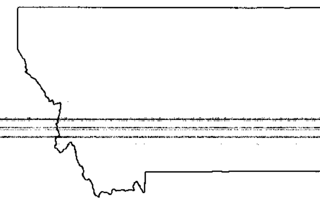
The Loan Guarantee Program, operated by MDFB, guarantees up to 85 percent of loans made by banks, up to a maximum guarantee of $400,000 per borrower. Banks use the guarantees as a substitute for collateral when a firm has a higher risk than the bank usually accepts. Qualifying projects include: manufacturing, warehouse, distribution, commercial, audio-video telecommunication, research, port, pollution control, and export trade facilities. Manufacturing activities receive priority. In any case, firms must show they have reasonable repayment abilities.

Taxable composite industrial revenue bonds, , also issued by MDFB, may be used to refinance prior tax-exempt bond issues. Manufacturers and producers of tangible property are generally eligible. Maturity may not exceed 30 years. Authorization is negotiable, and interest rates are subject to market conditions dependent upon the borrower's credit or credit enhancement. Rates can be fixed, variable, or a combination of the two. The federal tax code generally requires that substantially all bond proceeds be used for the acquisition of property or renovations of fixed assets.

Contact

Missouri Development Finance Board
301 W. High St., Room 680
Jefferson City, Missouri 65102
Phone: (314) 751-8479
Fax: (314) 526-4418

Montana



Montana Department of Commerce — Montana Microbusiness Loan Program

Overview

In 1991, the Montana Department of Commerce certified 12 Microbusiness Development Corporations to make loans to businesses employing fewer than ten people or having less than $500,000 in revenue. The Microbusiness Loan Program helps finance economically-sound small businesses already in Montana, or planning to locate there, that can not obtain conventional financing.

Services

The microloan program offers a maximum of $20,000 per company at fixed interest rates that exceed market rates by 1 to 3 percent. Loans can be used for equipment, working capital, and property. Equipment and property loans mature over a five-to-seven year period; working capital loans over three to five years. The 12 Microbusiness Development Corporations (MBDCs) that administer the loans are located in Missoula, Kalispell, Harve, Lewiston, Bozeman, Billings, Helena, Butte, Great Falls, Malta-Wolf Point, and Glendive-Miles City.

Applying

Firms seeking microbusiness loans first must apply to their local MBDC, which forwards the application to the Helena office for final approval. To initiate the loan process, firms must supply a detailed business plan. Once the plan is complete, credit approval should take about three weeks.

Impact

In April, May, and June of 1994, program loans helped to create 142 jobs in the state; recipients whose operations were retained or expanded in the state accounted for an additional 117 jobs. In the 20 month period ending June 1994, the microloan program made 138 loans worth more than $1.4 million.

Program Examples

Rita Fabyanic had over 20 years experience as a dental technician when she attempted to purchase a Havre dental laboratory from a retiring dentist. The laboratory would have closed and three professional jobs would have been lost if it had not been sold. She applied to the microbusiness finance program and received an award of $6,000. Currently, the High-Line Dental Laboratory constructs custom dental restorations ordered by licensed dentists. It makes porcelain crowns, full cast crowns, Maryland bridges, porcelain Jacket crowns, as well as complete and partial dentures. It serves six dentists, and its employees are well compensated, receiving retirement and health benefits.

Future Prospects

The MBDCs derive their financing from loan interest, supplemented by donations and in-kind services from local governments, private foundations (including the U.S. West Foundation), corporations, and volunteers. The microloan program will request an additional $3.25 million from the Montana Coal Trust Fund in 1995.

Contact

Department of Commerce
Economic Development Division
1424 9th Avenue
P.O. Box 200505
Helena, MT 59620-0505
Phone: (406) 444-3814
Fax: (406) 444-1822

Montana Science and Technology Alliance (MSTA)

Overview

Montana Science and Technology Alliance (MSTA) provides financing for entrepreneurial development aimed at revitalizing existing Montana industries and encouraging new ones. Though MSTA staff initially reviews investment opportunities, the nine-member Montana Board of Science and Technology Development exercises final investment authority.

Services

Seed Capital Financing provides funding for early-stage Montana entrepreneurial companies. MSTA emphasizes funding for technological companies, but other firms also can receive funding. To receive funding, firms should:

- meet the investment board's criteria;
- demonstrate growth potential;
- benefit the state's economy; and
- provide a substantial return on the alliance's money.

MSTA uses its authority over $7.5 million of the coal trust fund to provide such venture capital financing. The alliance may loan up to $350,000 in a single financing round, and up to $750,000 to any one company over time. The MSTA structures all financing as loans with interest rates set at a level providing a reasonable return on investment. The alliance, however, defers a loan's debt service (principal and interest) until maturity.

Research and Development Financing helps to accelerate technological development in Montana. With an additional $5.1 million from the coal fund, the Research and Development Financing component supports various programs in the state including:

- medical facility projects;
- industry-sponsored research projects of the Montana Entrepreneurship Centers; and
- matching funds for various federally-funded programs that stimulate competitive research and development projects.

Contact

Ann Welz
Executive Director
Montana Science and Technology Alliance
46 North Last Chance Gulch, Suite 2B
Helena, MT 59620
Phone: (406) 449-2778
Fax: (406) 442-0788

Montana Investments

Montana Investments' Office of Development Finance administers a series of programs to help small businesses obtain attractive financing. Each program provides companion assistance to enhance the guaranteed portion of various SBA and FmHA loans and has different eligibility requirements.

The office's rules provide for the following types of loans:

- federally funded (usually SBA but sometimes FmHA, Federal Aeronautics Administration, and Bureau of Indian Affairs);

- economic development linked deposit, in which the office places a secured, long-term deposit with a private financial institution. In turn, the institution links the borrower's rate of return on the supported loan to the office's return on the deposit. Eligible uses of funds include working capital, machinery and equipment, buildings, inventory, and site-development;

- business loan participation program, which institutions may use to finance commercial, multi-family, or SBA 504 loans; and

- SBA 504 loan participation, which follows all of the normal SBA loan rules.

The office also uses funds from the Montana Coal Severance Tax Trust Fund to finance approved Montana financial institutions' loans to small businesses of up to $12.4 million per case. The office seeks those loan projects that will have a long-term benefit to the Montana economy.

The office prefers investing in loans that will strengthen the state's economy, maintain and create jobs, or increase Montana's per-capita income or future tax-revenues. In determining whether a loan applicant will maintain or create jobs, the office also considers whether increased competition will displace existing jobs.

Contacts

Robert M. Pancich
Assistant Investment Officer
Montana Investments
P.O. Box 200126
555 Fuller Avenue
Helena, Montana 59620-0126
Phone: (406) 444-0001
Fax: (406) 449-6579

U.S. Small Business Administration Financing
Ronald S. Zeiler
U.S. Small Business Administration
Federal Office Building
301 South Park, Drawer 10054
Helena, MT 59626
Phone: (406) 449-5381

ADDITIONAL RESOURCES

- **Capital Opportunities**

This program provides micro-businesses with capital to start, strengthen, or expand a business.
Human Resource Development Council, Inc.
321 East Main Street
Bozeman, MT 59715
Phone: (406) 587-4486

In Billings, (406) 248-1477
In Kalispell, (406) 752-6565
In Hamilton, (406) 363-6101
In Lewiston, (406) 538-7488

- **WEDGo.**

The Women's Economic Development Group provides financing, training, and consulting to micro-business owners statewide.
Kelly Rosenleaf
Women's Economic Development Group
127 N. Higgins
Missoula, MT 59801
Phone: (406) 543-3550

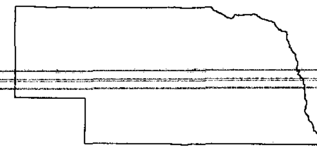
- **Vocational Technical Education**

Jim Fitzpatrick
Executive Director
Montana Council on Vocational Education
Executive Management Building
1228 11th Avenue
Helena, MT 59620
Phone: (406) 444-2964

- **Property Tax Incentives**
- **General Individual Income Tax and Corporation License Tax Incentives**

Larry Fitch
Chief, Research Bureau
Department of Revenue
Sam Mitchell Building
Room 419
Helena, MT 59620
Phone: (406) 444-2981

Nebraska



Nebraska Department of Economic Development — Community Development Assistance Act

The Community Development Assistance Act (CDAA) encourages businesses, insurance companies, and financial institutions to contribute to community betterment projects in economically distressed areas. Any eligible entity that contributes to an approved project is eligible to apply for state income tax credits equal to 40 percent of the value of their contribution. Eligible contributions include cash, materials, or services. Non-profit community organizations develop projects to which eligible entities can contribute funds. Non-profit community organizations submit projects to the Nebraska Department of Economic Development (DED). An organization must provide evidence of economic distress, as defined by DED, in a project area. Five types of projects may qualify under CDAA: employment training, human and medical services, physical facilities and neighborhood development services, recreational and educational activities, and crime prevention. If projects are approved, contributing entities can receive credits for their contributions. No more than $25,000 in tax credits per project will be granted unless an exception is specifically provided by the legislature.

Contact

Julie Hendricks
Community and Rural Development Division
Nebraska Department of Economic Development
P.O. Box 94666
Lincoln, NE 68509-4666
Phone: (402) 471-4169 or (800) 426-6505
Fax: (402) 471-3778

Additional Resources

- **Business Assistance Programs**

Western Technical Community College
Lee Nelson, Assistant Dean for Non-Traditional Programs
RR 1 Box 300
Scottsbluff, NE 69162-9799
Phone: (800) 221-9682

Mid-Plains Technical Community College
Dr. Tom Gorman, Dean of Community Services
416 North Jeffers
North Platte, NE 69101
Phone: (800) 658-4308

Central Technical Community College
Ellen Lake, Associate Dean for Business and Professional Services
4500 63rd Street, P.O. Box 1027
Columbus, NE 68602-1027
Phone: (800) 642-1083

Northeast Technical Community College
Jack Trindle, Dean of Community Services
801 East Benjamin Avenue
P.O. Box 469
Norfolk, NE 68702-0469
Phone: (800) 348-9033

Metropolitan Technical Community College
Gerrald Livingston, Business/Industry Liaison, or
Economic Development Liaison
P.O. Box 3777
Omaha, NE 68103
Phone: (800) 228-9553

Southeast Technical Community College
Jim Lightbody, Director of Community Services
8800 "O" Street
Lincoln, NE 68520
Phone: (402) 471-3303

Jerda Garey, Dean of Community Services
McCook Community College
1205 East Third
McCook, NE 69001
Phone: (800) 348-5343

- **Small Business Consulting Services**

Leon J. Milobar, Associate State Director
Nebraska Business Development Center
1313 Farnam-on-the-Mall, Suite 312
University of Nebraska-Omaha
Omaha, NE 68182-0248
Phone: (402) 595-2381

- **Bureau of Economic Development and Research**

Coordinates economic development activities between local colleges and development agencies.
Rex Cogdill, Director
Bureau of Economic Development and Research
10th and Main Streets
Chadron State College
Chadron, NE 69337
Phone: (308) 432-6244

- **Business Management Workshops and Seminars**
- **Business Microcomputer Training**

Craig Hergott, Assistant State Director
Nebraska Business Development Center
1313 Farnam-on-the-Mall, Suite 132
University of Nebraska-Omaha
Moaha, NE 68182-0248
Phone: (408) 595-2381

- **Business Start-Up Workshops and Consulting Services**

Robin D. Anderson, Director
Nebraska Center for Entrepreneurship
1237 R Street, Suite 203
Lincoln, NE 68588-0226
Phone: (402) 472-3353

- **Getting Down to Business (Cooperative Extension Service)**

Carol Thayer, Coordinator
Small Scale Entrepreneurship
University of Nebraska-Lincoln
South Central Research and Extension Center
Box 6
Clay Center, NE 68933
Phone: (402) 762-4427

- **Skill Training Employment Program (S.T.E.P.)**

Pat Prieb, Job Training Liaison
Nebraska Department of Economic Development
P.O. Box 94666
301 Centennial Mall South
Lincoln, NE 68509-4666
Phone: (402) 471-3780 or (800) 426-6505

- **Short-Term Customized (Employee) Training Programs**

Larry Willis, Director
Research and Development Unit for Vocational Education
511 Nebraska Hall
University of Lincoln, NE 68583-0553
Phone: (402) 472-3337

or

Ms. Pat Prieb, Job Training Liaison
Department of Economic Development
P.O. Box 94666
Lincoln, NE 68509-94666
Phone: (402) 471-3780

• **Business Development Loan Programs**
David L. Gilfillan, Development Finance Manager
Existing Business Division
Department of Economic Development
P.O. Box 94666 — 301 Centennial Mall South
Lincoln, NE 68508
Phone: (402) 471-3769

or

Stewart Jobes, Financial Packager
Panhandle State Office Building
4500 Avenue I, Room 131
Scottsbluff, NE 69361
Phone: (308) 632-1313

• **Business Investment**
Nebraska Research and Development Authority
NBC Center, Suite 780
Lincoln, NE 68508
Phone: (402) 475-5109 or (800) 332-0732

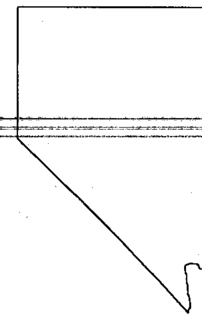
• **Manufacturing Technical Assistance**
Thomas W. Spilker, Director
Nebraska Technical Assistance Center
W191 Nebraska Hall
University of Nebraska-Lincoln
Lincoln, NE 68588-0535
Phone: (402) 472-5600 or (800) 742-8800

• **Food Processing Production Assistance**
Steve Taylor, Director
Food Processing Center
University of Nebraska
Lincoln, NE 68583-0919
Phone: (402) 472-2831
or
Dan A. Neumeister
Food Processing Center
University of Nebraska
Lincoln, NE 68583-0919
Phone: (402) 472-5833

• **Community Improvement Financing (CIF)**
Community and Rural Development Division
Nebraska Department of Economic Development
P.O. Box 94666 — 301 Centennial Mall South
Lincoln, NE 68509-4666
Phone: (402) 471-3119 or (800) 426-6505

• **Carl Perkins Vocational Education Short-Term Training**
Job Training Coordinator
Existing Business Assistance Division
Department of Economic Development
P.O. Box 94666 — 301 Centennial Mall South
Lincoln, NE 68509-4666
Phone: (402) 471-3780 or
(800) 426-6506

Nevada



Nevada Commission on Economic Development — Nevada Revolving Loan Fund

The Nevada Revolving Loan Fund helps for-profit businesses in rural Nevada obtain "gap" financing to complete their business projects. Loans may be used for any need, especially working capital or purchases of machinery, equipment, and inventory. Up to $100,000 is available to Nevada businesses that cannot secure 100-percent financing from commercial lenders. The rates and terms are tailored to the particular needs of a business. Interest rates are tied to the prime lending rate; loan terms may be amortized up to 15 years if warranted. The program requires the sponsorship of the local government, and the project must meet job creation requirements, including the hiring and training of people from low-to-moderate income households.

Contact

Audrey Allen, Program Manager
Nevada Commission on Economic Development
CDBG
Capital Complex
5151 South Carson St.
Carson City, NV 89710
Phone: (702) 687-4325
Fax: (702) 687-4450

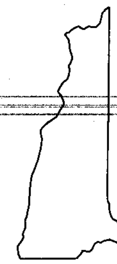
Additional Resources

• Industrial Development Revenue Bond Program
Jolene Rose, Deputy Director
Department of Business and Industry
1665 Hot Springs Road
Carson City, NV 89710
Phone: (702) 687-4250

• The Nevada Risk Capital Initiative
Larry Struve, Chief of Industrial Development and Planning
Department of Business and Industry
16655 Hot Springs Road
Carson City, NV 89710
Phone: (702) 687-4250

• State Public Employees Retirement System
Will Keating, Executive Officer
Public Employees Retirement System
693 West Nye Lane
Carson City, NV 89701
Phone: (702) 687-4208

New Hampshire



Business Finance Authority — Guarantee Asset Program

Overview

Operated since October 1992 by the Business Finance Authority (BFA), a quasi-state, self-funded agency, the Guarantee Asset Program (GAP) provides assistance to capital-intensive businesses experiencing difficulty obtaining normal bank financing.

Services

To reduce lender risk, the BFA will guarantee up to 90 percent of a loan made by a bank to a qualifying business. Typically, the BFA guarantees 70 percent of a loan. About 80 percent of all GAP projects have involved manufacturers throughout the state. Loans average about $1 million.

The borrower must have at least 25 full-time employees. The lending institution must have a security interest on collateral with a market appraisal of 1.25 times the original principal amount. The appraisal must not be over six months old. No more than 40 percent of the gross proceeds of a loan may be used for working capital. The maturity of a loan secured under GAP cannot exceed five years. The borrower needs to repay at least 5 percent of the principal amount of the loan for each of the five years of the guarantee.

Applying

The borrower applies for a loan from a financial institution. The bank determines whether a guarantee from the BFA will be necessary to make the loan. If a guarantee is necessary and the borrower is eligible for GAP, the bank will submit an application to the BFA. Applications for GAP guarantees are accepted only from the financial institution.

Application fees can be as little as $250 for guarantees below $200,000, and as much as $1,000 for guarantees over $10 million. A fee equal to 1 percent of the guaranteed amount of the loan is due at closing. An annual fee equal to 2 percent of the guaranteed portion of the loan also is required.

The terms of the loan will be determined by the participating financial institution with regard to the BFA's working capital, maturity, and principal repayment criteria. All guarantees must receive approval from the BFA and authorization from the governor and the Council of the State of New Hampshire.

Impact

Through August 31, 1994, the BFA had provided $22 million in loan guarantees, helping 11 companies create or retain 2,132 jobs.

Program Examples

Tillston Healthcare Corporation received an $11 million loan from the U.S. Trust Bank, enabling the corporation to save or create 500 jobs. The BFA guaranteed nearly $1.5 million of the loan.

Future Prospects

BFA will continue to have the authority to issue up to $95 million in loan guarantees. Changes in the program will allow the BFA to issue loan guarantees to companies that would not currently meet the program's collateral requirements. These changes would allow computer software and other businesses that are not capital intensive to access the guarantees.

Contact

Frank Lass
Senior Credit Officer
Business Finance Authority
4 Park Street, Suite 302
Concord, NH 03301-6313
Phone: (603) 271-2391
Fax: (603) 271-2396

Business Finance Authority — Capital Access Program

Operated by BFA, the Capital Access Program (CAP) provides a financing alternative to small businesses experiencing difficulty obtaining credit and funds for start-up or expansion. Essentially, CAP stimulates private investment by reducing a lender's exposure. When a business with more than conventional risk obtains a loan from a lender through the CAP fund, the BFA contributes up to 10 percent of the total loan amount to the CAP fund. Additional contributions to the fund are made by the bank and borrower. The CAP fund is used by the lender to cover any defaults on CAP loans. CAP-supported loans are restricted to New Hampshire businesses. The program is available to businesses with annual revenues of less than $5 million. The total loan amount secured by CAP may not exceed $500,000.

Contact

Senior Credit Officer
Business Finance Authority
4 Park Street, Suite 302
Concord, NH 03301-6313
Phone: (603) 271-2391
Fax: (603) 271-2396

ADDITIONAL RESOURCES

- **Investment Tax Credits**
- **Job Tax Credits**
- **Research and Development Tax Credits**

Office of Business and Industrial Development
New Hampshire Division of Economic Development
P.O. Box 1856
Concord, NH 03302-1856
Phone: (602) 271-2591

- **The Guarantee of Loans to Small Business Program**
- **The Temporary Loans to Business Program**
- **Secondary Market for Loans By Local Development Organizations Program**
- **Aid to Local Development Organizations Program**

Senior Credit Officer
New Hampshire Business Finance Authority
4 Park Street, Suite 302
Concord, New Hampshire 03301-6313
Phone: (603) 271-2391

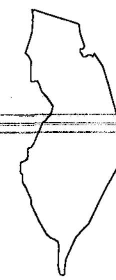
- **Small Business Development Center**

University of New Hampshire
108 McCommell Hall
Durham, NH 03824
Phone: (603) 862-220

- **Office of Economic Initiatives**

University of New Hampshire
Heidelberg-Harris Bldg.
Technology Drive
Durham, NH 03824
Phone: (603) 862-0710

New Jersey



New Jersey Economic Development Authority — Recycling Loans

Overview

New Jersey seeks to help businesses purchase new machinery, buildings, vehicles, and other items in an effort to reduce and reuse waste produced in New Jersey.

Services

The Economic Development Authority (EDA) of New Jersey offers loans to business that collect, separate, process, or convert post-consumer waste into new or marketable products. Loans range from $50,000 to $500,000 or higher, depending on available funds. Financing is made for up to ten years at 3 percent below the prime rate, but the interest rate may not exceed the federal discount rate at the time of EDA approval. Proceeds may be used for buildings, land, equipment, machinery, trucks and other vehicles, and professional engineering and architectural services. Most of the companies that have participated in this loan program have been recycling firms.

Applying

Applications are screened by the Department of Environmental Protection and Energy (DEPE) for conformance with the state's recycling program guidelines before being considered by the EDA for credit worthiness. The DEPE looks at the source and type of recyclable material, and then reviews the company's enforcement record. The business also must be part of a county plan that guides development activity. Once the DEPE's review is complete, the application is forwarded to the EDA, which then performs a financial review of the application. The entire process, including both the DEPE's and EDA's review, takes between two and three months, depending on the completeness of the application. Businesses applying to this program are urged to make sure they fill out their applications completely and demonstrate that they have adequate collateral and funds to pay back their loans.

Fees include a non-refundable $125 application fee payable to DEPE, a charge of $2,067 for a technical review, closing and loan management fee at the time of closing, and a $600 closing fee payable to EDA.

Impact

The program has awarded 40 loans since its inception in 1985.

Program Examples

Marcal Paper Mills Inc., a manufacturer of pulp paper and paper products, received two loans, $3 million in May 1990 and $1.5 million in June 1993. Marcal used these funds to upgrade its pulping facility to take in more post-consumer waste paper. The project allowed Marcal to drive down its costs. The first loan helped to leverage about $27 million in private financing, and the second about $6 million.

Future Prospects

The program's funding seems secure. For every ton of waste dumped in public landfills in New Jersey the dumper must pay a $1.50 tax; the program gets 35 percent of this, about $0.53 for every ton dumped.

Contacts

(For preliminary information)
Bureau of Contract and Finance Administration
Department of Environmental Protection and Energy
840 Bear Tavern Road
Trenton, NJ 08625
Phone: (609) 530-8595

(For financing information)
Adam Mukerji
Director
Commercial Lending Division
Capital Place One
CN 990
Trenton, NJ 08625
Phone: (609) 292-0187
Fax: (609) 292-0368

New Jersey Economic Development Authority — Statewide Loan Pool For Business

Overview

The goals of the Statewide Loan Pool For Business (SLP) are to maintain or create jobs, to help depressed municipalities, and to assist targeted industries, which are those the state deems vital to New Jersey's overall economy. Such firms for instance, may be engaged in industrial activity, be high technology, or provide goods and services. The SLP has been in existence since November 1991.

Services

There are two kinds of loan arrangements under the SLP, Tier I and Tier II. Under Tier I loans, the New Jersey Economic Development Authority (EDA) can finance up to 25 percent of a loan package between $50,000 and $1 million for fixed assets, and between $50,000 and $500,000 for working capital. A bank must provide the remaining 75 percent. The EDA, in addition, may guarantee 25 percent of the bank's portion of the loan. Under Tier II loans, the EDA can finance up to $250,000 of loan packages that range between $1 million and $3 million for fixed assets and working capital. The portion of the loan package for working capital cannot exceed $500,000. The New Jersey EDA can guarantee up to 30 percent of the bank's portion of the loan.

The interest rate for the EDA's portion of the loan at both tiers is the federal discount rate, but it may not be lower than 5 percent. The bank interest cost is negotiated between the borrower and the bank. Typically, the banks charge between prime and prime plus 2 percent interest. EDA assistance usually will not exceed $35,000 per job created or maintained.

Applying

A potential borrower must first fill out a preliminary one-page application and send it, along with three years of financial statements, to the EDA. If the project looks good to the EDA based on its public policy and credit criteria, the agency sends the package to a participating bank. The public policy criteria include whether the business will create or maintain jobs with the proceeds of the loan, whether the business is located in a municipality designated as economically distressed by the EDA, and whether the business represents a target industry such as manufacturing.

Often, a bank will initiate the application process by referring one of its customers to the EDA. Once the bank approves a loan, the EDA will prepare a credit package for consideration by its board, which meets monthly. There is only one set of documents required under SLP. The bank closes the loan and provides the EDA with a participation agreement. The processing time for an application depends on how complete a package the applicant submits; a loan can be closed within two months of when the application is received.

There is a non-refundable EDA application fee of $500 upon bank approval and a non-refundable $500 commitment fee. Also in effect is a closing fee is ½ percent of the EDA guarantee amount times the number of years the guarantee. Bank fees are negotiated between the bank and the borrower; these tend to be between ½ percent and 2 ½ percent of the bank's portion of the loan, but the standard is usually 1 percent.

Impact

In 1994, 135 businesses received SLP assistance for a total of $93 million in loans, including the bank's portion. About 2,200 jobs were created and 1,500 maintained in the same year. Since the start of SLP, approximately $200 million in loans have been approved, including bank assistance, for more than 300 businesses.

Program Examples

Participating in the SLP and obtaining a $1.5-million loan, D. Glasgow and Sons, a children's-wear manufacturer operating from a building in Perth Amboy, was able to buy a larger facility in Woodbridge. Glasgow will use the new building as a warehouse and distribution center, freeing 20,000 square feet in the Perth Amboy facility for expanded manufacturing. The company expects to hire 100 more employees, for a total of 400. The loan enabled the company to stay in New Jersey.

Future Prospects

The New Jersey EDA is a self-supported state agency, launched in 1974 and funded through its fees and interest income from loans and investments. The EDA assists only those projects that need public support, and it limits its participation to that which is necessary to complete a deal.

Contact

Adam Mukerji
Director, Commercial Lending Division
Capital Place Once, CN 990
Trenton, NJ 08625
Phone: (609) 292-0187
Fax: (609) 292-0368

New Jersey Economic Development Authority — Direct Loans

Loans are made to businesses that are unable to obtain sufficient bank credit on their own. Businesses also are eligible if they cannot obtain a loan through the statewide loan pool or New Jersey EDA loan guarantee. Preference is given to job intensive enterprises located in economically targeted areas or those representing a targeted business sector. Loans are made for up to $500,000 for fixed assets and up to $250,000 for working capital. Terms extend up to ten years. The interest rate is equal to the federal discount rate at the time of approval or closing, whichever is less, but no lower than 5 percent.

Contact

Adam Mukerji
Director, Commercial Lending Division
Capital Place One, CN 990
Trenton, NJ 08625
Phone: (609) 292-0187
Fax: (609) 292-0368

ADDITIONAL RESOURCES

- **Economic Growth Bonds**
- **Bond Financing**

Frank T. Mancini
Director, Investment Banking Division
New Jersey Economic Development Authority
Capital Place One, CN 990
Trenton, New Jersey 08625
Phone: (609) 292-0192

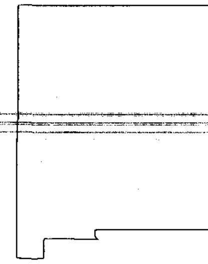
- **Loan Guarantees**
- **New Jersey Worldwide**
- **Export Working Capital Loans**
- **Low-Interest Fixed-Asset Loan — Local Development Financing Fund**

Adam Mukerji
Director, Commercial lending Division
New Jersey Economic Development Authority
Capital One Place, CN 990
Trenton, NJ 08625
Phone: (609) 292-0187

- **Financing for Urban Development Projects**
- **Financing for Small Businesses, Minority-Owned and Women-Owned Enterprises**
- **New Jersey Contractors Assistance Program**

Bryan K. Finnie
Director, Urban programs Division
New Jersey Economic Development Authority
Capital One Place, CN 990
Trenton, NJ 08625
Phone: (609) 633-1100

New Mexico



New Mexico Taxation and Revenue Department — Investment Tax Credit

New Mexico authorizes a credit equal to the compensating tax rate (5 percent on tangible personal property used in a transaction that is normally subject to gross receipt tax) on the value of qualified equipment and other tangible personal property used directly and exclusively in a manufacturing operation. Qualified equipment includes that brought to New Mexico from out of state, put into use, and not previously been approved for credit. The credit may be claimed against the taxpayer's compensating tax, gross receipts tax, or withholding tax due. One full-time job or equivalent must be created for every $250,000 worth of equipment claimed as credit, up to $2 million. One full-time job or equivalent must be created for every $500,000 worth of equipment claimed as credit between $2 million and $30 million. One full-time job or equivalent must be created for every $1 million for equipment claimed as credit over $30 million.

Contact

New Mexico Taxation and Revenue Department
1200 South St. Francis Drive
Santa Fe, NM 87509
Phone: (505) 827-0837 or
(505) 827-0832
Fax: (505) 827-1759

New Mexico State Investment Council — Real Property-Related Business Loans

With funds from the Severance Tax Permanent Fund, the state will provide up to 80 percent of loans originated by New Mexico financial institutions to start-up or expanding businesses. Eligible uses of funds include the purchase of land and attached buildings, and the refinancing of existing debt if the loan is for expansion purposes.

Contact

New Mexico State Investment Council
2025 S. Pacheco St.
Suite 203, Building A, 2nd Floor
Santa Fe, NM 87505
Phone: (505) 827-6226
Fax: (505) 827-6242

ADDITIONAL RESOURCES

- **Community Development Revolving Loan Fund Program**
- **Industrial Development Training Program (In-Plant)**

New Mexico Economic Development Department
Joseph Montoya Building
1100 St. Francis St. Drive
Santa Fe, NM 87503
Phone: (505) 827-0300

- **New Mexico Business Bonds**
- **New Mexico Venture Capital Investments**
- **New Mexico Financial Institutions Certificate of Deposit Program**
- **New Mexico Purchase of SBA/Farmers Home Administration Guaranty Obligations**

New Mexico State Investment Council
2025 S. Pacheco Street, Suite 203
Building A, 2nd Floor
Santa Fe, NM 87505
Phone: (505) 827-6226

- **Tax Abatements**

New Mexico Taxation and Revenue Department
Manual Lujan Building
1200 St. Francis Drive
Santa Fe, NM 87509
Phone: (550) 827-0822

- **New Mexico "27J" Exemption**

Regulations and Licensing Department
725 St. Michael's drive
Santa Fe, NM 87503
Phone: (505) 827-7140

New York

New York State Urban Development Corporation — Expansion, Retention, and Attraction Assistance Program

Overview

The Expansion, Retention, and Attraction Assistance Program (ERA) is the primary vehicle through which the New York Urban Development Corporation (UDC) works with business to revitalize and rebuild the industrial base of New York state. ERA's primary objectives are to deliver low-cost loans or interest subsidy grants to eligible industrial firms that will create or retain substantial numbers of jobs and assist distressed geographic regions of the state.

Services

Generally, the ERA program provides up to 33 percent of the total project cost or a minimum of $15,000 for each full-time permanent job created or retained, whichever is less. Loan proceeds may be used for:

- acquisition or improvement of land and/or buildings;
- construction, renovation, and leasehold improvements; and
- acquisition of machinery and equipment.

In a few instances, ERA loans may be used for limited working capital uses. Firms eligible for ERA assistance include for-profit firms involved in manufacturing, warehousing, distribution, and related industrial operations. This program is designed to primarily benefit manufacturing businesses. Headquarter operations for retail, and logging companies also are eligible.

Applying

Before a formal application is submitted, members of the UDC normally discuss proposals with potential applicants. After discussions, an application is submitted and then reviewed. There are no application costs. The waiting time between application submission and UDC's funding decision varies depending on the project's complexity.

Impact

The program has retained many large industrial employers in the state that otherwise would have downsized significantly or moved their operations out of state.

In 1994, the ERA funded ten projects for a total of approxmately $10 million. These projects resulted in the creation of 1,450 jobs and the retention of 1,200 jobs. The program leveraged more than $35 million in additional funding. The average ERA loan was $1.1 million.

Program Examples

Building upon its success in biotechnology R&D, Regeneron Pharmaceuticals, Inc., will use a $2 million ERA loan, and a $5 million loan from the state Job Development Authority, to purchase a second manufacturing facility in East Greenbush in Renesslaer County. This new facility will be the site of development of a protein used to test for ALS (Lou Gehrig's disease) and other neurodegenerative disease therapies. Some 475 new jobs are expected to be created by 1999, adding to the 225 existing jobs in Regeneron's Tarrytown facility.

Future Prospects

The state increased funding for the 1994-1995 fiscal year.

Contact

New York State Urban Development Corporation
Vice President, Industrial Development
1515 Broadway
New York, New York 10036
Phone: (212) 930-0356
Fax: (212) 930-01221

New York State Urban Development Corporation — Small and Medium-Sized Business Assistance Program

Overview

In recognition of the vital role of small and medium-sized businesses in the state's economy and employment base, the Small and Medium-Sized Business Assistance Program (SAMBA) was created in 1986 to provide flexible, low-cost financing to manufacturing operations for retailing, expansion, and modernization. The program also provides loans for the construction of day care facilities, sponsored by eligible industrial firms, in order to meet the needs of working parents. SAMBA's primary objective is to strengthen New York's economy and employment base.

Services

SAMBA loans may not exceed 50 percent of the cost of a project, or $15,000 per job created and/or retained, whichever is less. The minimum loan available is $75,000; the maximum is $750,000. SAMBA loans are available to small (fewer than 100 employees) and medium-sized (100 to 500 employees) for-profit manufacturing firms. Loan may be used for

- acquisition or improvement of land and/or buildings;
- construction, renovation, and leasehold improvements;'
- acquisition of machinery and equipment;
- limited working capital uses; and
- construction or renovation of day care facilities.

Applying

Before a formal application is submitted, members of the New York Urban Development Corporation like to discuss proposals with potential applicants. After these discussions, which may be lengthy, the application is submitted and reviewed. There are no application costs. The main review criterion is whether or not the company can receive traditional financing. If the company cannot, it is eligible. The waiting time between when the applicant applies and when it receives a funding decision varies depending on the project's complexity.

Impact

The majority of SAMBA companies have found that they are more stable, profitable, and productive, and that they are in an improved employment situation.

SAMBA funded five projects in fiscal 1993-1994 for a total of $2,155,000, resulting in the creation of 251 jobs and the retention of 229 jobs. The program leveraged more than $4 million in additional funds. The average SAMBA loan was $431,000.

Program Examples

In the mid-1980's, Owl Wire and Cable, Inc. (OWL), a manufacturer of cable and wire products in Canastota, New York, began to experience a decrease in demand due to technological advances and increased competition within the industry. As a result, the company laid off almost 100 of its 250 workers in its Canastota facility. Owl then began developing a strategic plan to modernize its manufacturing process and redefine its market. The company analyzed the costs associated with modernizing its Canastota facilities and/or investing in new facilities in North Carolina, where it previously had operated a facility. As part of this process, Owl contacted the New York Urban Development Corporation to discuss assistance options. In 1993, Owl and UDC agreed on an incentive package that will enable Owl to modernize its Canastota facility. A SAMBA loan of $500,000, coupled with leveraged funds from the private market and company equity, will enable Owl to purchase a "state-of-the-art" multi-wire drawing machine and support system. The new machinery, along with an improved process and delivery system, are expected to increase Owl's productivity and the quality of its product; such improvements should result in the retention of 155 jobs.

Future Prospects

The program's funding increased for the 1994-1995 fiscal year.

Contact

New York State Urban Development Corporation
Vice President, Industrial Development
1515 Broadway
New York, New York 10036
Phone: (212) 930-0356
Fax: (212) 930-0122

New York Urban Development Corporation — Regional Economic Development Partnership Program

Overview

Administered by the New York State Urban Development Corporation (UDC), the Regional Economic Development Partnership Program (REDPP) is designed to foster long-term economic growth throughout the state by strengthening regional economies, enhancing the region's economic development capacities, and creating new job opportunities. REDPP operates in partnership with local and regional entities, communities, and organizations. Specifically, regional councils, among others, prepare regional strategic plans and prioritize projects for REDPP's funding consideration. This process results in projects that better address local and regional economic development issues.

Services

The REDPP provides a broad range of assistance, including business development, infrastructure investment, company-specific training and assessment, tourism, child care, and regional revolving loan trust fund assistance. The program also makes economic development assistance grants.

Two of these services are of particular interest to small manufacturers: the business development and the regional revolving loan trust fund. The business development assistance program provides low-cost financing for projects that will directly create or retain permanent jobs. The types of uses to which the funds may be put are working capital; equipment and machinery purchases; land and plant acquisition, renovation or reconstruction; and feasibility studies. Assistance comes in the form of loans, grants, and interest subsidy grants. Eligible recipients include industrial, commercial, research and development, tourism, and agricultural and service companies. Under the business assistance program, loans and interest subsidy grants are limited to the lesser of $400,000 or 33 percent of the total project cost. The maximum amount of funding for a business development feasibility study is $40,000.

The regional revolving loan trust fund is designed to provide working capital loans and loan guarantees to small businesses, defined as those having less than 100 full-time employees. Seven existing trust funds are administered by the various regional corporations; during 1993 REDPP operated in Mohawk Valley, New York City, Finger Lakes, Capital Region, Western New York, Southern Tier, Mid-Hudson, Central New York, Long Island, and North Country. Under the revolving loan trust fund, loans may not exceed $75,000 or 50 percent of the total project cost, whichever is less. Guarantees can consist of no more than 80 percent of the loan or $80,000, whichever is less. Priority is given to project that create or retain jobs; are located in distressed areas; are owned by minorities or women entrepreneurs or which employ minorities, women, or displaced workers; and leverage other public or private dollars.

Applying

REDPP has four funding cycles each fiscal year. Generally, applications are submitted to Department of Economic Development offices in the regions or, in the case of metropolitan areas with a population of one million or more, directly to UDC. Regional councils review and rank applications for their respective areas to ensure that the proposed projects are consistent with the region's strategic plan. In accordance with statute, applications from New York City are reviewed by UDC staff. After local review, the applications are forwarded to UDC submission to the UDC Board of Directors. Grant applications for less than $50,000 are submitted to the UDC chairman for approval.

Impact

From 1986 through 1993, REDPP funded some 578 projects, totaling more than $65 million in UDC funding. These projects leveraged almost $240 million in other public and private funding. During 1993 alone, 108 projects were approved, totaling $8,141,461 in UDC assistance; this investment leveraged more than $20 million from other public and private sources. Approved projects in 1993 are expected to result in the creation of 421 jobs.

Program Examples

The Al Tech Specialty Steel Corporation, a leading manufacturer of specialty steel for automotive chemical, aerospace, and nuclear industries, received a $125,000 training grant. The grant was used to help implement Total Quality Management techniques in the company's two facilities in Chautaugua County and Albany County. The new techniques will upgrade worker skills and increase productivity.

Future Prospects

Requested assistance from REDPP rose steadily between 1991 and 1993. Appropriations for the REDPP, however, have dropped from $7 million in 1991-1992 to just below $5 million in 1993-1994. The program continued at a similar level during 1994-1995.

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New York State Department of Economic Development — Recycling Investment Program

Overview

Through the Recycling Investment Program (RIP), managed by the Office of Recycling Market Development (ORMD) of the Department of Economic Development, New York manufacturers can gain access to assistance with waste reduction, thus increasing their productivity by reducing waste management costs. Support also is available for research and development projects related to the manufacture of recycled products. Finally, manufacturers of recycled products can receive indirect capital support for productivity improvements and expansions to new locations in New York State.

Services

The RIP offers financial assistance to qualifying small and medium-size businesses, as well as communities and not-for-profits in New York State, for projects that promote waste prevention and encourage the development of recycling markets. RIP seeks to eliminate municipal solid wastes requiring disposal and to capture the resultant economic benefits.

RIP offers assistance for three types of projects: capital, technical assistance, and research and development. To achieve its goals, ORMD intends to contract for projects that:

- promote business waste prevention and recycling;
- enhance and improve the supply of post-consumer solid wastes being collected and processed for recycling; and
- increase the demand for products made with recycled content.

For capital projects, ORMD will invest up to 50 percent of the cost of physical assets such as property, plants, machinery or equipment; infrastructure development; and/or improvements to real property. By statute, capital project contracts are restricted to municipalities and not-for-profit corporations. However, businesses can—and are encouraged to—work with local development agencies, trade associations, or communities to develop capital projects. A county economic development agency, for example, may apply to assist a recycling company that wants to expand, increase the efficiency of its operations, or improve the facility's infrastructure. The economic development agency may invest RIP funds in the needed recycling equipment and lease the equipment to the company.

Businesses may apply directly for support for research and development projects that test or evaluate the technical and/or economic feasibility of a recycling technology or process; conduct recycled product performance testing; and develop feedstock specifications for recovered materials that will be used in the manufacture of a recycled product. For R&D projects, ORMD will invest up to 80 percent of the expenses associated with conducting the test, evaluation, or demonstration. R&D contracts are limited to New York firms and not-for-profit corporations that employ fewer than 500 workers or earn less than $10 million in gross annual sales. Although projects tend to range between $25,000 and $50,000, based on financial need and structure, ORMD may consider funding higher amounts.

In the area of technical assistance, not-for-profit corporations or municipalities may access RIP funds to provide waste reduction services to businesses. Under RIP, several local material waste exchanges have been established that target commercial and industrial wastes. In addition, RIP has established waste audit programs, in which personnel are trained to assist businesses in identifying waste reduction practices.

Several guidelines apply for all RIP projects.

- The applicant's matching monies may not be from other New York State-supported solid waste or recycling programs, or from any federal agency. Cash matches are preferred over in-kind contributions.
- Six months to two years is considered a reasonable amount of time to complete R&D and technical assistance projects. ORMD will commit to capital projects for a period not to exceed two years, but extensions can be granted.
- All projects are evaluated on a competitive basis.

In general, ORMD staff can advise manufacturers in setting up waste reduction and recycling programs, help them find markets for materials they collect for recycling, and provide lists of vendors of recycled products. ORMD also can provide assistance to companies that process, make equipment to process, or make products from, post-consumer recovered materials. Staff can help with site location and financing options for recycling firms seeking to expand their capacity or locate new capacity in New York State. In certain situations, ORMD can provide interest subsidies on loans from New York's Job Development Authority (JDA) or Urban Development Corporation (UDC).

Applying

To apply, New York businesses and municipalities must submit concept papers identifying the type of project, how the project helps achieve ORMD goals, and specific performance targets to be achieved. Information about the persons responsible for the project and budget information also are required.

Concept papers are reviewed in three cycles annually, with submission deadlines on the first business days of June, October, and February. Award announcements are made approximately eight weeks later. ORMD tries to award at least 25 percent of the annual RIP appropriations during each cycle.

RIP contracts are awarded based on how much a project assists ORMD achieve its mission, the project's cost effectiveness, and the likelihood of achieving the projected results. In addition, R&D projects will be evaluated with respect to the potential for applying results of the project to other New York State business enterprises.

Impact

The RIP was established in 1994 as a combination of several former ORMD programs. Prior to 1994, ORMD awarded technical feasibility grants to 28 companies, resulting in a total investment in technology development and evaluation of more than $1.3 million. Of the 18 projects completed, 12 have led directly to new and expanded commercial operations.

Since 1988, a total of 21 recycling companies have received state-supported financing for capital investments. This commitment of $37 million by New York State has leveraged $253 million from private-sector capital investments.

Program Examples

In 1990, Fibercel Corporation, a small, western New York manufacturer of custom molded fiber cushions for shipping auto parts, used grant monies from ORMD to assess the potential for replacing styrene packaging peanuts with similar "peanuts" made from old newspapers. During its investigation, the firm developed the equipment needed to make "Fiberflow," a new paper packing product. Since then, Fibercel has set up a sister company, called Fiberflow, that still uses the prototype machine developed under the ORMD grant. Today, Fiberflow has three machines producing five tons of paper peanuts each week, and it is considering expanding its capacity to make 15 tons per week.

Another grant recipient, Brandt Manufacturing, tested the strength and marketability of a glass bottle coating it had developed. This coating would allow for all glass containers to be made from clear, flint glass and then color-coated to fit their needs. Not only did this innovation improve the recyclability of the glass, since these containers would not have to be color sorted, but it also increased the strength of the containers, decreased breakage, and allowed for a variety of colors and designs. Subsequently, Brandt, now Brandt Technologies, Inc., was approved for a loan from New York's JDA and UDC to expand its operation to a bigger facility in Broome County, New York. Since then, the company has sold a license agreement to Vitro S.A., parent of glass manufacturer Anchor Glass, to use the "ColorGuard" process at a new prototype line at its plant in Monterrey, Mexico. In 1993, Brandt went public with a successful stock offering to support its continued growth. "ColorGuard" bottles are now on store shelves throughout the southwestern U.S.

Future Prospects

In 1994, ORMD received $2 million from the state's Environmental Protection Fund. In addition, the few remaining funds from New York's portion of monies generated under the Petroleum Overcharge Restitution Act, and from the U.S. Environmental Protection Agency will assist ORMD in carrying out its programs.

Contact

Office of Recycling Market Development
NYS Department of Economic Development
One Commerce Plaza
Albany, NY 12245
Phone: (518) 486-6291
Fax: (518) 474-1512

Additional Resources

- **Industrial Effectiveness Program**
- **Job Retention Working Capital Loan Fund**
- **Minority and Women-Owned Business Technical Assistance Programs**
- **Minority and Women-Owned Business Decentralized Loans and Loan Guarantee Program**
- **Minority and Women Small Business Incubator Program**
- **Minority and Women Business Development and Lending (MWBDL) Community Based Revolving Loan Trust Funds**
- **MWBDL Linked Deposit Program**
- **Urban and Community Development outreach and Capacity building Assistance**
- **Urban and Community Technical Assistance**
- **Urban and Community Commercial Revitalization and Targeted Area Development Assistance**
- **Higher Education and Applied Technology Program**
- **Regional Revolving Loan Trust Fund**
- **Strategic Industries Group Services Program**

New York State Urban Development Corporation
1515 Broadway, 52nd Floor
New York, NY 10036
Phone: (212) 930-0200

- **Direct Loan Program**
- **Micro Loan Program**
- **Loan Guarantee Program**
- **Rural Development Loan Fund**
- **Rural Areas Development Fund**
- **Long-Term Economic Development Fund**
- **Export Assistance**
- **Capital Investment Credit**
- **Employment Credit**
- **Research land Development Tax Credit**
- **Pollution Control Credit**
- **Small Business Tax Incentives**
- **Economic Development Zones** (Businesses locating to or expanding in one of these zones can receive tax incentives and other benefits.)
- **Business Property Tax Exemption Outside New York City**

Job Development Authority
605 Third Avenue
New York, NY 10158
Phone: (212) 818-1700

- **New York Business Development Corporation** (The corporation responds to the lending needs of small businesses and the banking community through creative financing programs.)

Upstate
41 State Street
P.O. Box 7381
Albany, NY 12201
Phone: (518) 463-2268

Downstate
1515 Broadway
51st Floor
New York, NY 10036
Phone: (212) 827-6161

Western
Liberty Bldg., Suite 717
424 Main Street
Buffalo, NY 14202
Phone: (716) 856-8111

Mid-Western
111 East Ave., Suite 221
Rochester, NY 14604
Phone: (716) 232-6250

Central
1201 E. Fayett St.
Syracuse, NY 13210
Phone: (315) 478-5816

Eastern
45 Executive Drive
Plainview, NY 11803
Phone: (516) 349-1266

- **Economic Development Zones Program**

Frank L. Cardinale, Director
New York State Department of Economic Development
Economic Development Zones Program
One Commerce Plaza, Room 980
Albany, NY 12245
Phone: (518) 473-6930

- **Entrepreneurial Assistance Program (EAP)**

Maria Padilla-Orasel
Division of Minority and Women's Business Development
New York State Department of Economic Development
1515 Broadway, 51st Floor
New York, NY 10036
Phone: (212) 827-6170

- **NYS Minority and Women-Owned Business Enterprises Program**

Lynn G. Canton, Executive Director
Division of Minority and Women's Business Development
New York State Department of Economic Development
One Commerce Plaza
Albany, NY 12245
Phone: (518) 476-6346

- **NYS Office of Recycling Market Development**

Dr. William Ferretti
Director, Office of Recycling Market Development
New York State Department of Economic Development
One Commerce Plaza, Room 950
Albany, NY 12245
Phone: (518) 486-6291

- **Economic Development through Greater Energy Efficiency (EDGE) Program**

William W. Reinhardt
New York State Energy Research and Development Authority
2 Rockefeller Plaza
Albany, NY 12223
Phone: (518) 465-6251, ext. 257

- **University/Industry Energy Research and Development Program**

Edward Kear
New York State Energy Research and Development Authority
2 Empire State Plaza
Albany, NY 12223
Phone: (518) 465-6251, ext. 269

• **Energy Products Center**
Peter Douglas
New York State Energy Research and
Development Authority
2 Rockefeller Plaza
Albany, NY 12223
Phone: (518) 465-6251 or 6214

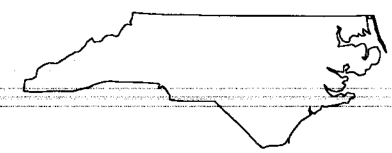
• **NYSEFC Industrial Finance Program**
J. Andrea Estus
New York State Environmental Facilities
Corporation
50 Wolf Road
Albany, NY 12205
Phone: (518) 457-4100 or
(800) 882-9721 (within NYS only)

• **Investment Tax Credit**
• **New Business Investment Exclusion and Deferral**
• **Corporate Franchise Tax Allocation Percentages**
• **Sales Tax Exemptions**
New York State Department of Taxation and
Finance
W.A. Harriman Campus, Bldg. 9
Albany, NY 12227
Phone: (800) CALL-TAX (225-5829) or
(518) 438-8581 (out of state)

• **Industrial Technology Extension Service (ITES)**
Mark S. Tebbano, Manager
Industrial Technology Program
New York State Science & Technology
Foundation
99 Washington Ave., Suite 1730
Albany, NY 12210
Phone: (518) 474-4349

• **Economic Development Skills Training Program (EDSTP)**
Peter Mannella, Director
Skills Training Program
NYS Department of Economic Development
One Commerce Plaza, 9th Floor
Albany, NY 12245
Phone: (518) 474-0672

North Carolina



Energy Division — Business Energy Improvement Program

Overview

The Business Energy Improvement Program (BEIP) provides low-interest loans, secured by a bank letter of credit, for eligible energy conservation measures.

