

Finding Government Funding (*Entrepreneur Magazine* – September 18, 2000)

A large number of reader inquiries have recently focused on *where* and *how* to apply for business funding through various federal and state programs. My general response to these questions is, Yes, government funding is out there, but understand the specific stipulations and restrictions that apply to securing this money. Aspiring entrepreneurs need to be cautious because grants, subsidies and low-interest loans come with strings attached that narrowly define the types of endeavors in which the capital can be used. There are no deals out there that simply "give" you money to pursue a business idea. You have to match your company to a particular program and then meet all the prerequisite funding criteria. Here's an overview of what's available. See what's offered, then see if your venture can conform to fit those requirements.

According to the U.S. Office of Management and Budget, the available federal grants-in-aid totaled \$135.3 billion in 1990; the projected figure for 2000 is just over \$305 billion. Ready to get your little piece of this pile of money?

The broadest category of funding is aimed at promoting "affordable housing." Congress believes housing choices support a thriving commercial sector for communities, so they've created programs to encourage various types of real estate development. The other big category of funding involves stimulating certain kinds of small-business activity in depressed locations.

The largest grants and subsidies come in the form of materials-cost subsidies, rent and mortgage subsidies, reconstruction grants, and super-low-interest loans from the Office of Housing and Urban Development to fix

up residential properties in depressed inner-city neighborhoods. The second largest category involves federal support for enterprise zones (also called empowerment zones), where government grants, subsidies and loans are offered to certain minority-owned businesses or companies that will conduct operations in what have typically been unattractive inner-city locations.

The next largest category of government funds is available to businesses that engage in certain types of health-care activities (inner-city clinics, pharmacies), transportation (inner-city or rural mass transit subcontracting), community and regional development (child care, after-school facilities), and educational ventures (job training centers). Congress makes these funds available as an incentive to launch an enterprise that will contribute to the commercial success of economically hard-hit rural and urban areas. Loans and subsidies come from the U.S. Department of Agriculture, the Veterans Administration, state housing agencies, the Federal Housing Administration, state redevelopment agencies, management and technical assistance for the developmentally disabled, and the U.S. Department of Energy for research or product development in the many areas surrounding alternative fuels. And many programs simply provide a federal guarantee for loans that individuals secure through banks if the funds are for one of these specific agency projects. This is the case when the SBA backs a small-business loan from a qualified commercial bank.

For example, if you're ready to locate your small manufacturing firm in a depressed downtown area and will agree to hire and train local residents for your workforce, you could easily get a government grant for startup costs, a subsidy for your overhead costs of rent and utilities, and a 3 percent long-term loan for equipment financing. If you want to purchase 20 inner-city, single-family row-house units (currently vacated and in disrepair), and then

fix them up and rent them (or sell them) to minority families, there are plenty of federal grants for start-up costs, low-interest loans to cover reconstruction costs, and low-interest mortgage or rent subsidies to attract residents once the project is completed.

The key for entrepreneurs is to know the kinds of businesses, the exact locations for these, and the types of work force the government wants to support. If you can match your venture to the program's criteria, then you may have found funding for your business idea.