Services

Any for-profit business can apply to this revolving loan program for loans of between $100,000 and $500,000. Most loans given through the program tend toward $500,000. Basically, the applicant must show that the loan will be used to implement energy saving measures or to introduce energy saving machinery. The project must utilize existing, proven, reliable, and commercially-available technologies recognized by the state's Energy Division (ED). Nearly 60 percent of all applicants have been manufacturers as of January 1995, with most of the rest being commercial ventures.

After a pre-application conference, the business must arrange for a technical analysis by a registered engineer showing the project's predicted energy savings. Based upon the expected annual savings, the loan amortization period is established. The interest rate on the loan ranges from 3.75 percent to 5 percent.

Applying

The application process begins with the applicant discussing the project with the ED. If the project is acceptable to a review committee, the Commerce Finance Center (CFC) issues a letter of intent notifying the applicant that the project satisfies the program's requirements. Then the applicant undertakes a technical analysis and submits it to the ED. A loan agreement is drawn up and forwarded to the applicant to sign. The loan is then closed. The applicant must bear three fees: a $300 application fee, a $1,000 attorney's fee, and a bank letter-of-credit fee of less than 1 percent of the loan. Typically, it takes 30 to 40 days from the time the ED begins reviewing the technical analysis to the time the CFC notifies the applicant that the loan is ready.

Impact

Seven projects, costing between $375,000 and $500,000, received funding during the five-year period prior to January 1995. Specific program information was not available.

Program Examples

A textile manufacturer that makes high-quality fabrics for womens' dresses received a $450,000 BEIP loan to install energy-efficient lighting over 85 percent of its manufacturing floor space. This private company, employing 1,200 employees, decreased its operating costs, and the investment paid for itself within five years.

Future Prospects

The program expects to loan between $1 million and $2 million in the upcoming year.

Contact

David Smith
Project Manager
North Carolina Energy Division
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Raleigh, NC 27611
Phone: (919) 733-1893
Fax: (919) 733-2953

Division of Environment, Health and Natural Resources — Challenge Grants for Pollution Prevention

Overview

The North Carolina Pollution Prevention Program is a public-private partnership that challenges North Carolina industries and businesses to identify and apply pollution prevention techniques. To help accomplish this challenge, financial assistance up to $15,000 is offered.

Services

Projects that address waste minimization through source reduction or recycling are eligible for a challenge grant. Also considered are projects involving post-use recovered materials as feedstock in place of virgin materials. Through June 1994, manufacturers have been the primary participants. Assisted companies have had as few as five employees, while others have been large corporations, such as R.J. Reynolds.

Proposed projects must address the feasibility of applying specific methods or technologies to prevent pollution and/or reduce waste generation. Projects can range from in-depth studies, to pilot-plant demonstrations, to full-scale implementations. Typical projects include: evaluations of alternative uses of cotton cleaning waste; replacing solvent degreasing operations with aqueous cleaning operations; developing employee training programs to reduce pollutant loadings to the local sewage treatment facility; and comparing various types of high-volume, low-pressure (HVLP) spray guns for use in the furniture industry.

Approved projects receive grants of up to $15,000. Grant money must be matched on a dollar-for-dollar basis. Each proposal should provide a breakdown of project costs and indicate matching contributions as cash inputs or in-kind contributions, such as staff salary, equipment, laboratory analysis, or consultant time.

Projects must be completed by May first of the year following the year of application.

Applying

Applications are accepted by the Office of Waste Management between mid May and July 1. Applicants must submit a one to two page application describing their projects and the expected savings. There is no application fee. Applications must contain a summary of anticipated costs, a schedule of events relating to the project, and a clear goal. An important criterium is whether the application of a particular technology can be transferred to other businesses in the same industry.

Impact

Between 1985 and the end of 1994, the pollution prevention program funded 115 projects, for a total investment of $2.3 million. The governor has stated that pollution prevention is the foundation of North Carolina's environmental policy.

Program Examples

In 1994, the program helped a yacht manufacturer reduce emissions pollution. A challenge grant enabled the manufacturer to improve the quality of the paint guns used to paint the yachts. By introducing a roller can into the process, the manufacturer applied coatings more efficiently, reduced emissions, and saved money.

Future Prospects

The challenge grant program obtained some $100,000 during the current fiscal year. Since the grants now are standard in the Office of Waste Management's budget, they will continue next year.

Contact

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Office of Waste Reduction
Division of Environment, Health and Natural Resources
3825 Barrett Drive, 3rd Floor
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Fax: (919) 571-4135

ADDITIONAL RESOURCES

- **Economic Development Grants**
- **Small Business Loan Program**
- **Industrial Revenue Bond**
- **Industrial Building Revenue Fund**
- **Job Creation Tax Credit**

N.C. Department of Commerce
Commerce Finance Center
430 N. Salisbury Street
Raleigh, NC 27611
Phone: (919) 733-5297

- **Foreign Sales Corporation**
- **North Carolina Shared/Group FSC Program** (Businesses can obtain state and federal tax exemptions on a portion of their export profits.)

- **North Carolina Ports Tax Credit**

N.C. Department of Commerce
International Trade Division
430 Salisbury St..
Raleigh, NC 27611
Phone: (919) 733-5297

- **Microenterprise Loan Program**

N.C. Rural Economic Development Center, Inc.
Four N. Blount Street
Raleigh, NC 27601
Phone: (919) 821-1154

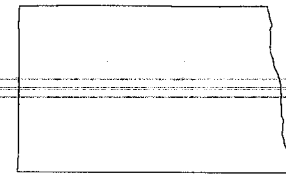
• Sales and Use Taxes (Rebates)
501 Wilmington St.
P.O. Box 25000
Raleigh, NC 27604-8004
Phone: (919) 733-3661

• Basic Buildings Program
N.C. Department of Commerce
430 North Salisbury St.
Raleigh, NC 27603
Phone: (919) 733-5297 or
(919) 733-2230

• Industrial Training Program
Joe Sturdicant
Business and Industry Services
200 West Jones St.
Raleigh, NC 27603-1379
Phone: (919) 733-7051

• Corporate Income Tax Benefits
Bill Baker
N.C. Department of Revenue
Corporate Income and Franchise Tax Division
P.O. Box 25000
Raleigh, NC 27640-0001

North Dakota



Bank of North Dakota — Pace Fund

Overview

During the late 1980s, the state's agricultural and manufacturing businesses struggled economically due to the drought and the national recession. By 1990, these businesses identified expanded market opportunities, but were hamstrung by a lack of capital. Administered by the Bank of North Dakota (BND), the Pace Fund was created in March 1990 to serve the financing needs of businesses that had trouble obtaining financing from other sources.

Services

Monies from the Pace Fund are used by the Bank of North Dakota to buy down the interest rate on its portion of loan packages. Participating in these loan packages are BND, other financial institutions, and local communities. BND must take 50 percent to 80 percent of the total loan. The interest on the BND portion of the loan falls below the market rate. The Pace fund provides up to $250,000 for interest rate buydowns per project. Interest rates on loans can be reduced to as much as 3 percent below the New York prime for the term of the loan.

There is a job creation requirement. The business receiving the loan must create one new job for each $75,000 of borrowing within one year of receiving the loan.

Funds may be used for working capital, equipment, and real property. Eligible businesses include manufacturing, processing, data processing, communication, and telecommunication businesses. Between 70 and 75 percent of participants are manufacturers.

There is no limit on the amount of the loan. The term of the loan is one-to-five years for working capital, five-to-seven years for equipment, and 12-to-15 years for real estate. BND maintains a first lien position on acceptable business assets.

Applying

A business starts the process by applying to a lending institution. The prospective lender then submits an application to BND. BND has its own requirements for the loan and evaluates each business according to these, regardless of the originating bank's credit review. Once BND decides to participate, it may choose the Pace Fund from among several different types of financial assistance initiatives, including its Business Development Loan Program and Small Business Loan Program. The BND accepts no direct applications from businesses.

There is a minimum $250 fee, determined on a loan-by-loan basis. The BND processes the application between ten and 45 days, depending on the size of the loan and the completeness of the application.

Impact

Between March 1990, when the program first began, and June 1994, the BND committed to 152 projects, 124 of which were funded. Information on these loans is listed in the table below.

Pace Loan Program
Loan Activity, March 2, 1990 to June 30, 1994

	Funded Loans	Committed Loans	Total Loans
Number	124	28	152
Amount	$41,200,000	$14,800,000	$56,000,000
Buydown	8,000,000	2,600,000	11,200,000
Jobs	2,050	416	2,466

Funded and committed loans to date during the 1993-1995 biennium amount to $2,785,004. About $577,000 still remains to buydown loan rates during the rest of 1995.

Program Examples

The Pace Fund has helped many agricultural manufacturers afford improvements to their plants. Whereas businesses previously had to hire out contractors to, for instance, paint their products, firms now can obtain a loan package fashioned by the BND that allows them to bring the improvement in house. This change results in lower costs and increased efficiency. Through the interest buy-down program, a business stands to save as much as $385,000.

Future Prospects

The Pace Fund is replenished every biennium. The current biennium spans from July 1, 1993, to June 30, 1995. The legislature has provided about $6.5 million for the next biennium.

Contact

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Bank of North Dakota
Commercial Loan Department
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Bismarck, ND 58506-5509
Phone: (701) 328-5600
Fax: (701) 328-5731

North Dakota Job Service — Workforce 2000

Overview

Administered by North Dakota Job Service, Workforce 2000 is a state-funded worker training program designed to assist businesses beyond the scope of federal training initiatives. The program's priority is to upgrade and retrain the workforce of businesses that are introducing new technologies and work methods. Additionally, the program tries to broaden the skills base of state residents, especially those in rural areas.

Services

This program supports business retention and expansion by making funds available for customized retraining and skills upgrading of employees in North Dakota companies. Training classes are held through the state's secondary and post secondary educational systems. The majority of businesses served by the program are manufacturers.

To be eligible, employees must be North Dakota residents, and businesses must be a manufacturing, reprocessing, processing, assembly, or resource-oriented business; be introducing new methods or technology into their production process; and have changed methods of production or be in the process of doing so. Furthermore, the employees receiving training must be in ongoing, long-term positions, and the company must be operating at North Dakota sites.

Applying

Workforce 2000 applications are available from North Dakota Job Service. Businesses are asked to submit a training proposal along with an application. A committee of representatives from business, government, and labor review and either approve or disapprove each application. The committee, which meets monthly, looks closely at what other funds will be contributed to the training. Contracts are in place usually within one to two weeks of the committee meeting.

Impact

To date, 18 projects have been approved. During the first two years of the program, ending June 30, 1994, the program provided job training to a total of 821 North Dakotans from 26 different businesses.

Program Examples

The program has trained workers in: the testing, adjusting, and balancing aspects of the sheet metal industry; electronic operations; quality leadership; serving machined operations; and CAD and CNC operations. The Workforce 2000 initiative also has enhanced basic worker skills.

Future Prospects

Funding for fiscal years 1993 and 1994 is $185,000, and a similar amount was available in 1995. Future funding depends on the state legislature; however, business leaders praise the program and its continuation seems likely.

Contact

Jim Hirsch
North Dakota Job Service
P.O. Box 5507
Bismarck, ND 58502
Phone: (701) 328-5000
Fax: (701) 224-4000

Tax Department — Tax Incentive for Seed Capital Investments

To encourage equity investments in growing ventures, investors may receive income tax credits up to 30 percent of the cash equity invested in qualified "primary sector" companies, including manufacturers. Primary sector businesses are those generating new wealth for North Dakota by creating products and selling them to customers outside the state. To qualify a business must meet the following requirements: have gross annual sales of less than $2 million; have significant sales to out-of-state customers; the majority of employees must be North Dakota residents; the majority of ownership must be held by full-time company staff; the business must be a state corporation, partnership, limited partnership, limited liability company, or joint venture; the business must comply with state security laws; and the proceeds of the investment must be used for plant, equipment, research, marketing/sales activities, or working capital. The company needs to be certified by the Department of Economic Development and Finance before tax credits can be offered.

Contact

Director
Department of Economic Development and Finance
1833 East Bismarck Expressway
Bismarck, ND 58504
Phone: (701) 328-5300
Fax: (701) 328-5320

or

Joe Becker
Office of State Tax Commissioner
State Capitol, 16th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0599
Phone: (701) 328-3451
Fax: (701) 328-5700

North Dakota Job Service — New Jobs Training Program

The New Jobs Training Program helps new or existing "primary sector" businesses with start-up costs associated with training for individuals hired to new positions. The state defines primary sector businesses as those that create value-added products or generate the majority of their revenue from out-of-state sales. Through the program, a company obtains a loan from a local development bank, the North Dakota Future Fund, or a local community. The state income tax withholding from individuals filling new jobs under the project is used to pay off the loan principal and interest. Withholding credits can be claimed for a maximum of ten years or until the loan plus interest is repaid, whichever comes first. Training costs may include on-the-job training, materials, and instructor costs. To qualify, new employees must receive an annual wage of at least 120 percent of the poverty level for a family of four.

Contact

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North Dakota Job Service
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Bismarck, ND 58502-5507
Phone: (701) 328-5000
Fax: (701) 224-4000

ADDITIONAL RESOURCES

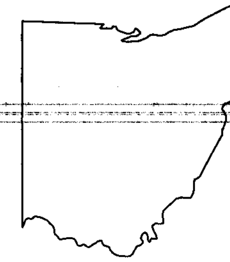
- **North Dakota Future Fund**
EDF Finance Division
1833 East Bismarck Expressway
Bismarck, ND 58504
Phone: (701) 221-5300

- **Technology Transfer, Inc. Matching Program**
1833 East Bismarck Expressway
Bismarck, ND 58504
Phone: (701) 221-5300

- **Agricultural Products Utilization**
Capitol Bldg., 6th Floor
600 East Blvd.
Bismarck, ND 58505
Phone: (701) 224-4760

- **Corporate Income Tax Exemption**
Jim Neubauer
Capital Bldg.
600 East Blvd.
Bismarck, ND 58505
Phone: (701) 224-2045

Ohio



Ohio EPA and Ohio Department of Development: Ohio Pollution Prevention Loan Program

Overview

The objective of the Pollution Prevention Loan Program (PPLP), administered jointly by the Office of Pollution Prevention of the Ohio EPA and the Ohio Department of Development (ODOD), is to provide low-interest capital improvement loans for the construction and/or purchase of equipment to complete pollution prevention activities at small and medium-sized businesses (firms with 500 employees or less) throughout Ohio.

Services

Preference for the program is given to industrial and manufacturing companies retaining high-paying jobs, although business engaged in commerce, research, R&D, and distribution also are eligible. Funds received under the Pollution Prevention Loan Program may be used for part of the costs of acquisition or renovation of machinery and equipment for pollution prevention. Related soft costs may be included. PPLP funds may not be used for working capital, refinancing, rolling stock, inventory/receivable financing, and speculative real estate development. Eligible borrowers include any operating business entity demonstrating that its fixed asset expansion will retain jobs for Ohio citizens, is located in Ohio, generates pollution or waste, and is a small or medium-sized business. Certain projects are not eligible for PPLP funds, including those that purchase or install compactors, evaporators, waste-to-energy or similar systems, spill containment basins, and waste treatment machinery or processes.

The term of the loan will be based upon the useful life of the asset being financed and the term of the bank loan in the project. The term cannot exceed seven years for machinery or equipment financing. Loan amounts range from $25,000 to $200,000 per facility. The minimum amount of private lender participation required in the project is 5 percent of the PPLP eligible project costs. Pollution prevention projects must be completed within a two-year period.

The interest rate in late 1995 was set at 2/3 of prime and is a fixed rate. The loans also carry a 0.25 percent annual servicing fee. Preferential interest rates are available on a case-by-case basis in "distressed areas." A distressed area is defined as a county or city of more than 50,000 residents with a five-year mean unemployment rate of 25 percent higher than the national mean; a per-capita income level at, or below, 80 percent of the national per-capita income; and at least 20 percent of persons below the poverty level.

Utilities, commercial banks, and vendors assist the Ohio EPA and ODOD market the PPLP.

Applying

Applicants initially need to complete a Technical Review Worksheet (TRW), available through the Office of Pollution Prevention. The Ohio EPA looks at the potential success of the application's proposal; evaluates the project's advantages compared to previous technology; and reviews how the project will minimize, reduce, or eliminate the generation of pollution or waste, will increase energy efficiency and/or water conservation, and will improve process economics. Review of the TRW typically takes one to two weeks. If the application is approved, Ohio EPA will forward the application to the ODOD to determine loan eligibility. If ODOD makes a favorable assessment of the firm's financial situation, ODOD will authorize the loan. The whole process usually takes about one month.

Impact

Since the program has been in existence only for a few months, there is little information on impact. As of late 1995, the Ohio EPA had given out 27 TRWs, and six have been submitted. Two projects soon will be considered by the finance board for final approval.

Program Examples

Since the PPLP has been in effect for only a few months, no case studies have been done.

Future Prospects

The PPLP is authorized to loan up to $5 million during the first year of operation and another $5 million during the second year. After the second year, the PPLP works on a revolving loan fund basis.

Contact

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Ohio Environmental Protection Agency
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Fax: (614) 728-1245

or

Brad Biggs
Ohio Department of Development
77 South High St.
28th Floor
Columbus, Ohio 43266-1001
Phone: (614) 466-4221
Fax: (614) 644-1789

Ohio Department of Development — Direct Loan Program

Overview

The purpose of the program, started in 1982 and administered by the Department of Development (DOD), is to provide businesses with low-cost financing.

Services

Offering favorable rates and terms to businesses and focusing on manufacturing businesses, this program finances land and building acquisition, expansion or renovation, and equipment purchase. Industrial projects are preferred. Up to 30 percent of eligible fixed costs are eligible for funding. For each project, the DOD will fund a minimum of $200,000 and a maximum of $1 million. The interest rate is set at two-thirds of the prime fixed rate for ten to fifteen years. The business must provide as least 10 percent of the cost as equity, and a bank must provide at least 25 percent of the project's cost. In distressed areas, preferential rates and terms are available.

One job must be created for every $15,000 received. The Ohio prevailing wage rate applies.

Applying

A business submits a preapplication for review. If the preapplication suggests project viability, the business submits an application to the Development Financing Authority Board and State Controlling Board. There is a $1,500 application fee. The review process typically takes 90 days.

Impact

Since the start of the program, more than 300 loans have been made.

Program Examples

The department was not able to provide specific examples.

Future Prospects

The program operates on a revolving basis. Originally, the state issued $60 million in bonds to cover the program's loans. The fund is replenished by loan and interest repayments. The program will continue making loans in 1996.

Contact

Ohio Department of Development
Office of Financial Incentives
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 466-5420
Fax: (614) 644-1789

Ohio Tax Credit Authority — Job Creation Tax Credit

Overview

The Ohio Job Creation Tax Credit, which became effective in February 1993, is intended to help stimulate the creation of jobs and facilitate the expansion or relocation of businesses.

Service

The program provides a refundable tax credit against a company's corporate franchise tax; the credit is based on the state income tax withheld from the new, full-time employees. The credit can be up to 100 percent of state income tax withheld for each new employee for up to ten years. The Ohio Tax Credit Authority (TCA), which administers the program, generally issues credits ranging from 50 percent to 75 percent for five to ten years. The TCA cannot grant a tax credit that exceeds 75 percent unless the director of the Department of Development (DOD) recommends that there is an extraordinary circumstance that merits exception.

Any business is eligible for this program. Credits are determined on a case-by-case basis. Projects receiving a higher tax credit tend to have a higher number of jobs, higher wages, and a higher use of Ohio suppliers; are located in distressed communities; and commit to hiring a certain percentage of "disadvantaged persons and minorities." Projects receiving other state financial assistance may receive a lower credit.

Eligible projects include manufacturing, high technology, research and development, distribution, and certain types of service activities. The latter can include telecommunications and other information-based operations. To win credits, the projects also must meet the following criteria:

- At least 25 new, full-time jobs must be created by the company within three years of applying.
- The average wage of the new full-time employees must be at least 150 percent of Ohio's minimum wage, $6.37 in 1993; the amount and type of benefits also will be considered.
- The state tax credit will apply only to net gains in full-time positions.
- The project must involve a substantial capital investment in land, building, machinery or equipment, or infrastructure.
- The project must not have begun or been announced to start before approval.
- The company must demonstrate that a significant portion of the sales or revenues attributable to the project are generated from outside Ohio (although, if the product is used in another product whose sales or services are generated significantly outside the state, this requirement can be overlooked).
- The local community must support the project.
- The company must demonstrate that the credit is a "major factor" in its decision to expand or locate at the Ohio site.

Applying

Before submitting an application, all companies must have an initial consultation with a DOD or regional economic development representative. A DOD official will visit the site, and if the project appears eligible for a tax credit, he or she will recommend that the TCA approve the credit, as well as suggest a percentage amount. The TCA's executive director sends the business a commitment letter with the term and amount of the credit. The business then submits an application, along with a $500 non-refundable application fee. Once the application is deemed satisfactory, the executive director submits the commitment letter to the five members of TCA.

The TCA meets regularly on the fourth Monday of each month, except the months of July and August when it meets in early August, and the months of November and December when it meets in early December. Representatives of the company and the community must attend the TCA meeting, where a final decision will be made. The first commitment letter is followed by another, and the business must sign an agreement if it wishes to receive a tax credit. The business returns the agreement with a service fee equal to $100 per year times twice the term of the credit; for example, if the tax credit term is for ten years, the servicing fee would be $100 times 20 years, or $2,000.

Impact

As of June 1995, the program had assisted 172 companies. Within the next three years, an estimated 21,000 jobs will be created with support from the credit.

Program Examples

At the October 25, 1993, TCA meeting, an 85-percent, ten-year tax credit was approved for Mill's Pride Limited of Waverly, which manufactures ready-to-assemble kitchen cabinets, bathroom vanities, and flooring, and sells to large retail stores such as Home Depot and Lowe's. As a result of the assistance, Mill's Pride will expand to meet the increased demand for its product caused by a growing customer base. The company will invest $30 million, which will result in the creation of 1,000 new jobs with an average salary of $17,500. Mill's Pride's tax credit will become effective January 1, 1994, and will expire December 31, 2003. In addition to the tax credit, Mill's Pride received a tax abatement on its investment from the city of Waverly. The company also has received help through the Ohio Enterprise Bond Fund program.

Future Prospects

The law requires that the program be reviewed every five years. The program is next scheduled for review by the Governor's Office of Budget and Management in January 1998.

Contact

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Ohio State Treasurer's Office — Linked Deposit Program

Overview

Created in December 1983, the Linked Deposit Program (LDP) is designed to help small businesses secure financing and to create and retain jobs. A similar Agricultural Linked Deposit Program provides funds for the timely purchase by farmers of seed, feed, fertilizer, and fuel.

Services

Eligible businesses may obtain loans from an eligible state depository bank to finance fixed assets and working capital and to refinance debt. Although program regulations specify no maximum or minimum loan amount on which the state will buy down the interest, the average loan has been $200,000. The state treasury buys a CD from the bank, and the proceeds are used to buy down the interest rate of the loan. The depository charges small businesses a fixed interest rate of 3 percent below the current lending rate for two years. Agricultural businesses receive a 4 percent buydown for one year. The bank may extend the term at current rates. Other sources of funds are allowable.

To be eligible, a business must be headquartered in Ohio and have operations exclusively in Ohio, create or retain one full-time job equivalent for every $25,000 requested, have less than 150 employees, and be organized for profit.

The program can be used in conjunction with other federal, state, and local programs. Prevailing wage requirements do not apply.

Applying

Businesses may apply through a qualified Ohio bank. The bank submits an application to the program. Program officials review applications every two weeks and judge applications based on the criteria mentioned above. Processing time typically takes no more than two weeks. The Treasurer's Office currently receives between 30 and 80 applications every two weeks.

Impact

Over 1,000 businesses participate in the program on an ongoing basis. The current total volume of interest buydowns is approximately $200 million. As of May 1995, 2,688 business have participated, representing the vast majority of Ohio's 88 counties. The total amount of investments committed to the program exceeds $600 million.

Program Examples

A tool and die company in Sandusky, Ohio, obtained a $40,000 loan with an LDP interest buydown to purchase a state-of-the-art lathe. At the time of the loan the company projected it would hire four people as a result of the investment.

Future Prospects

Program funds derive from the state's cash flow. Funds are deposited in banks where the earned interest is used to buy down the interest rate of eligible loans. The state allows 12 percent of its portfolio to be used for linked deposit programs. The cap is about $200 million on small business linked deposit funds and $100 million on agriculture linked deposit funds.

Contact

Sue Hamilton
State Treasurer's Office
30 E. Broad St.
9th Floor
Columbus, OH 43215
Phone: (614) 466-8855
Fax: (614) 466-2499

Ohio Department of Development — Mini-Loan Guarantee Program

The Mini-Loan Guarantee Program assists small businesses that would not otherwise receive financing. Eligible businesses are those with fewer than 25 employees. The state provides a partial guarantee of an eligible bank loan by placing up to 45 percent of the loan amount with the bank. The bank can draw on this account for a portion of the debt if the loan defaults. Fifty percent of funds are targeted for minority and women-owned businesses.

Funds may be used for land, building, machinery or equipment, start-ups, renovations, and lease improvements. The bank agrees to pay the state 3 percent on the loan guarantee account. The terms of the state guarantee are ten years or the term of the bank loan, whichever is less. The maximum loan amount is $100,000, and the minimum is $10,000. The business is charged an interest rate that is a blend of the rate on the bank's guaranteed portion of the loan, which is up to 5.5 percent, and the interest rate on the loan portion for which the bank assumes all risk. For every $10,000 to $15,000 of the loan, one job must be created or retained.

Contact

The Minority Development Financing Commission
Economic Development Division
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 644-7708
Fax: (614) 644-1789

Ohio Department of Development — Ohio Industrial Training Program

The Ohio Industrial Training Program (ITP) aims to create and retain jobs and improve productivity and labor/management relations. The ITP provides orientation training for new or current workers, training in management techniques, statistical process control training, and instructor training. The program also links with other industrial training programs. ITP, moreover, provides funding for mentors under a school-to-work training program and offers assistance for hiring the disadvantaged. Up to 50 percent of the costs of orientation, training, and management programs are funded by the program. ITP also provides instructional materials. Manufacturing businesses creating or retaining jobs are eligible to participate.

Contact

Ohio Industrial Training Program
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 466-4155
Fax: (614) 644-1789

Ohio Department of Development — Export Tax Credit

Initiated by the state legislature, the Export Tax Credit is aimed at giving Ohio companies an incentive to move their products into foreign markets. The Export Tax Credit provides a non-refundable franchise tax credit for corporate taxpayers, or an individual income tax credit for individual taxpayers who increase export sales, if they also increase either Ohio payroll or Ohio capital expenditures. Export sales are defined as foreign trading gross receipts; however, any Ohio taxpayer, not just a foreign sales corporation, may qualify for the credit. Generally, a business could claim up to 10 percent credit on pre-tax profits from an "incremental increase in export sales." An incremental increase in export sales is defined as one-half of the difference obtained by subtracting the taxpayer's export sales for the second preceding taxable year from the taxpayer's export sales for the taxable year.

Contact

Joy Clark-Bennett
Ohio Department of Development
P.O. Box 1001
Columbus, Ohio 43266-0101
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ADDITIONAL RESOURCES

- **Ohio Enterprise Bond Fund**
- **166 Regional Loan Program**

Office of Financial Incentives
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 466-5420

- **Revolving Loan Funds**

Office of Local Government Services
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 466-2285

- **Minority Direct Loans**
- **Minority Contractor Bonding Program**
- **Ohio Mini-Loan Program**

Minority Development Financing Commission
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 644-7708

- **Enterprise Zones**

Office of Business Development
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 466-4551

- **Enterprise Ohio**
- **Ohio Training Exchange**

Ohio Board of Regents
30 E. Broad St., 36th Floor
Columbus, OH 43266-0417
Phone: (614) 466-5810

- **Vocational and Career Education**

Division of Vocational and Career Education
Ohio Department of Education
65 S. Front St., Rm. 907
Columbus, OH 43215-4183
Phone: (614) 466-3430

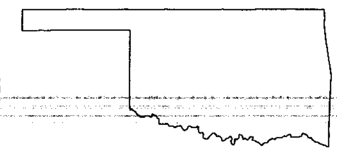
- **Targeted Jobs Tax Credit Program**

Ohio Bureau of Employment Services
Attn: TJTC Coordinator
145 S. Front St.
P.O. Box 1618
Columbus, OH 43216-1618
Phone: (614) 644-7206

- **Child Day Care Grant/Loan Program**

Child Day Care Grant and Loan Program
Ohio Department of Development
P.O. Box 1001
Columbus, OH 43266-0101
Phone: (614) 752-9221

Oklahoma



State Treasurer's Office — Small Business Linked Deposit Program

Overview

The program allows the Treasurer's Office to use money controlled by the state treasury to encourage investments that help improve Oklahoma's economy. This is achieved through the creation of a partnership between the public and private financial sectors.

Services

Through the state treasurer's Linked Deposit Program (LDP), funds are deposited in lending institutions, where they draw a rate below the current market rate. These institutions in turn lend to a qualified borrower and pass the savings on by reducing the interest rate on the loan. Less than 50 percent of qualified borrowers are manufacturers; however, manufacturers receive the same consideration as other applicants.

When the institution lends to a business, the interest rate charged must be the smaller of the bank's normal loan rate minus 3 percent or 5-1/2 percent above the state treasury's reduced rate. Loan amounts may not exceed $1 million for an eligible small business. Loan funds may be used for any commercially acceptable business purpose approved by the lending institution.

Eligible participants include any small business organized for profit, doing business in Oklahoma, employing not more than 200 employees, and having gross annual receipts of not more than $4 million. An eligible company must certify on the loan application that the reduced rate loan will be used exclusively to create new employment opportunities or preserve existing jobs. At least one job must be created or retained for every $30,000 of loan proceeds.

Applying

The prospective borrower and its bank must make out a joint application and then submit the application to the state Treasurer's Office. The Oklahoma treasury supplies the simple application form to banks. A program board meets monthly to review and consider applications. Bankers and representatives of the business are encouraged to attend the review session in order to answer questions about their application. The review board typically makes a decision within ten days.

Impact

Since LDP's start in October 1988, 741 entities have applied to the program, and approximately 80 percent have been accepted. The LDP's annual budget peaked at $82 million, but now resides around $62 million. Businesses have been able to save 5,000 jobs since the program began. Those manufacturers helped through the program have had on average 50 employees.

Program Examples

Viking Packing, a crate manufacturer based in Tulsa, has increased the number of employees and expanded its operation since it started receiving assistance in December 1988. Using the $360,000 in loans it received through the linked deposit program, the company managed to develop EPA-approved crates that can carry hazardous materials and to establish relations with airlines, including American Airlines. The company's crates, which can be made of wood, paper, and other materials, can be shipped all over the world. After two years in the program, the company expanded from 12 to more than 40 employees.

Future Prospects

Legislation froze the program in July 1994, pending oversight review. The LDP currently is allowed to use 15 percent of the treasury's funds for investment. The agency will not have the authority to make deposits for loans until the legislature reauthorizes the program — a step awaiting final approval as of October 1995.

Contact

Melda Kirk, Director of Linked Deposits, or
Tracy Lundstrom, Bookkeeper
State Treasurer's Office
Room 217, State Capitol
Oklahoma City, OK 73105
Phone: (405) 521-3191
Fax: (405) 521-4993

Oklahoma Department of Commerce — Quality Jobs Program

Overview

The Oklahoma Quality Jobs Program encourages the creation of jobs by firms that offer health care coverage provided by a qualified health care company. To receive a case incentive to locate or expand in Oklahoma, the employer must pay 50 percent of the premium and the worker must receive at least some predetermined minimum coverage. The incentive is progressive: the higher the average salary per worker, the greater the incentive, all other things constant. The program pays direct payment incentives (based on new wages paid) to companies for up to ten years.

Services

While service-oriented businesses receive help through the program, manufacturers account for about 70 percent of all firms helped. The program provides quarterly cash payments directly to qualifying companies, for up to ten years based on a cost-benefit analysis examining tax and spending effects of new payroll in Oklahoma. The maximum quarterly payment is 5 percent of new payroll. So far, quarterly payments have averaged 4.6 percent of new payroll.

A qualified businesses must be a company headquarters, a manufacturer, a research and development lab, or a selected service company. The business must achieve a new payroll of $2.5 million or more within three years. After three years, the company must have $2.5 million gross payroll for four consecutive calendar quarters on an ongoing basis, or it will lose incentive payments. All businesses must offer basic health insurance coverage to all employees, and 80 percent of employees must work at least 25 hours per week.

Applying

The first step is for a company to provide employment and payroll information to an Oklahoma Department of Commerce representative, who will then run a computer analysis to determine what the company's cash benefit would be over ten years. Once the analysis is complete, the company may accept the results and fill out a two-page application.

Both the benefit analysis and the application are passed on to a review team, a committee of three members of the Department of Commerce. The team examines the "reasonableness" of the company's salary structure and health plan. If the team approves the application, the agency draws up a contract and submits it to the company for approval. The contract, which must be signed within 60 days, specifies the terms of the incentive payments. Upon receipt of the first cash payment, the company must pay a $500 origination fee. The entire process typically takes five to 12 days from the preliminary analysis to the final decision on the application.

Impact

During the ten-year period prior to May 1994, 48 projects were approved, accounting for 12,580 new jobs. During the 1994-1995 period, another 42 projects were reviewed, and 20 companies have received at least one incentive payment.

Program Examples

No information is available on specific projects.

Future Prospects

The state legislature continued funding the program at current levels in 1995.

Contact

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Oklahoma City, OK 73126-0980
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Oklahoma Industrial Finance Authority

The Oklahoma Industrial Finance Authority (OIFA) is a state agency that provides permanent financing through the issuance of general obligation bonds. Financing is available for the acquisition or expansion of permanent fixed assets such as land, building, machinery, and equipment. Companies seeking refinancing of existing projects are discouraged. Eligible companies include those involved in manufacturing, agriculture, mining, and product processing. Industrial development authorities or trusts make applications on behalf of companies. A minimum of 25 percent equity is preferred. In a first mortgage position, the OIFA may loan up to two-thirds of the allowable project cost or a maximum of $2 million, whichever is less. In a second lien position, OIFA may loan up to one-third of the allowable project cost or a maximum of $1 million, whichever is less. At least 25 percent of the total project cost should be real estate. Program rules require that one job be created for every $30,000 loaned. To participate in the program, the borrower must generate a minimum of ten new jobs.

Contact

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OIFA
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Oklahoma City, OK 73116
Phone: (405) 842-1145
Fax: (405) 848-3314

ADDITIONAL RESOURCES

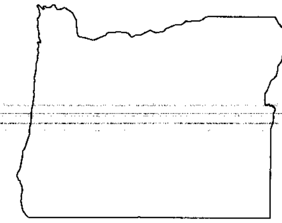
• **Oklahoma Capital Access Program**
David Wantland
Program Manager
Oklahoma Capital Access Program
Oklahoma Department of Commerce
6601 Broadway Extension
P.O. Box 26980
Oklahoma City, OK 73126-0980
Phone: (405) 841-5151

• **Business Tax Incentives**
Office of Corporate Site Locations
Oklahoma Department of Commerce
6601 Broadway Extension
P.O. Box 26980
Oklahoma City, OK 73126-0980
Phone: (405) 843-9770

• **Enterprise Zones Program**
Kathy Bowles
Education Services and New Initiatives Division
Oklahoma Department of Commerce
Phone: (405) 841-5267

• **Investment/New Jobs Tax Credit**
• **Five-Year Ad Valorem Tax Exemption on New Or Expanded Industry**
• **Sales Tax Exemptions**
• **General Sales Tax Refunds**
Oklahoma Tax Commission
M.C. Connors Building
Oklahoma City, OK 73194
Phone: (405) 521-3115

Oregon



Oregon Economic Development Department — Oregon Business Development Fund

Overview

The Oregon Business Development Fund (OBDF) is a statewide revolving loan fund administered by the Oregon Economic Development Department. Loans are made directly to private firms, incorporated cities, counties, and local development corporations located in Oregon.

Services

The OBDF provides long-term, fixed-rate financing for land, buildings, equipment and machinery, and permanent working capital. Manufacturing, processing, and regionally-significant tourism projects are eligible; the program's emphasis, however, is on manufacturing businesses.

Loans will be made only where there is a demonstrated creation of new jobs or retention of existing jobs. Individual OBDF loans may not exceed 40 percent of eligible project costs, to a maximum of $250,000 per project. A commercial or private lender or a local development group must participate in the financing package. The program places particular emphasis on rural areas, enterprise zones, and on businesses with fewer than 50 employees.

The maximum loan term is 20 years, but it may not exceed the life of the assets financed. The loan term may be consistent with other loans obtained to finance the balance of the transaction. The OBDF will provide only permanent or "take-out" financing. Firms receiving loans greater than $50,000 may be required to enter a "first source" hiring agreement with a local provider of job training. Under a "first source" hiring agreement, the firm notifies the designated job training provider of a job opening and agrees to take referrals. The firm, however, is under no obligation to hire applicants provided by the job training provider.

The interest rate will be 1 percentage higher than the prevailing rate on U.S. Treasury issues of a similar maturity, fixed for the term of the loan.

Applying

The OBDF program has an eligibility review or "pre-screen" procedure. Full applications are considered for approval by the Finance Committee, which meets once a month. Loans of $50,000 or less are evaluated by the director of the Oregon Economic Development Department. The applications fee is $100, with a closing fee of 1.5 percent of the OBDF loan amount. Applicants can expect to wait 20 to 60 days between the time they apply and the time they receive an answer.

Impact

Between July 1983 and July 1993, 195 OBDF loans were approved, totaling $19 million of direct investment. The loans have leveraged an additional $67.5 million in private investment. Firms that received loans prior to November 1, 1992, created 1,800 new jobs and saved 584 jobs, for a total of 2,444 jobs. As a group, the companies exceeded by 140 percent the department's standard of one job per $15,000 of OBDF investment.

Program Examples

Program officials did not provide examples of businesses that benefitted from this initiative.

Future Prospects

The OBDF program was initially funded with a $2 million federal Economic Development Administration grant and matched with $667,000 of funds provided by the state of Oregon. The program has since been recapitalized with Oregon lottery funds. As of June 30, 1993, OBDF's equity was approximately $12 million. The Oregon legislature allocated $15 million in lottery proceeds for the period July 1, 1993, through June 30, 1995.

Contact

Oregon Economic Development Department
Business Finance Section
775 Summer Street N.E.
Salem, Oregon 97310
Phone: (503) 986-0160
Fax: (503) 581-5115

Oregon Economic Development Department — Entrepreneurial Development Loan Fund

Through the Entrepreneurial Development Loan Fund (EDLF), the Oregon Economic Development Department makes loans to entrepreneurial businesses. The first loan to a business cannot exceed $15,000; the total loan amount to any given business cannot exceed $25,000. To be eligible, an applicant must have enrolled in a small business development center (SBDC) small business management program; prepared a business plan and had it reviewed by an SBDC or other certified entity; and prepared an expenditure plan and application. The applicant also must meet two of the following conditions:

- The business has not been operating for more than 15 months.
- The business has revenues of $50,000 or less.
- The business is owned by a severely disabled person.

Loans must have reasonable prospect of repayment, and borrowers must provide collateral, although not necessarily real property collateral. A minimum of 20 percent equity in the form of cash, property, or business stock is required. The maximum loan term is five years. Refinancing of existing debts is ineligible. The interest rate will be set at 2 percentage points over the prime interest rate and will be fixed for the term of the loan.

Contact

Oregon Economic Development Department
Business Finance Section
775 Summer Street N.E.
Salem, OR 97310
Phone: (503) 986-0160
Fax: (503) 581-5115

Oregon Economic Development Department — Oregon Capital Access Program

The Capital Access Program (CAP) is designed to increase the availability of private bank loans to small businesses in Oregon. The program provides a form of loan portfolio insurance. Oregon's Economic Development Department establishes a loss reserve fund for each lender participating in the program, with the fund earmarked specifically to cover loans made under the program. When a CAP loan is made, the borrower and the lender each pay a fee of from 2 to 3.5 percent of the amount of the loan into the fund, and the department contributes an amount equal to the combined total of the two fees. The department's contribution is two times the amount of the fees when the borrower is determined to be in a state-defined distressed area. The fund grows as the lender continues to make loans under the program, and can be drawn on by the lender to cover a loss that would result from a CAP loan going into default.

A CAP loan is a private transaction between borrower and lender. The department is not a party to loan negotiations or to the loan agreement or terms, nor does it monitor the loan or require reporting from the borrower. CAP may be used to cover the portion of the loan or line of credit that was identified as being enrolled in the CAP program. A borrower may be any type of profit or non-profit business that is authorized to conduct business in Oregon, and a CAP loan may be used for virtually any purpose with three exceptions: it may not be used to finance the construction or purchase of residential housing, to purchase real property that is not used for the business operation of the borrower, or to refinance the principal balance of an existing loan. The program also requires that the economic benefits resulting from the loan occur primarily in Oregon.

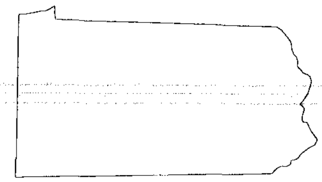
Contact

Gary Ross
Oregon Economic Development Department
Business Finance Section
775 Summer Street N.E.
Salem, OR 97310
Phone: (503) 986-0160
Fax: (503) 581-5115

ADDITIONAL RESOURCES

• **Oregon Credit Enhancement Fund**
Oregon Business Development Department
Business Finance Section
775 Summer Street, NE
Salem, OR 97310
Phone: (505) 986-0160

Pennsylvania



Pennsylvania Department of Commerce — Pennsylvania Capital Loan Fund

Overview

The Pennsylvania Capital Loan Fund (PCLF) is a revolving loan fund administered by the Commerce Department. The PCLF is part of Pennsylvania's enterprise development initiative to encourage economic development and job creation within the Commonwealth.

Services

PCLF funds may be used to assist in the start-up and expansion of firms with high-growth and job-creating potential. The majority of firms awarded PCLF loans have been manufacturers. The funds are to be used to increase the export of goods and services out of Pennsylvania, to decrease imports into the state, or to tap a totally new market in Pennsylvania. Loans may be used for land, building construction, acquisition or renovation, the purchase of machinery and equipment, and as working capital. Legislation passed in 1985 provides a special set-aside of PCLF funds for manufacturers in the apparel industry. The Export Assistance Program was added in 1986, and in 1989 the Agricultural Processors Program was enacted.

PCLF participation cannot exceed 50 percent of an individual project's cost, and maximum participation may not exceed $200,000 during a twelve-month period. Interest rate levels generally are no lower than 5 percent and cannot be higher than the prime lending rate at the time of the loan offering. The rate for apparel and agricultural loans may be no lower than 3 percent.

In order to be eligible, a manufacturing business must be able to show that at least one full-time job or equivalent will be created for every $15,000 loaned. For agricultural processors, one full-time job or equivalent must be created for every $25,000 loaned. Companies must be private, for-profit enterprises creating long-term, new jobs. New jobs must be created within three years of disbursement for manufacturing loans and within five years of disbursement for apparel loans.

At the time of application a business must have 100 or less full-time equivalent employees, including parent affiliates and subsidiaries in Pennsylvania, with no more than 200 full-time equivalent employees worldwide.

Applying

Applications are made to any of 21 area loan organizations. Applicants can expect to pay reasonable and customary fees to apply. Regional loan review committees, primarily composed of private-sector members, review and evaluate each loan application. Proposals approved by the committee are submitted to the Department of Commerce for final approval.

Notification time by the Department of Commerce generally takes 30 days. After a loan has been approved, the loan recipient has 90 days to accept the loan. Funds are disbursed to the successful applicant by the area loan organization administering the revolving loan fund.

Successful applicants must provide three years of historical financial statements; a strong business plan; and an idea of exactly what they want to purchase. Applicants also should demonstrate familiarity with the rules and regulations of the program. Loans must be backed by adequate collateral, and loan recipients must show sufficient cash flow to support all debt services.

Impact

Since the program's inception in 1982, over 1,000 projects totaling approximately $98 million have been approved.

Program Examples

A manufacturer of specialty gourmet cakes applied and received its first PCLF loan in 1986, in the amount of $200,000. The loan was used to expand the company's existing building. At the time, the company had 76 employees and promised to create 14 new jobs. In 1991, the company returned to the PCLF for a second loan, in the amount of $100,000, to purchase additional machinery and equipment. By 1991, the company had grown to 270 employees and promised an additional seven new jobs.

Future Prospects

The program will continue providing loans to eligible manufacturing businesses, as outstanding loans are repaid to the fund.

Contact

Pat Haberserger
Pennsylvania Department of Commerce
Pennsylvania Capital Loan Fund
490 Forum Building
Harrisburg, Pennsylvania 17120
Phone: (717) 783-6890
Fax: (717) 234-4560

Pennsylvania Economic Development Financing Authority — Tax-Exempt and Taxable Bond Financing

Overview

After federal tax laws were changed in 1986 to make it more difficult for businesses to access tax-exempt industrial development bonds for individual projects, Pennsylvania Economic Development Financing Authority (PEDFA) stepped in to provide affordable composite bond issues. PEDFA was created in 1987 to be the statewide issuer of tax-exempt and taxable bonds. It provides cost-effective financing to businesses by issuing bonds, selling the bonds to private investors, and lending the proceeds to eligible businesses. PEDFA bond issues typically are "composite" bond issues that combine several projects into a single issuance.

Services

Because PEDFA is precluded from pledging the Commonwealth's taxing authority toward the repayment of debt, each project that receives PEDFA financing must have a bank guarantee. Therefore, the bondholder's assurance of repayment is the commitment of a bank toward the repayment. PEDFA has generally utilized PNC Bank—National Association as its master letter-of-credit bank for the composite bond pools. A second tier of support is provided by the borrower's bank, which agrees to reimburse PNC Bank's master letter in the event of a borrower default.

PEDFA bonds are highly rated, and the composite issues typically are large in size, which appeals to institutional investors. The interest rates that PEDFA is able to realize by accessing this market are highly competitive; this advantage is directly passed on to the borrower. PEDFA may finance up to 100 percent of a project's costs, or PEDFA's bond assistance may be combined with equity, conventional financing, or public financing.

Tax-Exempt Financing

Eligible recipients of tax-exempt financing include manufacturing operations, non-profit organizations, and exempt facilities such as solid waste disposal and airport facilities. The bond proceeds may be used for the purchase of land or buildings, renovations, new equipment and bond issuance fees (up to 2 percent). About 80 percent of the funds issued to PEDFA recipients go to manufacturing businesses.

The effective interest rate, including annual costs, on PEDFA tax-exempt bonds averages 80 to 85 percent of the New York prime rate.

The state requires manufacturing projects to retain or create one full time permanent job for every $50,000 of financing requested. Non-profit and exempt facility projects must retain or create a total of at least ten full-time permanent jobs per project.

The minimum size for all PEDFA loans is $400,000. Under federal law, tax-exempt manufacturing projects cannot incur more than $10 million of capital costs. There is no maximum size for non-profit or exempt facility projects.

Taxable Bond Financing

All projects, other than residential properties, are eligible for PEDFA taxable bond financing. Eligible uses of funds include land, building, equipment, working capital, refinancing, and issuance costs. The minimum loan size is $400,000, and there is no maximum size. The term of the loan must be at least three years and cannot exceed 30 years. The effective interest rate for PEDFA taxable bonds averages 95 to 100 percent of the New York prime rate. Projects supported by taxable bond financing must retain or create a total of at least ten full-time, permanent jobs per project.

Applying

All businesses must apply through a local Industrial Development Authority (IDA) or Industrial Development Corporation (IDC), which will approve the project and submit the completed application to

PEDFA. The project then is put on a list for the next PEDFA composite bond issue. The timing of a PEDFA composite bond issue is approximately ten weeks from the application deadline to closing. In general, PEDFA schedules tax-exempt and taxable composite issues quarterly. Once all of the parties involved have reviewed and finalized the forms and documents, individual project closings will be scheduled. The week after project closings, the final bond closing will take place and money made available.

Impact

PEDFA has financed more than 140 projects for over $400 million in both tax-exempt and taxable financing. These projects have created or preserved more than 15,000 jobs across Pennsylvania.

Program Examples

In 1993, American Dyeing & Finishing Corp., a Lancaster-based business that does piece and garment dying, bleaching, and finishing, applied for PEDFA funds. The company received $3.8 million in tax-exempt funds and $800,000 in taxable funds that it will use to acquire 9.5 acres of land, acquire and renovate an existing 110,000 square foot building, purchase new and used equipment, renovate used equipment, and finance working capital needs. Through these changes, the company expects to create and preserve a total of 110 jobs.

Future Prospects

PEDFA plans to continue its financing programs.

Contact

Bureau of Bonds
Department of Commerce
466 Forum Building
Harrisburg, PA 17120
Phone: (717) 783-1108
Fax: (717) 234-4560

Pennsylvania Department of Commerce — Recycling Incentive Development Account

The Pennsylvania Department of Commerce (PDC) offers matching loans from the state's Recycling Incentive Development Account (RIDA). Loans are targeted towards recyclers of municipal waste and manufacturers using recycled municipal waste materials to acquire or update machinery and equipment. Loans are available up to $300,000 or 50 percent of eligible project costs, whichever is less; RIDA loans must be matched by private funds. The interest rate is 2 percent, and loan terms may be as long as seven years. The business must make a 10 percent equity investment. The PDC may take a subordinate lien position. One job must be retained or created for every $25,000 borrowed.

Contact

Norman Oaks
Manager
Division of Loans and Technical Assistance
Commonwealth of Pennsylvania
Department of Commerce
439 Forum Building
Harrisburg, Pennsylvania 17120
Phone: (717) 783-5046
Fax: (717) 234-5460

Pennsylvania Department of Commerce — Machinery and Equipment Loan Fund

The Pennsylvania Department of Commerce provides matching loans to manufacturing, industrial, agricultural processing, and mining operations. Loans are up to $500,000 or 50 percent of the eligible project costs, whichever is less. Eligible costs include machinery and equipment acquisition and upgrading, and related engineering and installation costs. Machinery may be new or used, but must be directly related to the manufacturing process. The interest rate on the loans is between 2 to 5 percent, depending on the local unemployment rate. Loans may be made for up to seven years, depending on the life of the machinery being financed, and the Machinery and Equipment Loan Fund will in some cases take a second lien position. A private-sector match is required, and the borrower must invest 10 percent equity in the project. For every $25,000 in loan proceeds one job must be created or retained.

Contact

Norman Oaks
Manager, Division of Loans and Technical Assistance
Commonwealth of Pennsylvania
Department of Commerce
490 Forum Building
Harrisburg, PA 17120
Phone: (717) 783-5046
Fax: (717) 234-5460

ADDITIONAL RESOURCES

- **Sunny Day Fund**
- **Environmental Technology Loan Fund**

Commonwealth of Pennsylvania
Department of Commerce
439 Forum Building
Harrisburg, PA 17120
Phone: (717) 787-8199 (Governor's Response Team)

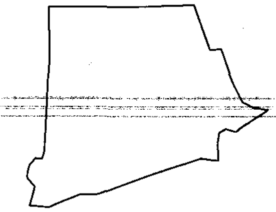
- **Industrial Resource Center Network (IRC)**

Industrial Resource Centers
(For more information, contact
the Department of Commerce at
439 Forum Building
Harrisburg, PA 17120
Phone: (717) 787-8199)

• **Ben Franklin Partnership — Seed Capital Venture Funds**
Designated Venture Capital Funds
(For more information, contact
the Department of Commerce at
439 Forum Building
Harrisburg, PA 17120
Phone: (717) 787-8199)

• **Job Training Partnership Act**
Service Delivery Areas
(For more information, contact
the Department of Commerce at
439 Forum Building
Harrisburg, PA 17120
Phone: (717) 787-8199

Rhode Island



Rhode Island Department of Economic Development — Small Business Loan Fund

Overview

The Small Business Loan Fund (SBLF) seeks to bring economic prosperity to Rhode Island while increasing jobs and wages by financing the expansion efforts of innovative businesses.

Services

SBLF provides partial funding for expansion projects that will benefit the state's economy. The business development program makes loans available with attractive terms; the interest rate on SBLF loans is 90 percent of the prime rate at the time of commitment, and the rate is fixed. Funds may be used for non-speculative ventures involving the following types of capital investment:

- land acquisition;
- machinery and equipment purchases;
- construction of new buildings and facilities;
- improvement of existing buildings and facilities; and
- working capital.

Manufacturing, processing, marine resources, and selected service businesses with limited access to private financial sources are eligible. The SBLF, however, is targeted primarily to existing manufacturing and production facilities.

Businesses that can finance a set portion of a project's cost through private sources may apply for supplemental SBLF support. On average, SBLF finances 25 percent of a project's costs. SBLF can finance no more than $150,000, and a minimum of $25,000, for fixed assets; these limits, however, are subject to the discretion of the program's Board of Directors. The limit on working capital is $30,000. The maximum term of a loan is as follows: 15 years for real estate; ten years for machinery and equipment; and five years for working capital. Also, the borrower must satisfy certain job creation criteria.

Applying

To quality for the SBLF program, a business must be in sound financial condition and have applied for private financing. There is a $100 application fee. The program's Board of Directors meets once a month to consider applications. Closing costs generally run under $1,000.

Program Examples

Program officials did not provide examples of businesses that used this program successfully.

Impact

As of mid 1995, the total loan amount outstanding to 140 clients is approximately $7.5 million.

Future Prospects

Principal and interest repayments replenish the fund. A $2.5 million grant was received in late fall 1994 to supplement the fund. SBLF staff will continue to loan all available funds.

Contact

Rhode Island Department of Economic
Development
7 Jackson Walkway
Providence, RI 02903
Phone: (401) 277-2601
Fax: (401) 277-2102

ADDITIONAL RESOURCES

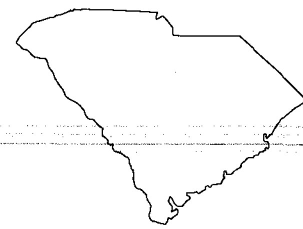
- **Insured Bond and Mortgage Program**

Rhode Island Industrial-Recreational Building Authority
7 Jackson Walkway
Providence, RI 02903-3622
Phone: (401) 277-2601

- **Direct Revolving and Term Loans**

Business Development Company of Rhode Island
(For more information, contact
Rhode Island Department of Economic
Development
7 Jackson Walkway
Providence, RI 02903
Phone: (401) 277-2601

South Carolina



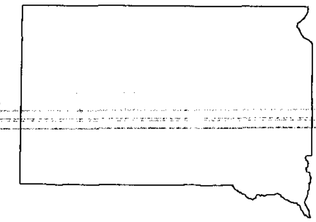
Carolina Capital Investment Corporation

Growing, well-established small businesses can secure financing through Carolina Capital Investment Corporation (CCIC). The corporation's goal is to create or retain permanent, full-time jobs. Typically, this funding is provided through loan participation with other lenders who feel it necessary to limit their exposure. Program eligibility is limited to private, for-profit manufacturing, industrial, and service businesses with a net worth of less than $1 million and with a net profit after taxes averaging less than 20 percent of net worth for the previous three years. CCIC loans may be used for the acquisition of land or buildings, construction or renovation of buildings, and the purchase of new or used equipment. Working capital and refinancing also are eligible for program capital. At least one job should be created for each $25,000 loaned. Although the amount of CCIC's participation in a project is negotiable, the maximum CCIC loan amount is $200,000. The term of the loan will depend on the project's needs; the maximum term is seven years. The interest rate on a CCIC loan is based on prevailing market rates and the applicant's credit evaluation.

Contact

South Carolina Jobs -
Economic Development Authority
1201 Main Street, Suite 1750
Columbia, SC 29201
Phone: (803) 737-0079
Fax: (803) 737-0016

South Dakota



Governor's Office of Economic Development — Revolving Economic Development and Initiative Fund

Overview

In 1987, the South Dakota Legislature passed a 1 percent sales tax for one year, to raise revenues for a low-interest revolving loan fund, the Revolving Economic Development and Initiative (REDI) Fund. The fund was to help create primary jobs and capital investment and to diversify the state's economy. The targeted $40 million was raised in ten months.

The main objective of Governor's Office of Economic Development is to create "primary jobs" in South Dakota. Primary jobs are those providing goods and services that shall be primarily exported from the state, gain market shares from imports to the state, or meet an unmet need in the area. Primary jobs are derived from businesses that create new wealth in South Dakota, have a stimulative effect on other businesses, or assist a community diversify and stabilize its economy.

Diversification, especially in manufacturing, is one of the reasons for the high performance of South Dakota's economy, and much of the state's success can be traced to the REDI Fund.

Services

The REDI Fund may provide $5,000 per job created, and assistance can reach 45 percent of a project's total cost. An applicant must secure matching funds before applying to the Board of Economic Development. Matching funds may consist of bank funds or an equity contribution of a minimum of 10 percent. This requirement is designed to generate more capital for economic development, and, therefore, more jobs.

Interest rates, 3 percent as of September 1995, are determined by the Board of Economic Development. Each loan has a fixed interest rate over the term of the loan. The loans are amortized over a period of time, up to 20 years, with a balloon after five years. The balloon payment makes up for the reduced debt payments during the first five years of the loan.

All for-profit businesses or non-profit business cooperatives, including start-ups or expansions, may apply. Regardless of the industry, the business should create new quality job opportunities; create capital investment in South Dakota; diversify the local and state economy; and not directly compete with existing businesses. Eligible costs include the purchase of land and associated site improvement; construction, acquisition or renovation of buildings; fees, service, and other costs associated with construction; the purchase and installation of machinery; trade receivables; inventory; and other working capital needs.

Applying

The Governor's Office of Economic Development (GOED) and the Board of Economic Development encourage interested parties to submit a preapplication in order to determine if the projects satisfy the requirements of the REDI Fund. This step will help the applicant when completing the full application, and it will allow the GOED the opportunity to give suggestions on how to make the application stronger. The final application is due no later than two weeks before a board meeting. Each application is considered individually, according to the quality of the jobs created, wages paid, economic conditions of the area, and the quality of the business. After the Board makes its decision, the loan officer contacts the applicant with the decision.

Impact

South Dakota has increased its total manufacturing jobs by nearly 11,000 since the inception of the REDI Fund loan program in 1987. (See table below.)

Annual Manufacturing Job Growth
(approximate percent increase)

	1987	1988	1989	1990	1991	1992
South Dakota	4	8	2	7	3	5
Regional	3	5	2	1	-1	0
U.S.	0	2	1	-2	-4	-2

All of the original REDI Fund borrowers whose loans closed in 1988 made their balloon payments on time in 1993. These companies have created more than 2,000 jobs and have exceeded their original employment projections by nearly 900 full-time jobs. These balloon payments have replenished the REDI Fund, which now can loan funds to other businesses anticipating growth.

Program Examples

Graco Inc. of Sioux Falls expanded with the assistance of a $750,000 REDI Fund loan, approved in January 1993. The project also included a bank loan, an equity contribution from the company, and other financial sources. Graco manufactures a wide array of equipment and systems that move, measure, control, dispense, and apply fluid materials used for painting and lubrication industries. Its products include special pumps, regulators, valves, atomizing devices, and accessories. Graco also has been making hand-held spray guns. The company anticipates creating 119 jobs within three years.

Future Prospects

The REDI Fund, which started with $40 million, will continue to revolve as it receives cash generated from balloon payments, investments, interest earnings, and debt service payments from borrowers. The Board of Economic Development plans to continue working with companies to create jobs in South Dakota.

Contact

Finance Division
Governor's Office of Economic Development
711 E. Wells Avenue
Pierre, SD 57501-3369
Phone: (605) 773-5032
Fax: (605) 773-3256

Governor's Office of Economic Development — Graduate Loan Program

The primary purpose of the Graduate Loan Program (GELP) is to provide financing for a business entity owned by an individual who recently graduated from a South Dakota postsecondary institution or high school. By providing additional financial opportunities, the program seeks to encourage the retention of South Dakota graduates. The program focuses on the manufacturing and processing industries. Individuals must apply to the Board of Economic Development within three years of his or her date of graduation from a postsecondary institution or within seven years of his or her date of graduation from high school. Costs eligible for GELP support include:

- purchase of land;
- construction, acquisition, and renovation of buildings;
- fees, services, and other costs associates with construction;
- purchase and installation of machinery and equipment;
- trade receivables;
- inventory; and
- other working capital needs.

Loans may not exceed $50,000. Loan applicants must be sponsored by a bank, small business development center, or economic development corporation. Loan applicants must provide a minimum of 10 percent cash equity in the project.

Contact

Finance Division
Governor's Office of Economic Development
711 E. Wells Avenue
Pierre, SD 57501-3369
Phone: (605) 773-5032
Fax: (605) 773-3256

Department of Education and Cultural Affairs — Business and Industry Training

The Business and Industry Training (BIT) program was established to provide employee training services to business and industry in South Dakota. BIT, administered by the state's Adult Office of Vocational-Technical Education in the Department of Education and Cultural Affairs, is offered statewide. The training is coordinated through the state's four technical institutes. The state, in fact, has been divided into four multi-county areas, each of which is serviced by a technical administrator who is responsible for designing the specific training programs for each individual client. In all cases, programs are developed to enhance the productivity of employees. Business and industry always dictate the contents of the training, where and when the program operates, and the qualifications of the instructors. The BIT administrators have local technical instructors, curriculum material, instructional material, and equipment available through their technical institutes to help deliver quality programs. BIT programs, which utilize mobile training laboratories, are designed to be cost effective and responsive to the needs of business and industry.

Contact

Department of Education and Cultural Affairs
Office of Vocational-Technical Education
700 Governor's Drive
Pierre, SD 57501
Phone: (605) 773-3423
Fax: (605) 773-4236

Additional Resources

- **South Dakota Agricultural Processing and Export Loan Program**
- **Fastrack Loan Guarantee Program**
- **Economic Development Finance Authority**

Finance Division
Governor's Office of Economic Development
(GOED)
711 E. Wells Ave.
Pierre, SD 57501-3369
Phone: (605) 773-5032

- **Employee Training Programs**
- **Job Service of South Dakota**

(Contact the local Job Service office or one of the following:)
South Dakota Department of Labor
420 South Roosevelt
P.O. Box 4730
Aberdeen, SD 57402-4730
Phone: (605) 622-2302

or

Division of Rehabilitation Services
700 Governor's Drive
Pierre, SD 57501-2291
Phone: (605) 773-3195

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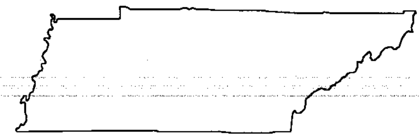
Tennessee



Department of Economic and Community Development — Industrial Training Service

Overview

The mission of the Industrial Training Services (ITS), administered by the Department of Economic and Community Development, is to provide quality training assistance as an incentive for new, existing, and expanding businesses and industry. ITS offers customized training to support the creation of new jobs.

Services

The Department of Economic and Community Development provides most funding (over 70 percent) for training costs directly to employers. Funding decisions are made by agency staff. In some cases, the department will contract with educational institutions to provide training services to employers. Most of the training is provided by company employees. Training also is provided by community colleges, technical institutes, and technology centers. Eligible businesses must hire Tennessee residents.

Training programs consist of three types: pre-employment, on-the-job, and special programs training. Pre-employment programs permit the development of basic skills and allow the company to observe participants; this process improves employee placement. On-the-job training focuses on the development of specific skills and knowledge vital to production. Training is provided by company technicians or instructors mutually acceptable to ITS and the company. Training may take place in the classroom or at the company site.

Special programs include systems support, supervisory and leadership, and unique equipment and processes training. Systems support courses may include new methods for increased mechanization, personnel interaction, quality, and materials handling. The supervisory and leadership skills program is designed to develop those skills essential for general supervision, as well as the develop the basics of leadership behavior. Unique equipment and processes programs are designed for those businesses introducing new methods into their plants; ITS will provide training of key personnel to instruct other plant staff.

Basic educational materials developed by ITS are available for review and selection. Employee handbooks or training manuals may be formatted and printed at no cost to the company. ITS has videotaping and editing capability and audio/visual equipment.

Applying

No application is required. There are several steps a business must take to get started in the program. Company officials should contact ITS to discuss the program's usefulness and appropriateness. The business then must announce the location or expansion of its facility. Subsequently, the business goes through a series of steps with ITS to develop a training program. A training assessment is required. Based on this assessment, the ITS breaks the training needs into one of three categories, as mentioned above: pre-employment, on-the-job, and special programs training. Once a mutually agreeable training program has developed, the business and ITS enter into a contract to carry it out.

Impact

The program has witnessed overall growth since its inception in 1984. It served 122 businesses in 1994, training more than 75,000 workers.

Program Examples

ITS provided World Color Press, Inc., a full-service printing and binding company located in Dyersburg, TN, reimbursement for the cost of trainers and assistance in the development of training programs and manuals. About 75 percent of the World Press' workforce has been through some type of ITS-assisted training. The company expanded from locations in Illinois and other parts of the U.S. to Dyersburg in 1986. After the original expansion, the company stopped using ITS. Then the company expanded twice more and resumed its activities with ITS. Training has taken the form of classroom instruction. ITS has achieved student-to-trainer ratios of 5-1 and 7-1. Training has taken between 80 and 100 hours. The advantage of classroom training over on-the-job training is that in a classroom employees can discuss problems and questions freely. Much of the Tennessee's plant's productivity increases can be attributed to ITS' assistance. The company recently opened a second plant in Covington, TN.

Future Prospects

State appropriations fund this service. Every year, ITS must make an estimate of its needs and submit a budget to the legislature. ITS staff believe funding for 1996 will equal this year's $5 million.

Contact

Jim Judd
Assistant Director, Tennessee Industrial Training Services
Department of Economic and Community Development
Suite 660, Volunteer Plaza
500 James Robertson Parkway
Nashville, TN 37243-0406
Phone: (615) 532-1947
Fax: (615) 741-0607

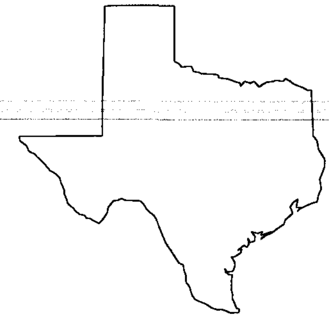
Department of Economic and Community Development — Industrial Training Service Program for Existing Businesses

The Program for Existing Businesses supports the training of personnel associated with new technological changes and the addition of product lines at small to medium-sized firms. ITS shares training costs equally with the participating business. Two criteria must be satisfied for a business to qualify: the employees to be trained must be associated with a capital investment in new manufacturing technology; and the new technology and process must require new skills and knowledge not present in the existing workforce.

Contact

Bob Parsons
~~Director~~
Industrial Training Service
Department of Economic and Community Development
Suite 660, Volunteer Plaza
500 James Robertson Parkway
Nashville, TN 37243-0406
Phone: (615) 741-1746
Fax: (615) 741-0607

Texas



Department of Commerce — Exporters Loan Fund Guaranty Program

Overview

The Texas Exporters Loan Fund (TELF) Guaranty Program helps small and medium-sized Texas companies secure working capital by guaranteeing loans made by commercial lenders. This program allows exporters to borrow against their export purchase orders. Loan proceeds may be used to pay employees and suppliers for export-related expenses.

Services

Approximately 85 percent of the businesses helped through this program have been manufacturers. Trading companies also have been successful in securing financing.

TELF may guarantee up to 90 percent of a loan made by an eligible lender for eligible costs. Generally, raw materials, inventory, manufacturing costs, marketing costs, equipment, and stand-by letters of credit are considered an eligible use of proceeds. The minimum loan guarantee is $10,000 and the maximum is $350,000. There is no limit on the loan size. The maximum term for a guaranteed loan is one year.

The TELF program can support financing the export of any product or service. The only requirement is that the product or service must have at least a 25-percent Texas content.

Applying

The application process begins with the applicant discussing the proposed project over the phone with staff from the Texas Department of Commerce. The staff member tries to determine from the phone call whether or not the business is engaged in export transactions; has a satisfactory financial condition; and has experience with their product. Depending on the outcome of this discussion, the business might be encouraged to apply or informed about other options.

There is an application fee of $250. One percent of the guaranteed portion of the loan is payable when the loan closes. The application fee will be applied to the 1 percent guaranty fee. The process, from the time the applicant submits the application to the time of notification, takes an average of three to six weeks.

Applicants are urged to keep good financial records to ensure that loan officers reviewing their applications have reliable information. Younger companies especially should take extra efforts to monitor their financial programs on a regular basis. The most successful applicants tend to be those that have CFOs, assertive CPAs, or staff accountants who are responsible for financial record keeping.

Impact

The program boasts a 90 percent acceptance rate for those companies that provide requested information. Since the start of the program on January 1, 1990, 58 projects have been completed. As of June 1995, none of the loan recipients have defaulted on their loans.

Program Examples

A Texas exporter received a $925,000 contract supported by a letter of credit from a billion-dollar company in South Korea. In order to start production, though, the exporter needed $400,000 to finance payments to key U.S. suppliers, to meet payroll, and to ship the electro-magnetic testing equipment it had promised to send within the next five weeks. It was critical for the exporter to complete its contract on a timely basis. The Korean corporate community is a very closely knit group and successful completion would almost ensure future orders from other Korean customers. The $300,000 profit from the contract also would substantially improve the exporter's financial condition.

A local bank was interested in financing the exporter but desired additional security. The company was five years old, but was just emerging from a research-and-development mode. It had been profitable only one out of five years, and this large contract was worth the exporter's prior-year sales.

By using a $350,000 TELF guaranty, the exporter was able to borrow $400,000 from the bank. A few months after the exporter was paid $925,000 on its letter of credit, the bank approved a sizeable loan to the same exporter at a competitive interest rate. The second loan did not require a loan guaranty and was based solely on the company's improved financial condition.

The TELF guaranty provided the exporter with several benefits: the firm completed a large contact; it satisfied a new customer in a demanding market; it resulted in a significant profit; and the manufacturer substantially improved its financial condition and consequently became a more bankable client. The exporter continues to pursue aggressively other Asian markets and expects strong activity from Hong Kong and India.

Future Prospects

Funding levels are expected to remain constant in the near future.

Contact

Philip Rocha, Finance Specialist
Texas Department of Commerce
P.O. Box 12728
Austin, TX 78711
Phone: (512) 936-0279
Fax: (512) 936-0520

or

Ed Sosa, Manager
Texas Department of Commerce
P.O. Box 12728
Austin, TX 78711
Phone: (512) 936-0280
Fax: (512) 936-0520

Department of Commerce — "Historically Underutilized Business and Small Business Linked Deposit Program"

The linked deposit program was established to encourage lending to minority- or women-controlled businesses and/or small businesses in distressed communities. The program provides lenders and borrowers with low-cost capital. Participating lenders receiving state treasury deposits pay a lower-than-normal interest rate on the deposit. A qualified lender is one that has been approved to be a state depository and that has approved a loan or line of credit for a business. The rate paid by the lender to the treasury (the linked deposit rate) is based on the current six-month Treasury rate less 2 percent; there is a floor rate of 1.5 percent. The lender then lends to an eligible business at a rate of a maximum of 4 percent over the six-month Treasury rate. The minimum loan is $10,000; the maximum is $100,000.

Lender loan financing may be used only for the purchase, construction, or lease of capital assets, including land, buildings, and equipment. Loans to start-up businesses are permissible. Besides women- or minority-owned businesses, small businesses—defined as those for-profit, independently owned and operated businesses with fewer than 100 employees—may apply through the lending institution. The business borrower pays a fixed rate over the term of the loan, which usually will be the useful life of the asset being financed.

Contact

Texas Department of Commerce
Linked Deposit Program Manager
P.O. Box 12728
Austin, TX 78711
Phone: (512) 936-0271
Fax: (512) 936-0520

Additional Resources

- **Texas Capital Fund Loan Program**
- **Texas Capital Fund Infrastructure Grant Program**

Texas Department of Commerce
P.O. Box 12728
Austin, Texas 78711
Phone: (512) 320-9634

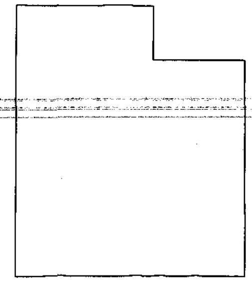
- **Texas Leverage Fund**

Texas Department of Commerce
P.O. Box 12728
Austin, TX 78711
Phone: (512) 320-9506

- **Texas Enterprise Zone Program**

Texas Department of Commerce
P.O. Box 12728
Austin, TX 78711
Phone: (512) 320-9579

Utah



Utah Technology Finance Corporation — Participating Loan Program

Overview

The Utah Technology Finance Corporation (UTFC), launched in 1983, provides loans that supply capital for new business development, as well as help prepare businesses for more traditional bank credit. These roles are key to increasing jobs and strengthening Utah's economy.

Services

The UTFC lends to projects with a high likelihood of commercialization. A company must be developing a new product or process that will improve its competitive position by the acquisition, application, or development of new or existing technology. Emerging, innovative, technology-based firms engaged in manufacturing comprise the majority of companies that receive UTFC funding. In rural areas, other types of companies also may be eligible to receive funding. The UTFC cannot loan funds in excess of one-third the value of a project. UTFC has cooperated on projects with companies in the laser technology, biotechnology, and space industries, among others.

Eligible businesses include small, technology-related manufacturers or operations; manufacturing-related companies; value-added processors of natural resources; producers of biomedical goods; and hardware/software companies. Funds may be used for:

- working capital associated with product development;
- commercializations;
- marketing;
- inventory purchase;
- accounts receivable;
- facility expansion;
- acquisition of machinery/equipment;
- international joint ventures;
- business acquisitions; and
- other uses deemed appropriate by UTFC.

UTFC structures investments to provide necessary levels of return, without negatively impacting a company's potential. Interest rates will be set, and interest-rate enhancements with instruments like warrants will be used. Factors affecting the interest rate are the difficulty of the project and the development phase of the company. Typically, interest rates are determined by the interest rate on the bank's portion of a project's cost.

Applying

Companies must meet with UTFC staff to discuss their projects. If a company appears to be a good candidate, it then must submit to the UTFC a general loan application, which includes projections on the project's outcome. In some cases, a company may apply through a bank, and the bank submits an application to UTFC. There are no application fees. There is, however, a loan fee of 1 percent of the loan amount.

Once submitted, the application goes through a preliminary review and then a follow-up evaluation. The UTFC undertakes a "due diligence" review of the company's management, operations, financial structure, and market opportunities. The UTFC does a site visit and then makes a recommendation to the loan committee. The committee then either approves the loan package or asks that the applicant revise and resubmit the application. Final terms for financing instruments are worked out by the company and UTFC. The entire evaluation process typically takes two months.

Impact

From its inception in 1983 to mid-1995, UTFC financed more than 120 companies. In 1993, it helped create or sustain 6,500 jobs. Also in 1993, UTFC leveraged $13 million in additional investments.

Program Examples

Program officials did not furnish specific examples of businesses helped through this program.

Future Prospects

Demand for the loans has been very high. UTFC staff estimate that the volume of loans will double in the next year and a half. The average loan for 1995 is estimated to be $80,000.

Contact

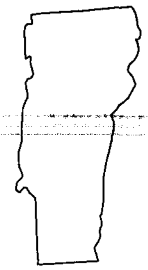
Utah Technology Finance Corporation
177 East 100 South
Salt Lake City, Utah 84111
Phone: (801) 364-4346
Fax: (801) 364-4361

Additional Resources

- **Early Technology Business Capital — Phase I**
- **Early Technology Business Capital — Phase II**

Utah Technology Finance Corporation
177 East 100 South
Salt Lake City, Utah 84111
Phone: (801) 364-4346
Fax: (801) 364-4361

Vermont



Department of Economic Development — ISO-9000 Training Program

Overview

The Department of Economic Development (DED), through the Vermont Training Program, has developed a comprehensive, accredited ISO-9000 training and certification program for manufacturers. ISO-9000 is quickly becoming a world-wide quality assurance program, part of a global move to have one standard measure of quality production. Companies wishing to become certified must develop and implement up to 20 elements. Manufacturers that carry out research and development, as well as service their products, must implement all 20 elements; manufacturers that strictly produce need only implement 18 elements.

Services

A company can send its workers to a ISO-9000 training session at which certified experts teach the workers learn how about lead assessing and auditing. The DED pays 50 percent of the costs of this training. The workers then take a final exam administered by the DED. If they pass the exam, they are certified to implement the 20 elements. The implementation phase can take one year to 18 months, depending on the size of the firm. With these elements in place, a company can request registration under ISO-9000 and be audited by an outside registration firm, which has the authority to recommend certification.

All companies helped through the program have been manufacturers.

Applying

The program accepts manufacturers on a first-come, first-serve basis.

Impact

Nearly 70 companies participated in ISO-9000 between the fall of 1993 and June 1995. Evaluations of the program by participants have been outstanding.

Program Examples

As of July 1995, program participants have started to incorporate production improvements as part of preparing for registration. Three companies have registered.

Future Prospects

The program's scope will be narrowed due to a reduced budget in the 1994-1995 fiscal year. Still, the program intends to continue training company staff to be production lead assessors and auditors. Training program officials are aggressively pursuing other sources of funding, especially at the federal level. Defense conversion funds may be a possible source of funding.

Contact

Phil Fagan
Industrial Training Coordinator
Department of Economic Development
109 State Street
Montpelier, VT 05609
Phone: (802) 828-3221
Fax: (802) 828-3258

Vermont Economic Development Authority — Direct Loan Program

Administered by the Vermont Economic Development Authority (VEDA), the Direct Loan Program makes low-interest, fixed-rate loans available to businesses for the purchase of land, the purchase or construction (including renovation) of buildings, and the purchase and installation of machinery and equipment for use in an "industrial facility." VEDA cannot finance or refinance existing company assets.

VEDA may make loans for up to 40 percent of a project's cost. The level of VEDA participation in any project is subject to the authority's available funds and other considerations, including the number and quality of employment opportunities being created or preserved. Projects are typically structured with a local development corporation providing 10 percent of the project costs, with the balance being loaned by an independent lending institution. Subject to the 40 percent limitation, VEDA's share of the project may not exceed $800,000, of which no more than $500,000 may be used for land and buildings and $300,000 for machinery and equipment. The term for real estate loans is currently ten years, amortizable on a 15-year basis. The term for machinery and equipment loans is seven years.

Contact

Vermont Economic Development Authority/
Vermont 503 Corporation
56 East State Street
Montpelier, VT 05602
Phone: (802) 223-7226
Fax: (802) 223-4205

ADDITIONAL RESOURCES

- **Assistance to Local Development Corporations**
- **Mortgage Insurance Program**
- **Agricultural Finance Program**
- **Financial Access Program**

Vermont Industrial Development Authority
56 East State Street
Montpelier, VT 05602
Phone: (802) 223-7226

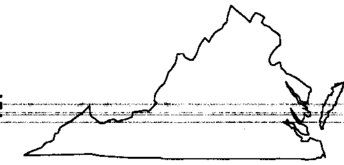
- **Job Creation Tax Credit**
- **Research and Development Tax Credit**

(A manufacturer or operator of a research and development laboratory that creates full-time research and development employment in Vermont is eligible for a tax credit against their Corporate Income Tax Liability.)

- **Net Operating Loss Carryback**
- **Vermont Training Program**

Department of Economic Development
109 State Street
Montpelier, VT 05609
Phone: (800) 341-2211, or locally
(802) 828-3221

Virginia



Virginia Small Business Finance Authority — Loan Guaranty Program

Virginia's Loan Guarantee Program is designed to reduce the risk to banks in making loans and, thereby, to increase the availability of short-term capital for small businesses. Under the program, the Virginia Small Business Finance Authority (VSBFA) will guarantee up to $250,000 or 50 percent, whichever is less, of a bank loan. Typical borrowings include revolving lines of credit to finance accounts receivable and inventory, and short-term loans for working capital and fixed-asset purchases, such as office or research equipment.

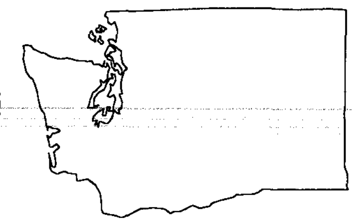
Contact

VSBFA
Post Office Box 798
Richmond, VA 23206-0798
Phone: (804) 371-8254
Fax: (804) 225-3384

Additional Resources

Taxable Bond Program
Virginia Small Business Finance Authority
1021 East Cary Street
P.O. Box 798
Richmond, VA 23206-0798
Phone: (804) 371-8254

Washington



State of Washington Department of Revenue — Distressed Area Tax Deferral Exemption Program

Overview

Created in 1986, the Distressed Area Tax Deferral Exemption Program, a business and occupation tax credit, is intended to create jobs, to aid in the success of start-up and expanding businesses, and to diversify the state economy.

Services

This program allows a credit against the business and occupation (B&O) tax for manufacturing, research and development, and computer-related services businesses. Applicants should be located in counties that the state Department of Employment Security has designated as distressed areas. The B&O tax is levied on companies for the privilege of doing business in Washington and is based on the gross value of products sold for manufacturers or the gross sales for other types of businesses; currently the rate is 0.00515. The rate is determined by law and reflects the current economic climate, among other things.

Eligible businesses can apply for a credit if a new workforce is created or if the existing workforce is increased by 15 percent over the average number of full-time employment positions maintained in the prior year. The program defines a full-time employment position as one that is filled by an employee who works 35 hours per week for 52 weeks, or who works the equivalent of 1,820 hours (excluding overtime) over a period of 12 consecutive months.

A business may receive a B&O tax credit of $1,000 for each new full-time employment position expected to be filled during the year the application is made. These new positions must be maintained for 12 consecutive months. The business must create and fill enough new positions to meet the 15 percent increase by December 31 of the year credits are applied for. No more than $300,000 in total tax credits may be granted through this program to one company.

Applying

A business must submit an application to the Department of Revenue prior to filling the new positions. Although positions may be filled after the application is submitted to the Department of Revenue, credit cannot be taken until the application is approved. Basically, businesses that are not located in distressed counties or that do not fall into an eligible industry are ineligible.

The Department of Revenue will approve or deny applications within 60 days. If approved, a Business and Occupation Tax Employee Credit Certificate is issued to the business. If denied, the business may appeal the decision to the department's Interpretation and Appeals Division.

Businesses must submit a new application to the Department of Revenue each year that a 15 percent increase in the number of new positions is anticipated. Once an application has been approved, a business cannot take credit for more than the projected increase in positions.

Impact

Some 3,000 jobs have been created since the program began in 1986, with several hundred in the food, fruit, vegetable, and fish processing industries. Typically, companies taking advantage of the credit create between one and 100 jobs.

Program Examples

Since the lumber industry plays a large role in the Northwest, many paper and wood product manufacturers have applied for and received the B&O tax credit. In particular, one wood products manufacturer succeeded in creating and maintaining 191 new jobs in 1992.

Future Prospects

The program has been extended by the state legislature to the year 2004.

Contact

(Ask for any and all tax credits that may be available)
State of Washington Department of Revenue
Taxpayer Information and Education
P.O. Box 47478
Olympia, WA 98504-7478
Phone: (360) 786-6100
or for toll-free at (360) 786-6100 (general information)

or

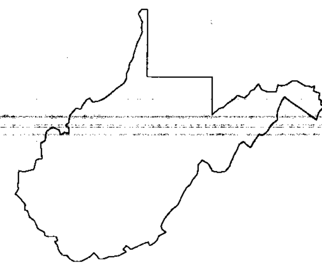
M. Thompson
P.O. Box 448
State of Washington
Department of Revenue, Miscellaneous Tax Section
Olympia, WA 98507-0448
Phone: (360) 664-2202

Additional Resources

- **New Business Tax Deferrals**
- **Sales Tax Deferrals in Distressed Areas**

M. Thompson
Department of Revenue, Miscellaneous Tax Section
P.O. Box 448
Olympia, WA 98507-9860
Phone: (360) 664-2202

West Virginia



Department of Tax and Revenue — Business Investment and Jobs Expansion Tax Credit ("Super Tax Credit")

Overview

The purposes of the Super Tax Credit, authorized in March 1985, are to promote the development of business and to create jobs.

Services

The credit allows for the recovery through state tax credits of up to 90 percent of a capital investment. New regulations have narrowed the program's focus to manufacturing firms and select industries. This program is based upon a formula that is calculated using a qualified investment factor and a job creation factor.

The amount of qualified investment is based on the useful life and cost of real and personal property. If the useful life of the property is one to four years, the percent of the cost of the property that can be taken as credit is zero. If the useful life is between four and six years, the percent that can be taken as credit is 33 1/3 percent. If the useful life is between six and eight years, the percent that can be taken as credit is 66 2/3 percent. If the useful life exceeds eight years, the entire cost of the property can be taken as credit.

The portion of qualified investment, determined above, allowable as credit is determined by the number of new jobs created that are directly attributable to the taxpayer's qualified investment (see chart below). The employer has three years to create these jobs after the investment is made.

Of New Jobs Created Number At Least	Percent of Qualified Investment Is
1,000	90
760	80
520	70
280	60
50	50
less than 50	0

To illustrate how the portion of qualified investment is determined, consider the following example: Suppose Company A invests in high-technology equipment, costing $60,000, that has a useful life of seven years and whose purchase results in the creation of 100 jobs. Since the equipment's useful life is seven years, the percentage of the cost of the equipment that is considered to be a qualified investment is 66 2/3 percent, or $40,000. Since the number of jobs created as a result of the purchase of the equipment is 100, the portion of the qualified investment ($40,000) allowable as credit is 50 percent, or $20,000. Thus, the company can claim $20,000 as credit under this program.

The credit can be applied in a three-step process against up to 80 percent of state business and occupation taxes, corporation net income taxes, business franchise taxes, and telecommunication taxes attributable to the new investment. The Super Tax Credit is applied at the rate of one tenth per year for ten years, beginning with the first taxable year the investment is placed into service or use. A portion of the credit is required to be deferred up to year 11 through year 13.

Applying

Since the credit calculation is complicated, prospective users should get as much information at the outset as possible. The due date for credit application forms falls on the 15th day of the third month after the end of the tax year in which the qualified investment was first placed into service.

Impact

About 40 applications are submitted each year. Since the program's start in 1985, nearly 250 companies have applied for credit. In 1994, about $80 million worth of credit was claimed.

Between 1990 and 1993, the most recent year for which complete information is available, 110 businesses submitted applications for credit. These applicants asked for $714 million in credits in exchange for roughly 10,600 new jobs (or $67,358 for each new job).

Program Examples

No examples were available.

Future Prospects

A change in the program's regulations, which narrowed eligible applicants to include mainly manufacturers, allows it to be continued indefinitely.

Contact

Research and Development Division
Department of Tax and Revenue
1001 Lee Street East
Charleston, WV 25301
Phone: (304) 558-8500
Fax: (304) 558-8733

West Virginia Jobs Investment Trust

Overview

The West Virginia Jobs Investment Trust (JIT) is a $10-million public venture capital fund created to develop, promote, and expand West Virginia's economy by making investment funds available to eligible business. JIT aims to stimulate economic growth and provide or retain jobs within the state.

Services

JIT has made 90 percent of its investments in manufacturers. JIT investments generally will be structured as subordinated loans with warrants or options to buy stock. JIT investments are short-term, ranging from three to five years, after which JIT will liquidate its investment. The trust generally will invest no more than the amount invested by the project sponsor, and a maximum of $2 million.

The company seeking investment funds should be located in, employ a substantial work force in, or offer products or services for the benefit of West Virginia. JIT considers a full spectrum of investment scenarios. JIT staff understand the range of capital needs and recognize that each investment will require its own unique structure. JIT does not limit its resources to specific industries.

Applying

The sponsor of a proposed project applies by submitting a two-page disclosure form. There are no application fees. JIT then performs a credit check and looks closely at the business proposal's internal rate of return and the project's job creation potential.

After the disclosure form has been reviewed and approved, the applicant submits a business plan. The quality of the business plan is an important determinant in funding decisions; another key factor is the jobs-created-to-investment-dollar ratio. Additionally, the sponsor's management team should be strong and experienced. A successful track record and industry experience are important factors in JIT's decision.

The amount of time from applying to receiving notification from the JIT ranges from 30 days to one year, depending upon the complexity of the proposed investment.

Impact

JIT officials claim the program has been very successful, reaching numerous business sectors.

Program Examples

Among the manufacturers that have either received or been approved for funding are an aircraft manufacturer, an ammunition demilling firm, a shoe manufacturer, and an apparel manufacturer.

Future Prospects

When the Jobs Investment Trust began in 1992, it had $10 million to invest. After disbursing investment funds, it now has between $1 and $2 million to invest in the upcoming year. JIT officials expect to receive returns soon on earlier investments, which will be used to continue the program's investment activities.

Contact

West Virginia Jobs Investment Trust
814 Virginia Street, East
Charleston, West Virginia 25301
Phone: (304) 345-6200
Fax: (304) 345-6262

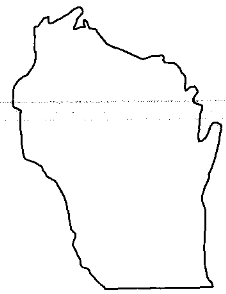
ADDITIONAL RESOURCES

• Direct Loan Program
• Capital Access Program
• Loan Insurance Program
West Virginia Economic Development
Authority
State Capitol
Bldg. 6, Room 525
Charleston, WV 25305-0311

• Small Business Credit
• Warehouse "Freeport" Tax Exemption
• Business Franchise Tax Credit
Department of Tax and Revenue
Building 1, Room W300
Charleston, West Virginia 25305-0840
Phone: (304) 558-8500

• Governor's Guaranteed Work Force Training Program
Governor's Guaranteed Work Force Program
West Virginia Development Office
Building 6, Room 517
Charleston, West Virginia 25305-0311
Phone: (304) 558-3083

Wisconsin



Recycling Market Development Board — General Rebate Program

Overview

The General Rebate Program (GNR), administered by the Recycling Market Development Board (RMDB), was established to encourage the use of postconsumer waste in manufacturing and to reduce the amount of postconsumer waste disposed in landfills. Examples of postconsumer waste are newspaper, glass, aluminum cans, plastic containers, and corrugated cardboard.

Services

Grants to cover the increased cost of utilizing recycled material are available to companies that can demonstrate their products are more costly to produce than comparable products made out of virgin material. Eligible are manufacturing products using postconsumer waste as a raw material. Eligible applicants include proprietorships, associations, partnerships, or corporations located in Wisconsin.

Applying

Application materials are available from RMDB and may be submitted at any time. There is no application fee. RMDB will review all applications and may request additional information by telephone and letter. When an application is complete, the RMDB will make a funding decision. Subject to a favorable decision, RMDB will prepare all documentation required for funding. The review process typically takes one to two months.

Impact

Between July 1, 1993, and June 30, 1995, 14 businesses received nearly $6.4 million through the GNR program. Of the 55 business that received awards through RMDB's combined recycling programs, which include the General Rebate Program, the majority were small businesses.

Program Examples

On January 24, 1994, Resource Recovery, Inc., a pallet manufacturer in Watertown, received a $3,608,325 general grant to reduce the costs of manufacturing bolted pallets using plastic wood made from recycled high-density plastic. The company anticipated using 24 million pounds of recycled plastic in the next three years.

Future Prospects

It is expected that the need for the rebate will diminish as a result of market acceptance of recycled products, economies of scale, reduced raw material costs, and superior performance of the recycled product.

Contact

Recycling Market Development Board
Suite 110
121 South Pinckney Street
Madison, WI 53703
Phone: (800) 991-5523
Fax: (608) 261-8840

Recycling Market Development Board — Qualified Property Rebate Program

Overview

Run by the Recycling Market Development Board, the Qualified Property Rebate (QPR) Program was established to help limit the carrying cost of equipment used to make products that will reduce the amount of waste relegated to landfills.

Services

Applicants are eligible to receive a rebate of between 5 and 25 percent of the cost of qualified property, up to a maximum of $250,000. Historically, the rebate has been 25 percent. Qualified property means machinery or equipment that is used exclusively in making a product from waste. The actual percentage is dependant on the amount of waste used and the amount that is generated in Wisconsin. Funds are disbursed over a 12-month period based on the actual amount of waste utilized in the production process.

The program is geared toward no particular industry. All of the businesses helped so far, however, have been manufacturers. Eligible applicants include sole proprietorships, associations, partnerships, corporations, municipalities, and not-for-profit organizations located in Wisconsin and whose products or components are made using waste as raw material.

Applying

Application manuals are available from the RMDB and may be submitted at any time. There is no application fee. The application may be presented any time before purchase but no later than 90 days after purchase. RMDB staff will review all applications, and may request additional information by telephone and/or letter. When an application is complete, RMDB will make a funding decision. Subject to a favorable decision, RMDB staff will prepare all documentation required for funding.

Impact

Fifty-five awards were made, for a total of $1.7 million between July 1, 1993 and June 30, 1995; 46 were small businesses.

Program Examples

On June 27, 1994, Allwaste Recycling, Inc., a glass manufacturer in Milwaukee, received $86,812 to construct equipment necessary to process colored glass into powdered cullet for resale to the fiberglass industry. The company anticipates recycling 25,000 tons of glass in the first year.

Future Prospects

Funds come from a special tax on businesses. New guidelines to simplify program operations took effect on July 1, 1995.

Contact

Recycling Market Development Board
Suite 110
121 South Pinckney Street
Madison, WI 53703
Phone: (800) 991-5523
Fax: (608) 261-8840

Recycling Market Development Board — Recycling Loan Program

The Recycling Loan Program (REC) was established to encourage the use of postconsumer waste as a raw material in making products. Postconsumer waste includes newspaper, glass, aluminum cans, plastic containers, and corrugated cardboard. The Recycling Market Development Board can provide the lesser of 75 percent of eligible project costs or $750,000 for land, building, equipment, or working capital. A business must be undertaking the project with the goal of producing products from postconsumer waste or of making machinery that can be used to turn postconsumer waste into a product.

Contact

Recycling Market Development Board
Suite 110
121 South Pinckney Street
Madison, WI 53703
Phone: (800) 991-5523
Fax: (608) 261-8840

Housing and Economic Development Authority — Target Area Fund

The fund's goal is to create and retain jobs. The fund assists businesses located in an economically distressed area, as defined by the Wisconsin Housing and Economic Development Authority (WHEDA), or relocating to such an area. It provides loan guarantees of 90 percent of the loan amount, or up to $225,000, on financing obtained through a private lender. The interest rate on the loan is negotiated between WHEDA and the lender, and currently falls between prime plus 1 percent and prime plus 1 1/4 percent. The maximum term on the loan guarantee is seven years for inventory and 15 years for all other uses of funds. Loan proceeds can be used for the purchase or improvement of land, building, equipment, machinery, and inventory. The project must result in the creation of jobs, the number of which depends on each project. The target number of jobs must be reached within one year of the loan's closing.

Contact

Wisconsin Housing and Economic Development Authority
Post Office Box 1728
Madison, WI 53701-1728
Phone: (608) 266-0880
Fax: (608) 267-1099

Housing and Economic Development Authority — Contract Fund

The Contract Fund provides small businesses with an opportunity to serve as subcontractors to companies securing government contracts. An eligible business must be located in an economic development target area or be at least 51 percent owned and controlled by socially- or economically-disadvantaged individuals. The fund provides loan guarantees up to $180,000 on eligible loan proceeds obtained through a lender. Loan proceeds can be used for expenses necessary to fill the contract.

Contact

Wisconsin Housing and Economic Development Authority
Post Office Box 1728
Madison, WI 53701-1728
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ADDITIONAL RESOURCES

- **Minority Business Development Fund**
- **Minority Business Recycling Development Program**

Robert Wynn
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-8380

- **Minority Business Early Planning Grant**

Karen Gotzler
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (414) 263-8734

- **Rural Economic Development Program**
- **Community Based Economic Development Program**

Paul Van Rooy
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-3278

- **Development Zone Program**

William Wheeler
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 267-2045

• **Business Development Initiative**
Dale Verstegen
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (414) 227-4061

• **Recycling Rebate Program**
• **Recycling Loan Program**
• **Hazardous Pollution Audit Grant Program**
• **Major Economic Development Project Program**
• **Employee Ownership Assistance Loan Program**
Todd Kearney
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-6675

• **Customized Labor Training Fund**
Jinny Williams
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-2766

• **Small Business Innovation Research (SBIR) Bridge-Financing Program**
Todd Boehm
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-0241

• **Export Development Loan Program**
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (800) 435-7287

• **Recycling Market Development Program**
• **Recycling Technology Assistance Program**
123 West Washington Avenue
P.O. Box 7970
Madison, WI 53707
Phone: (608) 266-3075

Wyoming

Wyoming Science Technology and Energy Authority Program

Overview

The state has instituted the Science Technology and Energy Authority (STEA) Program as an attempt to diversify Wyoming's industrial base in the face of the state's shrinking minerals business.

Services

The STEA provides loans to high-technology development businesses to conduct applied research and development. About 75 percent of the program's loans have been given to manufacturers. There is considerable diversity in the types of businesses awarded loans; some are one-person operations, others large companies. The loans must be matched 50-50 with private money, and repayment is required on successful projects .

Applying

Interested businesses can apply any time at no cost, and may call for an application. STEA's director reads the application and sends it in-state and out-of-state for reviews. If the proposal proves promising, the applicant makes a presentation to the governor-appointed board of STEA for a final decision.

Impact

The STEA program has funded 23 projects since its inception in 1989. Awards have fallen between $20,000 and $200,000.

Program Examples

None of the projects have been completed yet.

Future Prospects

Program officials say STEA has received an excellent reception in the state. Its budget is scheduled to increase from $600,000 to $4 million in the next biennium.

Contact

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Executive Director
Science Technology and Energy Authority
P.O. Box 3295
Laramie, WY 82071
Phone: (307) 766-6797
Fax: (307) 766-6799

ADDITIONAL RESOURCES

• **Amendment #4**
(This program provides direct loans and loan guarantees to projects that use state resources, employ state residents, or otherwise add value to Wyoming goods.)
Diane Johnson
Wyoming Industrial Development Corporation
P.O. Box 3599
Casper, WY 82602
Phone: (307) 234-5351

• **Guarantee Revenue of Wyoming (GROW)**
• **Small Business Assistance Act**
Marianne Randel
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Phone: (307) 234-5351

PART II
FEDERAL ECONOMIC DEVELOPMENT PROGRAMS

OVERVIEW

Although reduced, federal development programs and tax incentives still provide the foundation for many project-financing activities. The federal government often is an essential economic development partner with business, labor, the academic community, and other levels of government.

The national government offers a wide variety of programs — loans and loan guarantees, grants, and technical assistance — to help reverse shortcomings in capital markets. Some of these tools are administered directly by federal agencies, while others are coordinated by private organizations, local development agencies, and non-profit groups. Some provide direct financing, while others offer tax incentives.

This section reviews financing and assistance initiatives overseen by several federal agencies: Department of Energy, Small Business Administration, Department of Housing and Urban Development, Department of Commerce, Department of Agriculture, Department of Labor, and Appalachian Regional Commission. Following these descriptions are reviews of two key federal tax incentives: industrial development bonds and foreign trade zones.

Department of Energy

Overview

Through the Office of Industrial Technologies (OIT) the Department of Energy acts as a partner to industry in its efforts to produce goods more efficiently and in an environmentally sound manner. OIT provides research and development as an investment in the long-term growth and competitiveness of industry. It also runs direct assistance programs to help industry, especially small and mid-sized manufacturers, achieve immediate, cost-effective benefits.

One of OIT's direct assistance programs is the university-based Industrial Assessment Centers (IACs) which conduct free energy efficiency, waste reduction, and productivity assessments on manufacturers. The program speeds the adoption by industry of existing energy efficient, clean technology. The federal government "plants the seed" that encourages manufacturers to make an investment in new technology. Sometimes, the payback period for improvements suggested by IACs is under one year. IACs utilize the existing university system to enhance manufacturing efficiency, while simultaneously training graduate students for future careers in the energy and environmental engineering fields. By taking advantage of the university system, the Department of Energy avoids the costs of private consultants surveying a manufacturer's facility, which explains the program's estimated 18:1 return on the federal dollar.

Another form of direct assistance, National Industrial Competitiveness through Energy, Environment and Economics ($NICE^3$), provides grants to state-industry partnerships to implement and demonstrate existing technologies which promise significant energy and economic savings and pollution prevention potential, but which lack widespread adoption by industry. Like IACs, $NICE^3$ speeds the adoption of technology by industry. The participating business benefits, and as a whole industry accepts the new technology, the benefits increase exponentially, resulting in a return to industry of many times the federal investment. To ensure that industry adequately bears its costs and is committed to the project, $NICE^3$ mandates a minimum 55 percent state-industry match of federal dollars. Since the program requires state agencies to apply on behalf of industry, the Department of Energy encourages manufacturers and state agencies to work together to produce benefits beyond the project.

Industrial Assessment Centers

Overview

Industrial Assessment Centers (IACs) achieve two goals simultaneously. First, they make small and mid-sized manufacturers more competitive by doing no-cost energy audits that may lead to reductions in energy use and waste generation and to productivity improvements. At the same time, IACs train senior engineering students for future careers in the energy field.

Description

The Energy Analysis and Diagnostic Center (EADC) program was initiated in 1976 by the Department of Commerce. Since 1978, the Department of Energy's Office of Industrial Technologies has been sponsoring energy audits for small and medium-size manufacturers at no cost to the manufacturer. Conducted by Energy Analysis and Diagnostic Centers (EADCs) at a number of universities around the country, these audits provide recommendations to help manufacturers control costs and improve their plants' energy efficiency. Teams of engineering faculty and students perform the audits, an approach that provides hands-on experience to the students.

In 1993, the Department of Energy (DOE) teamed with the Environmental Protection Agency (EPA) to expand the program to include "industrial assessments" that cover opportunities for productivity improvements and waste reduction, as well as energy savings. As of fiscal year 1995, all universities participating in the program have converted to IACs. Each center provides training in energy efficiency management to four to 12 students. Through 1994, approximately 1,000 students had received audit training.

Typical recommendations include shifting electricity usage to lower-rate time periods, controlling fan speeds on equipment, and changing lighting. Such deceptively simple efficiency measures consistently deliver substantial returns in terms of cost savings and enhanced productivity. Industries with the highest cost savings following IAC assessments are food processing, textiles, lumber, rubber and plastic, stone, clay, glass and concrete, primary metal, fabricated metal products, and machinery (expect electrical).

Each fully operational IAC center conducts 30 assessments per year. The assessments achieve $55,000 in annual cost savings and 4 billion Btus of annual energy savings, with over 65 percent of the recommendations implemented.

By the close of 1994, IACs had conducted more than 5,000 assessments and participating manufacturers had cumulatively saved $517 million and 94 trillion British thermal units (Btus) of energy. As a result of reduced energy consumption, manufacturers also decreased emissions of greenhouse gases by 200,000 metric tons of carbon equivalent. These results have been achieved at a total federal cost of $27 million.

Funding Form

Universities are competitively selected based on solicitations sent to all engineering schools with certification by the Accreditation Board for Engineering and Technology (ABET). Participating institutions contribute "in kind" support for approximately 15 percent of program costs through the use of facilities, office equipment, laboratory space, and a cost-share of salary.

Eligible Applicants

IAC clients are small and medium-sized manufacturing plants in Standard Industrial Codes 20-39. They should be located within 150 miles of a host campus. In addition, plants must meet three out of four of the following criteria to qualify for the assessments:

- Gross annual sales below $75 million
- Fewer than 500 employees
- Annual energy bills below $1,750,000
- Lack of in-house technical staff to perform these analyses

IAC program field management is provided by Rutgers University for the eastern half of the United States and by the University City Science Center for the western half of the United States.

Eligible Activities

Industrial assessments analyze energy use, waste reduction, and productivity. Manufacturers follow through on more than 65 percent of the recommendations from assessments.

Typically, a team of students led by a faculty member performs an assessment on a company. Before an on-site visit, the team reviews the company's utility bills for a one-year period and learns about the company's processes. The team goes on-site and explains to the management what it will do. The management then explains to the team the plant's features. The team walks through the plant with management, and then two-man groups survey the plant. Team members sit down to review their finding and conclusions. In an exit interview team members discuss their findings and the feasibility of making changes to specific operations with management.

Within 60 days the team develops an audit report and sends it to the field manager and the company. Six to nine months later an individual from the IAC contacts the company to see what recommendations have been implemented. Data on the company and the results of the assessment is sent to Rutgers University where it is kept in a database. The IAC program database is accessible through Rutgers University by calling 908-445-5540.

Application and Review

A manufacturer may approach an IAC directly and request assistance. Engineering students may directly market the assessments to manufacturers.

Funding Level

In fiscal year 1995, IAC received $7.479 million. Under current legislation not yet passed by Congress, IACs would get the same amount for fiscal year 1996.

Additional Considerations

The IAC assessment offers objective information to help companies make their employees and processes more productive and energy efficient. Participating faculty and students are technology-neutral.

For a period of two years after an assessment, the faculty of IACs are not allowed to consult for pay with the companies they advise.

According to officials, the number of centers will remain at 30 for fiscal years 1996 and 1997. The program will provide 900 industrial assessments each year. Annual first year savings at this level will be 4 billion Btus and thousands of tons of carbon equivalent. Manufacturing clients will invest approximately $30 million to implement assessment recommendations.

Ten IAC-state partnerships have begun to schedule and give local energy and waste minimization workshops. The experience and expertise developed through the IAC program will soon be made more broadly available through workshops and publications disseminated to manufacturers. First to be published are waste assessment case studies by the Environmental Protection Agency (EPA) Risk Reduction Engineering Laboratory in Cincinnati, Ohio. Next scheduled is a manual and software that will support life cycle analysis and planning. This will be followed by a best practices manual distilling the lessons learned from thousands of assessments conducted by the EADCs and IACs.

Program Example

A denim jeans manufacturer is saving $113,600 annually — more than $50,000 above the original projection — and 35,892 million Btus of energy as a result of recommendations made by the University of Missouri-Rolla IAC. The total implementation costs of these recommendations was only $13,300, delivering a simple payback of less than two months. The plant saves $75,000 a year by covering wash storage pits to reduce evaporative and heat losses. After replacing an oversized natural gas boiler with an unused electric boiler it already owned, the plant is saving an additional $28,000 annually. Other implementations — including motor system improvements, air compressor system modifications, and lighting efficiency improvements — save about $10,600 a year.

A lumber company, after implementing recommendations from an IAC energy team, annually saves $77,797 and 54,247 million Btus of energy. Recommendations covered a number of opportunities. The company reduced kiln fan speeds; eliminated air leaks in the compressed air system; replaced standard V-belts and sheaves with high-torque drive belts and sheaves; and changed the lighting system. The total capital cost of these improvements was $158,819, with a two-year payback. The company is also installing energy efficient motors as the standard ones burn out and will correct for low power factor in the future. The manager of the plant also indicated that product quality has improved since the audit.

Contact

For more information, see Schools Participating in the EADC/IAC Program below or contact

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Schools Participating in the EADC/IAC Program

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National Industrial Competitiveness through Energy, Environment and Economics

Overview

The National Industrial Competitiveness through Energy, Environment and Economics ($NICE^3$) program promotes global competitiveness in U.S. industries through energy efficiency and cleaner production. The program has accomplished its objectives by encouraging partnerships between state and industry, by developing demonstration projects for promising industrial technologies that have commercial application, and by awarding cost-sharing grants for selected projects.

Description

$NICE^3$ is a U.S. Department of Energy (DOE) cost-sharing grant program that advances competitiveness through energy-efficient, cleaner production in industry by providing financial assistance to states and industry, and encouraging cooperation between states and industry. $NICE^3$ is designed to improve competitiveness, foster energy efficiency, and reduce waste. DOE believes that the most effective way to accomplish these goals is through cleaner production.

The Pollution Prevention Act of 1990 endorsed pollution prevention and established a hierarchy of preferred approaches to environmental protection. At the top of the hierarchy is pollution prevention or reduction, followed by environmentally safe recycling, environmentally safe treatment, and, lastly, environmentally safe disposal.

$NICE^3$ will give preference to proposals that use pollution prevention. However, recognizing that optimal solutions at the plant facility level often require integrated and systemic approaches, $NICE^3$ will entertain proposals that integrate pollution prevention and recycling approaches.

A single award must be cost-shared at a minimum of 55 percent by a combination of state and industrial partner dollars (45 percent of federal funds). Each award shall not exceed $425,000. The industrial partner may receive a maximum of $400,000 in funding. A maximum of $25,000, or 10 percent of the award total, whichever is less, may be used to support the state applicant's costs associated with technology transfer/dissemination, marketing, etc. Each award may cover a project period of up to three years. Grantees are barred from future consideration for the same project under $NICE^3$. No additional funding of applications for continuation of work is planned by DOE. The intent is to encourage highly-leveraged funding to get an innovative project implemented in industry, not to do lengthy demonstration on a multi-year program basis.

The following areas are excluded from the scope of the program: disposal, remediation of sites, treatment or storage, end-of-pipe solutions, municipal solid waste collection or separation, anything nuclear, cross-media contamination shifts, incineration for energy recovery, noise abatement, and research proposals.

$NICE^3$ has steadily increased in size since 1991, when it made just three awards, to the current cumulative total of 44 awards. In 1995, the $NICE^3$ program's cost sharing with states and industry totaled $5.7 million for 17 projects. (See chart below.)

Funding Form

Grants to state and industry participants which must assume at least 55 percent of the project's costs.

Eligible Applicants

Industrial firms must apply through eligible state agencies. The program will be focused on those industries that have high energy consumption, relatively high emissions, and high pollution control costs. Industries of particular interest are chemicals and allied products, petroleum and coal products, paper and allied products, primary metal industries, and glass. Other industries — such as SIC 1-39 and certain waste generating service sector industries, including hotels, restaurants, hospitals, and laundries — also are encouraged to apply.

Eligible Activities

Grants may be used for labor, capital and other costs associated with technology implementation. There is a limit to the amount of federal funding state and industry participants, respectively, may use.

Application and Review

The first step in the application process is to obtain a current NICE^3 solicitation and related materials. In fiscal year 1995, the solicitation process lasted from November 1 to January 16. A solicitation may be obtained by writing NICE^3 Program, c/o MELE Associates, 7428 Westmore Road, Rockville, MD 20850, or by contacting the nearest DOE Regional Support Office. A list of these offices appears below. An electronic version of the annual NICE^3 solicitation is located on the world wide web address of http://www.nrel.gov/documents/nice3/nice-3.html.

The next step is for state and industry to form a partnership. For instance, before the 1995 solicitation, ten California state agencies formed an interagency group and proactively pursued private industry to participate in the program. Industry participation is required in all applications. However, only state agencies can apply for this grant program on behalf of or in conjunction with an industry partner. Local governments, state universities, private universities, private non-profits, private businesses, individuals, and all others must apply through a state agency. DOE requires organizations excluded from applying directly to work with state agencies in developing applications that include them as participants in the projects.

Once a partnership is in place, project participants develop a proposal. One way to begin proposal preparation, and to determine early on whether a project would qualify, is to submit an optional two-page pre-proposal through a state agency. The pre-proposal is designed to provide an initial review of the technology and to determine if it is consistent with the goals of the program.

The next step is to submit a proposal through a state agency . The proposal consists of two parts: a technical section and a cost section.

Applications proceed through several steps during the evaluation process. Applications first undergo a first-tier administrative evaluation by the DOE Regional Support Offices that initially receive the applications. A comprehensive technical review by DOE laboratory personnel is performed on the information provided in part one of the applications. The following criteria is used: concept description, innovation, cost-efficiency, applicant capabilities, energy savings, waste savings, and economic competitiveness. Technical experts from academia, industry, and other government agencies may be called upon to review specific applications. The cost part of the application is reviewed according to simpler cost criteria. Finally, a national panel of reviewers comprised of members representing DOE's Office of Energy Efficiency and Renewable Energy and other federal agencies performs a technical oversight/review, based on the following factors:

- Pollution prevention hierarchy
- Relevance to OIT Industry Visions of the Future
- Projects which permit some variety of technologies rather than narrowly concentrating the awards among only one or two technologies.
- Geographic distribution

Funding Level

Congress appropriated $6 million for NICE[3] in fiscal year 1995. Under current legislation not yet passed by the Congress, the program would receive $6 million in fiscal year 1996. Included in that $6 million is $600,000 for block grants to the states for energy projects.

Additional Considerations

In grants and contracts DOE allows small businesses to retain title to inventions. In grants to other organizations DOE normally retains the right to title. Under NICE[3], however, a large business can retain title to inventions developed by its employees. The business must grant to DOE a royalty-free, non-exclusive irrevocable license for use of such inventions.

Among other changes in 1996, the solicitation issuing office changed as did the state and industry cost share which rose to a minimum of 55 percent. The selection criteria that a project should have relevance to the Office of Industrial Technologies' Industries of the Future initiative was added.

Officials would like to see more proposals from states in the northeast region, which in the past submitted proportionally few applications. Program managers also would like utility account representatives who visit industrial facilities to promote the program leading to greater national awareness and participation. DOE is attempting to develop a Windows-based tool to facilitate the application process.

Program Example

Beta Control Systems, Inc., of Beaverton, Oregon, develops, manufacturers and installs state-of-the-art, closed-loop systems for recovering and recycling hazardous industrial wastes. With the help of a NICE[3] grant, Beta plans to develop an on-site hydrochloric acid (HCI) recovery system for galvanizers and small to medium-sized steel manufacturers. This system will recycle used acid solution from pickling, a process that cleans and removes rust from steel by dipping it into a tank of hydrochloric or sulphuric acid. A non-hazardous, saleable by-product — iron chloride — will be generated, which can be used in fertilizer, animal feed, waste treatment, and as an etchant. Projected energy savings are $5 billion BTU/year. Beta estimates annual waste reduction of spent HCI and neutralized sludge of 200 tons/unit and projects industry-wide HCI waste reduction of 42,000 tons/year by 2010. The total savings for a typical (small to medium-sized) galvanizer using HCI to pickle steel is projected to be $260,600 each year.

Many foods are frozen or canned for final distribution and sale. In preparation for freezing and canning, foods are blanched to inactivate the enzymes and bacteria that would cause the foods to otherwise deteriorate. The blanching process produces large quantities of wastewater effluent and uses energy inefficiently. With the help of a NICE[3] grant, Key Technology, Inc., will demonstrate and innovate blanching technology that recirculates and reuses steam, dramatically reducing water consumption, energy consumption, and waste-water generation. For a single food blancher unit, the energy consumption can be reduced by as much as 71 percent. Waste generation is projected to fall by 80 percent from 22,372 tons/year/unit to 4,560 tons/year/unit. Economics savings is estimated at $85,657/year/unit. Estimated payout for implementing the system is 1.65 years.

For almost 40 years, the airline industry has deiced planes by spraying ethylene glycol onto them, which creates time delays and can harm aquatic life. With the aid of a NICE^3 grant, Chemical Services, Inc will demonstrate a new deicing process that reduces the use of ethylene glycol while reducing the idle time of the airliners. As a result of this innovation, the total energy savings per airport is estimated at 231 billion Btu/year. Projections suggest that the new process would reduce glycol usage by 60 percent with approximately 25 percent of the chemicals recovered for recycling.

Contact

Interested parties may address questions via the Internet to www.eren.doe.gov./industry. General questions concerning NICE^3 should be directed to an applicant's local Regional Support Office or State Energy Office. Lists of Regional Support Offices, Active State Agencies, State Energy Offices, DOE Field Offices and Other Support Offices, and DOE Laboratories appear below. Industry may partner with state agencies not included on the State Agencies list.

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Small Business Administration

Overview

Small businesses are a major source of new jobs and play a key role in local economies. Small firms account for $7 of every $10 earned by retailers and wholesalers, and more than 60 percent of all service-industry revenues. In 1992 (the most recent year for which information is available), 871,001 small businesses were created. However, that year also witnessed the failure of 818,756 firms, mostly small businesses less than five years old. This failure rate makes lenders nervous; they consider investment in small businesses risky. Small firms need both a financial base and an information base. Small business operators find it difficult to secure needed equity and debt capital at affordable terms. In addition, they need access to reliable technical assistance and counseling.

Recognizing the importance of small business to local, state, and national economies, the federal government has provided billions of dollars in loans and loan guarantees as well as technical assistance and advocacy programs through the Small Business Administration (SBA). SBA is a small, independent federal agency created by Congress in 1953 to assist, advise, and be an advocate for the nation's millions of small operations — defined as those that are independently owned and operated and are not dominant in their field. Specific eligibility standards vary by program, and take into account company size and earnings. Most enterprises are limited to 500 employees, although many manufacturing firms can qualify with up to 1,500 workers.

SBA gives small enterprises access to long-term financing — terms of six years or more. The agency also provides new entrepreneurs, those planning to join their ranks, and established small business operators with management counseling and training services. SBA also makes special efforts to help women, minorities, the handicapped, and veterans get into business and stay in business. Many business incubators, technology transfer centers, and similar entities use SBA resources to promote small enterprises and nurture their growth.

SBA is authorized by statute to offer several financial-assistance programs. In recent years, though, the agency has given mostly loan guarantees; Congress has appropriated few funds for direct lending. In fiscal 1994, more than 95 percent of all SBA financial program activity occurred in three programs:

- general business-loan guarantees, the Section 7(a) program, SBA's largest, which helps small businesses gain access to capital to finance plant construction, conversion, and expansion, as well as acquire equipment, facilities, material, and supplies;

- development company guarantees, through Section 504, of debentures issued by certified public-private development groups to provide companies with long-term, fixed-asset financing; and

- small business investment companies, SBICs and minority SBICs, licensed by SBA to make venture and other equity investments in emerging small companies.

Other SBA efforts, while small, play an important role in business development activities. For example, the recently launched Microloan Program is the agency's most popular and fastest growing program. It directs small loans — not to exceed $15,000 — through intermediaries to help small and prospective businesses. The program has expanded from two experimental lending intermediaries established in 1992 to 110 in 1995.

Several small loan and loan guarantee programs exist but are not widely used because of their limitations. They include loans and loan guarantees targeted to the handicapped and economically disadvantaged, veterans loans, and loans earmarked to firms engaged in energy-related products or services. These programs had a combined fiscal 1995 program authority of less than $60 million.

SBA Financial Assistance Programs (Various Years)
(in millions of dollars)

Program	1989 Actual	1994 Actual	1995 Authorized
General Business Loans (7a)	2,421.0	5,992.1	6,052.1
Development Co. Loans (504)	450.0	1,290.9	1,408.8
Investment Companies	69.0	100.0	109.1
Specialized SBICs	0.0	13.2	26.6
Handicapped Loans	17.0	9.5	4.1
Economic Opportunity Loans	57.0	8.5	0.0
Veterans	17.0	12.0	0.0
Microloan	0.0	8.2	27.3
Total Business Loans	**3,236.0**	**7,434.4**	**7,628.0**
Direct	82.0	38.2	31.4
Guaranteed	3,154.0	7,396.2	7,596.6

SBA's management and technical assistance efforts are extensive and diversified. They include business-management courses and "how-to" seminars, international trade and export advising, workshops, problem-solving clinics, and a wide range of publications. The agency provides individual counseling through two long-established programs: the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE). Small Business Institutes (SBIs) on hundreds of university and college campuses offer free guidance to troubled small firms. SBI's are staffed by senior business administration students and their faculty advisors, working under SBA oversight. Small Business Development Centers (SBDCs), generally located on college campuses, bring a variety of small business managerial and financial information and assistance under one roof. Federal procurement specialists in SBA regional offices counsel small firms, especially manufacturers, on bid preparation to help them obtain federal contracts and help place them on bidders' lists.

This chapter focuses on key SBA financial assistance programs of particular interest to manufacturers. It also features information on important technical assistance services available.

Section 7(a) Loan Guarantees for Small Business

Objective

Section 7(a) small business loan guarantees help small businesses on the risk margin — those not quite able to satisfy a private lender's concerns about viability — to obtain private financing by reducing the lender's financial exposure in the event of a default.

Description

SBA's regular small business loan guarantee program, known as Section 7(a), was devised to reduce the underwriting risk that often makes financial institutions hesitant to lend to small businesses — and manufacturers in particular. The SBA guarantee is essentially a federal pledge to cover most of the outstanding loan balance in the event of a default. Before it will lend money to a small business, SBA must be assured that its owners have attempted to obtain private financing, and are prepared to invest a reasonable amount of their own capital in the business. They also must show that future earnings will be sufficient to repay the loan.

SBA-guaranteed loans are made by private lenders, usually banks. Three principal parties are involved in a project: SBA, the small business applicant, and the financier. The lender plays the main role in program delivery. The small business applicant submits the loan application to the lender, who makes an initial review and forwards the application and loan analysis to the local SBA office. If SBA approves it, the lender closes the loan and disburses the funds. SBA can guarantee up to 90 percent of the value of loans as large as $155,000, and 85 percent of loans exceeding that amount. The SBA-guaranteed portion of a loan cannot exceed $500,000. (Prior to 1995, the maximum amount was $750,000.) SBA makes no cash payments to a lender, unless the borrower fails to meet repayment obligations.

The maturity period for SBA-backed loans varies with the use of proceeds. The agency permits a maximum loan life of seven years for working capital. It guarantees machinery and equipment loans for as long as 15 years; building construction or purchase loans can extend to 25 years. SBA permits guaranteed loans to be made at prevailing market rates, and most are variable-rate loans. For loans up to seven years, lenders may charge the current prime interest rate plus up to 2.25 percent; for loans with longer maturity periods the rate is the current prime plus a maximum 2.75 percent.

Funding Form

Guaranteed loans.

Eligible Applicants

Small manufacturers, wholesalers, retail and service firms, and other small businesses are eligible for Section 7(a) guarantees if they meet requirements of size and creditworthiness. By law, SBA cannot provide financial help to businesses unless they fail to acquire adequate financing at reasonable rates through normal private lending channels. The company must be independently owned and operated and not "dominant" in its field. It also must meet SBA size standards, which are generous and vary by industry. Generally, manufacturers that qualify can employ 500 to 1,500 workers, depending on the industry; wholesalers can employ up to 500 employees only. Retailers can earn revenues of $13.5 million and service establishments as much as $14.5 million and still be considered small.

Eligible Activities

The Section 7(a) program may guarantee loans for virtually any business purpose. Guaranteed financing may be used to establish a new business or help operate or expand an existing one. Most fixed-asset and working-capital costs are eligible for loans: construction, conversion, expansion, or renovation of facilities; purchase of equipment or machinery; and acquisition and improvement of a business site. Pre-production sales efforts, employee training, and purchase of raw materials or supplies also are allowed. SBA-guaranteed funds cannot be used for speculation in property, re-lending or investment, or financing real property held for appreciation. Most SBA-guaranteed loans are long-term in nature, financing such needs as real estate acquisition and other fixed assets.

Application and Review

Private lenders initiate and control the process, determining which projects can be financed with SBA's backing. A small business applies to its own lender, following that institution's criteria. The lender examines the loan application package, evaluating it for credit-worthiness and other risks (which, for manufacturing projects, typically includes an environmental assessment). If the lender decides that the project needs the additional security of an SBA guarantee to make it viable, the institution forwards the application package (along with program paperwork) to the agency for approval. In its review, SBA considers whether the applicant has sufficient cash flow to pay its ongoing obligations, including repayment of the requested loan. If SBA approves the 7(a) guarantee application, it notifies the bank, which disburses the loan proceeds to, and collects payments from, the borrower. In the event of a default, the lender intervenes with SBA for compensation.

SBA requires the same type of underwriting documents as a private lender. First, applicants must have a business plan that describes the enterprise, outlines future business activity realistically, spells out how the owner(s) will use the loan, and what collateral they will pledge to secure the loan. Information is required on the applicant and his or her business partners that describes their ability to undertake the proposed operation, plus personal financial statements. For new business loans, SBA requires personal tax returns for the prior three years.

Like a private lender, SBA requires considerable financial information on the existing or proposed new business. Applicants whose business is in operation must provide a current balance sheet listing all assets, liabilities, and net worth, and profit/loss statements for the most recent accounting period (and for the previous three years, if available). They also must provide cash flow and revenue estimates for the coming year. Applicants for a new business must prepare an estimated balance sheet for opening day and a detailed projection of earnings and expenses for the first year.

There are no specific deadlines; guaranteed-loan applications are accepted whenever they are submitted. Applicants file in the SBA field office serving area where the business is or will be located. The district SBA office or participant bank authorizes guarantees by letter. Approval/disapproval time ranges from 3 to 60 days from date of submission, depending on the specific business situation and the participating lender.

Several years ago, SBA established the Certified Lenders Program (CLP), in which institutional lenders with a strong track record of involvement with the Section 7(a) program are invited to be "certified." This designation grants them authority to make loan-guarantee analysis and processing decisions on specific applications without referring them to the agency until time for the final decision. Applications forwarded by CLP lenders are given a three-day turnaround by the local SBA office. More than 700 banks and other lending institutions across the country participate in CLP, processing nearly one-third of all business loan guarantees.

Funding Level

Because of the strong demand for guarantee assistance, Congress increased Section 7(a) authority to $6.05 billion for fiscal 1995, up from $6 billion in fiscal 1994.

Additional Considerations

Before applying to SBA, the small business owner must try to obtain the financing from other public or private sources, including state development corporations, sale of stock, or sale of personal assets. Each loan-guarantee application is examined on its own merits, but creditworthiness, adequacy of working capital, and availability of collateral are factors in the process.

While SBA follows no strict project-evaluation guidelines, it does insist on some basic criteria to make sure that loans will be repaid. Borrowers must show sufficient management experience either through training or related operations. They must have a minimum investment of 25 percent of total project costs, or a $3 to $1 debt-to-equity ratio for existing operations. Applicants must produce monthly cash flow and revenue projections that indicate they can support loan repayments; they also must prove dollar-for-dollar collateral coverage.

The goal of the 7(a) program is to increase small companies' access to capital. Since the creation of SBA in 1953, the agency has guaranteed approximately 603,000 loans, although only 14 percent of them supporting manufacturing projects.

Program Examples

In 1992, the employees of Phoenix-based Weaver Quality Shutters used a Section 7(a) loan guarantee to help them buy the company when its founder retired. The SBA guaranteed 85 percent of a $500,000 loan. The transfer to employee ownership opened the firm up to new production ideas that have since boosted its efficiency and profitability. The loan also enabled the company to purchase paints and varnishes that were safe for the workers and environmentally friendly.

Accu-Met Inc., a start-up laser processing firm based in Cranston, Rhode Island, received a 90 percent guarantee on a $77,000 loan in 1991. Its proceeds allowed the firm to pay the legal expenses associated with launching the business, and met critical working capital needs of the production purposes. Firmly established today, the company has contributed several jobs and looks forward to expanding.

Parts producer Scheffstall Manufacturing acquired Kolk Industries in 1986. With the help of a $165,000 loan backed by SBA, the firm was able to achieve important production efficiencies by consolidating its operations. Part of the proceeds helped Scheffstall modernize its production line, including purchase of a state-of-the-art Statistical Process Control (SPC). Today, some 85 percent of the firm's production is purchased by the Xerox Corporation, which awarded Scheffstall its 1991 quality award.

FEDCO Automotive Components Company is the world's largest manufacturer of car and truck heater cores, which its sells to Chrysler, General Motors, and BMW. In May of 1990, FEDCO's new owners secured a Section 7(a) guaranteed loan to upgrade its automated manufacturing techniques and advanced process technology and expand its production facility. Since that time, the company has more than doubled its workforce to 125 and has seen its revenues increase from $6.9 million in 1990 to $18 million by 1994.

Contact

For additional information, contact an SBA district or regional office, or agency headquarters.

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Small Business Administration
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(202) 205-6570

LowDoc Loan Guarantee Program

Objective

SBA initiated the LowDoc program to simplify and speed up the loan guarantee process for businesses needing less than $100,000 in financial assistance.

Description

SBA launched its Low Documentation (LowDoc) program in December, 1993, as a limited pilot spin-off of the Section 7(a) loan guarantee. LowDoc was designed to encourage more lenders to consider handling SBA-backed loans of less than $100,000. It streamlines the application process by using a single-page SBA form, and providing a rapid response from SBA — usually within a few days. After a successful pilot run, which saw the number of guaranteed loans rise dramatically, SBA elevated LowDoc to full program status in December, 1994. During the summer of 1995, after just a few months of operation, Vice President Albert Gore's National Performance Review cited LowDoc's achievements in reducing red tape as part of SBA's "reinventing government" strategy.

LowDoc guaranteed loans can not exceed $100,000, and all receive a 90 percent guarantee under SBA's Section 7(a) authority. Interest rates are tied to the prime rate and can not exceed SBA's maximums — not more than 2.25 percentage points over prime for loans of less than seven years duration, and not more than 2.75 percentage points over prime for loans that mature over longer periods. Loans under $50,000 may be subject to slightly higher rates. The acceptable loan term depends on the borrowers' ability to repay and how the loan proceeds will be used, but it may not exceed 25 years for fixed assets or ten years for all other uses.

Funding Form

Loan guarantees.

Eligible Applicants

Small, independently-owned businesses that are not dominant in their fields are eligible. Size limitations vary from industry to industry (typically capped at 500 employees).

Application and Review

LowDoc application procedures are identical to those for the Section 7(a) loan guarantee program, and private lenders play a dominant role. Prospective borrowers submit loan requests to their local bank, providing any documentation that the institution may require. The lender examines the application according to its own risk policies. If the bank decides it cannot approve the loan without the security of an SBA guarantee, the lender and potential borrower fill out a single-page application form and forward it to the local SBA district office for review, along with the bank's own loan analysis (a copy of this form, Form 4-L, is included at the end of this profile). For loans over $50,000, the borrower also must include copies of U.S. Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years, as well as personal financial statements.

Agency officials rely on the participating financial institution to scrutinize the application. The SBA reviews the character, credit, and experience of the applicant, rather than more traditional issues of cash flow and available collateral. If the SBA approves the loan guarantee, the lender disburses the funds and collects payments from the borrower. The SBA tries to provide quick turnaround on LowDoc applications; the agency's process usually takes between a few days to two weeks, depending on local SBA office case loads.

The SBA stresses that all loans are to be adequately secured, but guarantees generally will not be declined when inadequate collateral is the only unfavorable factor. Normally, business assets are pledged, and occasionally personal holdings. Principals must provide personal guarantees. Since the inception of the LowDoc program, the average loan guarantee has been $54,000, with an average term of five years.

Funding Level

All SBA programs are being reviewed by the 104th Congress, as part of the legislative reauthorization process. Since LowDoc's guarantee authority is linked to the larger Section 7(a) program, it will be subject to the same legislative changes proposed in S. 895, which emerged in October 1995 from a House-Senate conference. Most significant for LowDoc is the House proposal to reduce to 80 percent guarantee levels for loans of less than $100,000, which could effect the level of interest banks have in participating in the program. In addition, the increase in fees from two percent to three percent would affect LowDoc guarantees. All LowDoc projects fall below the $250,000 threshold that triggers an even greater rise in guarantee fees.

Program Examples

Two Monroe, Connecticut, residents wanted to go into business for themselves when the opportunity arose to buy a machine shop. One had worked for 12 years in manufacturing as a machinist and programmer. To get the business started, they needed about $100,000 to purchase machines and cover initial working capital needs. After approaching several banks, they were unable to secure financing. They finally approached the Naugatuck Savings Bank, whose officials made them aware of the LowDoc program. With the backing of the SBA guarantee, they were able to secure the needed loan. Today they operate AP&P, Inc., a manufacturing company offering machining, programming, product design, production development services for small component parts and prototype development.

Nash Patel, the president and owner of D.N. America, a software engineering and computer services firm in Fairmont, West Virginia, attributes much of his company's success to SBA assistance. After working for organizations such as AT&T Bell Labs and Unisys Corporation, Mr. Patel decided to start D.N. America. To attain the capital necessary for start-up costs, he sought about $100,000 in financing through his private lender. The loan was deemed viable because of the SBA guarantee, available through the LowDoc program. D.N. America has continued to use other SBA services, including business-development training, consultant services, and contract and procurement assistance.

Contact

Private lenders are the primary contacts for the LowDoc Loan Guarantee program. The SBA district offices, however, can alert and counsel potential borrowers on available assistance, make referrals to local participating banks, and provide general guidance to small business owners. A list of the SBA district offices can be found following the Section 7(a) loan guarantee profile on page 10. Small Business Development Centers (SBDC) also can help small business owners with technical and managerial assistance needed to apply for program assistance (see the SBDC profile for a description of services, locations, and phone numbers). The SBA provides a toll-free number (1-800-U-ASK-SBA; TDD users, 202-205-7333) for general program information. In addition, information is available through SBA on-line services. The numbers and address are listed below.

Electronic Access to SBA

SBA Bulletin Board:
1-800-697-4636 (outside D.C.)
401-9600 (D.C. access)

Internet Address:
telnet://sbaonline.sba.gov
http://www.sbaonline.sba.gov

Section 504 Certified Development Company Program

Objective

The Certified Development Company program helps finance small business activities by providing long-term capital for fixed assets through the sale of SBA-guaranteed debentures to private investors.

Description

High borrowing costs and limited availability of capital in some areas have made long-term, fixed-asset financing a perennial problem for smaller enterprises, especially manufacturers. For example, many are unable to get terms longer than five years to finance a building. SBA's Certified Development Company program, also known as the Section 504 CDC program, brings the financial advantages of large businesses to smaller enterprises. Large businesses finance real property, facilities, or equipment by issuing long-term bonds or debentures or obtaining bank loans — obligations they pay back from earnings. Small businesses often are unable to secure such financing arrangements on their own.

The Section 504 program helps small businesses finance fixed assets — acquisition of land, buildings and machinery, as well as construction, renovation, and expansion of existing facilities and leasehold improvements. The program is operated through SBA-licensed CDCs, which are private organizations chartered to channel investment capital to small and mid-sized enterprises. CDCs work to identify potential business participants, preform credit analyses, recommend loan approvals, and close and service the loans that they initiate. The 280 CDCs nationwide raise their capital for relending through the sales of debentures to private investors.

SBA guarantees the timely payment of 100 percent of the principal and interest on debentures issued by development companies it has certified. Debenture proceeds can support up to 40 percent of a project's cost, up to a $750,000 maximum SBA share. (This amount can rise to $1 million if SBA determines that the project would meet "significant public policy goals" such as the promotion of exports or development of high technology.) There is a $25,000 minimum. To take advantage of this program, a public-private group organizes itself as a CDC to sell debentures, thereby raising capital for small businesses in its state or local geographic area. After meeting certain organizational requirements, the group is certified by SBA and its debentures are fully guaranteed by the agency. The guarantee reduces investors' risks, which in turn lowers the debenture's rate of interest and attracts purchasers. This translates into slightly lower borrowing costs to small businesses.

The Section 504 program is a key element in the three-part small business financing package coordinated by the certified company, as indicated in the chart below. The debentures serve as a type of second-mortgage financing.

Small Business Finance Project Structure Using Section 504

Source of Financing	Percentage Participation	Security
Bank or other private lending institution	50	first mortgage
SBA-guaranteed debenture (Section 504)	40	second mortgage
State or local financing (local injection)	10	third mortgage

The CDC is responsible for securing 10 percent state or local financing, the "local injection," which is subordinate to all other obligations and not guaranteed by SBA. The CDC or small business owner often contributes these funds, but other acceptable sources include state or local government programs, foundations and other nonprofit organizations, or cash equivalents such as land or building donations. Some communities use their Community Development Block Grant monies for this purpose.

Since 1991, the average Section 504-supported loan was approximately $308,000. All debentures must be collateralized to the extent that SBA decides is reasonable to assure repayment. Section 504 debenture maturity can extend to 20 years. The interest rate, determined periodically by SBA, is slightly lower than market rate. Application and processing fees total approximately 3.25 percent of the debenture size, in addition to closing costs.

The CDC provides the debenture-financed assistance in two ways. Under the re-lend plan, the small business buys the property or equipment it needs directly, with the CDC coordinating the Section 504 debentures and private financing. A second approach is the lease plan, in which the CDC uses the financing to purchase, lease, or renovate the property or equipment, which is then leased to the small business, usually with an option to purchase.

Funding Form

Guaranteed loans.

Eligible Applicants

All Section 504 guarantee assistance must be channeled through a CDC, which makes loans to small, independent, for-profit businesses. Loan recipients must have a net worth lower than $6 million, and their average annual profit for the previous two years must be less than $2 million. Certain types of companies are ineligible, notably media, lending, investment, or gambling enterprises. The small business also must meet an owner occupancy test.

To win certification as a development company, a group must meet a number of organizational criteria. The prospective CDC must: be incorporated as a nonprofit group in the state in which it will operate; have at least 25 members, including representatives of state or local governments, private lending institutions, community organizations, and business concerns; employ a professional staff that can package, process, close, and service the loans it makes and be able to make professional accounting and legal services available to small businesses. The development company also must prepare an operating plan that identifies its sources of operating funds and the local injection. To maintain its certification, a CDC must provide a debenture or other form of financial assistance to at least one small business each fiscal year and must maintain an office open to the public during business hours.

Eligible Activities

Section 504-assisted loans may finance fixed-asset purchases, which makes the program particularly beneficial to manufacturers. Projects financed or aided through SBA-guaranteed debentures under the CDC program may include land or building acquisition; facilities construction, renovation, or modernization; leasehold improvements; or machinery and equipment purchase. Debenture funds can pay for interim interest and professional fees for services such as appraisals, surveying, accounting, engineering, and architectural services. Section 504 proceeds cannot be used for counseling, loan-application fees, working capital, or franchise fees.

Application and Review

All Section 504 loan guarantees must be funneled through a CDC, which makes the initial determination whether to proceed with the project. Once a CDC formally approves the business' proposal, it submits an application to an SBA field office for consideration. To secure the guarantee, both the small firm and the CDC arranging the financing package must submit detailed information about the business and the proposed project. The CDC must prepare a statement outlining the loan purpose, the source of the local injection, and the project's potential effect on the community; describe its role in loan processing, closing, and servicing for participating small businesses; and produce a letter from the bank noting its share of the project cost, the terms and conditions of its participation, and the reason it will not finance the entire project. The business must provide a history and description of the operation; a business plan; a detailed statement of the exact uses and benefits of the debenture proceeds; and detailed financial statements for up to three years.

The SBA field office gives the application a preliminary review, then forwards it with a recommendation of approval or denial to agency headquarters. There are no scheduled deadlines; applications can be submitted any time. Final decisions usually are made within three weeks of submission.

Funding Level

For fiscal year 1995, Congress boosted the level of authorized guaranteed debentures to $1.4 billion, up from the $1.29 billion provided for fiscal 1994.

Additional Considerations

According to SBA regulations, CDC-sponsored projects must have a "significant impact" on the community. To that end, SBA requires that each project meet one of the following economic development objectives: stimulate other business development or investment; stabilize or diversify the local economy; further some national objective (such as expanding exports or promoting development in distressed areas); or create at least one job for each $15,000 in debentures.

In fiscal year 1993, SBA approved 2,454 applications, with a total value of $813.8 million. Since 1980, more than $13 billion in Section 504 financing has been provided to nearly 17,500 small businesses. SBA estimates 373,000 created or retained jobs are attributable to this program.

Program Examples

In May 1992, SBA guaranteed $1 million in Section 504 proceeds to help Pactuco Inc., a plastic package manufacturer in California. With these resources, Pactuco built a new plant in Lompoc to replace one the company had outgrown. Since then, the firm has experienced a 60 percent increase in revenues and expanded their workforce from 50 to 155 employees.

Martin Foundry Corporation of Kansas City, Missouri, secured a $200,000 loan guarantee in 1985, which allowed the company to expand its plant and subsequently quintuple its annual sales to $1 million by 1994. Currently, the firm is planning a second wave of expansion, and it is again seeking Section 504 loan assistance.

Majestic Woodworking, a cabinet making firm in Minneapolis, started operating in 1982 with a couple of staff and annual revenues of $20,000. By 1986, Majestic had outgrown its original facility and approached a local CDC for Section 504 loan assistance. That financing allowed the company to expand to a 5,000 square foot plant. By 1994, the firm had carried out more Section 504-assisted projects, and quadrupled the size of its facility. Currently, Majestic has annual revenues of $1.5 million.

The Idaho-based Quality Veneer company used Section 504 in 1991 to expand its facilities. After receiving the assistance, the firm added 45 new employees and its annual sales grew from $3.3 million to $7.5 million. The firm also installed a production system that reduces its need for old growth trees by using a lower quality wood base. Currently, the firm is one of the nation's largest producers of softwood veneer.

Contact

For additional information, contact an SBA district or regional office or agency headquarters.

Office of Rural Affairs and Economic Development
Small Business Administration
409 Third St., S.W.
Washington, D.C. 20416
(202) 205-6485

Microloan Program

Objective

The Microloan program helps very small businesses gain access to capital by providing short-term, fixed-interest rate financing.

Description

SBA developed its Microloan program to increase small business access to financing and technical assistance. It addresses a serious capital gap in areas underserved by conventional lenders because of economic downturns, a company's lack of collateral, or the small size of needed loan amounts. Through this program, tiny enterprises can borrow up to $25,000 for the purchase of machinery and equipment, furniture and fixtures, inventory, supplies, and working capital. These funds, however, can not be used to pay existing debt. SBA does not make microloans directly; rather, the agency certifies intermediary lenders — which can be private, non-profit, or quasi-governmental organizations — to carry out the program at the local level. Currently, 101 intermediaries are located across the country, although not all areas are served. (See the list at the end of this section.) SBA expects to authorize an additional 100 lending agency by early 1996.

More than 15 percent of the loans made through this program have gone to small manufacturers. Loan proceeds have been used for various purposes, with about 40 percent devoted to working capital, 32 percent to equipment purchases, and 17 percent to build inventories.

To increase the access of very small firms to necessary technical advice and assistance, the Microloan program is supporting 25 non-lending technical assistance providers. They provide guidance on marketing strategies, management skills, and other business needs.

Funding Form

Guaranteed loans via an intermediary.

Eligible Applicants

Any start-up or expanding small business may apply to an intermediary for financial assistance under the Microloan program. However, the SBA limits the amount of capital which can be provided to any individual intermediary lender and the number of lenders in each state.

Eligible Activities

Microloan proceeds may be used to meet working capital needs, or for acquisition of materials, supplies, furniture, fixtures, and equipment.

Application and Review

Small business applicants apply directly to the intermediary for loans. Each intermediary has its own application process and collateral requirements, but none is allowed to charge application fees. The average loan amount for this program to date is $10,617, provided for an average term of 42 months. Microloans must be repaid over the shortest period possible, depending on business earnings, and they are not available for terms greater than six years. Interest rates can not be more than 4 percentage points over prime. SBA does not review specific applications.

Funding Level

Congress appropriated $27.3 million for the Microloan program in fiscal 1995.

Additional Considerations

SBA designed this program to fill a specific, pervasive capital gap. Since the program's inception in 1992, intermediaries have made nearly 3,000 microloans, worth more than $31.7 million.

Program Examples

One student's frustration with hard dorm mattresses led him to purchase his own from a wholesale company in western Pennsylvania. He later sold mattresses to his fellow students, and upon graduation started Eggshell Foam, Inc., which bought mattress cushions for resale through university bookstores. The company started out selling to nine schools in western Pennsylvania, Maryland, and West Virginia. The company sought financing from the Washington County Council on Economic Development, which provided a $6,700 SBA Microloan to cover some of the firm's major orders. As of November 1994, the company had supplied *The College Mattress* pad to more than 60 colleges and universities in 11 states, and it is still growing.

A couple in 1988 started a home-based business called Lakeshore Custom Canvas. In October 1993, they applied for a loan through Northern Community Investment Corporation (NCIC) in St. Johnsbury, Vermont, to buy a commercial sewing machine, a tube bender, and an inventory of canvas yard goods and metal fasteners. In addition, they hoped to borrow the funds to attend two classes in the production of specialty canvas products. After reviewing the business plan, NCIC offered the company a loan through the SBA Microloan program. Business has been good through 1994, with customers often leaving their boats tied to the Lakeshore Custom Canvas dock. Lakeshore Custom Canvas has met its projections of a year ago and looks forward to expanding in the upcoming year.

Contact

A list of current lending intermediaries and technical assistance providers may be found at the end of this section. For general information, contact SBA headquarters at:

Office of Financial Assistance
Small Business Administration
409 Third St., S.W.
Washington, D.C. 20416
(202) 205-6490

Intermediary Lenders
(as of October 1995)

ALABAMA
Elmore Community Action Committee, Inc.
1011 West Tallassee
P.O. Drawer H
Wetumpka, AL 36092
205-567-4361
Service Area: Autauga, Elmore, and Montgomery counties

ALASKA
No local intermediaries

ARIZONA
Chicanos Por La Causa, Inc.
1112 E. Buckeye Road
Phoenix, AZ 85034
602-257-0700
Service Area: Urban areas of Maricopa and Pima, Graham, Gila, Coconino, Mohave, Yavapai, and La Paz counties

PPEP Housing Dev. Corp/Micro Industry Credit Rural Organization
802 East 46th Street
Tucson, AZ 85713
602-622-3553
Service Area: Cochise, Santa Cruz, rural Maricopa, rural Pinal, and rural Yuma counties

ARKANSAS
Arkansas Enterprise Group
605 Main Street, Suite 203
Arkadelphia, AR 71923
501-246-9739
Service Area: Southern portion of the state

Delta Community Development Corp
675 Eaton Road
P.O. Box 852
Forrest City, AR 72335
501-633-9113
Service Area: Cross, Crittenden, Monroe, Lee, and St. Francis counties

White River Planning and Dev. District, Inc.
1652 White Drive
P.O. Box 2396
Batesville, AR 72503
501-793-5233
Service Area: Cleburne, Fulton, Independence, Izard, Jackson, Sharp, Stone, Van Buren, White, and Woodruff counties

CALIFORNIA
Arcata Economic Development Corporation
100 Ericson Court, Suite 100
Arcata, CA 95521
707-822-4616
Service Area: Del Norte, Humboldt, Mendocino, Siskiyou, and Trinity counties

Center for Southeast Asian Refugee Resettlement
875 O'Farrell Street
San Francisco, CA 94109
415-885-2743
Service Area: Alameda, Contra Costa, Marin, Merced, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, and Stanislaus counties

Coalition for Women's Economic Development
315 West Ninth Street, Suite 705
Los Angeles, CA 90015
213-489-4995
Service Area: Los Angeles County

Valley Rural Development Corporation
3417 W. Shaw, Suite 100
Fresno, CA 93711
209-271-9030
Service Area: Fresno, Kings, Kern, Stanislaus, Madera, Mariposa, Merced, Tuolumne, and Tulare counties

COLORADO
Greater Denver Local Development Corporation
P. O. Box 2135
Denver, CO 80206
303-296-9535
Service Area: City of Denver, and Adams, Arapahoe, Boulder, Denver, and Jefferson counties

Region 10 LEAP, Inc.
P.O. Box 849
Montrose, CO 81402
303-249-2436
Service Area: West Central area including Delta, Gunnison, Hinsdale, Montrose, Ouray and San Miguel counties

CONNECTICUT
New Haven Community Investment Corp.
809 Chapel Street, 2nd Floor
New Haven, CT 06510
203-776-6172
Service Area: Statewide

DELAWARE
Wilmington Economic Development Corp
605-A Market Street Mall
Wilmington, DE 19801
302-571-9088
Service Area: New Castle county, in the cities of Wilmington, Newark, New Castle, Middletown, Odessa, and Townsend

DISTRICT OF COLUMBIA
ARCH Development Corporation
1227 Good Hope Road, SE
Washington, DC 20020
202-889-5023
Service Area: Portions of the District of Columbia commonly referred to as Adams Morgan, Mount Pleasant and Anacostia, Congress Heights, Columbia Heights, and 14th Street Corridor

H Street Development Corporation
611 H Street, NE
Washington, DC 20002
202-544-8353
Service Area: Portions of the District of Columbia including specific areas of the Northeast, Southeast and Northwest quadrants

FLORIDA
Community Equity Investments Inc.
302 North Barcelona Street
Pensacola, FL 32501
904-444-2234
Service Area: Western Panhandle including Bay, Calhoun, Escambia, Gadsden, Gulf, Jackson, Holmes, Liberty, Leon, Franklin, Wakulla, Walton, Washington, Okaloosa, and Santa Rosa counties

United Gainesville Community Development Corporation
P.O. Box 2518
Gainesville, FL 32602
904-376-8891
Service Area: North Central section including Alachua, Bradford, Columbia, Dixie, Gichrist, Hamilton, Jefferson, LaFayette, Levy, Madison, Marion, Putman, Suwanee, Taylor, and Union counties

GEORGIA
Fulton County Development Corp
Greater Atlanta Small Business Project
10 Park Place South, Suite 305
Atlanta, GA 30303
404-659-5955
Service Area: Fulton, Dekalb, Cobb, Gwinnett, Fayette, Clayton, Henry, Douglas, and Rockdale counties

Small Business Assistance Corporation
31 West Congress Street, Suite 100
Savannah, GA 31401
912-232-4700
Service Area: Chatham, Effingham, Bryan, Bulloch, and Liberty counties

HAWAII
The Immigrant Center
720 North King Street
Honolulu, HI 96817
808-845-3918
Service Area: Island of Oahu within the City and County of Honolulu

IDAHO
Panhandle Area Council
11100 Airport Drive
Hayden, ID 83835-9743
208-772-0584
Service Area: Northern Panhandle including Benewah, Bonner, Boundary, Kotenai, and Shoshone counties

ILLINOIS
Greater Sterling Development Corporation
1741 Industrial Drive
Sterling, IL 61081
815-625-5255
Service Area: City of Sterling and Whiteside and Lee counties

Illinois Development Finance Authority
233 South Wacker Drive, Suite 5310
Chicago, IL 60606
312-793-5586
Service Area: Statewide except Peoria, Tazwell, Woodford, Whiteside, and Lee counties, the City of Sterling, and portions of Chicago currently served by WSEP

The Economic Dev. Council for the Peoria Area
124 SW Adams Street, Suite 300
Peoria, IL 61602
309-676-7500
Service Area: Peoria, Tazwell and Woodford counties

The Neighborhood Institute and Women's Self Employment Project
20 North Clark Street, Suite 400
Chicago, IL 60602
312-606-8255
Service Area: Portions of the City of Chicago

INDIANA
Eastside Community Investments Inc.
26 North Arsenal Avenue
Indianapolis, IN 46201
317-637-7300
Service Area: City of Indianapolis

Metro Small Business Assistance Corp.
1 NW Martin Luther King, Jr. Blvd.
Evansville, IN 47708-1869
812-426-5857
Service Area: Vanderburgh, Posey, Gibson, and Warrick

IOWA
Siouxland Economic Development Corporation
P.O. Box 447
Sioux City, IA 51102
712-279-6286
Service Area: Cherokee, Ida, Monoma, Plymouth, Sioux, and Woodbury counties

KANSAS
South Central Kansas Economic Development District, Inc.
151 North Volutsia
Wichita, KS 67214
316-683-4422
Service Areas: Butler, Chautauqua, Cowley, Elk, Greenwood, Harper, Harvey, Kingman, Marion, McPherson, Reno, Rice, Sedgwick and Sumner counties

Center for Business Innovations, Inc.
4747 Troost Avenue
Kansas City, MO 64110
816-561-8567
Service Areas: Wyandotte, Johnson, Kansas City, and Leavenworth

KENTUCKY
Kentucky Highlands Investment Corporation
362 Old Whitley Road
London, KY 40741
606-864-5175
Service Area: Bell, Clay, Clinton, Harlan, Jackson, Knox, Laurel, McCreary, Pulaski, Rockcastle, Wayne, and Whitley counties

Purchase Area Development District
P.O. Box 588
Mayfield, KY 42066
502-247-7171
Service Area: Western Kentucky including Ballard, Calloway, Carlisle, Futon, Graves, Hickman, McCracken and Marshall counties

LOUISIANA
Greater Jennings Chamber of Commerce
P.O. Box 1209
Jennings, LA 70546
318-824-0933
Service Area: Jeff Davis Parish

MAINE
Coastal Enterprises, Inc
P.O. Box 268
Wiscasset, ME 04578
207-882-7552
Service Area: Statewide excluding Aroostock, Piscataquis, Washington, Oxford, Penobscot and Hancock counties

Northern Maine Regional Planning Commission
P.O. Box 779
Caribou, ME 04736
207-498-8736
Service Area: Aroostook, Piscataquis, Washington, Penobscot and Hancock counties

Community Concepts, Inc.
P.O. Box 278
South Parris, ME 04281
207-743-7716
Service Area: Oxford County

MARYLAND
Council for Equal Business Opportunity, Inc.
The Park Plaza
800 North Charles Street, Suite 300
Baltimore, MD 21201
410-576-2326
Service Area: City of Baltimore and Ann Arundel, Baltimore, Carroll, Harford, and Howard counties

MASSACHUSETTS
Economic Dev. Industrial Corporation of Lynn
37 Central Square, 3rd Floor
Lynn, MA 01901
617-592-2361
Service Area: City of Lynn

Jobs for Fall River, Inc.
One Government Center
Fall River, MA 02722
508-324-2620
Service Area: City of Fall River

Springfield Business Development Fund
36 Court Street, Room 222
Springfield, MA 01103
413-787-6050
Service Area: City of Springfield

Western Massachusetts Enterprise Fund
324 Wells Street
Greenfield, MA 01301
413-774-7204
Service Area: Berkshire, Franklin counties, towns of Chester & Chicopes in Hampden county, towns of Athol, Petersham, Phillipston & Royalston in Worcester county and the following towns within Hampshire county: Amherst, Chesterfield, Cummington, Easthampton, Goshen, Hadley, Huntington, Middlefield, Northampton, Plainfield, Westhampton, Williamsburg and Worthington

MICHIGAN
Ann Arbor Community Development Corp
2008 Hogback Road, Suite 2A
Ann Arbor, MI 48105
313-677-1400
Service Area: Washtenaw County

Detroit Economic Growth Corporation
150 West Jefferson, Suite 1500
Detroit, MI 48226
313-963-2940
Service Area: City of Detroit

Flint Community Development Corp
877 East Fifth Avenue, Building C-1,
Flint, MI 48503
810-239-5847
Service Area: Genesee County

Northern Economic Initiatives Corp
1009 West Ridge Street
Marquette, MI 49855
906-228-5571
Service Area: Upper Peninsula including Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keewenaw, Luce, Macinac, Marquette, Menonimee, Ontonagon, and Schoolcraft counties

MINNESOTA
Northeast Entrepreneur Fund, Inc.
Olcott Plaza, Suite 140
820 Ninth Street North
Virginia, MN 55792
218-749-4191
Service Area: Koochiching, Itasca, St. Louis, Aitkin, Carlton, Cook and Lake counties

Women Venture
2324 University Avenue
St. Paul, MN 55114
612-646-3808
Service Area: Cities of Minneapolis and St. Paul and, Andra, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright counties

Minneapolis Consortium of Community Developers
1808 Riverside Avenue
Minneapolis, MN 55454-1035
612-338-8729
Service Area: Portions of Minneapolis

Northwest Minnesota Initiative Fund
722 Paul Bunyan Drive, NW
Bemidji, MN 56601
218-759-2057
Service Area: Beltrami, Clearwater, Hubbard, Kittsson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Rousseau counties

MISSISSIPPI
Delta Foundation
819 Main Street
Greenville, MS 38701
601-335-5291
Service Area: Statewide excluding Issaquena, Sharkey, Humphreys, Madison, Leake, Kemper, Copiah, Hinds, Rankin, Newton, Smith, Jasper, Clarke, Jones, Wayne, and Greene counties

Friends of Children of Mississippi, Inc.
4880 McWillie Circle
Jackson, MS 39206
601-362-1541
Service Area: Issaquena, Sharkey, Humphreys, Madison, Leake, Kemper, Copiah, Hinds, Rankin, Newton, Smith, Jasper, Clarke, Jones, Wayne, and Greene counties

MISSOURI
Center for Business Innovations, Inc.
4747 Troost Avenue
Kansas City, MO 64110
816-561-8567
Service Area: Statewide

MONTANA
Capital Opportunities/ District IX Human Resource Development Council, Inc.
321 East Main Street, Suite 300
Bozeman, MT 59715
406-587-4486
Service Area: Gallatin, Park, and Meagher counties

Women's Opportunity and Resource Development, Inc.
127 N. Higgins Avenue
Missoula, MT 59802
406-543-3550
Service Area: Lake, Mineral, Missoula, Ravalli, and Sanders counties

NEBRASKA
Rural Enterprise Assistance Project
P.O. Box 406
Walthill, NE 68067
402-846-5428
Service Area: Boone, Brown, Burt, Cass, Cherry, Colfax, Custer, Dixon, Gage, Greeley, Jefferson, Johnson, Keya Paha, Knox, Lancaster, McPherson, Nance, Nemaha, Pierce, Rock, Saline, Saunders, Seward, Thurston and Wayne counties

West Central Nebraska Dev. District, Inc.
P.O. Box 599
Ogailala, NE 69153
308-284-6077
Service Area: Arthur, Chase, Dawson, Dundy, Frontier, Furnas, Gosper, Grant, Hayes, Hitchcock, Hooker, Keith, Lincoln, Logan, Perkins, Red Willow and Thomas counties

NEVADA
Nevada Women's Fund
210 S. Sierra Street, Suite 100
Reno, Nevada 89501
702-786-2335
Service Area: Statewide

NEW HAMPSHIRE
Institute for Cooperative Community Development, Inc.
2500 North River Road
Manchester, NH 03106
603-644-3103
Service Area: Statewide excluding Grafton, Carol and Coos counties

Northern Community Investment Corp.
c/o 20 Main Street
St. Johnsbury, VT 05819
802-748-5101
Service Area: Grafton, Carol and Coos counties

NEW JERSEY
Trenton Business Assistance Corp
Division of Economic Development
319 East State Street
Trenton, NJ 08608-1866
609-989-3509
Service Area: portions of the City of Trenton

Greater Newark Business Dev. Consortium
One Newark Center, 22nd Floor,
Newark, NJ 07102-5265
201-242-6237
Service Area: Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, and Somerset counties with the exception of the city of Jersey City

Union County Economic Development Corp
Liberty Hall Corporate Center
1085 Morris Avenue, Suite 531
Union, NJ 07083
908-527-1166
Service Area: Union County

Jersey City Economic Development Corp.
601 Pavonia Avenue
Jersey City, NJ 07306
201-420-7755
Service Area: City of Jersey City

NEW MEXICO
Women's Economic Self Sufficiency Team
414 Silver South West
Albuquerque, NM 87102-3239
505-848-4760
Service Area: Statewide

NEW YORK
Adirondack Economic Development Corp.
P.O. Box 747
Saranac Lake, NY 12983
518-891-5523
Service Area: Clinton, Essex, Franklin, Fulton, Hamilton, Herkimer, Jefferson, Lewis, Oneida, Oswego, St. Lawrence, Saratoga, Warren and Washington counties

Hudson Development Corp.
444 Warren Street
Hudson, NY 12534
518-828-3373
Service Area: Columbia County

Manhattan Borough Development Corp.
15 Park Row, Suite 510
New York, NY 10038
212-791-3660
Service Area: The borough of Manhattan

Rural Opportunities, Inc.
339 East Avenue
Rochester, NY 14604
716-546-7180
Service Area: Allegheny, Cattaraugua, Cayuga, Chatauqua, Erie, Genessee, Livingston, Niagara, Ontario, Orleans, Senece, Steuben, Wayne, Wyoming, and Yates counties

NORTH CAROLINA
Self-Help Ventures Fund
413 East Chapel Hill Street
Durham, NC 27701
919-956-8526
Service Area: Statewide

NORTH DAKOTA
Lake Agassiz Regional Council
417 Main Avenue
Fargo, ND 58103
701-239-5373
Service Area: Statewide

OHIO
Enterprise Development Corporation
(formerly Athens Small Business Center, Inc.)
900 East State Street
Athens, OH 45701
614-592-1188
Service Area: Adams, Ashland, Athens, Belmont, Brown, Carrol, Columbiana, Coshocton, Gallia, Guernsey, Harrison, Highland, Holmes, Jackson, Jefferson, Knox, Lawrence, Meigs, Monroe, Morgan, Muskingum, Nocking, Noble, Perry, Pike, Ross, Scioto, Tuscarawas, Vinton and Washington counties

Columbus Countywide Development Corp
941 Chatham Lane, Suite 207
Columbus, OH 43221
614-645-6171
Service Area: Franklin County and the City of Columbus

Hamilton County Development Co., Inc.
1776 Mentor Avenue
Cincinnati, OH 45212
513-632-8292
Service Area: City of Cincinnati and, Adams, Brown, Butler, Clermont, Clinton, Highland, and Warren counties

Women's Entrepreneurial Growth
Organization of NE Ohio
58 West Center Street, Suite 228
Akron, OH 44308
216-535-4523
Service Area: Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Stark, Summit, Trumbull, Wayne

OKLAHOMA
Rural Enterprises, Inc.
422 Cessna Street
Durant, OK 74701
405-924-5094
Service Area: Statewide

Tulsa Economic Development Corp.
130 North Greenwood Avenue, Suite G,
Tulsa, OK 74120
918-585-8332
Service Area: Adair, Canadian, Cherokee, Cleveland, Craig, Creek, Delaware, Haskell, Hayes, Hughes, Kay, Latimer, Leflore, Lincoln, Logan, McIntosh, Muskogee, Noble, Nowata, Okfuskee, Oklahoma, Okmulgee, Osage, Ottawa, Pawnee, Payne, Pittsburg, Pottawatomie, Rogers, Seminole, Sequoyah, Wagoner, Washington, and Wayne counties including the city of Tulsa

OREGON
Cascades West Financial Services, Inc.
408 SW Monroe Street
Corvallis, OR 97333
503-757-6854
Service Area: Benton, Clackamas, Hood River, Jefferson, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Pasco, Washington, Yamhill

PENNSYLVANIA
The Ben Franklin Technology Center of Southeastern Pennsylvania
3624 Market Street
Philadelphia, PA 19104-2615
215-382-0380
Service Area: Bucks, Chester, Delaware, Montgomery and Philadelphia counties

Washington County Council on Economic Dev.
703 Courthouse Square
Washington, PA 15301
412-228-6816
Service Area: Southwestern area of Pennsylvania including Greene, Fayette and Washington Counties

York County Industrial Development Corp
One Market Way East
York, PA 17401
717-846-8879
Service Area: York County

SOUTH CAROLINA
Charleston Citywide Local Development Corp.
496 King Street
Charleston, SC 29403
803-724-3796
Service Area: City of Charleston

Santee Lynches Regional Development Corp.
115 North Harvin Street, 4th Floor,
Sumter, SC 29151-1837
803-775-7381
Service Area: Clarendon, Kershaw, Lee, and Sumter counties

SOUTH DAKOTA
NE South Dakota Energy Conservation Corp.
414 Third Avenue, East
Sisseton, SD 57262
605-698-7654
Service Area: Beadle, Brown, Buffalo, Campbell, Clark, Codington, Day, Edmunds, Faulk, Grant, Hand, Hyde, Jerauld, Kingsbury, McPherson, Marshall, Miner, Potter, Roberts, Sanborn, Spink, and Walworth counties

TENNESSEE
South Central Tennessee Development District
P. O. Box 1346
Columbia, TN 38402
615-318-2040
Service Area: Bedford, Coffee, Franklin, Giles, Hickman, Lawrence, Lewis, Lincoln, Marshall, Maury, Moore, Perry, and Wayne counties

TEXAS
Business Resource Center Incubator
4601 N. 19th Street
Waco, TX 76708
817-754-8898
Service Area: Bell, Bosque, Coryell, Falls, Hill, and McLennan counties

San Antonio Local Development Corp
100 Military Plaza, 4th Floor City Hall
San Antonio, TX 78205
210-299-8080
Service Area: Atascosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Karnes, Kendall, Kerr, Medina, and Wilson counties

Southern Dallas Development Corporation
1402 Crinth, Suite 1150
Dallas, TX 75215
214-428-7332
Service Area: Portions of the City of Dallas

UTAH
Utah Technology Finance Corporation
177 East 100 South
Salt Lake City, UT 84111
801-364-4346
Service Area: Carbon, Emery, Grand, Iron, Juab, Milard, Salt Lake County, San Juan, Sanpete, Sevier, Tooele, Washington and parts of Utah and Weber counties

VERMONT
Economic Dev. Council of Northern Vermont
155 Lake Street
St. Albans, VT 05478
802-524-4546
Service Area: Chittenden, Franklin, Grand Isle, Lamoille, and Washington counties

Northern Community Investments Corporation
20 Main Street
St. Johnsbury, VT 05819
802-748-5101
Service Area: Caledonia, Essex, and Orleans counties

VIRGINIA
Ethiopian Community Dev. Council, Inc.
1038 S. Highland Street
Arlington, VA 22204
703-685-0510
Service Area: Prince William, Arlington and Fairfax counties and the cities of Alexandria and Falls Church

Business Development Centre, Inc.
147 Mill Ridge Road
Lynchburg, VA 24502
804-582-6100
Service Area: Amherst, Appomattox, Bedford, Campell counties, cities of Lynchburg and Bedford, and the Town of Amherst

People, Incorporated of Southwest Virginia
988 West Main Street
Abingdon, Virginia 24210
703-628-9188
Service Area: Buchanan, Dickenson, Lee, Russell, Scott, Washington, Wise counties and the cities of Bristol and Norton

WASHINGTON
Snohomish County Private Industry Council
917 134th Street, SW, Suite A-10
Everett, Washington 98204
206-743-9669
Service Area: Adams, Chelan, Douglas, Grant, King, Kittitas, Klickitat, Okanogan, Pierce, Skagit, Snohomish, Whatcom, and Yakima counties

Tri-Cities Enterprise Association
2000 Logston Boulevard
Richland, WA 99352
509-375-3268
Service Area: Benton and Franklin counties

WEST VIRGINIA
Ohio Valley Industrial and Business Development Corp.
12th and Chapline Streets
Wheeling, WV 26003
304-232-7722
Service Area: Marshall, Ohio, Wetzel, Brooke, Hancock, and Tyler counties

WISCONSIN
No local intermediary

WYOMING
No local intermediary

Technical Assistance Providers
(as of October 1995)

ALASKA
Southeast Alaska Small Business Dev. Center
400 Willoughby Ave., Suite 211,
Juneau, AK 99801-1724
907-463-3789
Service Area: Through SBDC system, the Alaska Panhandle

CALIFORNIA
Women's Initiative for Self Employment
450 Mission St., Suite 402
San Francisco, CA 94105
415-247-9473
Service Area: defined sectors of the San Francisco Bay Area

CONNECTICUT
American Woman's Economic Dev. Corporation
Plaza West Office Centers
200 West Main St., Suite 140
Stamford, CT 06902
203-326-7914
Service Area: Southwest corner of state

DISTRICT OF COLUMBIA
American Women's Economic Dev. Corporation
Washington D.C. Regional Training Center
1250 24th St., NW, Suite 120
Washington, DC 20037
202-857-0091
Service Area: District of Columbia

FLORIDA
Lee County Employment & Economic Development Corporation
P.O. Box 2285
Fort Myers, FL 33902-2285
813-337-2300
Service Area: Community Redevelopment Areas of Lee County including Charleston Park, Dunbar, Harlem Heights, North Fort Myers, and State Road 80

ILLINOIS
Women's Business Development Center
8 South Michigan Ave., Suite 400
Chicago, IL 60603
312-853-3477
Service Area: Boone, Cook, DeKalb, DuPage, Kane, Kankakee, Kendall, Lake, McHenry, Will, and Winnebago counties

INDIANA
Hoosier Valley Economic Development Corp.
P.O. Box 843
Jeffersonville, IN 47131-0843
812-288-6451
Service Area: Clark, Crawford, Floyd, Harrison, Orange, Scott, and Washington counties

IOWA
Institute for Social and Economic Development
1901 Broadway, Suite 313
Iowa City, IA 52240
319-338-2331
Service Area: Statewide

KANSAS
Great Plains Development, Inc.
P.O. Box 1116
Dodge City, KS 67801
316-227-6406
Service Area: State of Kansas

KENTUCKY
Community Ventures Corporation
200 West Vine St., Fifth Floor,
Lexington, KY 40507
606-281-5475
Service Area: Anderson, Bourbon, Clark, Fayette, Harrison, Jessamine, Nicholas, Scott, and Woodford counties

MASSACHUSETTS
Jewish Vocational Service, Inc.
105 Chauncy St., 6th Floor
Boston, MA 02111
617-451-8147
Service Area: Greater Boston (with particular emphasis on the Mattapan, North Dorchester, Central Square, and Cambridge neighborhoods)

MICHIGAN
Cornerstone Alliance
185 E. Main, Benton Harbor,
Berrien County, MI 49022-4440
616-925-6100
Service Area: The city of Benton Harbor and Berrien County

MINNESOTA
Neighborhood Development Center, Inc.
663 University Avenue
St. Paul, MN 55104
612-290-8150
Service Area: Districts 3, 5, 6, 8, 9, and 16 of the City of St. Paul

MISSOURI
Community Dev. Corporation of Kansas City
2420 East Linwood Blvd, Suite 400,
Kansas City, MO 64109
816-924-5800
Service Area: Cass, Clay, Platte, Ray and Jackson counties

MONTANA
Montana Dept. of Commerce-SBDC Division
P.O. Box 200501
Helena, MT 59620-0501
406-444-4780
Service Area: Through the SBDC network, Cascade, Chouteau, Fergus, Glacier, Golden Valley, Judity Basin, Musselshell, Petroleum, Pondera, Teton, Toole and Wheatland counties, and the Blackfeet, Flathead, and Fort Peck Reservations, and the Crow, Fort Belknap, Northern Cheyenne and Rocky Boys Reservations and their Trust Lands

NEBRASKA
Omaha Small Business Network, Inc.
2505 North 24th Street
Omaha, NE 68110
402-346-8262
Service Area: Areas within the City of Omaha

NEW JERSEY
New Jersey Small Business Dev. Center
180 University Avenue
Newark, NJ 07102-1895
201-648-5950
Service Area: Statewide, through the SBDC network

NEW MEXICO
New Mexico Community Dev. Loan Fund
P.O. Box 705
Albuquerque, NM 87103-0705
505-243-3196
Service Area: statewide

NEW YORK
Brooklyn Economic Development Corporation
30 Flatbush Avenue, Suite 420,
Brooklyn, NY 11217-1197
718-522-4600
Service Area: Five boroughs of New York City

NORTH CAROLINA
North Carolina Economic Dev. Center, Inc.
4 North Blount Street, 2nd Floor,
Raleigh, NC 27601
919-715-2725
Service Area: statewide

OHIO
Women Entrepreneurs, Incorporated
36 East Fourth Street, Suite 925
Cincinnati, OH 45202
513-684-0700
Service Area: Brown, Butler, Clermont, Hamilton, and Warren counties

PENNSYLVANIA
Philadelphia Commercial Dev. Corporation
1315 Walnut Street, Suite 600
Philadelphia, PA 19107
215-790-2200
Service Area: Bucks, Montgomery, Philadelphia, Chester, and Delaware counties

TEXAS
Corpus Christi Chamber of Commerce/SBDC
P.O. Box 640
Corpus Christi, TX 78403
512-882-6161
Service Area: Nueces and San Patricio counties

VERMONT
Champlain Valley Office of Economic Opportunity, Inc.
191 North Street
Burlington, VT 05401
802-862-2771
Service Area: State of Vermont

VIRGINIA
The Commonwealth of VA Department of Economic Development
1021 East Cary Street
Richmond, VA 23219
804-371-8253
Service Area: Statewide, through the SBDC network

Small Business Investment Companies

Objective

This program channels SBA capital to small business investment companies (SBICs), enabling them to provide venture capital, long-term loans, and management assistance to small businesses.

Description

Congress created SBICs in 1958 to encourage the private sector to invest the venture capital necessary for small enterprises to grow. These companies are privately organized and managed investment firms licensed and regulated by SBA. The agency sanctions two types of investment companies: the original SBICs, and so-called Specialized Small Business Investment Companies, or SSBICs. Specialized companies are targeted specifically to the financial needs of economically or socially disadvantaged entrepreneurs denied the opportunity to own and operate a business. With a few exceptions, the same rules and regulations apply to both types.

Nearly any corporation or limited partnership can apply for a license to operate as an investment company. There are few restrictions. SBICs can be publicly or privately held; most are owned by a small group of investors. Some are subsidiaries of banks or other corporations. Applicants must have an SBA-approved full-time manager in charge of SBIC operations with the expertise to serve small business financial and management needs.

A prospective SBIC must have at least $1 million in private capital to gain a license. In exchange for a pledge to invest exclusively in small businesses, the investment company can obtain SBA matching resources by issuing debentures, promissory notes, or other obligations with a federal guarantee. SBA can guarantee up to three debenture dollars for each dollar of the SBIC's private capital.

The SBIC can choose a three or ten-year debenture maturity date; all debentures issued by specialized companies carry a ten-year maturity. The SBIC must pay interest semiannually at a rate based on that of comparable market securities prior to sale of SBA Guaranteed Participation Certificates. Repayment of principal is due in full when the debenture matures, but an SBIC in good standing may apply for new debentures to refund those maturing Since September 1986, SBICs have received financial leverage through the periodic formation of debenture pools guaranteed by SBA and by issuing guaranteed participation certificates representing interests in such pools..

The function of SBICs and SSBICs, with their private capital and funds leveraged from the federal government, is to fill money gaps and serve as financiers for small business enterprises. The typical investment company does this in one of three ways, by:

- making direct long-term loans of up to 20 years, either by itself or with other lenders, to provide funds for working capital or equipment; expand or renovate their facilities; develop a product or service; put a marketing strategy into place; or undertake related activities;
- loaning money in exchange for debt securities issued by the company, which can carry the right to purchase equity in the business or be converted into the firm's stock; or
- providing capital through the purchase of company stock or some other type of equity security interest (although the SBIC is not allowed to take control of a business).

Overall, SBIC activities offer long-term financing at favorable rates, supplying small businesses the capital they need to become competitive and profitable.

Funding Form

Debentures are issued by licensed investment companies and guaranteed by SBA through periodic public offerings. Under certain circumstances, SBICs may sell a limited amount of their preferred stock to SBA.

Eligible Applicants

Small businesses eligible for SBIC assistance must have a net worth of $18 million or less with average net incomes for the preceding two years below $6 million. In order to apply for SBIC financing, a firm must present a business plan and other documentation to the investment company from which it hopes to receive financing. The plan must detail its management and operations system, financial situation, and funding needs. Although each SBIC can define its own application needs, all must seek certain types of information about the applicant's operation, including its products or services, marketing strategies, and perceived competition.

To obtain a license, a prospective SBIC should prepare a well-structured business plan that details the type of proposed investments and target industries and other relevant operational factors. A "licensing kit," available from any local SBA office, contains the application and pertinent investment company policies and regulations. A $5,000-filing fee is required when the application is submitted. The applicant is notified of the issuance of a license within 90 to 180 days of submission. Much of this time is used for background checks of persons named as investment company owners and managers.

Eligible Activities

Investment companies may invest in all types of manufacturing and service industries. Many SBICs operate like other private venture capital firms; they search for entrepreneurs offering new products or services that have the potential for large returns on investments. Some specialize in certain industries or technologies. Some companies, particularly SSBICs, follow more conventional lending strategies.

SBICs cannot invest more than 20 percent of its private capital in a single concern; the ceiling is 30 percent for 301(d) companies. They can put as much as one-third of their portfolios in be real estate-related businesses. SBICs may not invest in the following: other SBICs, finance and investment companies or finance-type leasing companies, unimproved real estate or farm land, or companies with less than one-half of their assets and operations in the United States.

Application and Review

Once licensed, an SBIC follows its own project investment and lending procedures, which are developed within broad SBA guidelines regarding size and prudent lending practices. Each SBIC financing is an individually negotiated transaction structured to meet the capital needs of the participating small business. The terms of the deal depend on the firm's financial condition and promise, its stage of growth, level of management savvy, and other factors.

Since the SBA is removed from the case-by-case decision-making process, SBICs usually are able to notify prospective participants if they will receive financing within several weeks. Sometimes, a decision can be made within days.

Funding Level

In fiscal 1995, Congress authorized a $109 million level for the SBIC program, and an additional $26.6 million for SSBICs.

Additional Considerations

Since Congress authorized the program in 1958, more than $10 billion has been distributed to more than 100,000 small businesses. Currently, 187 privately managed SBICs and 90 SSBICs operate in 46 states and the District of Columbia. (See the list at the end of this section.) The level of participation varies according to the individual SBIC. Some investment companies offer loans or make capital investments of up to $250,000, while others will go as high as $5 million. Loans have a minimum term of five years. Manufacturers tend to use this SBA program more than any other agency financing initiative. In 1994, 44 percent of SBIC-supported financing was directed toward manufacturers.

In terms of investment company licensing, SBA considers several factors. First, the agency assesses the availability of other capital sources for support of small business in the proposed SBIC's area of operations and tries to determine the need for SBA-assisted investment company funds. The agency also scrutinizes the business reputation and management expertise of the SBIC owners and their probability of success. SBA carefully evaluates the proposed SBIC operating plan to make sure it is financially responsible and addresses the capital needs of industries in the operating area.

Program Examples

SBICs have brought financial resources and management expertise to thousands of companies around the country, and have contributed to many business success stories. Companies such as Apple Computer and Federal Express are noteworthy recipients of SBIC help. Most SBIC-assisted jobs, tax revenues, and other economic benefits, however, stem from thriving firms that remain small.

Octel Communications Corporation of Milpitas, California, is the leading producer of voice information processing systems, which use the touch-tone telephone as the terminal and the fax machine as the printer. Octel benefited from three infusions of SBIC investment in 1983, when the company was in its infancy, it had only 17 employees, and posted annual sales of less than $1 million. Last year, Octel counted 1,567 employees, boasted sales of $250 million, and paid nearly $11 million in corporate income taxes.

Contact

For additional information, contact an SBA district or regional office or agency headquarters.

Office of Investment
Small Business Administration
409 Third St., S.W.
Washington, D.C. 20416
(202) 205-6510

Small Business Investment Companies (SBICs)
(as of October 1995)

ALABAMA
First SBIC of Alabama
Mobile, Alabama
205-476-0700 (voice)
205-476-0026 (fax)

Hickory Venture Capital Corporation
Huntsville, Alabama
205-539-1931 (voice)
205-539-5130 (fax)

ALASKA
No local SBICs

ARIZONA
First Commerce & Loan LP
Tucson, Arizona
602-298-2500 (voice)
602-745-6112 (fax)

First Interstate Equity Corp.
Phoenix, Arizona
602-528-6647 (voice)
602-440-1320 (fax)

Sundance Venture Partners
(main office: Cupertino, CA)
Phoenix, Arizona
602-279-1101 (voice)
408-257-8111 (fax)

ARKANSAS
Small Business Investment Capital, Inc.
Little Rock, Arkansas
501-455-6599 (voice)
501-455-6556 (fax)

CALIFORNIA
BT Capital Corp.
(main office: New York, NY)
Los Angeles, California
415-424-8000 (voice)

Citicorp Venture Capital, Ltd.
(main office: New York, NY)
Palo Alto, California

Developers Equity
Capital Corp.
Los Angeles, California
310-277-0330 (voice)
310-277-4271 (fax)

Draper Associates, LP
Redwood City, California
415-599-9000 (voice)
415-599-9726 (fax)

First SBIC of California
Costa Mesa, CA
714-556-1964 (voice)
714-546-8021 (fax)

First SBIC of California
(main office: Costa Mesa, CA)
Palo Alto, CA
415-424-8011 (voice)
415-424-6830 (fax)

First SBIC of California
(main office: Costa Mesa, CA)
Pasadena, California
818-304-3451 (voice)
818-440-9931 (fax)

G C & H Partners
San Francisco, California
415-981-5252 (voice)
415-951-3699 (fax)

Hall, Morris, & Drufva II, L.P.
Laguna Hills, California
714-707-5096 (voice)
714-707-5121 (fax)

Imperial Ventures, Inc.
Inglewood, California
310-417-5710 (voice)
310-417-5874 (fax)

Jupiter Partners
San Francisco, California
415-421-9990 (voice)
415-421-0471 (fax)

Marwit Capital Corp.
Newport Beach, California
714-640-6234 (voice)
714-759-1363 (fax)

Merrill, Pickard, Anderson
& Eyre I
Menlo Park, California
415-854-8600 (voice)
415-854-0345 (fax)

New West Partners II
San Diego, California
619-457-0723 (voice)
619-457-0829 (fax)

Northwest Venture Partners
Menlo Park, California
503-223-6622 (voice)

Norwest Equity Partners IV
Menlo Park, California
503-223-6622 (voice)

Norwest Growth Fund, Inc.
(Office: Minneapolis, MN)
Menlo Park, California
503-223-6622 (voice)

Pacific Mezzanine Fund, LP
San Francisco, California
415-362-6776 (voice)
415-781-1314 (fax)

Ritter Partners
Atherton, California
415-854-1555 (voice)
415-854-5015 (fax)

Sundance Venture Partners, LP
Cupertino, California
408-257-8100 (voice)
408-257-8111 (fax)

Union Venture Corp.
Los Angeles, California
213-236-5658 (voice)
213-688-0101 (fax)

VK Capital Company
San Francisco, California
415-391-5600 (voice)
415-397-2744 (fax)

COLORADO
No local SBICs

CONNECTICUT
AB SBIC, Inc.
Cheshire, Connecticut
203-272-0203 (voice)
203-272-9978 (fax)

All State Venture Capital Corporation
New Haven, Connecticut
203-787-5029 (voice)
203-785-0018 (fax)

Capital Resource Co. of Connecticut
West Hartford, Connecticut
203-236-4336 (voice)
203-232-8161 (fax)

Financial Opportunities, Inc.
Enfield, Connecticut
203-741-4444 (voice)
203-741-9716 (fax)

First New England Capital, LP
Hartford, Connecticut
203-293-3333 (voice)
203-549-2528 (fax)

Marcon Capital Corp.
Southport, Connecticut
203-259-7233 (voice)
203-259-9428 (fax)

RFE Capital Partners, LP
New Canaan, Connecticut
203-966-2800 (voice)
203-966-3109 (fax)

DELAWARE
No local SBICs

DISTRICT OF COLUMBIA
Allied Investment Corp, I & II
Washington, D.C.
202-331-1112 (voice)
202-659-2053 (fax)

Legacy Fund Limited Partnership
Washington, D.C.
202-965-2020 (voice)
202-342-7474 (fax)

FLORIDA
Allied Investment Corporation
(office: Washington, DC)
Vero Beach, Florida
407-778-5556 (voice)
202-659-2053 (fax)

Florida Capital Ventures, Ltd.
Tampa, Florida
813-229-2294 (voice)
813-229-2028 (fax)

J & D Capital Corp.
North Miami, Florida
305-893-0303 (voice)
305-891-2338 (fax)

Market Capital Corp.
Tampa, Florida
813-247-1357 (voice)
813-248-5531 (fax)

Quantum Capital Partners, Ltd.
Fort Lauderdale, Florida
305-776-1133 (voice)
305-938-9406 (fax)

Western Financial Capital Corp.
N. Miami Beach, Florida
305-933-5858 (voice)
305-931-3054 (fax)

GEORGIA
Cordova Capital Partners, LP
Atlanta, Georgia
404-951-1542 (voice)
404-955-7610 (fax)

Investor's Equity, Inc.
Atlanta, Georgia
404-266-8300 (voice)

North Riverside Capital Corporation
Norcross, Georgia
404-446-5556 (voice)
404-446-8627 (fax)

HAWAII
Bancorp Hawaii SBIC
Honolulu, Hawaii
808-521-6411 (voice)
808-537-8557 (fax)

IDAHO
No local SBICs

ILLINOIS
Continental Illinois Venture Corp.
Chicago, Illinois
312-828-8023 (voice)
312-987-0887 (fax)

First Capital Corp. of Chicago
Chicago, Illinois
312-732-5400 (voice)
312-732-4098 (fax)

Heller Equity
Chicago, Illinois
312-441-7200 (voice)
312-441-7378 (fax)

Walnut Capital Corp.
Chicago, Illinois
312-346-2033 (voice)
312-346-2231 (fax)

INDIANA
1st Source Capital Corporation
South Bend, Indiana
219-235-2180 (voice)
219-235-2719 (fax)

Cambridge Ventures, LP
Indianapolis, Indiana
317-469-9704 (voice)
317-469-3926 (fax)

Circle Ventures, Inc.
Indianapolis, Indiana
(317)636-7242 (voice)
(317)637-7581 (fax)

IOWA
MorAmerica Capital Corp.
Cedar Rapids, Iowa
319-363-8249 (voice)
319-363-9683 (fax)

KANSAS
Kansas Venture Capital, Inc.
Overland Park, Kansas
913-262-7117 (voice)
913-262-3509 (fax)

Kansas Venture Capital, Inc.
Wichita, Kansas
316-262-1221 (voice)
316-262-0780 (fax)

KENTUCKY
Mountain Ventures, Inc.
London, Kentucky
606-864-5175 (voice)
606-864-5194 (fax)

LOUISIANA
Premier Venture Capital Corporation
Baton Rouge, Louisiana
504-332-4421 (voice)
504-332-4299 (fax)

MAINE
Maine Capital Corp.
Portland, Maine
207-772-1001 (voice)

MARYLAND
Greater Washington Investments, Inc.
Chevy Chase, Maryland
301-656-0626 (voice)
301-656-4053 (fax)

MASSACHUSETTS
Advent Atlantic Capital Co./Advent Industrial Capital Co./Advent V Capital Co., LP
Boston, Massachusetts
617-345-7200 (voice)
617-345-7201 (fax)

BancBoston Ventures, Inc.
Boston, Massachusetts
617-434-2442 (voice)
617-434-1383 (fax)

Business Achievement Corp
Newton, Massachusetts
617-965-0550 (voice)
617-345-7201 (voice)

Chestnut Capital Int'l II LP
Boston, Massachusetts
617-345-7200 (voice)
617-345-7201 (fax)

Chestnut Street Partners, Inc.
Boston, Massachusetts
617-345-7220 (voice)
617-345-7201 (fax)

First Capital Corp. of Chicago
(main office: Chicago, Illinois)
Boston, Massachusetts
617-457-2500 (voice)
617-457-2506 (fax)

LRF Capital, Limited Partnership
Newton, Massachusetts
617-964-0049 (voice)
617-965-4100 (fax)

Mezzanine Capital Corp
Boston, Massachusetts
617-345-7200 (voice)
617-345-7201 (fax)

Northeast SBI Corp.
Boston, Massachusetts
617-267-3983 (voice)
617-267-3983 (fax)

Pioneer Ventures Limited Partnerships
Boston, Massachusetts
617-742-7825 (voice)
617-742-7315 (fax)

UST Capital Corp.
Boston, Massachusetts
617-726-7000 (voice)
617-723-9414 (fax)

MICHIGAN
The Capital Fund
Lansing, Michigan
517-323-7772 (voice)
517-323-1999 (fax)

White Pines Capital Corp
Ann Arbor, Michigan
313-747-9401 (voice)
313-747-9704 (fax)

MINNESOTA
FBS SBIC, LP
Minneapolis, Minnesota
612-973-0988 (voice)
612-973-0203 (fax)

Northland Capital Venture Partnership
Duluth, Minnesota
218-722-0545 (voice)
218-722-7241 (fax)

Northwest Venture Partners/
Norwest Equity Partners IV/
Norwest Growth Fund, Inc.
Minneapolis, Minnesota
612-667-1650 (voice)
612-667-1660 (fax)

MISSISSIPPI
No local SBIC

MISSOURI
Bankers Capital Corp.
Kansas City, Missouri
816-531-1600 (voice)
816-531-1334 (fax)

CFB Venture Fund I, Inc.
St. Louis, Missouri
314-746-7427 (voice)
314-746-8739 (fax)

CFB Venture Fund II, Inc.
Kansas City, Missouri
816-234-2357 (voice)
816-234-2333 (fax)

MorAmerica Capital Corp
(main office: Cedar Rapids, IA)
Kansas City, Missouri
816-842-0114 (voice)
816-471-7339 (fax)

United Missouri Capital Corp
Kansas City, Missouri
816-556-7333 (voice)
816-556-7143 (fax)

MONTANA
No local SBIC

NEBRASKA
United Financial Resources Corp.
Omaha, Nebraska
402-339-7300 (voice)
402-734-0650 (fax)

NEVADA
No local SBIC

NEW HAMPSHIRE
No local SBIC

NEW JERSEY
Bishop Capital, LP
Springfield, New Jersey
201-376-0495 (voice)
201-376-6527 (fax)

CIT Group/Venture Capital
Livingston, New Jersey
201-740-5429 (voice)
201-740-5555 (fax)

ESLO Capital Corp.
Newark, New Jersey
201-242-4488 (voice)
201-643-6062 (fax)

Fortis Capital Corporation
Edison, New Jersey
908-603-8500 (voice)
908-603-8250 (fax)

Tappan Zee Capital Corp
Little Falls, New Jersey
201-256-8280 (voice)
201-256-2841 (fax)

NEW MEXICO
No local SBIC

NEW YORK
399 Venture Partners
New York, New York
212-559-1127 (voice)
212-888-2940 (fax)

ASEA-Harvest Partners II
New York, New York
212-838-7776 (voice)
212-593-0734 (fax)

Argentum Capital Partners, LP
New York, New York
212-949-8272 (voice)
212-949-8294 (fax)

Atalanta Investment Co., Inc.
New York, New York
212-956-9100 (voice)
212-956-9103 (fax)

BT Capital Corp.
New York, New York
212-454-1903 (voice)
212-454-2421 (fax)

Barclays Capital Investors Corp.
New York, New York
212-412-3937 (voice)
212-412-6780 (fax)

CB Investors, Inc.
New York, New York
212-286-3222 (voice)
212-983-0626 (fax)

CIBC Wood Gundy Ventures
New York, New York
212-856-3713 (voice)
212-697-1554 (fax)

CMNY Capital II, LP
New York, New York
212-909-8432 (voice)
212-980-2630 (fax)

Chase Manhattan Capital Corporation
New York, New York
212-552-6275 (voice)
212-552-2807 (fax)

Chemical Venture Capital Associates
New York, New York
212-270-3220 (voice)
212-270-2327 (fax)

Citicorp Venture Capital, Ltd.
New York, New York
212-559-1127 (voice)
212-527-2496 (fax)

Edwards Capital Company
New York, New York
212-686-5449 (voice)
212-213-6234 (fax)

Exeter Venture Leaders, LP
New York, New York
212-872-1170 (voice)
212-872-1198 (fax)

Fifty-Third Street Ventures, LP
Cold Spring, New York
914-265-4244 (voice)
914-265-4158 (fax)

First Wall Street SBIC, LP
New York, New York
212-742-3770 (voice)
212-742-3776 (fax)

Fundex Capital Corp.
Great Neck, New York
516-466-8551 (voice)
516-466-0180 (fax)

Genesee Funding, Inc.
Rochester, New York
716-272-2332 (voice)
716-272-2396 (fax)

IBJS Capital Corp.
New York, New York
212-858-2000 (voice)
212-858-2768 (fax)

InterEquity Capital Partners
New York, New York
212-779-2022 (voice)
212-779-2103 (fax)

JP Morgan Investment Corp
New York, New York
212-483-2323 (voice)

KOCO Capital Company, LP
Mount Kisco, New York
212-397-1800 (voice)
212-397-1815 (fax)

Kwiat Capital Corp.
New York, New York
212-223-1111 (voice)
212-223-2796 (fax)

M&T Capital Corp.
Buffalo, New York
716-848-3800 (voice)
716-848-3424 (fax)

NYBDC Capital Corp.
Albany, New York
518-463-2268 (voice)
518-463-0240 (fax)

NatWest USA Capital Corp
New York, New York
212-602-2149 (voice)
212-602-2149 (fax)

Norwood Venture Corp.
New York, New York
212-869-5075 (voice)
212-869-5331 (fax)

Paribas Principal Incorporated
New York, New York
212-841-2000 (voice)
212-841-2146 (fax)

Pyramid Ventures, Inc.
New York, New York
212-250-9571 (voice)
212-250-7651 (fax)

R&R Financial Corp.
New York, New York
212-356-1400 (voice)
212-356-0900 (fax)

Rand SBIC, Inc.
Buffalo, New York
716-853-0802 (voice)
716-854-8480 (fax)

Sterling Commercial Capital
Great Neck, New York
516-482-7374 (voice)
516-487-0781 (fax)

TLC Funding Corp.
Tarrytown, New York
914-332-5200 (voice)
914-332-5660 (fax)

Tappan Zee Capital Corp
New City, New York
914-634-8890 (voice)

Vega Capital Corp.
Armonk, New York
914-273-1025 (voice)
914-273-1028 (fax)

Winfield Capital Corp.
White Plains, New York
914-949-2600 (voice)
914-949-7195 (fax)

NORTH CAROLINA

First Union Capital Partners
Charlotte, North Carolina
704-374-6487 (voice)
704-374-6711 (fax)

NationsBanc Capital Corp
(main office: Dallas, Texas)
Charlotte, North Carolina
704-386-8063 (voice)
704-386-6432 (fax)

NationsBanc SBIC Corp.
Charlotte, North Carolina
704-386-7720 (voice)
704-386-6662 (fax)

Springdale Venture Partners
Charlotte, North Carolina
704-344-8290 (voice)
704-386-6695 (fax)

NORTH DAKOTA
No local SBIC

OHIO
Banc One Capital Partners
Columbus, Ohio

Clarion Capital Corp.
Cleveland, Ohio
216-687-1096 (voice)
216-694-3545 (fax)

Key Equity Capital Corp
Cleveland, Ohio
216-689-5776 (voice)
216-689-3204 (fax)

National City Capital Corp
Cleveland, Ohio
216-575-2491 (voice)
216-575-3355 (fax)

OKLAHOMA
Alliance Business Investment
Tulsa, Oklahoma
918-584-3581 (voice)
918-582-3403 (fax)

BancFirst Investment Corp.
Oklahoma City, Oklahoma
405-270-1000 (voice)
405-270-1089 (fax)

OREGON
Northern Pacific Capital Corp
Portland, Oregon
503-241-1255 (voice)
503-299-6653 (fax)

U.S. Bancorp Capital Corp
Portland, Oregon
503-275-5860 (voice)
503-275-7565 (fax)

PENNSYLVANIA
CIP Capital LP
Malvern, Pennsylvania
215-695-2066 (voice)
215-695-8388 (fax)

Enterprise Venture Capital Corp. of Pennsylvania
Johnstown, Pennsylvania
814-535-7597 (voice)
814-535-8677 (fax)

Fidelcor Capital Corp.
Philadelphia, Pennsylvania
215-985-3722 (voice)
215-985-7282 (fax)

First SBIC of California
(main office: Costa Mesa, CA)
Washington, Pennsylvania
412-223-0707 (voice)
714-546-8021 (fax)

Meridian Capital Corp.
Reading, Pennsylvania
215-655-2924 (voice)
215-655-1908 (fax)

Meridian Venture Partners
Radnor, Pennsylvania
215-254-2999 (voice)
215-254-2996 (fax)

PNC Capital Corp.
Pittsburgh, Pennsylvania
412-762-2248 (voice)
412-762-6233 (fax)

RHODE ISLAND
Domestic Capital Corp.
Cranston, Rhode Island
401-946-3310 (voice)
410-943-6708 (fax)

Fleet Venture Resources, Inc.
Providence, Rhode Island
401-278-6770 (voice)
401-278-6387 (fax)

Moneta Capital Corp.
Providence, Rhode Island
401-454-7500 (voice)
401-455-3636 (fax)

NYSTRS/NV Capital, LP
Providence, Rhode Island
401-278-5597 (voice)
401-278-6387 (fax)

Richmond Square Capital Corporation
Providence, Rhode Island
401-521-3000 (voice)
401-751-3940 (fax)

Wallace Capital Corp.
Providence, Rhode Island
401-273-9191 (voice)
401-273-9648 (fax)

SOUTH CAROLINA
Charleston Capital Corporation
Charleston, South Carolina
803-723-6464 (voice)
803-723-1047 (fax)

Floco Investment Company
Scranton, South Carolina
803-389-2731 (voice)
803-389-4199 (fax)

Lowcountry Investment Corp
Charleston, South Carolina
803-554-9880 (voice)
803-745-2730 (fax)

TENNESSEE
Byrd Business Investment, LP
Nashville, Tennessee
615-383-8673 (voice)
615-383-8693 (fax)

Sirrom Capital, LP
Nashville, Tennessee
615-256-0701 (voice)
615-726-1208 (fax)

TEXAS
AMT Capital, Ltd.
Dallas, Texas
214-905-9760 (voice)
214-905-9761 (fax)

Alliance Business Investment Co.
(main office: Tulsa, OK)
Houston, Texas
713-224-8224 (voice)
713-659-8070 (fax)

Banc One Capital Partners Corp.
Dallas, Texas
214-979-4360 (voice)
214-979-4355 (fax)

Capital Southwest Venture Corp.
Dallas, Texas
214-233-8242 (voice)
214-233-7362 (fax)

Catalyst Fund, Ltd.
Houston, Texas
713-623-8133 (voice)
713-623-0473 (fax)

Central Texas SBI Corporation
Dallas, Texas
214-508-0900 (voice)
214-508-0604 (fax)

Charter Venture Group, Inc
Houston, Texas
713-622-7500 (voice)
713-552-8446 (fax)

Citicorp Venture Capital, Ltd.
(main office: New York, NY)
Dallas, Texas
214-880-9670 (voice)
214-953-1495 (fax)

Ford Capital, Ltd.
Dallas, Texas
214-871-5177 (voice)
214-871-5199 (fax)

HCT Capital Corp.
Fort Worth, Texas
817-763-8706 (voice)
817-377-8049 (fax)

Houston Partners, SBIP
Houston, Texas
713-222-8600 (voice)
713-222-8932 (fax)

Jiffy Lube Capital Corporation
Houston, Texas
713-546-8910 (voice)
713-546-4154 (fax)

Mapleleaf Capital Ltd.
Dallas, Texas
214-239-5650 (voice)
214-701-0024 (fax)

NationsBanc Capital Corp
Dallas, Texas
214-508-0900 (voice)
214-508-0985 (fax)

SBI Capital Corp.
Houston, Texas
713-975-1188 (voice)
713-975-1302 (fax)

Stratford Capital Group, Inc.
Dallas, Texas
214-740-7377 (voice)
214-740-7340 (fax)

UNCO Ventures, Ltd.
Houston, Texas
713-622-9595 (voice)
713-622-9007 (fax)

Ventex Partners, Ltd.
Houston, Texas
713-659-7860 (voice)
713-659-7855 (fax)

Victoria Capital Corp.
Victoria, Texas
512-573-5151 (voice)
512-574-5236 (fax)

Victoria Capital Corp.
(main office: Victoria, Texas)
San Antonio, Texas
210-736-4233 (voice)
210-736-5449 (fax)

Western Financial Capital Corporation
Dallas, Texas
214-380-0044 (voice)
214-380-1371 (fax)

UTAH
First Security Bus. Investment Corp.
Salt Lake City, Utah
801-246-5737 (voice)
801-246-5424 (fax)

Wasatch Venture Corporation
Salt Lake City, Utah
801-524-8939 (voice)
801-524-8941 (fax)

VERMONT
Green Mountain Capital, LP
Waterbury, Vermont
802-244-8981 (voice)
802-244-8990 (fax)

Queneska Capital Corporation
Burlington, Vermont
802-865-1806 (voice)
802-865-1891 (fax)

VIRGINIA
Rural America Fund, Inc.
Herndon, Virginia
703-709-6750 (voice)
703-709-6779 (fax)

Walnut Capital Corp.
Vienna, Virginia
703-448-3771 (voice)
703-448-7751 (fax)

WASHINGTON
No local SBIC

WEST VIRGINIA
Anker Capital Corporation/
WestVen Limited Partnership
Charleston, West Virginia
304-344-1794 (voice)
304-344-1798 (fax)

WISCONSIN
Banc One Venture Corp.
Milwaukee, Wisconsin
414-765-2274 (voice)
414-765-2235 (fax)

Bando-McGlocklin SBIC
Brookfield, Wisconsin
414-784-9010 (voice)
414-784-3426 (fax)

Capital Investments, Inc.
Milwaukee, Wisconsin
414-273-6560 (voice)
414-273-0530 (fax)

M&I Ventures Corp.
Milwaukee, Wisconsin
414-765-7910 (voice)
414-765-7850 (fax)

MorAmerica Capital Corp
Milwaukee, Wisconsin
414-276-3839 (voice)
414-276-1885 (fax)

Polaris Capital Corp.
Milwaukee, Wisconsin
414-789-5780 (voice)
414-789-5799 (fax)

WYOMING
No local SBIC

Technical Assistance Programs

Objective

SBA administers several management and technical assistance programs that offer counseling, advice, training, and technical services to small businesses. They are offered by a network of development centers, individual volunteers in thousands of communities, and SBA regional and headquarters offices.

Description

Poor business practices — unconventional accounting procedures, limited personnel management experience, inadequate market studies, or unsatisfactory cash flow management — are the chief causes of small business failures. For many firms, they are a greater problem than inadequate capital. To help reverse these difficulties, SBA offers on-site technical assistance as well as centrally located training and resource centers. The major programs are: Small Business Development Centers (SBDCs), the Service Corps of Retired Executives (SCORE), and the Active Corps of Executives (ACE).

Small Business Development Centers

SBDCs offer management assistance and development-finance program information to small enterprises and entrepreneurs, many of whom can not afford private consultants. These centers are designed to operate as "one-stop" information centers, making available a wide variety of technical resources in a central location. Many SBDCs are located at academic institutions.

SBA started the program with one experimental center in 1977, to give company owners and entrepreneurs a place to go to obtain information about various small business concerns. Today, there are 54 "lead" SBDCs across the country — at least one in each state — and more than 950 satellite or subcenter service locations. SBDCs are designed to serve as a kind of one-stop service center, providing small companies with a wide array of information and assistance. Most SBDCs can help with marketing, financing, feasibility studies, technical problems, and financing issues. SBDC staff are knowledgeable about SBA and other federal government programs, and can help link small business owners with available programs that might meet their needs.

SBDCs have proven useful in all types of settings. Many areas are served by subcenters and satellite locations operated in conjunction with community colleges, chambers of commerce, or economic development corporations. Some subcenters are located in downtown or commercial areas. Because each subcenter serves a small area only, it can design and administer programs to address those-specific needs. Subcenter staff consists of a director, full and part-time staff members, and volunteers. SBDCs also pay private consultants, technical laboratories, and other groups to help clients needing specialized expertise.

Service Corps of Retired Executives and Active Corps of Executives

Both SCORE and ACE tap the skills of successful business managers who donate their time and talents to work with small companies. The programs link these professionals with the owners and managers and community organizations in need of management counseling. Most enterprises can tap the SCORE and ACE volunteer networks for management and technical counseling and help with a variety of business problems. SBA assigns volunteers to an individual small firm. Usually they visit the site to evaluate its operation, analyze its procedures, and offer confidential recommendations on the most effective way to correct any identified problems. SCORE and ACE have responded to more than 2 million requests for help since 1964. Approximately 13,000 volunteers serve at more than 800 counseling locations in all 50 states.

SBA also operates several other small technical assistance programs, mostly geared to specific constituencies or business situations. One program gives procurement assistance to small businesses. Another, the procurement automated source system (PASS), is a computerized database with a national network of terminals that makes the product and technical capabilities of small firms available to a wide variety of buyers (although PASS is in transition; a new "Electronic Data Interchange" system is nearing completion). Through its Office of Advocacy, SBA sponsors numerous workshops for entrepreneurs, plus specialized business management training seminars and conferences. The agency also prepares and distributes millions of publications on a wide range of business subjects.

Funding Form

Small businesses receive technical assistance, rather than financial help.

Eligible Applicants

These programs are designed to benefit any small business or entrepreneur by providing technical guidance and links to prospective resources. Generally, any business meeting standard SBA size criteria can take advantage of these services. However, the agency may give preference to firms that already receive some other type of SBA assistance, especially technical assistance services and resources in demand. SBDCs also specify that the business owner must not be able to afford a private consultant.

Eligible Activities

SBA technical assistance programs can provide financial, marketing, production, organizational, and technical assistance services. Through the agency's network of programs, small business owners and operators can obtain counseling on a one-to-one basis; information on current federal, state, and local regulations; and leads on sources of possible financing. They can gain access to qualified consultants and to laboratory and engineering facilities for product development and improvement. Management and skills-training programs also are available. Certain SBDCs offer international trade counseling, business law information, and other specialized types of small business aid.

Application and Review

Small businesses seeking help through SCORE, ACE, or most other SBA technical assistance programs can go directly to the nearest SBA field office or SBDC at any time. Upon giving basic information on the firm and the kind of problem for which help is needed, the business owner will have a preliminary interview, to help determine which type of help would be most effective.

Additional Considerations

Because of its limited financial resources, SBA gives priority to service delivery organizations and small businesses already receiving agency help. SBA will not reimburse a business for services rendered by a private consultant. All management and technical assistance is offered either directly by agency staff or by counselors working under contract with SBA. If a company already receives financial help under one of SBA's loan guarantee programs, the agency may require it to adopt the recommendations or procedural changes suggested by the technical adviser.

SBA officials say the problem most frequently faced by SBDC lead centers is maintaining a non-federal match for SBA funds. Many centers receive funds from state legislatures or universities and must lobby for renewed financing each year.

Program Examples

The Main Street Merchants Update is an awareness program for small businesses in rural Maine communities. Developed by the state's SBDCs in conjunction with CDCs and chambers of commerce, it consists of a series of seminars conducted by SBA financial and development staff that provide information on SBDC technical assistance. The Minnesota SBDC network and the state rural extension service sponsor a rural business alternatives seminar. Over the past two years, they have presented nearly 100 one- to two-day seminars and resource fairs in rural communities throughout the state. They provide information, counseling, and guidance on business opportunities and problems in small town areas. The program also helps rural families explore the advantages and disadvantages of potential business opportunities and their own abilities as entrepreneurs.

In Montana, SCORE volunteers developed a videotape lending library on business assistance information. It is available to chambers of commerce, development companies, and banks in small towns. In Nebraska, SCORE and ACE members have formed a rural program called SEEDS (Senior Executive Economic Development Service). SEEDS volunteers visit officials in distressed small towns to learn about community economic problems. They explain what resources are available and help the community develop a viable economic development plan.

Contact

For additional information, contact an SBA district or regional office or agency headquarters.

Office of the Small Business Development Center
Small Business Administration
409 Third Street, S.W.
Washington, D.C. 20416
(202) 205-6766

National SCORE Office
Small Business Administration
409 Third St., S.W.
Washington, D.C. 20416
1-800-634-0245

Small Business Administration Regional and District Offices
(as of August 1995)

Alabama
SBA District Office
2121 8th Avenue, North, Suite 200
Birmingham, AL 35203-2398
(205) 731-1344

Alaska
SBA District Office
222 W. 8th Ave., Room 67
Anchorage, AK 99513-7559
(907) 271-4022

Arizona
SBA District Office
2828 N. Central Avenue, Suite 800
Phoenix, AZ 85004-1025
(602) 640-2316

SBA District Office
300 W. Congress Street, Room 7H
Tucson, AZ 85701-1319
(602) 670-4959

Arkansas
SBA District Office
2120 Riverfront Drive, Suite 100
Little Rock, AR 72202
(501) 324-5278

California
Regional Office
71 Stevenson St.
San Francisco, CA 94105-2939
(415) 744-6402

SBA District Office
211 Main Street, 4th Floor
San Francisco, CA 94105-1988
(415) 744-6820

SBA District Office
2719 N. Air Fresno Drive
Suite 107
Fresno, CA 93727-1547
(209) 487-5189

SBA District Office
660 J Street, Suite 215
Sacramento, CA 95814-2413
(916) 551-1426

SBA District Office
880 Front Street, Room 4-S-29
San Diego, CA 92188-0270
(619) 557-7252

SBA District Office
330 North Brand Blvd., Suite 1200
Glendale, CA 91203-2304
(213) 894-2956

SBA District Office
Fidelity Federal Building
901 W. Civic Center Drive, Room 160
Santa Ana, CA 92703-2352
(714) 836-2494

SBA District Office
6477 Telephone Road, Suite 10
Ventura, CA 93003-4459
805-642-1866

Colorado
Regional Office
999 18th Street, Suite 701 N. Tower
Denver, CO 80202
(303) 294-7186

SBA District Office
721 19th Street, Room 426
Denver, CO 80202-2259
(303) 844-3984

Connecticut
SBA District Office
330 Main Street, 2nd Floor
Hartford, CT 06106
(203) 240-4700

Delaware
SBA District Office
920 N. King Street
Room 412
Wilmington, DE 19801
(302) 573-6295

District of Columbia
SBA District Office
1110 Vermont Avenue N.W., Suite 900
Washington, DC 20036
(202) 606-4000

Florida
SBA District Office
7825 Baymeadows Way, Suite 100-B
Jacksonville, FL 32256-7504
(904) 443-1900

SBA District Office
1320 S. Dixie Highway, Suite 501
Coral Gables, FL 33146-2911
(305) 536-5521

SBA District Office
Timberlake Federal Building
501 East Polk Street, Suite 104
Tampa, FL 33602-3945
(813) 228-2594

SBA District Office
5601 Corporate Way, Suite 402
W. Palm Beach, FL 33407-2044
(407) 689-3922

Georgia
Regional Office
1375 Peachtree Street N.E.
5th Floor
Atlanta, GA 30367-8102
(404) 347-2797

SBA District Office
Federal Building, Room 225
52 N. Main Street
Statesboro, GA 30458
(912) 489-8719

SBA District Office
1720 Peachtree Road N.W., 6th Floor
Atlanta, GA 30309
(404) 347-4749

Idaho
SBA District Office
1020 Main Street, Suite 290
Boise, ID 83702-5745
(208) 334-1696

Illinois
Regional Office
300 S. Riverside Plaza, Suite 1975 S
Chicago, IL 60606-6617
(312) 353-5000

SBA District Office
500 W. Madison, Room 1250
Chicago, IL 60661-2511
(312) 353-4528

SBA District Office
511 W. Capitol Street, Suite 302
Springfield, IL 62704
(217) 492-4416

Indiana
SBA District Office
429 N. Pennsylvania Street, Room 100
Indianapolis, IN 46204-1873
(317) 226-7272

Iowa
SBA District Office
210 Walnut Street, Room 749
Des Moines, IA 50309
(515) 284-4422

SBA District Office
373 Collins Road N.E., Room 100
Cedar Rapids, IA 52402-3147
(319) 393-8630

Kansas
SBA District Office
100 East English St., Suite 510
Wichita, KS 67202
316-269-6273

Kentucky
SBA District Office
600 Dr. Martin Luther King, Jr. Place
Room 188
Louisville, KY 40202
(502) 582-5971

Louisiana
SBA District Office
Ford-Fisk Building, Suite 2000
1661 Canal Street
New Orleans, LA 70112
(504) 589-6689

SBA District Office
500 Fannin Street, Room 8A-08
Federal Building & Courthouse
Shreveport, LA 71101
(318) 676-3196

Maine
SBA District Office
Federal Building
40 Western Avenue, Room 512
Augusta, ME 04330
(207) 622-8378

Maryland
SBA District Office
Equitable Building
10 S. Howard Street, Room 608
Baltimore, MD 21202
(410) 962-4392

Massachusetts
Regional Office
155 Federal Street, 9th Floor
Boston, MA 02110
(617) 451-2030

SBA District Office
10 Causeway Street, Room 265
Boston, MA 02222-1093
(617) 565-5590

SBA District Office
Federal Building and Courthouse
1550 Main Street, Room 212
Springfield, MA 01103
(413) 785-0268

Michigan
SBA District Office
McNamara Building
477 Michigan Avenue, Room 515
Detroit, MI 48226
(313) 226-6075

SBA District Office
228 West Washington St.
Room 11
Marquette, MI 49885
906-225-1108

Minnesota
SBA District Office
Butler Square
100 N. 6th Street, Suite 610C
Minneapolis, MN 55403-1563
(612) 370-2324

Mississippi
SBA District Office
101 W. Capitol Street, Suite 400
Jackson, MS 39201
(601) 965-4378

SBA District Office
One Hancock Plaza, Suite 1001
Gulfport, MS 39501-7758
(601) 863-4449

Missouri
Regional Office
911 Walnut Street, 13th Floor
Kansas City, MO 64106
(816) 426-3608

SBA District Office
Lucas Place
323 West 8th Street, Suite 501
Kansas City, MO 64105
(816) 374-6708

SBA District Office
815 Olive Street, Room 242
St. Louis, MO 63101
(314) 539-6600

SBA District Office
620 S. Glenstone St., Suite 110
Springfield, MO 65802-3200
(417) 864-7670

Montana
SBA District Office
301 S. Park Avenue, Room 528
Drawer 10054
Helena, MT 59626
(406) 449-5381

Nebraska
SBA District Office
11145 Mill Valley Road
Omaha, NE 68154
(402) 221-4691

Nevada
SBA District Office
301 E. Stewart Street, Room 301
Las Vegas, NV 89125-2527
(702) 388-6611

SBA District Office
50 S. Virginia Street, Room 238
P.O. Box 3216
Reno, NV 89505-3216
(702) 784-5268

New Hampshire
SBA District Office
143 N. Main Street, Suite 202
Concord, NH 03302-1257
(603) 225-1400

New Jersey
SBA District Office
2600 Mt. Ephrain Avenue
Camden, NJ 08104
(609) 757-5183

SBA District Office
Military Park Building
60 Park Place, 4th Floor
Newark, NJ 07102
(201) 645-2434

New Mexico
SBA District Office
625 Silver Avenue, S.W., Suite 320
Albuquerque, NM 87102
(505) 766-1870

New York
Regional Office
26 Federal Plaza, Room 31-08
New York, NY 10278
(212) 264-1450

SBA District Office
Clinton and Pearl Streets, Room 815
Albany, NY 12207
(518) 472-6300

SBA District Office
111 W. Huron Street, Room 1311
Buffalo, NY 14202
(716) 846-4301

SBA District Office
333 E. Water Street, 4th Floor
Elmira, NY 14901
(607) 734-8130

SBA District Office
35 Pinelaw Road, Room 102E
Melville, NY 11747
(516) 454-0750

SBA District Office
26 Federal Plaza, Room 3100
New York, NY 10278
(212) 264-2454

SBA District Office
Federal Building
100 State Street, Room 410
Rochester, NY 14614
(716) 263-6700

SBA District Office
Federal Building
100 S. Clinton Street, Room 1071
Syracuse, NY 13260
(315) 423-5383

North Carolina
SBA District Office
200 N. College Street, Suite A2015
Charlotte, NC 28202-2137
(704) 344-6563

North Dakota
SBA District Office
Federal Building
657 Second Avenue North, Room 218
Fargo, ND 58108-3086
(701) 239-5131

Ohio
SBA District Office
1240 E. Ninth St., Room 317
Cleveland, OH 44199
(216) 522-4180

SBA District Office
2 Nationwide Plaza, Suite 1400
85 Marconi Boulevard, Room 512
Columbus, OH 43215-2592
(614) 469-6860

SBA District Office
525 Vine Street, Suite 870
Cincinnati, OH 45202
(513) 684-2814

Oklahoma
SBA District Office
200 N.W. 5th Street, Suite 670
Oklahoma City, OK 73102
(405) 231-4301

Oregon
SBA District Office
222 S.W. Columbia, Suite 500
Portland, OR 97201-6605
(503) 326-2682

Pennsylvania
Regional Office
Allendale Square
475 Allendale Road, Suite 201
King of Prussia, PA 19406
(215) 962-3804

SBA District Office
100 Chestnut Street, Room 309
Harrisburg, PA 17101
(717) 782-3840

SBA District Office
960 Penn Avenue, 5th Floor
Pittsburgh, PA 15222
(412) 644-2780

SBA District Office
Penn Place
20 N. Pennsylvania Ave., Room 2327
Wilkes-Barre, PA 18702
(717) 826-6497

Rhode Island
SBA District Office
380 Westminster Mall, 5th Floor
Providence, RI 02903
(401) 528-4561

South Carolina
SBA District Office
1835 Assembly St., Room 358
Columbia, SC 29201
(803) 765-5376

South Dakota
SBA District Office
101 S. Main Avenue, Suite 101
Sioux Falls, SD 57102-0527
(605) 330-4231

Tennessee
SBA District Office
50 Vantage Way, Suite 201
Nashville, TN 37228-1500
(615) 736-5881

Texas
Regional Office
8625 King George Drive, Bldg. C
Dallas, TX 75235-3391
(214) 767-7633

SBA District Office
Federal Building
300 E. 8th Street, Room 520
Austin, TX 78701
(512) 482-5288

SBA District Office
Government Plaza Building
606 N. Carancahus, Suite 1200
Corpus Christi, TX 78476
(512) 888-3331

SBA District Office
222 E. Van Buren Street, Suite 500
Harlingen, TX 78550
(210) 427-8533

SBA District Office
9301 Southeast Freeway, Suite 550
Houston, TX 77074-1591
(713) 773-6500

SBA District Office
4300 Amon Carter Blvd., Suite 114
Fort Worth, TX 76155
(817) 885-6500

SBA District Office
1611 10th Street, Suite 200
Lubbock, TX 79401
(806) 743-7462

SBA District Office
505 E. Travis, Room 103
Marshall, TX 75670
(214) 935-5257

SBA District Office
7400 Blanco Road, Suite 200
San Antonio, TX 78216-4300
(512) 229-4535

SBA District Office
10737 Gateway West, Suite 320
El Paso, TX 79935
(915) 540-5676

Utah
SBA District Office
125 S. State Street, Room 2237
Salt Lake City, UT 84138-1195
(801) 524-5804

Vermont
SBA District Office
87 State Street, Room 205
Montpelier, VT 05602
(802) 828-4422

Virginia
SBA District Office
400 N. 8th Street, Room 3015
Richmond, VA 23240
(804) 771-2400

Washington
Regional Office
2615 Fourth Avenue, Room 440
Seattle, WA 98121
(206) 553-5676

SBA District Office
915 Second Avenue, Room 1792
Seattle, WA 98174-1088
(206) 553-1420

SBA District Office
W. 601 First Avenue, 10th Floor East
Spokane, WA 99204-0317
(509) 353-2800

West Virginia
SBA District Office
168 W. Main Street, 5th Floor
Clarksburg, WV 26301
(304) 623-5631

SBA District Office
550 Eagan St., Room 309
Charleston, WV 25301
(304) 347-5220

Wisconsin
SBA District Office
212 E. Washington Avenue, Room 213
Madison, WI 53703
(608) 264-5261

SBA District Office
Henry S. Reuss Federal Plaza
310 W. Wisconsin Avenue, Suite 400
Milwaukee, WI 53203
(414) 297-3941

Wyoming
SBA District Office
Federal Building
100 East B Street, Room 4001
P.O. Box 2839
Casper, WY 82602-2839
(307) 261-5761

Small Business Development Centers
Lead Centers: Office of the Director
(as of June 1995)

Birmingham, Alabama
(205) 934-6760

Anchorage, Alaska
(907) 274-7232

Tempe, Arizona
(602) 731-8720

Little Rock, Arkansas
(501) 324-9043

Sacramento, California
(916) 324-5068

Denver, Colorado
(303) 892-3809

Storrs, Connecticut
(203) 486-4135

Newark, Delaware
(302) 831-2747

Washington, D.C.
(202) 806-1550

Pensacola, Florida
(904) 444-2060

Athens, Georgia
(706) 542-6776

Hilo, Hawaii
(808) 933-3515

Boise, Idaho
(208) 385-1640

Springfield, Illinois
(217) 524-5856

Indianapolis, Indiana
(317) 264-6871

Ames, Iowa
(515) 292-6351

Wichita, Kansas
(316) 689-3193

Lexington, Kentucky
(606) 257-7668

Monroe, Louisiana
(318) 342-5506

Portland, Maine
(207) 780-4420

Baltimore, Maryland
(410) 333-6996

Amherst, Massachusetts
(413) 545-6301

Detroit, Michigan
(313) 964-1798

Minneapolis, Minnesota
(612) 297-5770

Jackson, Mississippi
(601) 232-5001

Columbia, Missouri
(314) 882-0344

Helena, Montana
(406) 444-4780

Omaha, Nebraska
(402) 554-2521

Reno, Nevada
(702) 784-1717

Durham, New Hampshire
(603) 862-2200

Newark, New Jersey
(201) 648-5950

Santa Fe, New Mexico
(505) 438-1362

Albany, New York
(518) 443-5398

Raleigh, North Carolina
(919) 571-4154

Grand Forks, North Dakota
(701) 777-3700

Columbus, Ohio
(614) 466-2711

Durant, Oklahoma
(405) 924-0277

Eugene, Oregon
(503) 726-2250

Philadelphia, Pennsylvania
(215) 898-1219

Smithfield, Rhode Island
(401) 232-6111

Columbia, South Carolina
(803) 777-4907

Vermillion, South Dakota
(605) 677-5498

Dallas, Texas
(214) 565-5833

Memphis, Tennessee
(901) 678-2500

Houston, Texas
(713) 752-8444

Lubbock, Texas
(806) 745-3973

San Antonio, Texas
(210) 558-2450

Salt Lake City, Utah
(801) 581-7905

Randolph, Vermont
(802) 728-9101

Richmond, Virginia
(804) 371-8258

Pullman, Washington
(509) 335-1576

Charleston, West Virginia
(304) 558-2960

Madison, Wisconsin
(608) 263-7794

Casper, Wyoming
(307) 235-4825

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

During the last three decades, the Department of Housing and Urban Development (HUD) has offered numerous programs to help cities and towns restore, renew, or create the economic base needed for stability and growth. In recent years, though, it has become clear that public resources alone are not enough to hatch successful economic development initiatives. The shared investments and responsibilities of public-private partnerships bring both sectors into close working relationships. Such ties dramatically improve the potential for a project to succeed in revitalizing a community's economic and social situation, as well its physical facilities. The two primary HUD economic and community development programs discussed below have served as the catalyst for all types of projects, leveraging private resources to expand the impact of public funds.

- The Community Development Block Grant (CDBG) program provides large cities, urban counties, and small towns with a flexible source of funding to encourage community improvement, support business investment, and reverse physical and economic deterioration.

- The Section 108 loan guarantee program, available to all CDBG recipient jurisdictions, allows cities to issue debentures to cover the cost of larger development projects (such as site preparation or property rehabilitation) that are beyond the scope and resources of their annual entitlements. More and more communities are exploring Section 108 as a financing source for brownfield redevelopment — cleaning and reusing old industrial sites.

In addition, HUD has begun to implement its empowerment zone (EZ) and enterprise community (EC) program. Designated after a stiff national competition, the nine EZs and 65 ECs focus federal resources and tax incentives on distressed community areas. Many cities and towns highlighted two critical needs in their applications: reviving their manufacturing base, and bringing new economic life to old industrial sites.

The end of this section features lists of HUD field offices, state CDBG contacts, and tables showing fiscal 1994 CDBG allocations. In addition, a tally of newly-designated EZs and ECs is included.

Over the past year, HUD officials have taken a hard look at all agency programs, including economic and community development, to determine what changes could be made to improve their service delivery. Congress promises similar scrutiny. In December of 1994, HUD issued its "Reinvention Blueprint." It called for a radical change in HUD's mission, the types and number of programs that HUD administers, and the way HUD does its business. The Blueprint suggests consolidation of 60 current HUD programs into three main programs: Housing Certificates for Families and Individuals; Affordable Housing Fund; and Community Opportunity Fund. As proposed, this change would provide more state and local control of develop funds, making these resources more attractive and flexible to use for manufacturing-related projects. A summary chart at the end of this section lays out HUD's proposed program consolidation as it would unfold over the next four years.

Community Development Block Grants

Objective

Community Development Block Grants (CDBGs) are designed to increase the economic viability of communities of all size by providing financial support for activities that expand economic opportunities, encourage private investment, and provide suitable infrastructure facilities and housing, especially for persons of low and moderate income.

Description

The CDBG program has two major components: entitlement jurisdictions (for cities with more than 50,000 residents and urban counties with more than 200,000 people); and small cities, those with less than 50,000 people. About 70 percent of CDBG resources are earmarked for entitlement jurisdictions, and 30 percent reserved for small cities. Entitlement jurisdictions are guaranteed block grant awards if they comply with federal regulations governing their use and submit applications. Funds are awarded on a formula basis. HUD's small cities program is run by the states, which receive funding allocations on a needs-based formula basis. The states, in turn, design their own resource distribution scenarios to deliver CDBG funds to a select number of small towns and rural areas

Since it launched the CDBG program in 1974, however, Congress has come to recognize the link between the economic development activities of job creation and business retention, and the socially oriented mission of HUD. In subsequent amendments, Congress has broadened the goals of the CDBG program to permit economic development activities — business financing, site development, and related efforts. Recent proposals would make CDBG resources easier to use in brownfield projects, as well as simplify the documentation that cities must provide for many types of economic development and business assistance activities undertaken with block grant funds.

Funding Form

HUD provides annual formula-based grants to states, for distribution among their small communities, and to all entitlement jurisdictions.

Eligible Activities

Recipients develop their own programs and funding priorities in conformance with national rules and objectives. At least 70 percent of all CDBG resources must benefit low- and moderate-income persons.

CDBG funds may be used for a wide range of activities, including: acquisition of real property, construction or renovation of infrastructure improvements such as water and sewer facilities, rehabilitation and demolition of residential and nonresidential structures, and planning services. Financial help — including grants, loans, loan guarantees, interest subsidies, and similar types of support — may be given to for-profit businesses or groups for specific economic development activities, including manufacturing modernization projects. According to HUD rules, the amount of assistance to for-profits can not be "excessive" and should take into account the financial need of the business and the extent of public benefit that such an investment of CDBG funds will yield. In 1995, HUD has clarified that block grant resources may be used to cover the costs of site preparation and environmental clean of "brownfield sites" to prepare them for new economic development or housing uses.

Local governments may contract with other agencies or non-profit organizations to carry out specific CDBG-funded activities; many business assistance and manufacturing modernization initiatives are implemented this way. Typically, most jurisdictions spend less than one-quarter of their block grant funds on economic development activities.

Application and Review

To receive its annual entitlement grant, a jurisdiction must submit to HUD a formal statement outlining proposed community development objectives for the coming year and projected use of the grant money. States must submit a similar statement to HUD, along with their plans for allocating block grant funds among small cities. Small city application requirements vary from state to state. The name of each state's CDBG small cities program manager is listed at the end of this section, and inquiries should be directed to that person.

Funding Levels

As indicated earlier, the annual CDBG appropriation is split 70/30 between entitlement community and small city grants. In fiscal 1995, large cities divided $3.22 billion, and states distributed $1.38 billion to their small cities.

Additional Considerations

Communities can undertake a wide range of economic development activities with CDBG funds. However, these projects must be carefully framed to ensure their compliance with HUD's program objectives. Projects in which CDBG resources comprise only a portion of the financing package also must comply. HUD considers that an entire project benefits from CDBG money and must abide by its rules. Cities must be certain that the CDBG assistance offered to for-profits is "necessary" or "appropriate" to make the development happen, taking into consideration both the actual business needs and the extent of public benefit — especially new jobs — stemming from the project.

CDBG-assisted economic development projects should create permanent jobs, filled primarily by low- and moderate-income persons. Private companies benefiting from block grant financing generally are expected to give them "first consideration" in hiring. Usually, activities must be broadly designed to improve the business climate.

Program Examples

Woodbury, New Jersey, officials used $160,000 in block grant funds to promote a public-private partnership to convert an abandoned theater into 4,800 square feet of retail space. The CDBG was combined with $500,000 in county economic development assistance; the project attracted more than $10 million in private capital and generated 20 new jobs. In addition, the new center has increased local tax revenues by more than $25,000 annually.

Baltimore used $1.5 million in CDBG funds to revitalize a deteriorating commercial strip in the York Road area. Block grant funds leveraged enough private investment to renovate 83 business buildings, launch 25 new enterprises (which added $25 million to the city's tax base), and create or save nearly 1,300 jobs.

Stonington, Connecticut, combined $250,000 in CDBG monies with various state loans and grants to rebuilt the town's fishing docks and piers, packing house, and icehouse. These activities played an integral part in Stonington's plan to revive the commercial fishing industry in the area. Now, the area is able to service a full fleet of fishing vessels.

Contact

For additional information, contact a HUD area or regional office (see the list at the end of this section) or HUD headquarters at the number noted below.

Assistant Secretary for Community Planning and Development
U.S. Department of Housing and Urban Development
451 7th Street, S.W., Room 7100
Washington, D.C. 20410
(202) 708-2690

State CDBG Program Managers
(as of August 1995)

Alabama
Paula Murphy
Department of Economic and Community Affairs
401 Adams avenue
P.O. Box 5690
Montgomery, AL 36103

Alaska
Jo Cooper
Department of Community and Regional Affairs
209 Forty Mile Avenue
Fairbanks, AK 99701

Arizona
Rivko Knox
Department of Commerce
3800 North Central
Phoenix, AZ 85012

Arkansas
Katherine Leaphart
Arkansas Industrial Development Commission
#1 Capitol Mall South
Little Rock, AR 72201

California
William Pavao
Department of Housing and Community Development
1800 Third Street, Room 365
Sacramento, CA 95814

Colorado
Terry Chavez
Department of Local Affairs
1313 Sherman Street
Denver, CO 80203

Connecticut
Lawrence Lusardi
Department of Housing
505 Hudson Street
Hartford, CT 06106

Delaware
Julia Loescher
State Housing Authority
18 The Green, P.O. Box 1401
Dover, DE 19903

Florida
Tom Pierce
Department of Community Affairs
2740 Centerview Dr.
Tallahassee, FL 32399-2100

Georgia
Chantal Mathews
Department of Community Affairs
1200 Equitable Building
100 Peachtree Street
Atlanta, GA 30303

Idaho
Jan Blickenstaff
Department of Commerce
Division of Community Development
700 W. State Street
Boise, ID 83720

Illinois
Mark Gauss
Department of Commerce and Community Affairs
620 E. Adams Street
Springfield, IL 62701

Indiana
Betty Beecher-Smith
Department of Commerce
1 N. Capitol, Suite 700
Indianapolis, IN 46204-2243

Iowa
Lane Palmer
Department of Economic Development
200 East Grand Avenue
Des Moines, IA 50309

Kansas
Bill Montgomery
Department of Commerce and Housing
700 SW Harrison Street, #1300
Topeka, KS 66603

Kentucky
Scott Kimmich, Director
Department of Local Government
1024 Capital Center Drive
Frankfort, KY 40601

Louisiana
Suzie Elkins
Division of Administration
P.O. Box 94095
Baton Rouge, LA 70804

Maine
Aaron Shapiro
Department of Economic & Community Development
House Station #130
219 Capitol Street
Augusta, ME 04333

Maryland
Ron Waters
Department of Housing and Community Development
100 Community Place
Crownsville, MD 21032

Massachusetts
Toni Hall
Department of Community Affairs
100 Cambridge Street, Suite 1803
Boston, MA 02202

Michigan
Thomas Freeman
Department of Commerce
P.O. Box 30225
Law Building, 5th Floor
Lansing, MI 48909

Minnesota
Louis Jambois
Department of Trade and Economic Development
121 7th Place East
St. Paul, MN 55101-2146

Mississippi
Deborah Franklin
Department of Economic and Community Development
301 W. Pearl Street
Jackson, MS 39202-3096

Missouri
Terry Martin
Department of Economic Development
Economic Development Programs
301 W. High Street, P.O. Box 118
Jefferson City, MO 65102

Montana
Gus Byrom
Department of Commerce
1424 9th Street, Capital Station
Helena, MT 59620

Nebraska
Steve Charleston
Department of Economic Development
P.O. Box 94666
301 Centennial Mall South
Lincoln, NE 68509

Nevada
Audrey Allen
Committee on Economic Development
Capitol Complex
Carson City, NV 89710

New Hampshire
Bill Ray
Office of State Planning
2-1/2 Beacon Street
Concord, NH 03301

New Jersey
Roger Hoeh
Department of Community Affairs
S. Broad and Front Streets, CN 806
Trenton, NJ 08625-0806

New Mexico
Joe Guillen
Local Government Division
Bataan Memorial Building, Room 201
Santa Fe, NM 87501

New York
Brian McCarthy
Bureau of Small Cities
Division of Housing and Community Renewal
38-40 State Street
Albany, NY 12207

North Carolina
Donna Moffitt, Program Manager
Department of Commerce
Division of Community Assistance
P.O. Box 12600
Raleigh, NC 27611-2600

North Dakota
Bonnie Malo
Office of Intergovernmental Assistance
State Capitol, 14th Floor
Bismarck, ND 58505

Ohio
Bill Graves
Community Development Division
Department of Development
77 S. High Street
P.O. Box 1001
Columbus, OH 43266-0101

Oklahoma
Sherwood Washington
Department of Commerce
P.O. Box 26980
Oklahoma City, OK 73126-0980

Oregon
Yvonne Addington
Economic Development Department
775 Summer Street, N.E.
Salem, OR 97310

Pennsylvania
Riley Stoy
Department of Community Affairs
515 Forum Building
Harrisburg, PA 17120

Puerto Rico
Sandra Cruz
Office of Community Municipal Affairs
G.P.O. Box 70167
San Juan, PR 00936

Rhode Island
Jeff Gofton
Department of Intergovernmental Relations
275 Westminster Mall
Providence, RI 02903

South Carolina
Olney England
Division of Community and Intergovernmental Affairs
1205 Pendleton Street, Suite 416
Columbia, SC 29201

South Dakota
Steve Harding
Division of State and Community Development
Governor's Office of Economic Development
and Tourism
5032 Capitol Lake Plaza
Pierre, SD 57501

Tennessee
Paula Lovett
Department of Economic & Community
Development
320 6th Avenue North, 6th Floor
Nashville, TN 37219

Texas
Sandy Mauro
Department of Commerce
P.O. Box 13941
Austin, TX 78711-3941

Utah
Richard Walker
Department of Community and Economic
Development
6233 State Office Building
Salt Lake City, UT 84114

Vermont
Barbara Grimes
Department of Housing and Community Affairs
Pavilion Office Building, 4th Floor
Montpelier, VT 05602

Virginia
Todd Christensen
Department of Housing and Community
Development
501 N. Second Street
Richmond, VA 23219

Washington
Charmaine Hays
Department of Community Development
906 Columbia Street, GH-51
Olympia, WA 98504

West Virginia
Larry Long
Governor's Office of Economic and Community
Development
State Capitol Complex, Room 553B
Charleston, WV 25305

Wisconsin
Jim Frymarck
Department of Development
123 W. Washington Avenue
P.O. Box 7970
Madison, WI 53708

Wyoming
Steve Achter
Department of Economic and Community
Development
Barrett Building
Cheyenne, WY 82002

Community Development Block Grants (CDBG): Fiscal 1994 and Fiscal 1995
(in thousands of dollars)

State or Region	Entitlements Fiscal 1994	Entitlements Fiscal 1995	State's Program Fiscal 1995	State's Program Fiscal 1995
New England				
Connecticut	33,188	35,741	13,366	15,041
Maine	5,660	6,166	14,339	17,181
Massachusetts	87,890	96,771	35,060	39,636
New Hampshire	4,341	5,040	8,724	10,397
Rhode Island	14,591	15,250	5,262	5,950
Vermont	981	1,106	7,139	8,955
Total	146,651	160,074	83,890	97,160
Mid-Atlantic				
Delaware	6,395	6,402	1,875	1,992
Maryland	54,454	55,437	10,637	11,271
New Jersey	118,898	117,850	10,392	11,333
New York	377,593	385,354	50,616	57,938
Pennsylvania	214,194	217,915	57,938	61,234
Total	771,534	782,958	131,458	143,768
Midwest				
Illinois	187,168	187,554	42,568	40,681
Indiana	47,794	47,264	37,401	38,078
Iowa	17,652	17,978	31,691	31,501
Michigan	129,104	124,855	42,835	46,377
Minnesota	45,340	48,034	24,969	26,142
Ohio	144,014	144,248	57,335	58,607
Wisconsin	44,690	47,255	32,631	35,537
Total	615,762	617,188	269,430	276,923
South				
Alabama	29,453	27,434	35,822	34,816
Arkansas	9,097	8,626	25,557	25,070
District of Columbia	22,391	24,401	0	0
Florida	142,426	150,877	30,104	34,179
Georgia	42,210	43,427	46,526	47,478
Kentucky	24,647	24,094	37,508	35,138
Louisiana	48,506	47,477	37,986	38,941
Mississippi	6,800	7,389	40,273	39,070
North Carolina	27,289	28,643	49,869	46,887
Oklahoma	17,142	17,155	21,339	21,567
South Carolina	13,482	13,064	33,341	33,426
Tennessee	33,162	30,782	32,082	30,767
Texas	206,326	217,987	81,886	90,813
Virginia	45,000	46,900	25,103	24,017
West Virginia	9,917	9,759	22,718	21,859
Total	677,848	698,015	520,114	524,028

Community Development Block Grants (CDBG): Fiscal 1994 and Fiscal 1995 (continued)
(in thousands of dollars)

State or Region	Entitlements Fiscal 1994	Entitlements Fiscal 1995	State's Program Fiscal 1995	State's Program Fiscal 1995
West				
Alaska	2,286	2,450	2,570	3,289
Arizona	39,594	42,654	9,703	11,419
California	430,373	512,589	33,778	43,254
Colorado	30,961	32,165	10,588	11,549
Hawaii	14,679	14,128	3,744	5,063
Idaho	1,725	1,830	9,400	10,117
Kansas	13,681	13,854	21,255	21,365
Missouri	58,364	58,408	31,792	30,016
Montana	2,137	2,064	8,392	8,714
Nebraska	9,154	9,655	15,241	15,633
Nevada	11,130	13,384	2,239	2,874
New Mexico	7,600	7,757	14,276	15,951
North Dakota	1,974	1,990	6,718	6,550
Oregon	22,650	24,329	14,299	16,115
South Dakota	1,673	1,764	8,450	8,513
Utah	16,604	16,494	7,224	7,993
Washington	49,206	53,024	13,569	15,954
Wyoming	1,236	1,186	3,709	3,555
Total	715,027	809,725	216,947	237,924
Northeast	918,185	943,032	215,348	240,928
Midwest	615,762	617,188	269,430	276,923
Northeast and Midwest	1,533,947	1,560,220	484,778	517,851
South	677,848	698,015	520,114	524,028
West	715,027	809,725	216,947	237,924
South and West	1,392,875	1,507,740	737,061	761,952
U.S. Total[1]	2,926,822	3,067,960	1,221,839	1,279,803

[1]U.S. totals do not include funds for Puerto Rico.

SOURCE: Northeast-Midwest staff calculations based on Office of Management and Budget data, Washington, D.C., 1995.

Section 108 Loan Guarantees

Objective

Section 108 loan guarantees enable local governments to finance physical and economic development projects too large for front-end financing with single-year Community Development Block Grants.

Description

Under Section 108, HUD enables local governments to issue debentures to cover the cost of physical redevelopment projects too large for financing by annual CDBG grants. The debentures are underwritten and sold through public offerings by a consortium of private investment banking firms that HUD organizes. The agency guarantees each obligation to ensure a favorable interest rate, which generally is pegged to yields on Treasury obligations of similar maturity. Local governments must pay the notes off within 20 years, but may negotiate various payment schedules with HUD to meet their needs and the circumstances of the project.

Jurisdictions may use their CDBG allocations to redeem these obligations, but nearly all communities use income generated from the project to cover some or all of the payments. Even though the program began in 1978, more than one-third of all Section 108 projects have been undertaken in the last three years.

Funding Form

Loan guarantees that use CDBG grants as collateral.

Eligible Applicants

Any CDBG entitlement jurisdiction may apply. In addition, states may apply on behalf of small cities within their borders. In either case, the grantee itself may receive the loan guarantee, or may designate another public agency to serve as the borrower.

Eligible Activities

Basically, any CDBG-eligible economic development activity may be supported with the proceeds of a Section 108 loan guarantee, including: real property acquisition; site clearance and facility renovation; construction or upgrade of infrastructure systems such as water and sewer facilities; modernization of industrial parks; site improvements such as streets and drainage; debt service reserves; and relocation of residents or businesses displaced by projects financed under the program. New building construction is not eligible. Activities undertaken with the proceeds of Section 108 guaranteed loans must meet the basic rules governing the CDBG program, including the requirement that 60 percent of the resources benefit low- and moderate-income persons.

Guarantee limits are as follows:

- entitlement jurisdictions may apply for up to five times their most recent CDBG allocation (minus any outstanding Section 108 commitments); and

- small cities may apply for up to five times the amount of the most recent CDBG allocation received by their state (minus any outstanding Section 108 commitments); in reality, the practical limit a state will ask will be much smaller.

HUD has the authority to limit guarantee amounts per jurisdiction, to $35 million for entitlement communities and $7 million for small cities, although it has never done so.

Application and Review

To receive a loan guarantee under Section 108, a locality or state (on behalf of a small city) must enter into a contract with HUD for repayment of the guaranteed obligation and pledge as collateral its current and future CDBG grants. HUD also may require additional forms of security, such as a collateral pledge of any increases in tax receipts generated by activities assisted because of the guarantee, or revenues raised from the sale or lease of property acquired or rehabilitated with guarantee-backed resources.

Funding Level

Congress approved a guarantee level of $2.05 billion for fiscal 1995, the same level as provided for fiscal 1994.

Additional Considerations

Section 108 guarantees are well suited for the site preparation and infrastructure investment needed to carry out manufacturing projects. However, local officials in many jurisdictions encounter political difficulties in selling the program because they must pledge future CDBG resources as collateral. Many community groups and other CDBG beneficiaries are concerned that, in the event of a loan default, HUD would divert block funds to satisfy the debt. This action could force a city to curtail other CDBG-supported initiatives, such as housing rehabilitation or on-going service activities. Yet to date there has been no default resulting in a payment by HUD.

Program Examples

Lawrence, Massachusetts, used a $3.5 million loan guarantee to keep a local manufacturer in town by paying for plant modernization under a sale-leaseback arrangement, and helping to construct a new access road. These improvements generated nearly 100 new jobs.

Chicago is using the proceeds of a $3 million Section 108 guarantee to tackle several "brownfield" sites found in older industrial areas of the city. Proceeds will allow the city to clean contamination that has been identified, demolish aging structures, and prepare the sites for new use. Cleaning these sites will cause their value to rise, as they become more attractive to private developers. This increased value will be recouped as sites are sold or leased; these proceeds will be used to help retire the loan guarantee.

Contact

Information on the Section 108 loan guarantee program is available from any HUD field office, state CDBG program office, or by contacting the headquarters office at the following address.

Section 108 Loan Guarantee Program
Community Planning and Development
Financial Management Division
HUD — Room 7282
451 7th St., S.W.
Washington, D.C. 20410
(202) 708-1871

Empowerment Zones and Enterprise Communities

Objective

The Empowerment Zones and Enterprise Communities (EZ/EC) initiative permits designated distressed communities to use targeted federal benefits as part of a strategic economic revitalization plan to encourage significant new private investment and job creating opportunities within these areas.

Description

The EZ/EC initiative was designed to invite private investment in the designated distressed communities. Congress has authorized approximately $2.5 billion worth of new tax incentives for the first five years of the program. Both EZs and ECs can take advantage of a new category of new tax-exempt facility bonds. These bonds (which are subject to existing state bond volume issuance caps) can be used to meet several financing needs of particular interest to manufacturers — constructing new facilities, renovating existing plants, and acquiring a site, machinery, or equipment. EZ companies can take advantage of two additional tax breaks:

- an employer wage credit of up to $3,000 per year per employee to offset wages and training expenses for employees who both work and live in the zone; and

- increased depreciation allowances, up to $37,500 in Section 179 expensing deductions for plant and equipment each year — $20,000 more than non-zone companies.

These incentives will be available to zone companies over the next ten years, through the year 2005. As of October 1995, various federal agencies have not yet defined the guidelines for tapping this incentive pool. Currently, there are no plans for a set allocation per zone; companies and investors in each EZ or EC may apply for any incentives for which they can meet the eligibility criteria.

The EZ/EC program also includes $1 billion in flexible social services block grant funds that can be used to promote economic self-sufficiency and reduce dependency — through education, training, and similar activities. In EZs, designated areas will receive $100 million for each urban zone and $40 million for each rural zone for approved activities identified in their strategic plans. Each EC will receive approximately $3 million in grant funds.

Funding Form

Benefits to businesses take the form of tax credits.

Eligible Applicants

In December, 1994, President Clinton designated 72 urban EZs and ECs and 33 rural EZs and ECs. (See the list following this profile.) No additional designations will be made.

Eligible Activities

Activities are pegged to the available tax incentives, and generally include construction, renovation, or acquisition of sites, facilities, and equipment.

Application and Review

Broadly, jurisdictions applying for designation as EZs and EC had to define a strategic plan that combined economic, physical, and human strategies for economic development. This plan served as the foundation for each community's application. Applicants had to show how zone status would help them be better able to create jobs, attract private investment, and train economically disadvantaged local residents for these new jobs. An applicant had to show that many groups in the community, such as private, educational, and religious organizations, could coordinate their activities as part of a strategic plan. Specifically, communities had to meet certain eligibility criteria regarding size, poverty, unemployment, and general distress. Communities also had to be nominated by their states and local governments.

An interagency review team analyzed the 520 urban and rural EZ and EC applications submitted. As indicated above, 105 communities won designation.

Funding Levels

Congress made a one-time appropriation of $1 billion for special social service block grant funds, and authorized an initial $2.5 billion worth of tax incentives.

Additional Considerations

The Community Enterprise Board (CEB), appointed by President Clinton in September of 1993 and charged with improving coordination of federal resources with other resources and eliminating regulatory obstacles, identified $3 billion in additional federal program resources that could be utilized by businesses in EZs and ECs — ranging from small business financial help to technology transfer assistance. The CEB has asked that companies located in targeted zones be given priority consideration when applying for these resources.

One of the main goals of the EZ/EC program is to increase coordination among local, state, and federal levels of government, and to eliminate some of the regulatory requirements impeding business development. President Clinton issued a presidential memorandum directing the 13 agencies represented on the CEB to identify federal programs that should be coordinated in the EZ/EC initiative and to respond to regulatory waiver requests from all EZ/EC applicants. The CEB will work with all applicant communities, even those not designated to participate in the program, to overcome pragmatic, regulatory and statutory impediments and encourage more effective economic, environmental, and community development strategies.

Program Examples

Since the EZ/EC program has barely gotten underway, no specific project examples yet exist. However, several projections from winning applications deserve to be mentioned. For instance, in Detroit, more than $2 billion in private-sector financial and technical assistance commitments have been pledged. Major automobile companies will train and hire EZ residents. Growing industries will be provided with the access to the capital they need to locate and expand in the Detroit EZ. Local banks expect to invest more than $1 billion in small business and home mortgages. Professionals such as lawyers and accountants will donate their services to start-up businesses.

Baltimore's plan leverages $8 in outside resources for every $1 in federal funds. Six local banks have committed more than $50 million for a variety of business and residential loans within the targeted zone. Seven local foundations have each committed to invest one percent of their asset value annually in the zone for the next five years.

In Boston, seven banks have committed $5 million each for commercial lending in the proposed zone. They also will provide $625,000 for minority and small business technical assistance. Boston Edison will offer deep utility discount rates to new businesses that commit to employ zone residents.

Contact

For additional information, contact a HUD area or regional office, or HUD headquarters at: .

Director of Office of Economic Development
U.S. Department of Housing and Urban Development
451 Seventh Street, SW, Room 7136
Washington, DC 20410
(202) 708-2290

Urban and Rural Empowerment Zones

State	Rural Empowerment Zones	Urban Empowerment Zones
Georgia		Atlanta
Illinois		Chicago
Kentucky	Kentucky Highlands	
Maryland		Baltimore
Michigan		Detroit
Missouri	Mid-Delta	
New Jersey		Camden (joint zone with Philadelphia)
New York		New York City
Pennsylvania		Philadelphia (joint zone with Camden)
Texas	Grand Valley	
	Supplemental Empowerment Zones	
California		Los Angeles
Ohio		Cleveland
	Urban and Rural Enterprise Communities	
Alabama	Chambers County Greene and Sumter Counties	Birmingham
Alaska		— [None Eligible]
Arizona	Arizona Border Region: Cochise, Santa Cruz, and Yuma Counties	Phoenix
Arkansas	Mississippi County Eastern Arkansas: Cross	Pulaski County

	Lee, Monrow, and St. Francis Counties	
California	Imperial County	Los Angeles (South Central/Huntington Park)
	City of Watsonville: Santa Cruz County	San Diego
		San Francisco (Hunters Point)
Colorado		Denver
Connecticut		Bridgeport
		New Haven
Delaware		Wilmington
District of Columbia		Washington
Florida	Jackson County	Dade County/Miami
		Tampa
Georgia	Crisp and Dooly Counties	Albany
	Central Savannah River Area: Burke, Hancock, Jefferson, McDuffle, Tallaferro and Warren Counties	
Hawaii		[No Applicants]
Idaho		[No Applicants]
Illinois		East St. Louis
		Springfield
Indiana		Indianapolis
Iowa		Des Moines
Kansas		
Kentucky	McCreary County	Louisville
Louisiana	Northeast Louisiana Delta: Madison County	New Orleans
	Macon Ridge: Catahoula, Concordia, Franklin, Morehouse and Tensas County	Ouachita Parish
Maine		[No Applicants]
Maryland		
Massachusetts		Lowell
		Springfield
Michigan	Lake County	Flint
		Muskegon
Minnesota		Minneapolis
		St. Paul
Mississippi	North Delta: Panola, Quitman and Tallahatchie Counties	Jackson
Missouri	City of East Prairie: Mississippi County	St. Louis
Montana		[No Applicants]
Nebraska		Omaha
Nevada		Clark County/Las Vegas
New Hampshire		Manchester
New Jersey		Newark
New Mexico	Mora, Taos and Rio Ariba Counties	Albuquerque

New York		Albany Buffalo Newburgh-Kingston Rochester
North Carolina	Halifax, Edgeombe and Wilson Counties Robeson	Charlotte
North Dakota		[No Applicants]
Ohio	Greater Portsmouth: Scioto County	Akron Columbus
Oklahoma	Southeast Oklahoma: Choctaw and Mcurtain Counties	Oklahoma City (EZ)
Oregon	Josephine County	Portland
Pennsylvania	City of Lock Haven: Clinton County	Harrisburg Pittsburgh
Rhode Island		Providence
South Carolina	Williamsburg County and Lake City: Florence and Williamsburg Counties	Charleston
South Dakota	Beadle and Spink Counties	[No Applicants]
Tennessee	Fayette and Haywood Counties Scott County	Memphis Nashville
Texas		Dallas El Paso San Antonio Waco
Utah		Ogden
Vermont		Burlington
Virginia	Accomack and Northampton Counties	Norfolk
Washington	Lower Yakima County	Seattle Tacoma
West Virginia	Central Appalachia: Braxton, Clay, Fayette, Nicholas and Roane Counties McDowell County	Huntington

HUD Field Offices
(as of July 1995)

The first line of the mailing address for all offices is U.S. Department of Housing and Urban Development.

New England Region
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330 Main St., First Floor
Hartford, CT 06106-1860
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99 Franklin St.
Bangor, ME 04401-4925
(207) 945-0467

Massachusetts State Office
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Boston, MA 02222-1092
(617) 565-5234

New Hampshire State Office
275 Chestnut Street
Manchester, NH 03101-2487
(603) 666-7681

Rhode Island State Office
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(401) 528-5351

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11 Elmwood Ave., Room 244
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(802) 951-6290

New York/New Jersey Region
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Thirteenth Floor
Newark, NJ 07102-5260
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New York State Office
26 Federal Plaza
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Albany Area Office
52 Corporate Circle
Albany, NY 12203-5121
(518) 464-4200

Buffalo Area Office
465 Main St., 5th Floor
Buffalo, NY 14203-1780
(716) 551-5755

Camden Area Office
800 Hudson Square, 2nd Floor
Camden, NJ 08102-1156
(609) 757-5081

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Delaware State Office
824 Market St., Suite 850
Wilmington, DE 19801-3016
(302) 573-6300

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820 First St., NE
Washington, D.C. 20002-4205
(202) 275-9200

Maryland State Office
10 South Howard St., 5th Floor
Baltimore, MD 21201-2505
(410) 962-2520

Pennsylvania State Office
The Wanamaker Building
100 Penn Sq. East
Philadelphia, PA 19107-3390
(215) 656-0600

Virginia State Office
3600 West Broad St.
P.O. Box 90331
Richmond, VA 23230-0331
(804) 278-4507

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405 Capitol St., Suite 708
Charleston, WV 25301-1795
(304) 347-7000

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412 Old Post Office Courthouse
7th Ave. and Grant St.
Pittsburgh, PA 15219-1906
(412) 644-6428

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600 Beacon Pkwy. West, Suite 300
Birmingham, AL 35209-3144
(205) 290-7617

Caribbean Office
New San Juan Office Building
159 Carlos Chardon Ave.
San Juan, PR 00918-1804
(809) 766-6121

Florida State Office
8600 Northwest 36th St., Suite 3100
P.O. Box 4022
Miami, FL 33166-4022
(305) 717-2500

Georgia State Office
75 Spring St., SW
Atlanta, GA 30303-3388
(404) 331-5136

Kentucky State Office
601 West Broadway
P.O. Box 1044
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(502) 582-5251

Mississippi State Office
100 West Capitol St., Suite 910
Jackson, MS 39269-1016
(601) 965-5308

North Carolina State Office
2306 West Meadowview Road
Greensboro, NC 27407-3707
(910) 547-4001

South Carolina State Office
1835 Assembly St.
Columbia, SC 29201-2480
(803) 765-5592

Tennessee State Office
251 Cumberland Bend Dr., Suite 200
Nashville, TN 37228-1803
(615) 736-5213

Coral Gables Area Office
Gables 1 Tower
1320 South Dixie Hgy.
Coral Gables, FL 33146-2911
(305) 662-4500

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301 West Bay St., Suite 2200
Jacksonville, FL 32202-5121
(904) 232-2626

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710 Locust St., 3rd Floor
Knoxville, TN 37902-2526
(615) 545-4384

Memphis Area Office
200 Jefferson Ave., Suite 1200
Memphis, TN 38103-2335
(901) 544-3367

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3751 Maguire Blvd., Suite 270
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(813) 228-2501

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77 West Jackson Blvd.
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Indiana State Office
151 North Delaware St.
Indianapolis, IN 46204-2526
(317) 226-6303

Michigan State Office
477 Michigan Avenue
Detroit, MI 48226-2592
(313) 226-7900

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200 Second St. South
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200 North High St.
Columbus, OH 43215-2499
(614) 469-5737

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310 West Wisconsin Ave., Suite 1380
Milwaukee, WI 53203-2289
(414) 297-3214

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525 Vine St., 7th Floor
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1350 Euclid Ave., 5th Floor
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Flint, MI 48502-1953
(313) 766-5109

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Grand Rapids, MI 49503-2648
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(217) 492-4085

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Little Rock, AR 72201-3488
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625 Truman St., NE
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Oklahoma City, OK 73102-3202
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Shreveport, LA 71101-3107
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Tulsa, OK 74119-4030
(918) 581-7434

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Des Moines, IA 50309-2155
(515) 284-4512

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400 State Avenue, Room 200
Kansas City, KS 66101-2406
(913) 551-5462

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10909 Mill Valley Road
Omaha, NE 68154-3955
(402) 492-3100

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1222 Spruce St., 3rd Floor
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(314) 539-6583

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Colorado State Office
633 - 17th St.
Denver, CO 80202-3607
(303) 672-5440

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301 S. Park, Room 340
Drawer 10095
Helena, MT 59626-0095
(406) 449-5205

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Sioux Falls, SD 57105-6558
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257 East, 200 South, Suite 550
Salt Lake City, UT 84111-2048
(801) 524-5379

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(307) 261-5252

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Sacramento, CA 95814-1997
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3 Hutton Centre, Suite 500
Santa Ana, CA 92707-5764
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Summary of HUD's Proposed Program Consolidation
(dollars in millions)

Current Major Programs (60)	FY 1994	FY 1995	FY 1996	FY 1998
PH/IH Development	861	780	PH/IH Capital Fund	Housing Certificates for Families and Individuals
PH/IH Amendments	463.7	50		
PH Major Reconstruction	NA	NA		
PH Severely Distressed Housing	778.2	500		
PH/IH Modernization	3,402.1	3,700		
PH Vacancy Reduction	NA	(200)		
Tenant Opportunity Program	25	(25)		
Family Investment Centers	100.7	26.3		
Youth Apprenticeship	NA	NA		
PH/IH Operating Subsidies	2,620.8	2,534	PH/IH Operating Subsidies	
Community Partnership Against Crime	273.4	290		
Family Self Sufficiency Coordinators	8.4	17.3		
PH Service Coordinators	30	30		
PH/IH Early Childhood Development	15	20		
Incremental Rental Assistance	1,326.9	2,785.6*	Housing Certificates for Families and Individuals	
Section 8 Certificates	1,081.6	*		
Section 8 Vouchers	348.9	*		
Section 8 Certificates for Persons with Disabilities	387	*		
Section 8 Certificates for AIDS	NA	*		
Section 8 Certificates for Homeless	NA	*		
Section 8 Contract Renewals	5,278.1	2,992		
Section 8 Family Unification	NA	*		
Section 8 Opt-Outs	27	82.9		
Choice in Residency	NA	NA		
Section 8 Amendments	463.7	735		
Foster Child Care	152.5	76		
Flexible Subsidy	35.7	50	Assisted Housing Quality Fund	
Title VI Preservation Program	1,081.9	175		
Section 8 Property Disposition	555	555		
Section 8 Loan Management Set Aside	114	150		
Elderly Housing Service Coordinators	22	22		
Project-Based service Coordinators	25	30		
Congregate Housing Services	25	25		
CDBG	4,400	4,600	Community Opportunity Fund	Community Opportunity Fund
Empowerment Zones	0	**		
Economic Development Initiative	0	**		
LIFT	0	**		
Community Viability Fund	0	**		
Special Purpose Grants	(45)	(44)		
Colonias	0	**		
Historically Black Colleges	NA	(8)		
Work Study Program	NA	(3)		
Joint Community Development	20	6		
Community Outreach Partnership Centers	(10)	(7.5)		
Neighborhood Development Program	(5)	(5)		

Summary of HUD's Program Consolidation (continued)
(dollars in millions)

Current Major Programs (60)	FY 1994	FY 1995	FY 1996	FY 1998
HOME	1,275	1,400	Affordable	
National Home Ownership Fund	0	50	Housing Fund	Affordable
Housing Counseling	12	50		Housing
Elderly Housing (S.202)	1,158	1,279		Fund
Housing for the Disabled (S.811)	387	387		
Pension Fund Certificates	(100)	(350)		
IH Loan Guarantees	1	3***		
Native American Finance Service Organization	NA	NA		
HOPE II and HOPE III	109.2	50		
Youthbuild	48	50		
Lead Based Paint Hazard Reduction	150	100		
Shelter Plus Care	123.7	****	Homeless	
Section 8 SRO	150	****	Block Grant	
Section 8 Veterans Affairs Supportive Housing	NA	****		
Emergency Shelter Grants	115	****		
Supportive Housing	334	****	Housing	
Innovative Homeless Initiative	100	****	Opportunities	
Housing Opportunities for Persons with AIDS	156	186	for Persons with AIDS	
Special Purpose Grants	217.6	290		

* Specific allocations determined by HUD from larger rental assistance budget authority
** $400 million provided for these programs, available upon authorization
*** Supports $25 million in guarantees in FY 1994, and $22.4 million in FY 1995
**** Congress provided $1.12 billion to be divided among these programs

NOTES: Items in parentheses represent sums set aside in other listed programs. This analysis was based on HUD fiscal 1995 budget documents (from February, 1994) and Appropriations conference committee report on H.R. 4624, from August, 1994. Comparisons from year to year are difficult; Congress gives HUD considerable flexibility to carry out specific programs from broad pools of budget authority. A good example of this is the total noted for "incremental rental assistance"; the big increase noted in FISCAL 1995 sill be divided among several smaller Section 8 programs. In addition, the nature of HUD programs and their implementation often leads to reprogramming of funds already appropriated. The empowerment zone category noted refers to money that HUD had sought in addition to the amount already appropriated to Title XX (HHS) for social service grants to newly designated cities.

DEPARTMENT OF COMMERCE

Overview

The Department of Commerce administers several programs that state and local governments use to promote public-sector economic development projects and private business and investment activity. It directs these programs toward many constituencies, including communities facing defense conversion or plant shutdowns and current and prospective exporters. This section describes two important Commerce Department agencies most important to the needs of manufacturers: the Economic Development Administration (EDA) and the International Trade Administration (ITA). It also examines the trade adjustment assistance (TAA) program, of interest to manufacturers facing stiff foreign competition.

The Economic Development Administration supports programs that create jobs and spur economic growth and diversification in distressed areas. EDA has long been involved in activities that nurture manufacturing, such as industrial park development and modernization; recent agency efforts have been more technology focused. EDA efforts are concentrated in four major initiatives: public works grants; planning grants to formalize local economic development planning capacity; economic adjustment assistance to counter problems caused by plant closings or general economic decline; and defense conversion.

Trade adjustment assistance is offered through EDA as a separate program. TAA helps manufacturers cope with the adverse impacts of foreign competition, with technical assistance, and direct or guaranteed loans.

The International Trade Administration aims to increase the nation's export potential, a goal of particular interest to many manufacturers. ITA offers several technical assistance programs that individual exporters can integrate into their own economic growth and diversification strategies. ITA provides a variety of export market information services.

Economic Development Administration

Objective

The Economic Development Administration (EDA) supports programs that create jobs and spur economic growth and diversification in distressed areas.

Description

EDA helps economically distressed communities that experience exceptionally high levels of unemployment, extremely low income levels, or sudden major layoffs and plant or military base closures. State and local governments use EDA programs to diversify the economic bases of their communities. EDA's programs are categorical: they award money on a competitive basis rather than as a formula block grant. Most of EDA's resources help local jurisdictions develop public facilities, such as industrial parks and basic infrastructure, to improve the economic climate, and to attract private investment. The geographic area qualifying for EDA monies can be as small as a neighborhood or as large as a multi-county development district. The agency provides development aid to urban and rural areas, although small town jurisdictions typically receive two-thirds of all agency assistance. EDA emphasizes projects that add diversity to rural economies. EDA's participation in revolving loan funds has been especially effective in developing small industrial and commercial businesses in distressed small town areas.

EDA activities are concentrated in four major programs:

- public works grants (Title I);
- economic development planning grants (Title III);
- economic adjustment program (Title IX) to combat sudden or long-term economic deterioration; and
- defense conversion assistance (also administered as part of Title IX).

Title I, which finances infrastructure and other public facilities, is the largest EDA program. It seeks to improve the economic base and development climate of distressed areas, and ultimately to create new job opportunities by funding infrastructure and other public facilities projects. Many recipients have used Title I grants to build or improve industrial parks. Communities need such improvements to attract new business activity and capital investment. There is no specified minimum or maximum grant amount, but EDA participation is limited to 80 percent of project costs. On average, EDA finances about half the costs of approved projects. Communities often combine Title I monies with HUD block grants or USDA rural development funds. In fiscal 1994, public works grants ranged from $100,000 to nearly $5 million and averaged about $950,000.

Title III planning assistance grants to states, urban areas, EDA-designated economic development districts (EDD), and Indian tribes are used to develop and institutionalize economic development planning efforts, and can cover up to 75 percent of costs. Title III also funds specific planning tasks, such as devising industrial-retention strategies, that create or retain jobs. This funding is limited, however; in practice, jurisdictions not already receiving planning grants find it difficult to enter the program.

Economic adjustment assistance (Title IX) deals with two types of problems: "sudden and severe" economic dislocations such as plant closings (the SSED recovery program); and long-term economic deterioration in the local economic base (the LTED program). SSED grants are used to prepare an adjustment strategy or carry out projects that will save jobs or create new ones for dislocated workers. The SSED program helps distressed communities respond to actual or threatened major job losses and other severe economic-adjustment problems, and is intended to respond to permanent rather than temporary job losses. LTED grants typically are made to establish or recapitalize locally managed revolving loan funds that support business development, including industrial and commercial projects. The RLFs are designed to overcome specific gaps in capital market gaps and encourage business activity. In fiscal 1994, the economic adjustment program had $35.5 million available, and individual awards ranged from $100,000 to $1.5 million.

The defense conversion program, whose funding is provided as a distinct part of Title IX, assists areas whose economies are adversely impacted by reductions in defense spending. Created in 1991, the program helps communities to redirect their defense related resources to productive private-sector uses. This often involves increasing technical and financial assistance to local manufacturers and other businesses as well as providing the financial resources to convert bases to civilian use.

Funding Form

Major EDA programs provide grants to eligible recipients. In practice, the federal share of the project's total cost usually does not exceed 50 percent of project costs, although by law it can go higher.

Eligible Applicants

States, cities, other governmental units, Indian tribes, and private and public nonprofit organizations representing designated distressed economic development areas may seek EDA funds. For-profit businesses, such as manufacturers, cannot apply to EDA for assistance but may be helped indirectly — for example, as recipients of a loan from a revolving fund capitalized with Title IX funding.

The defense conversion program also includes a number of DoD eligibility requirements in addition to those that EDA normally applies. First, the Secretary of Defense determines that a facility closure will likely have an adverse effect on the community. DoD defines this as the loss of 2,500 or more jobs from a metropolitan statistical area (MSA), 1,000 jobs outside of an MSA, or 1 percent of the areas total civilian work force. Only if one of these three conditions of adversity is met can Title IX be used for defense conversion or adjustment purposes.

Eligible Activities

Title I public works grants can finance water and sewer systems, small business incubator facilities, improvements to industrial parks (including equipment, access roads, and railroad spurs), port facilities, and construction or rehabilitation of other labor-intensive public works projects. Jurisdictions also may use these grants in conjunction with downtown-revitalization projects and construction of facilities to promote the service sector if it offers more growth opportunities than the traditional industrial sector. Title III planning funds can pay for staff salaries and other planning and administrative costs.

Title IX economic-adjustment grants can be used to develop measures to counter sudden and severe economic decline and finance activities to reverse it. Eligibility projects include construction or renovation of public facilities, business-development activities such as loans, and feasibility and market studies. Title IX grants addressing long-term economic deterioration usually launch or recapitalize a revolving loan fund, which supports private development projects.

Defense conversion projects can include, but are not limited to, infrastructure improvement, local economic research and analysis (for example, market feasibility studies), and development assistance to affected businesses. The program also will help manufacturers and other companies form alliances and develop new products and markets. Assistance also may be provided directly to communities to improve public services and programs.

Application and Review

Early each fiscal year, EDA issues guidelines that describe program priorities and project-selection criteria. Because agency funding is so limited, EDA conducts an initial screening — the preapplication process. To begin, prospective applicants first must contact the appropriate state-based EDA economic development representative (EDR) to describe the project, outline its costs, and demonstrate that local economic conditions are severe enough to warrant EDA funding. Community leaders often are asked to meet with the EDR to discuss the project at this stage.

Upon a favorable indication from the EDR, the candidate prepares a "preapplication request" that describes the level of local support for the project, its conformance to local economic development strategies, and the number of persons expected to benefit from the investment. Generally, the EDA regional office will respond to the request within 45 days of receipt from the EDR. If the request is accepted, the candidate will be invited to submit a formal project application.

Public works applications must be submitted within 30 days of invitation. EDA usually makes a funding decision within 120 days of receiving the completed application. Priority is given to Title I projects that show the greatest promise for improving job opportunities with new or expanded industrial or commercial facilities, creating or retaining jobs at a low cost per job, and helping long-term unemployed or low-income residents in the project area. For the past few years, the agency has encouraged projects that support development in state or locally designated enterprise zones; EDA intends to extend this same priority to federal zones now that they are designated.

Jurisdictions submit Title III planning-grant applications to an EDA regional office; funding decisions are made within 90 days. Grants are awarded annually for a one-year period. Priority consideration is given to currently funded planning districts and Indian tribes; a few state and urban areas are selected competitively each year.

Economic-adjustment grant decisions typically are made within 120 days of submission of a formal application to the EDA regional office. Prospective SSED grant recipients must show actual or threatened job losses over specific levels. The level is set at the lesser of 2 percent of the employed population or 500 direct jobs with unemployment rates exceeding the national average in non-metropolitan areas, and 0.5 percent or 4,000 jobs in metropolitan areas if the unemployment is at or above the national average. If the unemployment rate is below the national average, the criteria double (i.e., 4 percent instead of 2 percent, and 1,000 jobs instead of 500). Half the job loss had to result from the action of a single employer, or 80 percent in a single industry (two digit SIC code). EDA also considers the likelihood of rapid job creation and the prospect that these jobs will be filled by the dislocated workers. For LTED revolving loan fund awards, EDA gives priority to areas experiencing very high unemployment, low per-capita income, or chronic distress for at least the past five years. The agency also considers the potential effectiveness of its LTED grant in creating new jobs and spurring private investment.

Funding Level

EDA's total funding level increased in fiscal 1995 to $408.2 million from the $322.6 million that Congress provided for fiscal 1994.

EDA Program Funding Levels: Fiscal 1993 through Fiscal 1995
(in dollars)

Fiscal Year	1993	1994	1995
Economic Adjustment Program (Title IX)			
SSED	21,815,000	35,542,000	45,000,000
LTED	22,075,000	11,500,000	—
Defense Conversion Program (Title IX)	80,000,000	80,000,000	120,000,000
Public Works (Title I)	147,435,000	160,000,000	195,000,000
Planning (Title III)	$24,352,000	$26,000,000	$26,598,000
Trade Adjustment Assistance Program (part of EDA; see profile on following pages)	14,000,000	10,000,000	10,000,000

Additional Considerations

EDA gives funding priority in its major programs to projects with the most promise for creating or retaining long-term private jobs in highly distressed areas. Projects boasting manufacturing jobs are especially welcome. The agency also favors low cost-per-job ratios, maximum leveraging of private funds, and EDA involvement at less than the maximum allowable percentages. Public works projects must meet environmental-impact concerns and conform to an overall economic development program for the local area.

Program Examples

A project supported jointly by EDA, the state and city of New York, and Columbia University featured the construction of a major small business incubator center next to the university's medical complex in Harlem. This center will further enhance the area's growing number of biomedical research organizations and create highly-skilled, well-paying jobs.

Allegheny County in rural Maryland suffered the loss of 14,000 jobs when three of its former top five employers closed their local plants, leaving an 11.2 percent unemployment rate. EDA assistance to Allegheny County included planning support for the regional economic development district; funding for industrial park modernization; technical assistance for archaeological studies and excavations prior to industrial site development; funding to assess the feasibility of a proposed Employee Stock Ownership Plan (ESOP) for one facility; support to expand an existing Title IX-capitalized revolving loan fund to focus on business start-up and expansion; and funds to construct multi-tenant buildings for use as business incubators. These efforts have yielded over 1,100 private-sector jobs, with more likely in the future.

At one time, England Air Force Base was the largest employer in Alexandria, Louisiana, providing 4,800 military and civilian jobs and pouring $95 million into the local economy each year. The 1991 decision to close the base proved to be a serious blow to the local economy, in terms of direct job losses and the ripple effect on local retail and service establishments. Working with the support of EDA, the Department of Defense, various state agencies, and the local Kistachie-Delta Regional Planning District, Alexandria developed a comprehensive strategic plan for replacing lost jobs. It called for converting the former military installation into a multi-modal transportation center and industrial complex. Already, results are impressive. More than 800 new jobs have been created, and nearly 1,000 individuals have been trained at the new truck driver training school established as part of the recovery effort. The local development authority has issued $50 million in industrial revenue bonds to construct a new manufacturing plant at the complex, designed to bring 150 additional high skilled jobs to the facility.

The City of Hermann, Missouri, was inundated by Missouri River flood waters for two months in 1993. In addition to the terrible hardship of dealing with the immediate impacts of the flood, Hermann faced a potential long-term economic catastrophe because the flood destroyed the facilities of the Handi-Pac/Stevens Manufacturing Company, a key local manufacturer. Damage from the flood put 125 people out of work and threatened the economic stability of Hermann, which already had seen a number of manufacturing facilities close. City leaders responded quickly to the threat and instituted an emergency program to provide a replacement facility for the firm. The company has been a vital employment element in Hermann for 35 years, with many employees spending their entire working lives there. EDA provided a grant for nearly $2 million to cover 60 percent of the cost of constructing a new manufacturing facility away from the flood plain. The city and the state of Missouri funded the balance of the $3.3 million cost. The new facility was ready for the company in less than a year. The plant not only has regained its former level of production, but increased it. Employment has grown to 150.

Contacts

For further information, contact an EDA regional office or the central program office at EDA headquarters.

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Economic Development Administration
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Planning Division (Title III)
Economic Development Administration
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Department of Commerce
Washington, D.C. 20230
(202) 482-3027

Economic Adjustment Division (Title IX)
Economic Development Administration
Herbert C. Hoover Building, Room H7327
Department of Commerce
Washington, D.C. 20230
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Technical Assistance and Research Division (Title III)
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Department of Commerce
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(202) 482-4085

Deputy Assistant Secretary for Loan Programs
Economic Development Administration
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(as of January 1996)

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404-730-3025 (fax)

Austin Regional Office
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Director: Pedro R. Garza
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Austin, TX 78701
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512-916-5613 (fax)

Chicago Regional Office
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Denver Regional Office
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Denver, Colorado, 80204
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303-844-3968

Philadelphia Regional Office
(Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virginia, Virgin Islands, and West Virginia)
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Independence Square West
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Seattle Regional Office
(Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Marshall Islands, Micronesia, Northern Mariana Island, Nevada, Oregon, and Washington)
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International Trade Administration

Objective

Through a worldwide network, the International Trade Administration (ITA) seeks to help U.S. exporters of all types, but especially manufacturing, compete more effectively in world markets by providing a variety of counseling and technical assistance services.

Description

The Department of Commerce, through ITA, operates several export-promotion and market-development programs. ITA has more than 70 district offices within the U.S. (at least one in every state), 130 offices in 69 countries overseas, plus a global network of trade professionals. It operates three major units, each of which has a specific export goal. The largest, the U.S. and Foreign Commercial Service (US&FCS), searches for commercial opportunities overseas, promotes U.S. products in foreign markets, and counsels current and prospective exporters. The Office of International Economic Policy (IEP) analyzes economic and commercial developments in other countries that could affect U.S. exports. The Trade Development (TD) branch has economic specialists who are versed in the problems and prospects of specific industries.

ITA's export services are particularly helpful to small and medium-sized manufacturers and other companies that lack trade experience or exposure to foreign practices. Many officials have recognized the benefits to domestic state and local economies of the investment and jobs associated with export production.

U.S. and Foreign Commercial Service

Created in 1980, the Commercial Service collects foreign market information at 130 overseas outposts and sends it to U.S. exporters through ITA's network of domestic district offices. Foreign commercial officers, many stationed at U.S. embassies or consulates, gather data on trends affecting trade and investment and monitor laws and regulations that affect market access and business conditions for American exporters. Through this office, domestic firms have direct access to information on 95 percent of the global marketplace. This information can be very important to small firms without export-marketing research departments or overseas representatives.

Overseas offices provide specific business services for U.S. companies, including market research and credit reports. They arrange meetings between U.S. exporters and key business and government officials in foreign countries. They work with ITA's Export Promotion Services Group to promote trade fairs, missions, and product exhibitions, video trade seminars, and other promotional events.

Within the states, the Commercial Service operates several domestic technical assistance programs to help American companies contact potential buyers, distributors, or joint-venture partners in foreign nations. ITA district offices arrange export conferences and workshops for current and prospective exporters; local officials often coordinate these services with their own economic development seminars. The service also offers one-on-one counseling to bring inexperienced firms into the export process. Businesses often are referred by local development agencies. In a typical year, the Commercial Service counsels 150,000 business owners and entrepreneurs. The district offices also help companies prepare marketing packages that highlight their products and services for customers abroad.

Office of International Economic Policy

IEP analyzes foreign market conditions, commercial practices, investment barriers, and trade regulations. The office also searches for promising commercial opportunities abroad. Periodically IEP offers seminars on trade with particular areas such as Africa, Eastern Europe, and Canada to domestic firms. IEP has desk officers for more than 160 countries. U.S. firms needing information on selling in a specific region or country can contact this office for advice.

Trade Development Office

This office provides U.S. businesses with comprehensive information and counseling services on international trade issues. The office is divided into units that concentrate on specific industrial sectors: science and electronics; capital goods and international construction; automotive affairs and consumer goods; textiles and apparel; aerospace; services; and basic industries. TD also houses the office of Trade Information and Analysis, which studies international debt, currency questions, and other issues that affect all types of firms.

The TD office organizes a variety of trade-promotion programs designed to secure a greater U.S. share in foreign markets. For example, its industry analysts work with the Commercial Service to help domestic firms gain a foothold in specific overseas markets with high export potential. Each year, the TD staff organizes dozens of seminars to inform domestic producers of foreign trade opportunities. Staff members also accompany groups of foreign buyers to U.S. trade shows.

Funding Form

ITA appropriations support agency expenses and staff experts. No funds go directly to private businesses.

Eligible Applicants

Any person, business, organization, public official, or branch of government needing information or guidance on international business or export-related matters may seek ITA help.

Eligible Activities

These three ITA branches offer all types of technical assistance, business counseling, and advisory services. They include analysis of the relative competitiveness of specific industries; trade-promotion assistance; export-awareness counseling; and market identification, assessment, and contacts. ITA branches help with sales abroad; support state and privately sponsored trade fairs and missions; and give information on trade opportunities, statistics, customs regulations and procedures and tariffs. Individual business counseling is available. The agency also provides business owners and operators with information on export-control regulations and various licensing issues.

Application and Review

There is no formal application process. Interested businesses and other participants may request information or help at any time in person, by telephone, or in writing. The Commercial Service has established a toll-free information line, 1-800-USA-TRADE.

Funding Level

For fiscal year 1995, ITA has total funding of $266 million, including $149 million for the Commercial Service, $21 million for the international economic policy organization, and $66 million for the trade development office.

Additional Considerations

Advisory and counseling services generally are free. Most publications, tapes, and other tailored survey or information services are available at a nominal charge, ranging from $100 to $3,500.

Program Examples

Stand-Out Designs, a San Diego-based company producing customized tee-shirt designs via a four-color process, approached the local ITA district office for advice about expanding into overseas markets. Company officials were encouraged to participate in a Commercial Service trade show in Europe. Based on the leads from that show, Stand-Out Designs identified customers in six countries. Exports are accounting for a growing portion of company sales, from 2 percent in 1991 to 15 percent by the end of 1994. Presently, company officials are negotiating with a Japanese distributor. Export-driven expansion has permitted the company to grow from five employees to 28 over the past four years.

Hagie Manufacturing Company, operating in Clarion, Iowa, produces agricultural sprayers. This small company has been operating since 1947. Recognizing the potential for overseas sales, Hagie officials contacted ITA for guidance. The company has used a number of agency information services and participated in export seminars. Over the past year, the Commercial Service helped Hagie meet the documentation requirements for shipments to Taiwan, Argentina, and Canada, and has processed technical reports on prospects in New Zealand. In January 1995, the company participated in trade shows in Monterrey, Mexico and Tulare, California. While at the Tulare event, Hagie finalized two orders from a Mexican company totaling $107,000.

Contacts

For further information, contact an ITA district or regional office, any Export Assistance Center (see the lists that follows), or agency headquarters offices for specific programs. In addition, the federal government has established the Trade Information Center (TIC) to coordinate federal export promotion efforts and link companies to the appropriate resources. TIC can be reached at 1-800-USA-TRADE.

International Trade Administration
U.S. Department of Commerce
Washington, D.C. 20230
(202) 482-3808

Aerospace: (202) 482-4222
Automotive (202) 482-0554
Consumer Goods: (202) 482-2969
Computer and Business Equipment (202) 482-0572
Energy Environment and Infrastructure (202) 482-5225
Export Trading Companies: (202) 482-5131
Materials, Machinery and Chemicals: (202) 482-0575

Microelectronics, Medical Equipment, and Instrumentation: (202) 482-2587
Service Industries (202) 482-3575
Telecommunications (202) 482-4466
Textiles and Apparel (202) 482-5078

U.S. and Foreign Commercial Service
Office of the Director General, Room 3802
U.S. Department of Commerce
Washington, D.C. 20230
(202) 482-5777

Exporter Promotion Services
Office of Export Licensing, Room 1099D
U.S. Department of Commerce
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(as of July 1995)

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c/o Illinois Institute of Technology
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(509) 735-2751

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(as of October 1995)

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Trade Port Building
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305-526-7425 (voice)
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CHICAGO -- ILLINOIS
Xerox Center
55 West Monroe Street, Suite 2440
Chicago, Illinois 60603
312-353-8040 (voice)
312-353-8098 (fax)

BALTIMORE -- MARYLAND
World Trade Center
401 East Pratt Street, Suite 2432
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410-962-4539 (voice)
410-962-4529 (fax)

ST. LOUIS -- MISSOURI
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215-597-6123 (fax)

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Suite 170, P.O. Box 58130
Dallas, Texas 75258
214-767-0542 (voice)
214-767-8420 (fax)

SEATTLE -- WASHINGTON
3131 Elliot Avenue, Suite 290
206-553-5615 (voice)
206-553-7253 (fax)

Trade Adjustment Assistance Program

Objective

Trade adjustment assistance centers (TAACs) aim to help domestic manufacturers adversely affected by import competition, by working with them to develop recovery strategies and to identify financial resources that they could use to regain their competitive edge.

Description

The TAA program provides technical assistance to domestic manufacturers facing difficulties or obstacles because of competition from imported goods. Companies can obtain TAA services at any of 12 regional centers. The TAACs help manufacturers cope with competition by mapping out viable recovery strategies, identifying financial resources for activities ranging from modernization to marketing, and working cooperatively with company management to implement changes. Many TAAC staff have extensive private-sector experience, including specialized expertise in engineering, marketing, and finance. They work closely with top and line management to identify a firm's needs and tailor assistance to meet those needs. TAACs can provide guidance in the areas of marketing, product development and diversification, computer engineering, ISO 9000 certification, and export promotion.

A manufacturer and the federal government split the cost of technical consulting services, with each typically picking up 50 percent of the tab. However, the federal share can reach a maximum of 75 percent, depending on the total cost of needed services, the firm's financial strength, and the amount of help required. TAAC staff determine if a high federal participation rate is acceptable on a case-by-case basis.

Funding Form

Technical assistance.

Eligible Applicants

Any manufacturer or other firm that can show that they have experienced a decline in sales, production, or employment as a direct result of increased competition from foreign goods may seek assistance.

Eligible Activities

Projects that help firms to develop and carry out an adjustment strategy.

Application and Review

A firm must be certified by the Department of Commerce as adversely impacted by import competition in order to gain access to trade adjustment assistance. For certification, a manufacturer submits a petition (Form EDA-840P) to the TAA division of the department's Economic Development Administration. The applicant must prove that its product is likely to be, or is, directly competitive with foreign imports of the same type, and that this foreign competition has contributed greatly to a decline in the firm's sales or production. The company also must affirm that this competition poses a significant threat to the continued employment of its employees. A completed petition must include a history of the firm; description of the type of business and its products; description of the firm's manufacturing and distribution facilities, as well as its markets; listing of its officers, directors, and owners; discussion of significant changes or important events in the firm's recent history; data on sales, production, and employment for the two most recent accounting years; and information about all related firms.

Petitioning companies also must provide a list of the leading customers that have reduced purchases from the firm over the past 12 months. They need to include copies of their audited financial statements for the past two fiscal years (or some acceptable substitute, such as federal income tax returns). Company catalogs and sales literature may prove helpful.

The TAA division staff generally make a decision within five days of receiving a petition. If the petition is accepted, TAA staff will make a complete analysis of the firm's situation. In most cases, the company is assisted by the regional TAACs, which are responsible for helping the firm develop an adjustment proposal for recovery and technical assistance. The firm, however, bears ultimate responsibility to submit a final adjustment proposal within two years of approval.

Funding Level

In fiscal 1994, the 12 TAACs helped 155 certified firms. Nearly 800 other companies received some type of technical assistance.

Additional Considerations

Applicants must provide specific information that indicates a decline in sales or production over the past 12 months, compared to the prior year. The firm also must show actual or threatened unemployment to a significant portion of its workers attributable to import competition.

Program Example

A New England-based manufacturer of optical components for use in military and industrial applications saw its operation undermined by increased Japanese imports. The firm already was operating under Chapter XI bankruptcy protection when it sought certification under the TAA program. The company had 39 employees and average annual sales of $2.1 million at that time (although the company had suffered a $248,000 loss the prior year). TAAC staff and company management structured a workable business plan acceptable to the courts, which allowed the firm to continue production under Chapter XI protection. TAAC experts also called for the development of new products and sales literature in order to expand sales, with an eye to shifting from defense to commercial markets. They further identified opportunities to upgrade production and inventory control systems. TAA program assistance covered the cost of a financial consultant to restructure the client's debt, as well as the preparation of new marketing materials. As a result, the once bankrupt firm has seen sales grow to more than $2.9 million and employment increase to 42. The implementation of the recovery strategy has helped the firm penetrate commercial markets and lessen its dependence on the declining defense sector.

Contacts

A manufacturer interested in the TAA program should contact the headquarters office at the following number and address, or contact one of the regional TAACs listed below.

U.S. Department of Commerce
Economic Development Administration
Trade Adjustment Assistance Division
14th & Constitution Avenue, NW
Washington, DC 20230
202-482-4031 (voice)
202-482-0466 (fax)

Trade Adjustment Assistance Centers
(as of October 1995)

Michigan, Ohio, Indiana
Great Lakes TAAC
School of Business Administration
The University of Michigan
506 East Liberty Street
Ann Arbor, MI 48104-2210
313-998-6213 (voice)
313-998-6224 (fax)

Missouri, Kansas, Arkansas
Mid-America TAAC
Univ. of Missouri at Columbia
University Place, Suite 1700
Columbia, MO 65211
314-882-6162 (voice)
314-882-6156 (fax)

Pennsylvania, Delaware, Maryland, Virginia, West Virginia, District of Columbia
Mid-Atlantic TAAC
486 Norristown Road, #130
Blue Bell, PA 19422
610-825-7819 (voice)
610-825-7834 (fax)

Illinois, Minnesota, Iowa, Wisconsin
Midwst TAAC
150 N. Wacker Dr. #2240
Chicago, IL 60606
312-368-4600 (voice)
312-368-9043 (fax)

Connecticut, Rhode Island, Vermont, New Hampshire, Massachusetts, Maine
New England TAAC
120 Boylston Street
Boston, MA 02116
617-542-2395 (voice)
617-542-8457 (fax)

New Jersey
New Jersey TAAC
Capital Place One - CN 990
200 South Warren Street
Trenton, NJ 08625
609-292-0360 (voice)
609-984-4301 (fax)

Alaska, Idaho, Montana, Oregon, Washington
Northwest TAAC
900 4th Avenue
Suite 2430
Seattle, WA 98164
206-622-2730 (voice)
206-622-1105 (fax)

Alabama, Tennessee, Kentucky, Mississippi, Georgia, North Carolina, South Carolina, Florida
Southwestern TAAC
GA Institute of Technology
151 Th Street, Room 145
Atlanta, GA 30332
404-894-6789 (voice)
404-853-9172

New York
New York State TAAC
Binghamton Office
117 Halley Street, Suite 102
Binghamton, NY 13901
607-771-0875 (voice)
607-724-2404 (fax)

Colorado, Utah, Nebraska, South Dakota, North Dakota, Wyoming, New Mexico
Rocky Mountain TAAC
5353 Manhattan Circle, #200
Boulder, CO 80303
303-499-8222 (voice)
303-499-8298 (fax)

Texas, Louisiana, Oklahoma
Southwest TAAC
1222 N. Main St., Suite 740
San Antonio, TX 78212
210-558-2490 (voice)
210-558-2491 (fax)

Arizona, California Nevada, Hawaii
Western TAAC
Uni. of Southern Calif
Univ. Park, Research Annex
3716 S. Hope, 2nd Floor,
Los Angeles, CA 90007
213-743-2732 (voice)
213-746-9043 (fax)

DEPARTMENT OF AGRICULTURE

Overview

The Farmers Home Administration (FmHA), a small part of the Department of Agriculture, promotes rural and small-town community and economic development. FmHA was launched in 1935 to make loans and grants to Depression-stricken farm families. In the last quarter-century, Congress broadened the agency's mission to include programs designed to meet the development needs of small communities.

In recent years, FmHA has faced a formidable task. Many small towns and rural communities are heavily dependent on manufacturing and ancillary businesses. Few of these jurisdictions have the staff and financial capacity on their own to grapple with the challenges of manufacturing modernization. They need help to attract the necessary new investment that would create or retain jobs.

FmHA has offered three major development programs for many years:

- business and industrial development loan guarantees to public or private organizations to stimulate job-generating activities and improve the economic climate;
- community facility loans to local governments and nonprofit organizations for industrial parks and essential community facilities (such as health and fire protection); and
- waste and water disposal grants and loans that cover costs of developing, replacing, or upgrading these systems.

These three programs now are being administered by new "services" within USDA, administering entities that succeeded the Rural Development Administration (RDA) early in 1995 after a departmental reorganization. RDA was officially created on December 31, 1991, but did not begin full-fledged oversight of these programs until April 5, 1992. FmHA is still in operation, but has turned its focus to the housing needs of rural America.

The business and industry (B&I) program offers guaranteed loans to encourage private lenders to participate and invest in rural manufacturing and related projects. Community facility loans and loan guarantees help finance construction of essential community development facilities — economic development and infrastructure as well as human service. Water and waste-disposal programs provide targeted loans and grants to public and nonprofit agencies and associations for water-resource development, storage, treatment, and distribution in rural areas. Projects to collect, treat, and dispose of waste also are funded.

Business and Industrial Loan Guarantees

Objective

Business and industrial (B&I) loan guarantees support financing of enterprises that increase employment and improve the economic and environmental climate in rural areas.

Description

The B&I program offers guarantees to private lenders to cover defaults on fixed-asset and working-capital loans made to rural businesses and industries. After the most recent USDA reorganization of rural development programs, the newly designated Rural Economic and Community Development (RECD) service within the department administers the program, which began operating in 1974. B&I guarantees are limited to $10 million. There is no stipulated minimum guarantee amount, although borrowers seeking less than $500,000 are advised to apply to SBA for consideration under one of that agency's guarantee programs.

In contrast to the agency's direct loan programs, B&I does not require applicants to exhaust credit possibilities from other sources first. Firms obtain their loans from private lending institutions. RECD contracts to reimburse the lender to a maximum of 90 percent of principal and interest on loans of $2 million or less, 80 percent on loans between $2 million and $5 million, and 70 percent on loans over $5 million. A one-time guarantee fee of 1 percent of the principal loan amount is paid by the lender, who often passes it on to the borrower. Lenders are responsible for making and servicing prudent loans.

The program limits guaranteed loans to 30 years for land, buildings, and permanent fixtures, 15 years (or useful life) for machinery and equipment, and seven years for working capital. Interest is due at least annually after the loan is closed. The interest rate may be fixed or variable, and is negotiated between the lender and the borrower, subject to RECD review and approval.

Funding Form

Loan guarantees.

Eligible Applicants

Any federal or state-chartered bank, savings and loan association, bank for cooperatives, or similar institution can make and service B&I guaranteed loans. All legal entities, including local governments, public and private development organizations, and for-profit or nonprofit corporations or cooperatives are eligible to borrow under the program. B&I loans are targeted to small town and rural projects. Loan applicants must be located outside of cities of 50,000 people and their adjoining suburbs with more than 100 people per square mile. Preference is given to loans in rural areas and communities of 25,000 or less.

Eligible Activities

RECD gives B&I guarantees to develop or finance enterprises that increase employment and improve the economic and environmental climate in smaller communities. Within this broad framework, guarantees are extended for loans that: finance business and industrial construction, conversion, acquisition, and modernization; finance the purchase and development of land, easements, leasehold improvements, equipment, and supplies; supply working capital; and fund pollution-control and abatement systems.

Guarantees may not be used to cover loans that exceed the value of the project's collateral. Certain activities are ineligible for B&I guarantees, including loans for agricultural production, loans to charitable and educational institutions, hotels and motels, convention centers, and tourism and recreation facilities. Projects that simply transfer ownership of an existing business, rather that create new economic activity, cannot receive guarantee assistance unless the loan will keep the firm from closing or cutting its employment rolls.

Application and Review

The lender makes the loan and the agency guarantees it. A prospective business borrower can contact their state RECD service office for advice on procedures, forms, and requirements for making a guarantee preapplication and subsequent application. Completed applications are forwarded to state RECD office review and final approval. Projects that save existing jobs, improve the existing local economic base, add to the overall stability of rural areas, and create new jobs are viewed most favorably. In addition, priority is given to projects undertaken in areas with less than 25,000 residents. The percentage of a loan that the agency will guarantee is determined by considering the borrower's management, collateral, financial condition, exposure and general economic trends and conditions. There is no specific program deadline. Applications are processed in 60 to 120 days. The lender may charge borrowers reasonsable and customary fees. Loan packaging fees are 2 percent of the principal loan amount for loans under $1 million and 2.25 percent for loans over $1 million, up to a limit of $50,000. Borrowers may have to pay other fees as permitted by the agency.

Funding Level

In fiscal 1993, about 97 loans were guaranteed. Reflecting increased program appropriations (to $250 million), RECD state offices approved 210 guarantees in fiscal 1994. A significant increase is anticipated for fiscal 1995, since Congress doubled the guarantee level, to $500 million.

Additional Considerations

Borrowers must possess sufficient collateral — such as liens on buildings, land, accounts receivable, or inventory — to secure a guaranteed loan. Matching funds are not required, but the applicant must have sufficient cash or other assets to provide reasonable assurance of a successful project.

For B&I guaranteed loans, prospective borrowers must have at least 10 percent equity in their businesses; at least 20 to 25 percent is required for new enterprises. Feasibility studies usually are necessary but may be waived for loans of less than $2 million. Lenders may assess reasonable prepayment penalties.

Program Examples

Crescent Manufacturing Company, a designer and producer of high quality cutting blades located in Fremont, Ohio, received a $2 million loan from Society Bank to refinance the company's existing debt. RECD guaranteed 80 percent of the loan, which was used to improve cash flow and reduce interest rates. This allowed Crescent to invest more cash into ongoing improvements in the company's production processes. As a result, Crescent is expected to create 35 new jobs, while retaining 140 already in place.

Bank One lent $456,000 to the Community Improvement Corporation, a Steubenville, Ohio, development organization. CIC used these funds to acquire and renovate the St. John Arena. The arena was modified into a multi-purpose community facility offering many activities aimed at helping local businesses and promoting job creation. RECD guaranteed 80 percent of the loan. CIC's project created eight new full-time jobs.

Contact

For further information, contact any state RECD office (see the list at the end of this section) or agency headquarters (as noted below). Additional information can be obtained on the Internet at website address: *http://www.rurdev.usda.gov.*

Rural Economic and Community Development Service
U.S. Department of Agriculture
14th and Independence, SW
Washington, D.C. 20250
(202) 690-4730

Intermediary Relending Program Loans

Objective

The Intermediary Relending Program (IRP) provides loans to public, nonprofit, or cooperative entities, which it calls intermediaries. These organizations then relend the funds to organizations termed "ultimate recipients" to finance a variety of business facility or community development projects.

Description

IRP was authorized in the Farm Security Act of 1985 and began operating in mid-1988. The program is administered by the Rural Economic and Community Development (RECD) office, which provides loans to intermediaries. Intermediaries establish revolving loan funds so that collections from loans made to ultimate recipients, in excess of operating expenses and debt payments to RECD, will be used for more loans to other projects.

The maximum loan to any intermediary is $3 million for a term of 30 years or less. Each loan carries a 1 percent interest rate. Loans have ranged from $500,000 to over $1 million. Intermediaries generally finance five to ten projects from their loan proceeds. Interest rates on subsequent loans are negotiated between the intermediary and ultimate recipient. IRP funds can cover up to 75 percent of the cost of a single project; the maximum loan to one recipient is $150,000. In a typical year, IRP loans range from $500,000 to $3 million and average $1.5 million.

Funding Form

Insured loans to intermediaries.

Eligible Applicants

Eligible intermediaries include private nonprofit organizations, state or local governments, Indian tribes, and cooperatives whose membership is at least 51 percent rural residents. Ultimate recipients may include for-profit organizations, individuals, public and private nonprofit agencies and groups. These include entities that support manufacturing modernization or development.

Intermediaries must have adequate legal authority to carry out loan programs of this type and a proven record of successfully assisting rural business and industry. Ultimate recipients must be located within a city with fewer than 25,000 people. Both entities must be unable to obtain the loan at reasonable rates and terms through commercial credit or other public programs.

Eligible Activities

Intermediaries relend proceeds of IRP loans to support community development projects, new business formation, expansion of existing businesses, and creation or retention of jobs in rural areas. The program is well designed to support manufacturing projects. Recipients are expected to make every effort to hire low-income persons, members of farm families, or displaced farm families needing income to supplement their farming operations. Intermediaries can finance a variety of project activities: business construction, conversion, acquisition, enlargement, repair, modernization, or development costs. Projects can finance the purchase and development of land, easements, rights-of-way, buildings, facilities, leases, equipment, leasehold improvements or supplies. They can supply initial operating costs and working capital and cover interest (including interest on interim financing) until the activity begins to produce income. They can pay for feasibility studies, loan packaging fees and environmental data collection fees, aquaculture projects, and pollution-control and transportation services.

Certain activities are ineligible for IRP loans. These include hotels, motels, convention centers, tourism and recreation facilities, and most agricultural production projects. Projects that simply transfer ownership of an existing business cannot receive IRP assistance unless they keep the business from closing or preserve employment opportunities. Intermediaries may not use IRP funds to pay their own administrative costs or for any line of credit.

Application and Review

Prospective intermediaries may contact RECD's Business and Industry Division office or any state office for advice on IRP loan procedures, forms, and application requirements. A written work plan that demonstrates the feasibility of the intermediary's program to meet the objectives of the IRP loan is required as part of the application process. Priority is given to proposals providing the greatest benefit to low-income persons, farm families, displaced families, and to projects that leverage the most financial assistance from other sources. Applications are filed with RECD's national office. There are no specific deadlines.

The application process for ultimate recipients is determined by the intermediary, and can vary considerably from location to location. Interested manufacturers and other businesses should first contact their state RECD office to obtain a referral to an intermediary lending organization in their area.

Funding Level

Congress provided $32.5 million in capital for IRP loans in fiscal 1994, and $46 million for fiscal 1995.

Additional Considerations

Intermediaries must provide sufficient collateral to secure the IRP loan. Such collateral may include the assets of the intermediary's IRP revolving loan fund or real estate. The interest rate that intermediaries charge ultimate recipients is negotiated between the two parties, but RECD encourages its intermediary lenders to make loans at the lowest rate possible. An intermediary may charge a fee and use both fee and interest income for administrative costs, technical assistance to borrowers, or debt retirement.

Program Example

RECD provided $750,000 to the Ashtabula County 503 Corporation (ASHCO) in Jefferson, Ohio. This intermediary established a revolving loan program to finance business growth and working capital needs in Ashtabula County. ASHCO contributed $40,000 to the revolving fund, making $790,000 available to small businesses, usually on a junior lien basis behind conventional credit. The revolving fund made loans ranging from $25,000 to the program maximum of $150,000. The revolving fund created an estimated 40 jobs, many of which were claimed by members of low income families and displaced farm families.

Contact

For further information, contact any state RECD office (see the list at the end of this section) or agency headquarters (as noted below). Additional information also can be obtained on the Internet at website address: *http://www.rurdev.usda.gov*.

Rural Economic and Community Development Service
U.S. Department of Agriculture
14th and Independence, SW
Washington, D.C. 20250
(202) 690-4100

Community Facility Loans

Objective

Community facility loans supply funds to construct, enlarge, extend, or improve facilities that provide essential services to small towns and rural areas with up to 20,000 residents. They finance a wide variety of basic public service, public safety, and related facilities for small communities.

Description

The Rural Development Act of 1972 extended FmHA's lending authority to include community facility loans for projects that provide essential services to small town and rural residents. Such services as police, fire, and health care facilities are an important measure of the area's economic development climate. Without them, private companies find it difficult or impossible to secure financing, obtain insurance, and attract employees with the appropriate skills. In 1990, a loan guarantee component was added to the program. With the recent reorganization of USDA rural development programs, the newly formed Rural Housing and Community Development (RHCD) service has been designated to administer the community facility loan program.

Communities can obtain direct loans for a maximum term of 40 years. However, no repayment period can exceed any statutory limitation on the applicant's borrowing authority or the useful life of the project. RHCD sets interest rates quarterly based on current market yields for municipal obligations. (For current rates, contact any agency office.) RHCD offers three different rates for community facility loans:

- poverty level rate of 5 percent for loans needed to meet health and sanitary standards in areas where the median household income (MHI) is below the federal poverty level;

- intermediate rate, set halfway between 5 percent and current market rates, for project loans in areas where the MHI is not more than 85 percent of that for all nonmetropolitan areas in the state; and

- market rate for all other loans.

The project must have a sufficient base in tax revenues, fees, or other income sufficient for operation, reserve, and maintenance, and for retirement of the loan. Interim commercial financing usually is used during construction; RHCD funds are made available when the project is completed. If interim financing is not available or the project costs less than $50,000, the agency can advance its funds as construction progresses. RHCD requires that the proposed activity be consistent with local development plans.

Funding Form

Direct loans

Eligible Applicants

Public entities such as municipalities, counties, state agencies, special-purpose districts, and nonprofit development corporations can seek community facility loans. Applicants must be located in rural areas and towns with fewer than 20,000 residents. Borrowers must operate on a not-for-profit basis; be financially sound and able to organize and manage the facility; possess legal authority to construct, operate, and maintain the project; and be able to collateralize and repay the loan. Applicants also must show that they cannot finance the proposed project from their own resources or through commercial credit at reasonable rates and terms.

Eligible Activities

More than 30 categories of community facilities are eligible for financing under this program. Of particular interest to manufacturers, qualifying facilities include industrial parks, roads, bridges, airports, fairgrounds, and utilities. Loan proceeds also can be used to acquire interest in land, leases, and rights-of-way necessary to develop the facilities, as well as appropriate equipment. USDA regulations require that all RHCD-assisted projects must be available for "public use." In practice, this means that facilities can not be constructed for the exclusive use of one private business — for example, a road servicing a manufacturer in an industrial park must be available to other prospective company users.

Application and Review

Applicants must file a preapplication with the local agency office. After review, the preapplication is forwarded to the state office for review and processing. The applicant then is notified about availability of funds and whether a formal application should be filed. Upon completion of the processing requirements and approval, funds are made available to the local RHCD office for delivery. The program carries no specified deadline date and the process can be started at any time. The application-notification period ranges from 30 to 90 days.

Funding Level

In fiscal 1995, Congress provided $176 million for community facility loans, and an additional $75 million for loan guarantees.

Additional Considerations

Applicants do not have to provide matching funds to obtain community facility loans, but many jurisdictions do, in fact, package this financing with other local or private funding. For example, community facility loans may be used to construct or rebuild infrastructure serving a manufacturing center; individual companies finance their own specific access or tie-ins to the larger systems. However, projects like this do not rank as high in terms of RHCD funding priority as do more traditional facilities such as health care facilities or fire stations. Funds are allocated to states based on rural population and the number of households in poverty.

All loans must be secured sufficiently, but collateral requirements vary. If state laws permit, borrowers may take a mortgage on the facility. Loan agreements carry a "graduation" review schedule. When it is determined that the borrower is able to secure other financing at reasonable rates (often, when the initial debt size has been reduced), the agency will review the loan to determine if it should be refinanced privately. The first review usually takes place six years after the loan closing date, and every other year thereafter.

Program Examples

The Village of Hebron in Ohio received a community facility loan of $150,000 to construct a water line connecting a new water tank to an old one. This permitted expansion of an existing industrial park.

Contact

For further information, contact any RECD or FmHA county or district office, or agency headquarters at the address noted below. Additional information can be obtained on the Internet at website address: *http://www.rurdev.usda.gov*.

Rural Housing and Community Development Service
U.S. Department of Agriculture
14th and Independence, SW
Washington, D.C. 20250
(202) 720-1490

Water and Waste-Disposal Loans and Grants

Objective

Water and waste-disposal (WWD) loans, grants, and guarantees finance new and improved rural water and waste-disposal systems deemed important to economic recovery and growth in small towns and rural areas. They address important infrastructure development needs that many smaller communities are unable to deal with on their own.

Description

The administering entity for WWD programs was changed starting in 1995. Formerly run by the Rural Development Administration, they now are run by the Rural Utility Service (RUS). These programs provide resources to construct, enlarge, or improve water and waste-disposal facilities in rural jurisdictions with up to 10,000 residents. This facilities are essential if small towns are to maintain the infrastructure needed for manufacturing development. Grants are usually reserved for the most financially needy areas.

The terms of project loans vary according to the relative distress and physical need of the applicant jurisdiction. RUS offers a three-tier interest-rate schedule for water and waste-disposal activities similar to that for community-facility loans. A 5 percent interest rate is available when the loan is required to meet health and safety standards and the median household income (MHI) is below the federal poverty line. Projects can obtain an intermediate rate, halfway between 5 percent and the current market rate, if the MHI in the project area is less than 85 percent of the state median. Market rates apply to applicants that cannot meet one of these criteria.

The authorizing statute sets no maximum or minimum loan amount. Loans have ranged from several thousand dollars to more than $4 million. Terms can run 40 years, although no loan-repayment schedule can exceed either the life of the project or the time limit on the applicant's borrowing authority. All loans must be secured adequately; bonds or notes pledging taxes, assessments, or other revenues are the most common form of collateral.

Water and waste-disposal grant funds support projects in the most financially needy communities, helping them reduce user costs to a level that is reasonable, but not discourage economic activity and investment. RUS usually considers a grant only when the debt-service portion of project costs exceeds certain thresholds pegged to the number of low-income households in the area. Its grants can finance as much as 75 percent of eligible project-development costs. No grant funds can be awarded if the MHI in the project area exceeds 85 percent of the state nonmetropolitan median income. Grant amounts have ranged from the low hundreds to over $2 million.

Funding Form

Direct loans primarily; grants are available for more economically distressed areas.

Eligible Applicants

Rural jurisdictions may apply. The project must fit into a broad community development plan.

Eligible Activities

Loan and grant funds may be used to construct, install, repair, improve, or expand rural water supply and distribution facilities (including reservoirs, pipelines, wells, or pumping stations) and waste collection, pumping, treatment, or other disposal facilities (such as sewer lines, treatment plants, stabilization ponds, storm sewers, sanitary landfills, or incinerators). They also may be used to pay related legal and engineering fees and other costs related to the development of the facility, including the acquisition of rights-of-way and easements, water rights, and relocation of roads and utilities. Grant funds may not be used to pay interest on loans, operation and maintenance costs, or acquisition or refinancing of an existing system.

Application and Review

Jurisdictions file a preapplication at the local agency office. After reviewing the grant or loan preapplication, the office forwards it to the state director for review. Sponsors of the most promising projects are invited to prepare complete applications. Once applications are processed and approved, funds are made available to the appropriate RUS office director for delivery. There are no scheduled application deadlines. Approval or disapproval takes from 30 to 90 days.

Funding Level

Congress provided $800 million in loan authority and $487.5 million for project grants in fiscal 1994. The program level was enhanced somewhat in fiscal 1995, with $828 million provided for loans and $500 million for grants.

Additional Considerations

This program has no statutory funding formula or matching requirement. Funds are allocated to states based on rural population and the number of households in poverty. In making funding decisions, RUS gives priority to applicants from areas with fewer than 5,500 people, especially those submitting proposals to restore deteriorating water services or inadequate waste facilities, and to requests that merge small facilities and those serving low-income areas. Usually grants are limited to 75 percent of costs.

Program Examples

Morco Water Company, Inc. in Marengo, Ohio, received a $1.76 million WWD loan and a $1.7 million grant to install a water distribution system to serve Marengo, Sparta, Chesterville, and Fulton counties and the Pagetown area. The money was spent on two booster stations, four storage tanks, and other system components. The loan is being repaid over a period of 40 years at an interest rate of 5.75 percent.

Contact

For further information, contact any state RECD or FmHA office (see the list at the end of this section) or agency headquarters (as noted below). Additional information can be obtained on the Internet at website: *http://www.rurdev.usda.gov*.

Rural Utility Service
U.S. Department of Agriculture
14th and Independence, SW
Washington, D.C. 20250
(202) 720-9583

State Rural Economic and Community Development Offices
(as of August 1995)

Alabama
Executive Director: NA
State Contact: Horace J. Horn Jr.
RECD/USDA
4121 Carmichael Road, Suite 601
Montgomery, AL 36106-3683
(334) 279-3400

Federal Contact: Ferddie Hogan
TVA P.O. Box 1010
Muscle Shell, AL 35660-1010
(334) 386-2049

Alaska
Executive Director: Chuck Ackers
333 West Fourth Avenue, Suite 301
Anchorage, AK 99501-2341
(907) 269-4606

Arizona
Executive Director: NA
State Contact: Pat Schroader
Arizona Department of Commerce
3800 North Central, #1400
Phoenix, AZ 85012
(602) 280-1350

Federal Contact: Alan Stephens
RECD/USDA
Phoenix Corp. Center
3003 N. Central Ave., Suite 900
Phoenix, AZ 85012
(602) 280-8700

Arkansas
Executive Director: NA
State Contact: Phil Price
Director, Employment Sec. Dept.
P.O. Box 2981
Little Rock, AR 72203
(501) 682-2121

Federal Contact: John T. Suskie
HUD
425 West Capitol Avenue, #900
Little Rock, AR 72201
(501) 324-5401

California
Executive Director: NA
State Contact: Carol Whiteside, Office Counsel
Governor's Office of Planning & Research
1400 Tenth Street - #109
Sacramento, CA 95814
(916) 3223-0681

Federal Contact: Deena Sosson
EDA/Commerce
1345 J Street, Suite B
Sacramento, CA 95814
(916) 551-1541

Colorado
Executive Director: Florine Raitano
PO Box 4528
Dillon, CO 80435
(970) 262-2073

Connecticut
Executive Director: Jeffrey Chmura
CT Rural Development Council
c/p NW CT Community Technical College
Park Place East
Winstead, CT 06098-1798
(203) 738-6413

Delaware
Executive Director: NA
State Contact: Larry Windley
Director, Policy and Planning
Economic Development Office
99 Kings Highway
PO Box 1401
Endover, DE 19903
(302) 739-4271

Federal Contact: John S. Walls
RECD/USDA
5201 S. Dupont Hwy.
P.O. Box 400
Camden, DE 19934-9998
(302) 697-4300

Florida
Executive Director: Karen Prentiss
Florida State Rural Development Council
107 West Gains Street, Suite 443
Tallahassee, FL 32399-2000
(904) 921-0123

Georgia
Executive Director: NA
State Contact: Winfred Owens
Department of Community Affairs
100 Peach Street
Atlanta, GA 30303
(404) 656-3836

Federal Contact: Laura Meadows
RECD/USDA
355 East Hancock Avenue
Athens, GA 30610
(706) 546-2162

Hawaii
Executive Director: NA
State Contact: Joseph F. Blanco
Executive Assistant to the Governor
Office of the Governor
State Capitol
Honolulu, HI 96813
(808) 586-0022

Federal Contact: Francis Blanco
RECD/USDA
154 Waianvenue Ave., Room 311
Hilo, HI 96720
(808) 933-3000

Idaho
Executive Director: Dick Gardner
Idaho Rural Development Council
Statehouse Room 122
Boise, ID 83720
(208) 334-3131

Illinois
Executive Director: Paul Gallgos, Part. Manager
Rural Partners, Inc.
788 N. Sunnyside Road
Decatur, IL 62522
(217) 422-1910

Indiana
Executive Director: John Riemke
IN Rural Development Council
150 West Market Street, Suite 414
Indianapolis, IN 46204
(317) 232-8776

Iowa
Executive Director: Dave Plazak
Iowa Department of Economic Development
200 East Grand Avenue
Des Moines, IA 50309
(515) 242-4875

Kansas
Executive Director: Steven Bittel
700 Southwest Harrison, Suite 1300
Topeka, KS 66603-3712
(913) 296-1847

Kentucky
Executive Director: NA
State Contact: Mary Helen Miller
Office of the Governor
700 Capitol Ave.
Frankfort, KY 40601
(502) 564-2611

Federal Contact: William Federhofer
SBA Federal Office Building - #188
600 Martin Luther King Jr. Place
Louisville, KY 40202
(502) 582-5978

Louisiana
Executive Director: Carson Killen
Governor's Office
P.O. Box 94004
Baton Rouge, LA 70804-9004
(504) 342-4481

Maine
Executive Director: Robert Ho
104 Libby Hall
University of Maine
Orono, ME 04469
(207) 581-3192

Maryland
Executive Director: Bill Walker
Forum for Rural Maryland
Maryland Department of Business and Economic Development
Rm. 1209
217 E. Redland St.
Baltimore, MD 21202
(410) 333-4097

Massachusetts
Executive Director: Tom Guerino
Massachusetts Rural Development Council
408 Goodell Bldg.
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DEPARTMENT OF LABOR

Overview

Jobs and economic development go hand in hand. Without the necessary pool of skilled workers, efforts to start new companies or enlarge others inevitably fail. Manufacturers in particular need a work force that can be appropriately trained to cope with new production processes and new technologies. Job-training activities should be part of a community's overall economic development strategy, no matter what its size. Such cooperation can create opportunities to coordinate two basic elements of the development process: labor and capital.

The U.S. Department of Labor (DOL) operates several training programs authorized by the Job Training Partnership Act (JTPA). With passage of JTPA in 1983, the Department of Labor virtually withdrew from any role in the planning and administration of local job-training programs, delegating that responsibility to states and communities.

Two types of JTPA training and employment assistance programs have particular relevance to state and local development efforts used to support manufacturing:

- basic training services for the disadvantaged (Title II), which includes most of the fundamental training, counseling, and work-experience programs; and

- employment and training assistance for dislocated workers (Title III, plus special targeted assistance initiatives), which offer additional help to areas hit by severe economic crises, such as plant closings.

Job Training Partnership Act

Objective

Job Training Partnership Act (JTPA) programs provide job training and related services to economically disadvantaged youth, adults, and others who face significant employment barriers, including those stemming from changing skill needs and manufacturing transition. JTPA programs seek to increase the employability of participants.

Description

The JTPA statute sets out the administrative structure, planning process, and performance standards for federally financed training activities. Governors are required to divide their states into Service Delivery Areas (SDAs) that are eligible to receive federal job-training funds. Service delivery areas are selected by the governor of each state based on certain criteria. Service delivery areas should be able to deliver job training services effectively. In addition, they are required to establish linkages with other federal programs operating in their jurisdictions (to help provide the maximum benefit possible to eligible participants and local communities), and encouraged to establish links with local institutions such as educational agencies, service agencies, and public housing agencies.

Each SDA is governed by a Private Industry Council (PIC). By law, PICs are public-private partnerships with a majority private-sector membership. PICs do much of the planning and advising for the program. PICs represent a unique governing structure among federal programs. They also offer a natural mechanism to link training programs with local development strategies. PICs allow training efforts to fit community and business size and need, no matter how small or diverse. They also serve an important coordinating and outreach functions.

Local elected officials within the SDAs appoint PIC members to help in planning job-training and employment service programs. Through the PICs, private-sector representatives are brought into the active management of job-training programs; the extent and type of their activity is largely determined at this level.

Title II is designed to help unemployed individuals improve their occupational and educational skills, making them more employable. JTPA services available through Title II include skills assessment, basic skills training, institutional skills training, on-the-job training, job counseling, work experience, and human resource development. Local PICs contract with service providers, who range from community colleges to work-place trainers to consultants. Typically, PICs direct service providers to give an objective assessment of the skill levels and service needs of each participant. Training is designed to meet the needs identified. When appropriate, service providers refer individuals to other agencies that provide training, counseling, and related services.

Title III programs are targeted to dislocated workers. The Department of Labor requires the governor of each state to submit a plan that details what programs and activities will be established and operated with JTPA funds. DOL has 45 days after the submission to review and approve the plan. It is up to the PICs to work within their service delivery areas to make retraining and readjustment service available to eligible dislocated workers, and work with affected parties as soon as possible after a layoff. Basic readjustment services supported with Title III resources include job or career counseling, testing, and interest assessments. Retraining services consist of classroom training, occupational skill training, on-the-job training, basic and remedial education, entrepreneurial training and other forms of training.

According to DOL, more than 6.5 million people have participated in Title II programs during the past decade. Of these, over 3.5 million adults and youth were placed in jobs. Expenditures over this period totaled about $15.67 billion. About 1.4 million individuals participated in Title III initiatives, and 837,000 found work after completing the program. The total cost of Title III during this period was $2.25 billion.

Job Training Partnership Act Title II-A/Program Process

U.S. Department of Labor
Employment and Training Administration

Title II-A funds are distributed by formula to states under a continuing agreement between the governor and Secretary of Labor. Primary administrative responsibility for the program is delegated to the states.

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States

States submit a governor's coordination and special services plan (GCSSP) every two years. Grant administration, coordination with education, performance incentives and technical assistance for SDAs, plus training programs for older individuals, are funded with 22 percent of the grant.

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635 Service Delivery Areas

SDAs covering all areas of the state are designated by the governor. They can comprise an entire state or one or more units of general local government within the state, with oversight from the Private Industry Council (PIC). States must allocate 78 percent of the grant by formula to SDAs, which plan and administer local training and employment programs directly or through contracts with local service providers.

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Local Service Providers

States and local governments have considerable flexibility in determining how to spend their money. Under creative PIC leadership, communities have combined investment and job-training incentives in attractive economic development packages that supported manufacturing modernization and retention efforts. Both the work force and the local development climate benefit from customized training services, wage subsidies for employers who train new employees in on-the-job (OJT) programs, entrepreneurial training and development assistance, and upgrading the skills of a firm's existing labor force.

Funding Form

JTPA provides Title II and Title III grants to states, allocated on a formula basis. Unlike most federal programs that operate on the basis of a fiscal year, JTPA runs on a program year from July 1 to June 30 of the following year. Fiscal year 1995 funds thus became available in July of 1995 rather than October of 1994. This system was instituted to allow PICS more time for planning, with a known quantity of funds.

Eligible Applicants

Individuals eligible for Title II programs must be 22 years of age or older and economically disadvantaged (defined as an individual with a total family income not in excess of the higher of the official poverty level and 70 percent of the lower living standard income). Dislocated workers seeking assistance under Title III must be either: laid off from their job, or are about to be terminated or laid off; long-term unemployed; formerly self-employed but now unemployed due to poor economic conditions; or hurt by defense conversion.

Eligible Activities

The JTPA statute outlines broad criteria for eligible projects. They include but are not limited to job-search assistance, counseling, remedial and basic education, institutional and on-the-job training, upgrading and retraining, work experience for a limited time, industry-specific programs that support economic development, customized training with a commitment to hire, and job-generating activities.

Application and Review

Locally developed plans are submitted jointly by the PIC and local elected officials to the governor, who approves them if they meet basic JTPA statutory requirements and criteria for coordinating activities with other programs. These criteria are set forth in the governor's coordination and special services plan that outlines the state's goals for job-training programs. This broad policy statement is the product of the State Job Training Coordinating Council. The governor's plan covers two years of program operation and is submitted to the Department of Labor for approval.

Funding Levels

Congress provided $1.05 billion for Title II training efforts, and $1.38 billion for dislocated worker assistance for program year 1995. In addition, DOL had 1995 funding for two special dislocated worker programs — $179 million for trade adjustment benefits, and $34 million for NAFTA adjustment assistance initiatives.

Additional Considerations

The local influence on JTPA is strong, which makes the economic development potential of the program nationwide, or even at the state level, difficult to characterize. Some PICs take an activist view of their role and extend their purview into educational policy, job-creation or retention activities, or welfare reform. Others see their mandate as limited to oversight of JTPA programs. In either case, meeting the performance standards assigned to the area is a major priority. For this reason, the linking of training to existing or potential jobs in the labor market is highly attractive to the PICs. On-the-job training and customized training are two popular programs PICs use to make this connection.

The biggest hurdle to widespread use of training as an economic development incentive is the lead time involved in planning and arranging for programs. In many areas, though, the private-sector influence of the local PIC has proven instrumental in minimizing delays and streamlining training processes. The PICs have given federal training programs greater credibility with employers and have generally made job training a more economy-minded and economy-oriented enterprise.

Program Examples

In 1992, the Northern Rhode Island PIC, in partnership with a local Small Business Development Center, launched a training program funded through Title III to help people in northern Rhode island by giving them the training, skills, and know-how to start their own businesses. Program demands are vigorous and include 15 weeks of classroom training. The curriculum allows participants to conduct feasibility studies, develop business plans, and learn about marketing, bookkeeping, licensing and the psychological aspects of starting your own business. Businesses started by program participants have been diverse. Some 84 percent of the first year's group of trainees either started their own business or found a job after the training. By the second year, the figure had risen to 90 percent.

Kingston-Warren Corporation, a Newfields, New Hampshire-based manufacturer of soft rubber glass run channels and sealing strips, recently won a $20 million contract from General Motors to supply parts for the Pontiac Sunbird and Chevrolet Corsica. The company lacked the staffing to handle the new orders, and therefore needed to hire more workers. Kingston-Warren approached the New Hampshire Job Training Council, which helped the company meet its hiring needs. The Council matched area residents to openings at the plant — helping both the company and the residents of Newfields. Kingston-Warren expects to hire as many as 70 persons who complete the council's training curriculum. To carry out this project, the council used $12,000 Title II and Title III funds.

Contacts

For additional information, contact the state JTPA liaison office, a Department of Labor regional office, or the national office as noted below.

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Post-Rescission Federal Funding Allocations for Job Training Partnership Act and Wagner-Peyser Act Programs: Program Year 1995[1]

(in millions of dollars)

State or Region	Title II-A Adult Training	Title II-B Summer Youth	Title II-C Youth Training	Title III Dislocated Workers	Wagner-Peyser Employment Service	Total
New England						
Connecticut	9.60	8.11	1.21	11.44	10.37	40.7
Maine	5.05	4.24	0.63	6.19	4.52	20.6
Massachusetts	22.18	18.98	2.82	24.40	19.45	87.8
New Hampshire	3.64	3.05	0.46	3.49	3.66	14.3
Rhode Island	3.95	3.27	0.49	5.31	3.24	16.3
Vermont	2.49	2.12	0.32	1.37	2.74	9.0
Total	46.91	39.77	5.93	52.20	43.98	188.8
Mid-Atlantic						
Delaware	2.49	2.12	0.32	1.81	2.34	9.1
Maryland	14.45	12.12	1.80	16.88	15.16	60.4
New Jersey	28.29	23.75	3.53	37.33	24.56	117.5
New York	77.37	63.26	9.40	86.10	53.49	289.6
Pennsylvania	41.13	34.08	5.06	44.97	35.32	160.6
Total	163.73	135.33	20.11	187.09	130.87	637.1
Midwest						
Illinois	40.54	34.95	5.19	42.53	36.17	159.4
Indiana	14.55	12.53	1.86	12.43	16.72	58.1
Iowa	5.10	4.18	0.65	3.90	8.24	22.1
Michigan	36.92	31.60	4.69	34.13	28.92	136.3
Minnesota	10.45	8.96	1.33	8.27	13.46	42.5
Ohio	36.60	31.21	4.64	37.34	32.18	142.0
Wisconsin	11.52	9.83	1.46	8.09	15.09	46.0
Total	155.68	133.26	19.82	146.69	150.78	606.2
South						
Alabama	17.41	14.91	2.21	14.95	12.03	61.5
Arkansas	9.13	7.67	1.16	6.12	6.94	31.0
District of Columbia	3.45	3.18	0.43	3.79	4.54	15.4
Florida	50.27	41.70	6.19	52.29	40.81	191.3
Georgia	20.92	18.19	2.70	21.41	19.78	83.0
Kentucky	13.94	11.57	1.71	8.97	10.51	46.7
Louisiana	23.04	19.27	2.93	18.51	12.50	76.3
Mississippi	12.25	10.28	1.56	8.79	7.55	40.4
North Carolina	16.15	13.62	2.02	10.42	19.38	61.6
Oklahoma	11.41	9.59	1.42	10.27	10.70	43.4
South Carolina	14.75	12.64	1.88	14.86	11.04	55.2
Tennessee	15.44	12.94	1.92	10.13	14.43	54.9
Texas	74.45	66.59	9.89	69.64	55.73	276.3
Virginia	15.36	13.19	1.94	12.70	18.77	62.0
West Virginia	11.04	9.34	1.39	11.83	6.69	40.3
Total	309.01	264.68	39.35	274.68	251.40	1139.1

Post-Rescission Federal Funding Allocations for Job Training Partnership Act and Wagner-Peyser Act Programs: Program Year 1995[1] (continued)
(in millions of dollars)

State or Region	Title II-A Adult Training	Title II-B Summer Youth	Title II-C Youth Training	Title III Dislocated Workers	Wagner-Peyser Employment Service	Total
West						
Alaska	2.68	2.31	0.34	3.13	9.12	17.6
Arizona	13.17	11.61	1.72	11.15	11.75	49.4
California	166.49	146.65	21.80	198.16	102.39	635.5
Colorado	9.38	7.98	1.18	8.15	10.46	37.2
Hawaii	2.81	2.22	0.33	2.27	3.38	11.0
Idaho	3.02	2.65	0.39	2.60	7.60	16.3
Kansas	6.00	5.04	0.75	6.22	7.41	25.4
Missouri	16.46	13.89	2.06	13.89	15.32	61.6
Montana	2.99	2.43	0.36	1.98	6.21	14.0
Nebraska	2.49	2.12	0.32	1.34	7.46	13.7
Nevada	4.74	4.04	0.60	5.10	6.04	20.5
New Mexico	6.64	5.78	0.86	4.93	6.97	25.2
North Dakota	2.49	2.12	0.32	0.84	6.32	12.1
Oregon	11.50	9.72	1.44	10.71	9.44	42.8
South Dakota	2.49	2.12	0.32	0.64	5.84	11.4
Utah	2.84	2.57	0.38	2.05	12.78	20.6
Washington	19.06	16.47	2.45	20.53	16.34	74.9
Wyoming	2.49	2.12	0.32	1.35	4.53	10.8
Total	277.74	241.84	35.94	295.04	249.36	1099.9
Northeast	210.64	175.10	26.04	239.29	174.85	825.9
Midwest	155.68	133.26	19.82	146.69	150.78	606.2
Northeast and Midwest	366.32	308.36	45.86	385.98	325.63	1432.2
South	309.01	264.68	39.35	274.68	251.40	1139.1
West	277.74	241.84	35.94	295.04	249.36	1099.9
South and West	586.75	506.52	75.29	569.72	500.76	2239.0
U.S. Total[2]	953.07	814.88	121.15	955.70	826.39	3671.2

[1]The program year is from July 1, 1995 to June 30, 1996. Due to the regional format funding for Puerto Rico under all programs is not included. Puerto Rico received $41.14 million under Title II-A, $34.96 million under Title II-B, $5.19 million under Title II-C, $27.16 million under Title III, and $10.52 million under Wagner-Peyser. Funding for Title II-B is for the summer of 1995. As of January 16, 1996 both houses of Congress have eliminated funding for Title II-B in their Labor Health and Human Services Appropriations bills. The bill has not yet gone to conference. Wagner-Peyser figures include postage. The Workforce Development Act repeals the penalty mail privilege of the Employment Service, so centrally-held postage funds were distributed to States as part of the formula.

[2]U.S. totals do not reflect funds held at the national level for all of these programs except Title II-B. Total allocations including national funds are $996.8 million for Title II-A, $126.7 million for Title II-C, $1,228.6 million for Title III, and $915.3 million for Wagner-Peyser. National funds for Title III are held in the Secretary's Discretionary Reserve for Dislocated Workers. National funds under Wagner-Peyser support U.S. Employment Service activities versus State Employment Service activities. When counting funding to the U.S. territories total funding under Title II-B equals $867.07 million.

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Philadelphia, PA 19104
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Room 400
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Region V (Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin)
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230 South Dearborn St.
Room 628
Chicago, Illinois 60604
312-353-0313

Region VI (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas)
U.S. Department of Labor
Employment and Training Administration
525 Griffin St., Rm. 317
Dallas, TX 75202
214-767-8263

Region VII (Iowa, Kansas, Missouri, and Nebraska)
U.S. Department of Labor
Employment and Training Administration
Federal Office Building
911 Walnut St., Rm. 700
Kansas City, MO 64106
814-426-3796

Region VIII (Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming)
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Region IX (Arizona, California, Guam, Hawaii, Nevada, Republic of Palau, American Samoa, Republic of Marshall Islands, Federated States of Micronesia, Commonwealth of Northern Mariana Islands)
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Region X (Alaska, Idaho, Oregon, and Washington)
U.S. Department of Labor
Employment and Training Administration
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(1995 listings)

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APPALACHIAN REGIONAL COMMISSION

Objective

Established by Congress in 1965, the Appalachian Regional Commission (ARC) is composed of the governors of the 13 Appalachian states and a federal co-chairman, who is appointed by the president. Grassroots participation is provided through multi-county local development districts with boards made up of elected officials, businessmen and women, and other local leaders. Each year Congress appropriates funds, which ARC allocates among its member states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. The Appalachian governors, consulting with local districts, draw up annual Appalachian development plans and select projects to implement them, subject to approval by the full Commission. The broad objective of the programs is to support development of Appalachia's human and community infrastructure, which in turn will create jobs and bring prosperity to the ARC counties.

Description

ARC-funded programs include construction of an interstate-quality highway system; the Area Development Program (ADP), which includes the provision of education and job training, health care, water and sewer systems, housing, and other essentials of comprehensive economic development; and the Revolving Loan Fund (RLF), a job and investment creation program.

The ARC made significant strides in constructing a modern highway system through traditionally neglected parts of Appalachia. By the end of fiscal year 1994, of the 3,025 miles of the Appalachian Development Highway system authorized to be approved, 2,106.5 miles were completed and an additional 145 miles were under construction. In the same year $128.5 million was obligated for development highways, and $1 million was obligated for access roads. (See Map.)

ADP helps the region achieve a diversified economic base and a competitive self-sustaining economy. It's long-range goals are to increase employment opportunities and income levels and to stimulate public-private partnerships and investments to create and retain jobs. Projects are funded in the following categories: community development, distressed counties, human resources development, research and technical assistance, and local development districts. In fiscal year 1993, $48.4 million was invested by the Appalachian states in the Area Development Program.

The ARC promotes business development by finding new markets for Appalachian products and services and developing investment opportunities. ARC's revolving loan fund (RLF) has helped businesses expand, create jobs, and leverage private dollars. RLF projects are administered by local development agencies.

The Appalachian Regional Development Act of 1965 directed ARC to work with the state to help develop and support a network of multi-county planning and development agencies, or local development districts (LDDs), throughout the region. Appalachia is served by 69 local development districts, which cover all 399 counties in the region. Funded in part by ARC, the districts take a variety of forms. Some are called councils of government, others regional planning and development agencies.

The LDDs most important role in the ARC program is to identify priority needs of local communities. Based on these needs they work with their board members and other local citizens to develop plans for their communities' economic development.

RLF loans offer the advantage of fixed interest rates at or sometimes slightly below market rates. They generally carry terms of ten years for buildings and land, or five years for equipment; most commercial lenders will not let borrowers lock in interest rates for so long a period.

Through the years, the ARC has used its funds to leverage other federal funds, combining these with state and local money to provide a broad program of assistance to Appalachia. In the non-highway program, $2.3 billion in ARC funds has attracted almost that amount in other federal funds and $3.5 billion in state and local funds, for a total of $8.1 billion. In the highway arena, to date ARC appropriations have comprised nearly 66 percent of the $6 billion spent on the highway system, and state and local funds have provided 34.1 percent.

Funding Form

Nearly all congressional appropriations to ARC are distributed in the form of allocations made to the following programs: highway construction, local development districts (LDDs), area development, and the RLF.

Eligible Applicants

ARC programs feature a multi-layered application system. The first entity to propose a project is a public body or non-profit organization. These generally consist of counties, local and city governments, charitable organizations as well as non-profit associations, boards and museums, select employers, and secondary and post secondary schools.

Eligible Activities

ADP allocations can be used for a broad range of projects, including research and technical projects, vocational education projects, and health or child development projects. Community development projects eligible for ADP assistance include infrastructure projects, such as improvements to water or sewer systems or other community facilities; programs to provide affordable housing for low- and moderate-income families; industrial and enterprise development programs; and local government assistance demonstrations.

ADP allocations help distressed counties within the ARC region. They are characterized by either high unemployment, low income, or poor housing, or a combination of the three. As in years past, the program focused on providing badly needed public facilities, especially systems needed to furnish clean drinking water and waste disposal to maintain healthier environment, and human resource projects, such as literacy training. In fiscal year 1993, 117 counties within the following states — Alabama, Mississippi, Kentucky, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia — qualified for distressed county status.

Over 4 million adults in Appalachia do not have a high school diploma or GED. Recognizing this, ARC is encouraging states to use the work site as a learning place to deliver basic skills through the ADP's human resources development program. The ARC's efforts include upgrading the education climate of the region as a whole; providing and customizing job training as well as ensuring that the populace has access to job-specific job training; assisting in the creation of drop-out prevention and school reentry programs; assisting schools in the area of education technology; developing leadership capacity among the region's citizens; and helping to improve health care services with projects targeted at special problems.

The RLF program is completely funded from ARC allocations. As of June 1994, these allocations totaled $13.3 million. Loan repayments have enabled LDDs to lend out well over twice that amount — $30.8 million, for 600 loans in all.

ARC issues supplemental grants to projects that have difficulty obtaining outside financing. These grants can supplement state and federal financing, allowing the percentage of federal and state money invested in a project to reach 80 percent. A lot of this money has been used for infrastructure projects, however it may be used for vocational training as well as other projects.

Application and Review

First, a public body or non-profit organization must send a project proposal to the LDD in its region. If the proposal appears to satisfy a priority for the district, the proposal is passed on to the state board of the governor or his designated alternate. The governor or alternate incorporates the project into the state's overall annual investment plan for the area, and submits it to ARC's governing commission. The commission considers the merit of the overall plan and either approves or disapproves it. If the plan is approved, then the governor's office submits the individual project proposals to the ARC, which then dispenses funds accordingly.

Funding Level

Congress provided $183 million for ARC for fiscal year 1995, down significantly from the $282 million provided for fiscal 1994. For fiscal 1995, the money was allocated as follows:

- $90 million for highway development (a big drop from fiscal 1994's $237 million);
- $84 million for the major ADP components; and
- $5.3 million for local development district planning and administration.

Program Examples

ARC's community development program made possible a new 750,000-gallon water tank and water lines constructed at the Philips Bend Industrial Park in Hawkins County, Tennessee. This infrastructure improvement will serve existing businesses by providing sufficient water pressure and flow to keep insurance at affordable rates. The project also will serve a new business, O'Dell Industries. This firm, a manufacturer of aquariums and related equipment, is expected to create 60 new jobs. The water tank also will provide an emergency water supply for the local utility district system.

In New York, ARC human resource development funds are supporting two programs aimed at improving the skills of students who are likely to leave school because they see little connection between school and future employment prospects. The Friendship Central School in Friendship, NY, received funding for a program far at-risk students that integrates core academics and occupational education with work-study opportunities. The Broom-Chenange School in Harpursville, in Broom County, will use an ARC grant to provide part-time apprenticeships to encourage students to improve their academic skills while providing a realistic view of the workplace and skill requirements.

The SEDA-COG Enterprise Development Program in central Pennsylvania is typical of ARC-funded business development programs. It includes financial assistance to industries (such as loan packaging), procurement advice for government sales, and export assistance. During the most recent year of operation, 16 loan were closed with a total value of nearly $2.5 million. There were 150 active clients in the procurement program.

ARC made a $215,000 grant to the Erie Chamber of Commerce to assist in the establishment of total quality management (TQM) institute to provide training at a nominal cost to small corporations and businesses and local organizations. These entities are located in Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venange and Warren Counties in northwest Pennsylvania. The focus of the Institute is to provide subsidized "Total Quality Transformation" training teams from area companies and organizations. Professional TQM consultants are used for an initial train-the-trainer program, which is training a group of 37 instructors.

Contact

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TAX CODE INCENTIVES

Overview

Federal tax code incentives play an important part in company decisions to invest, modernize, or pursue new markets. This chapter describes two federal tax incentives of special importance to manufacturers: industrial development bonds and foreign trade zones.

Industrial development bonds (IDBs) are tax-exempt municipal bonds that jurisdictions favor as a source of financing for economic development. Small-issue private activity IDBs are the only federal financing tool targeted solely to manufacturing. They are popular because the interest they bear is not taxable, which reduces the yield that investors demand. The need for a smaller yield lowers the cost of capital for a project, which makes it more affordable.

IDBs support economic development by allowing jurisdictions to offer existing and prospective manufacturers links to financing that might not be available otherwise. They promote economic revival by allowing jurisdictions to channel physical development capital to selected areas to encourage industrial growth and job creation and retention activities. The table at the end of this chapter gives state-by-state volume limits.

Congress created foreign trade zones in 1934 to expedite and encourage foreign commerce. They provide foreign goods with specific tax and duty-saving advantages and quota-free entry to the zone. Enacted during a period of international trade deficits, the zones were intended to increase jobs in this country and stimulate exports. They have enjoyed wide use only during the last ten years. Today, more than 200 foreign trade zones have been designated; a complete list can be found at the end of this chapter.

Tax-Exempt Small-Issue Industrial Development Bonds

Objective

Tax-exempt small-issue industrial development bonds (IDBs) issued by state and local governments or their designated agencies offer below-market-rate financing to manufacturers. These bonds are payable from and secured by the revenues of the projects they finance.

Description

Tax-exempt, small-issue industrial development bonds are the only remaining federal economic development incentive targeted solely to manufacturing. Small-issue IDBs encourage economic development activities by offering existing and prospective manufacturers affordable financing that otherwise might not be available. Federal law authorizes states, local governments, and various quasi-public agencies to issue IDBs. Proceeds can cover the cost of constructing new manufacturing plants, improving existing facilities, or buying new equipment. IDBs are appealing to investors because the interest they bear is exempt from federal taxation, and to issuing jurisdictions because they can provide or leverage capital at less than market rates for manufacturing projects that will benefit the community.

The lack of accessible, affordable investment capital keeps small manufacturers from achieving their full potential in national and international markets. Many viable, creditworthy firms are unable to find satisfactory commercial financing for reasons related to their size, sector, stage of development, or location. Thus, IDBs fill a major capital need. The popularity of IDBs stems from their versatility as a development finance tool. Numerous options are available in structuring an IDB; they are issued for long or short terms, and can carry a fixed interest rate or a floating rate — usually one-quarter to one-third less than the prime. They are one type of revenue bond in which the project income is pledged to repay the obligation. Private corporations use them and back them with their own credit. The issuing jurisdiction or agency bears little or no fiduciary risk in the transaction. IDBs have the advantage of giving small and inexperienced business borrowers access to securities markets they otherwise would not have.

Bond proceeds enhance industry diversification and modernization initiatives and support job creation and retention efforts. IDB-assisted projects carried out between 1979 and 1993 employ more than 1.6 million people; some experts suggest that more than 300,000 of these jobs would not exist if business owners had not been able to secure IDB financing. In addition, the IDB issuing process allows jurisdictions to target investment capital for manufacturing and related purposes to areas consistent with their own economic development objectives. The majority of all IDB proceeds since 1979 have been spent in economically distressed areas with unemployment rates above the national average.

Funding Form

IDBs pay interest that is exempt from federal taxation to the bond buyer. This exemption reduces the yield that buyers demand which, in turn, lowers the cost of the capital borrowed through the bond issuance. Thus, the benefit to the participating manufacturer is a lower interest rate on debt.

Eligible Applicants

Small-issue IDBs can only be used by manufacturing operations.

Eligible Activities

IDBs can be used for most costs associated with a manufacturing project: new construction, plant and facility improvements or renovations, and equipment acquisition. Federal law imposes a $10 million limit per project.

Application and Review

Each state sets its own priorities to allocate its permitted level of issuances. Although bond issues are tailored to specific projects, most participants in the transactions are approximately the same. The parties involved include: the agency or authority legally able to issue the bonds; the borrower that uses the bond proceeds to finance some sort of development activity; a bank or similar entity that provides a letter of credit to enhance the rating of the bond; an investment banker who structures and often helps sell the bonds; other bond marketing agents; and the bond counsel.

The National Council for Urban Economic Development devised an informal checklist of the steps involved in the IDB issuance process. They include: identifying an IDB-issuing agency or organization and exploring the project concept with them; consulting with a bond counsel to determine project eligibility; working with an investment banker to structure the IDB to meet the borrower's needs; seeking formal issuing-authority approval of the project; obtaining credit support; submitting necessary legal documentation to one or more of the bond-rating organizations; issuing the bonds; and, finally, marketing them. All parties meet at a bond closing in which all documentation and legal agreements are formally signed, the bonds are delivered to their purchaser, and funds are transmitted to the borrower to undertake the project.

Funding Level

To limit the revenue loss impact of IDBs, Congress has established a state-by-state volume cap to limit IDB issuances of all types — small-issues targeted to manufacturing as well as development bonds devoted to activities such as student loans and water and sewer facilities. Each state can issue bonds equal to $50 per capita, or $200 million, whichever is greater.

Additional Considerations

The 1986 Tax Reform Act made numerous changes in the treatment of tax-exempt instruments, particularly IDBs, that curtailed their use drastically. The act adopted lower annual volume caps to limit the dollar amount issued, eliminated eligibility for several types of projects, and increased state and local borrowing costs through new arbitrage and refunding restrictions. As a result, bond issuers must now market them more aggressively.

Some states are combining the financing needs of several small companies and assembling pools of small issues to achieve some economy of scale on issuing costs, which can run as high as 10 percent on an issue as small as $1 million. Development officials often are able to cut that percentage by two-thirds if they can offer a $6 million or $7 million pool of IDBs to an investor.

The volume limit has caused problems for some states that wanted to use private-purpose tax- exempt bonds to finance a wide range of economic development and social-service facilities. Reduced levels of permitted issuances are forcing states and local governments to make difficult choices in terms of bond authority allocations, weighing the needs of student loans, multifamily housing, and hospitals against streets, utilities, and other development needs.

Many local officials are concerned about the regulations, definitions, and interpretations that might be applied to IDB provisions in the years to come. For example, future IRS rulings on the definition of "related use" could deter the use of traditional general obligation bonds for certain types of infrastructure improvements. Many bond counsels are hesitant to write opinions on some prospective IDB issues, pending further IRS clarification. Some developers are taking their investment dollars elsewhere rather than enduring long delays and new paperwork requirements.

Program Examples

IDB-financed projects have brought increased economic activity to thousands of small communities across the country. A $3 million IDB was a central part of the incentive package that brought the Spalding Company to Gloversville in upstate New York. The firm created nearly 150 jobs, helping to combat severe unemployment in the area.

In Sanford, Maine, a $2.8 million IDB allowed NRG Barriers, Inc., a maker of roof panels, to modernize and enlarge an existing building for an expansion facility. This project created 75 new jobs.

Contact

The best information on the IDB process, bond-issue priorities, and possible issuing authorities is available from state or local economic development offices. The Department of the Treasury oversees and enforces program regulations and reporting requirements. For information of this type, contact the central offices.

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State-by-State Issuance Limits on All Types of IDBs, 1995

State		Volume Cap
Alabama	4,040,587	202,029,350
Alaska	550,043	200,000,000
Arizona	3,665,228	200,000,000
Arkansas	2,350,725	200,000,000
California	29,760,021	1,488,001,050
Colorado	3,294,394	200,000,000
Connecticut	3,287,116	200,000,000
Delaware	666,168	200,000,000
District of Columbia	606,900	200,000,000
Florida	12,937,926	646,896,300
Georgia	6,478,216	323,910,800
Hawaii	1,108,229	200,000,000
Idaho	1,006,749	200,000,000
Illinois	11,430,602	571,530,100
Indiana	5,544,159	277,207,950
Iowa	2,776,755	200,000,000
Kansas	2,477,574	200,000,000
Kentucky	3,685,296	200,000,000
Louisiana	4,219,973	210,998,650
Maine	1,227,928	200,000,000
Maryland	4,781,468	239,073,400
Massachusetts	6,016,425	300,821,250
Michigan	9,295,297	464,764,850
Minnesota	4,375,099	218,754,950
Mississippi	2,573,216	200,000,000
Missouri	5,117,073	255,853,650
Montana	799,065	200,000,000
Nebraska	1,578,385	200,000,000
Nevada	1,201,833	200,000,000
New Hampshire	1,109,252	200,000,000
New Jersey	7,730,188	386,509,400
New Mexico	1,515,069	200,000,000
New York	17,990,455	899,522,750
North Carolina	6,628,637	331,431,850
North Dakota	638,800	200,000,000
Ohio	10,847,115	542,355,750
Oklahoma	3,145,585	200,000,000
Oregon	2,842,321	200,000,000
Pennsylvania	11,881,643	594,082,150
Rhode Island	1,003,464	200,000,000
South Carolina	3,486,703	200,000,000
South Dakota	696,004	200,000,000
Tennessee	4,877,185	243,859,250
Texas	16,986,510	849,325,500
Utah	1,722,850	200,000,000
Vermont	562,758	200,000,000
Virginia	6,187,358	309,367,900
Washington	4,866,692	243,334,600
West Virginia	1,793,477	200,000,000
Wisconsin	4,891,769	244,588,450
Wyoming	453,588	200,000,000

Volume Caps determined using 1990 Census Data.

Foreign Trade Zones

Objective

Foreign Trade Zones (FTZs) are intended to promote more international trade and commerce for U.S. firms by lowering or eliminating the tariffs on goods within specific areas. Many communities have sought FTZ designations to encourage manufacturing firms to shift production from off-shore to plants in the U.S., and to promote exports from these sites.

Description

FTZs are domestic sites where international businesses can place merchandise that is not subject to U.S. custom levies. The zones were designed to encourage U.S. exports and the relocation of foreign manufacturing and production to U.S. sites. FTZs, commonly called duty-free zones, benefit firms that either produce goods within them for export, or import parts for assembly and re-export. In practice, an FTZ may be nothing more than warehouses, located at or near ports of entry. Goods can enter FTZs without payment of duties or excise taxes, which are deferred until the goods enter domestic markets. If merchandise is exported from the zones, no duties apply.

Rules and eligible activities are locally determined and vary from zone to zone, but in general FTZs encourage exports by improving the cost-competitiveness of firms engaged in their manufacture and processing. Federal law has defined five instances in which FTZ exports are considered duty-free: foreign goods shipped through FTZs to third countries; foreign goods processed in goods and shipped abroad; foreign goods processed or assembled in FTZs with some domestic materials and parts and then re-exported; goods entirely made of foreign materials and then re-exported; and goods produced in FTZs from a combination of foreign and domestic components, and then exported.

FTZs were created by the Foreign Trade Zones Act of 1934, which created a board of directors that approves applications to establish and operate zones. Congress has authorized two types of zones. The first, a general purpose zone, is normally located at a port of entry such as an airport, shipping port, or border crossing and used as a warehousing and distribution center. General purpose FTZs are usually industrial parks, where space is leased to companies wanting to take advantage of the trade-zone status. Subzones are areas located outside the general purpose zone, but are legally and administratively attached. Subzones are considered private because they are used by a single company. The main activity in subzones is manufacturing.

Funding Form

The financial benefit to manufacturers and other companies takes the form of relief from customs duties.

Eligible Applicants

Any company may locate in a zone. Manufacturers have the most to gain, because of the customs duty exemptions.

Eligible Activities

Manufacturing operations have the most to gain by affiliating with an FTZ.

Application and Review

The Department of Commerce designates FTZs and regulates their activities. Firms wishing to take advantage of the benefits of general purpose zones need only establish occupancy within the zone, by buying or renting space. Companies wishing to establish their own subzone must submit an application package containing the following: a cover letter showing the firm's eligibility; type of authority required; a description of the proposed site or facility; project background; and an explanation of the need for the zone, its relationship to community interests in economic development, and how the firm will operate and finance the project. In subzones where manufacturing will be the primary activity, the application must include the following additional information: products and components; tariff rates; benefit to the operator; and the community or public benefits (such as employment or tax revenues).

Applicants must include a federal filing fee. Applications are considered in ten to 12 months of the initial filing, although pre-filing reviews are generally completed within 45 days. The Federal Trade Zone Board makes all decisions concerning approval of applications, petitions for FTZ expansions, monitoring zone operations, and imposing activity restrictions.

Funding Level

Not applicable.

Additional Considerations

The number of FTZs and subzones experienced dramatic growth since 1980, jumping from 75 in 1980 to nearly 400 today. The value of merchandise handled by FTZs increased roughly thirty-fold over this period as well, to about $9 billion. The use of subzones for manufacturing purposes has skyrocketed. In 1970, subzones accounted for 9 percent of all goods received in FTZs. By 1991, that figure had grown to a whopping 93 percent. This growth was mainly due to automobile manufacturing.

Another major trend is the use of FTZs to avoid inverted tariffs. An inverted tariff means that the duty on a final good may be lower than the duty rate of its components. For instance, the tariffs on automobile parts range from 4 to 10 percent, while the duty on a finished car is only 2.5 percent. FTZs come into play when auto manufacturers import auto parts into a subzone, use the parts to assemble autos at plants within the subzones and then pay a 2.5 percent tariff on the finished automobile. In essence, having the assembly plant in the subzone allows the auto maker to pay lower duties on imported auto components. The percentage of firms applying for FTZ status and that plan to use the status to avoid inverted tariffs is high.

FTZs are most effective as part of an overall economic development strategy. Some localities have failed in their efforts to develop FTZs because they counted solely on the FTZs to attract business. A successful FTZ must have a good location, operators who are experienced in international trade, and an overall marketing plan to attract businesses to the zone.

The regulations governing FTZs were last revised in 1991. The new regulations expanded the area around a point of entry where an FTZ might locate from a radius of 35 miles to one of 60 miles. If a foreign trade zone is not established within five years of its authorization, it loses its authorization. There is some concern over how subzone applicants can acceptably demonstrate that the subzone will benefit the public. The establishment of a zone must be consistent with U.S. trade policy and must not be designed to subvert U.S. quotas. Finally, goods arriving at the zones are subject to antidumping and countervailing duties.

Contact

For information on the FTZ program, contact the trade zone board at the address below. For information on a specific zone or subzone, contact that area directly. (See list at the end of this section.)

Foreign Trade Zone Board
U.S. Department of Commerce
Room 3716
Pennsylvania Ave. and 14th St., NW
Washington, DC 20230
(202) 482-2862

Other Manufacturing and Technology Publications

Advancing Manufacturing Competitiveness: A Practitioner's Guide to Federal Assistance
by Charles Bartsch, Kerry Sutten, and Richard Purcell
This 162-page guidebook profiles, for the first time, the most important and useful federal programs available to small and mid-sized manufacturers. In clear and easily accessible language, it lays out the purpose of 33 key initiatives and describes how they can be used by industry. Any manufacturer, or those who work with manufacturers, will find themselves referring to this publication as *the* source for federal program information.

1996. 162 pages. $36.

Coming Clean for Economic Development: A Resource Book on Environmental Cleanup and Economic Development Opportunities
By Charles Bartsch and Elizabeth Collaton
Environmental concerns, traditionally viewed as peripheral by economic development practitioners, now play an important role in the economic revitalization process, especially in older industrialized communities. This resource book identifies cross-cutting economic development and environmental cleanup opportunities and common environmental rules. It provides practitioners with information on state voluntary cleanup programs and resources needed to make informed decisions when dealing with industrial site cleanup and reuse proposals.

1996. 156 pages. $36. Case studies.

Getting Back to Work: Breathing New Life into American Manufacturing
Prepared by Northeast-Midwest Congressional Coalition's Manufacturing Task Force
The Manufacturing Task Force, a bipartisan group of legislators co-chaired by Reps. Bob Franks (R-NJ) and Marty Meehan (D-MA), believes a healthy manufacturing sector is the critical component of a prosperous U.S. economy. The Task Force's report proposes a series of 40 tax and program incentives to expand the vitality of American manufacturers.

1994. 45 pages. $18. Graphs.

Enhancing Competitiveness: Selected State Technology Transfer Initiatives
By Charles Bartsch
Technology is the linchpin of manufacturing competitiveness. This report documents more than 30 state programs designed to promote technology transfer and competitiveness. It offers insights into the characteristics of a successful and effective program, explaining what the programs do, whom they seek to help and how, and what specific projects are supported. Contacts for each initiative are provided.

1994. 75 pages. $25. Case studies.

Postage and Handling Charges: $3.00 for the first title. $0.50 for each additional title.
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