

Newsline

A Quarterly Newsletter from the San Diego District Office

U.S. Small Business Administration



Your Small Business Resource

Volume 1 Issue 2

Did you know small firms ...

- Represent 99.7% of all employer firms.
- Employ half of all private sector employees.
- Pay 44.3% of the total U.S. private payroll.
- Have generated 60% to 80% of new jobs annually over the last decade.
- Supplied more than 23% of the total value of federal prime contracts in fiscal year 2003.

Source: SBA Office of Advocacy—Small Business by the Numbers.

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SBA's Small Business Loan Programs Receive Significant Boost

The president has signed legislation making more than \$21 billion available to small businesses through the SBA's two main loan programs. The legislation also reauthorizes the agency's programs and provides a \$580 million budget for fiscal year 2005.

The SBA's flagship 7(a) loan guarantee program was boosted to a \$16 billion level, \$3.5 billion above what the program provided last fiscal year, when a record \$12.55 billion in financing was made to small business. Additionally, the government loan guarantee increased from \$1 million to \$1.5 million and the program will now operate without a congressional appropriation or at zero subsidy, meaning that the program will be self-supported through modest fees paid by lenders and borrowers.

An additional enhance-

ment to the 7(a) program was Congress' action to make the popular SBAExpress program permanent, raising the maximum loan size to \$350,000 with a 50 percent government guarantee.

"I would like to thank Senator Frist, Speaker Hastert and Small Business Committee Chairs Snowe and Manzullo, and our banking partners for working with the administration to strengthen the 7(a) program," said SBA Administrator Hector V. Barreto. "This is an important win for small businesses and will ensure long term stability to the program."

Congressional action included expanding the agency's 504 loan program up to the \$5 billion level, and raising the maximum loan size for manufacturers to \$4 million. The 504 loans may be used for the pur-

chase of real estate, buildings and machinery.

Other highlights in the bill include \$3.250 billion for SBIC debenture financing and funding for the microloan and HUBZone programs. The SBA's disaster program, instrumental in the assistance provided after the rash of hurricanes this past summer, previously received supplemental funding.

In the area of entrepreneurial development, the Small Business Development, SCORE and Women's Business Centers were reauthorized and funded at the same levels as last year. The bill also provides funding for the veterans and Native Americans programs.

"The SBA had a record breaking year in the number of loans and technical

See *Loan Programs* on 2

SBA Success Story—Cut 'N Core, Inc.

Susan Mercurio started Cut 'N Core, a home-based concrete cutting business, with her husband in 1979, financing it with money raised from the sale of Susan's 1973 Porsche. In 1988 she became sole owner, when she and her husband divorced, and credits the experience she gained at a law firm in accounting and other organizational functions with making

See *Cut 'N Core* on 3



Visit the San Diego District Office web site at:

www.sba.gov/ca/sandiego

for a listing of events and workshops to grow your small business.

Loan Programs

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assistance it provided to entrepreneurs last year and we're poised to do even better this year, particularly in our loan programs," Administrator Barreto said. "Under President Bush's leadership,

we will continue to move in a direction of more efficient and effective delivery of our products and services. In the long term this is good for the American taxpayer and for small businesses."

California Tax Amnesty Ends March 31

We all make mistakes, but we don't always get a chance to correct them. If you did not properly report sales or use taxes in the past, now is your chance to correct that oversight by taking advantage of the Board of Equalization's sales and use tax amnesty program.

You can avoid significant penalty charges and possible criminal prosecution if you apply, file the required returns, and pay the overdue taxes and interest in full.

Amnesty provides a rare opportunity to report and pay sales and use taxes that were not reported or to pay tax liabilities that were reported but which remain unpaid. Amnesty allows you to report those tax liabilities

without fear of criminal action being brought against you by the State of California. If you fulfill all amnesty requirements, you will be relieved of penalties for the reporting periods that are eligible for amnesty.

You are eligible to participate in sales and use tax amnesty for tax reporting periods that started before January 1, 2003 if you underreported sales or pur-

chases on a previously filed return, did not file a return or report tax for a taxable sale or purchase, or have an existing liability. You are not eligible to participate in the sales and use tax amnesty program if you are currently under criminal investigation or if a court proceeding has been initiated against you as of February 1, 2005.

To apply for amnesty you must complete and sign an amnesty application and submit it to the Board of Equalization during the sales and use tax amnesty period. The amnesty period starts February 1, 2005 and ends March 31, 2005. Applications will be available by January 15, 2005.

To participate in the sales and use tax amnesty program you must apply by March 31, 2005, file any required tax return(s) by May 31, 2005, and pay all tax and interest amounts in full by May 31, 2005. (If you can not pay in full by then, you may request to enter into an installment plan. If your request is approved, you must pay in full by June 30, 2006.)

To obtain additional information contact the Board of Equalization Information Center at (800) 400-7115 or the Taxpayers' Rights Advocate Office at (888) 324-2798. You may also visit the California Board of Equalization web site at www.taxes.ca.gov.



New Policy to More Accurately Report on Small Business Federal Contracting

SBA implemented a new policy that enables the federal government to more accurately monitor contract awards when a small business is purchased or merged with a large business through the process of novation.

The new policy requires a business to recertify itself as small for federal contracts transferred to it from another business if the contract is to continue being

counted as a small business contract. It will also assist small businesses in obtaining contracts as federal agencies seek out new small businesses for contracting opportunities.

The policy recognizes that a business can be legitimately small when it is awarded the contract, but may become a large business by merging or being acquired by another company. Until recently, that

company did not need to recertify if it transferred the contract to the acquiring business.

In the novation process, once a small business has been acquired by means of a purchase or merger, the contract is rewritten to reflect the transfer of ownership and the small business owner must reaffirm its small business status by submitting a written self-certification statement to

the contracting officer of the procuring agency. Once the small business status has been established by the new owner, the contracting officer can count the contract toward the agency's small business contracting goals.

When a small business becomes part of a large business through purchase or merger, federal contracts

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Cut 'n Core, Inc. — SBA Success Story

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the transition.

Susan, respected by colleagues for her ability to handle herself in a traditionally male dominated industry, states "I wound up in a man's industry and truly enjoy every day of work. I look forward to working daily with our customers and providing a good place to work for our co-workers. I have worked hard to achieve my goals, both personal and professional."

Today Cut 'N Core, Inc., employs 26 full time profes-

sionals and provides concrete and asphalt cutting services, demolition services, core drilling, and wall sawing services. Susan believes that without her highly valued customers and skilled co-workers her success would not have prevailed. She states "I have the cream of the crop of qualified operators, laborers, and office staff which makes Cut 'N Core second to none".

In 2002, with the assistance of an SBA guaranteed loan, Susan purchased a new office facility at 9194 Chesapeake Drive in San

Diego, to accommodate the growth of her business.

Cut 'N Core is a certified Disadvantaged Business Enterprise (DBE) with the Port District and Cal Trans and is a union affiliated shop with over 300 years of combined experience among its co-workers. At Cut 'n Core, Susan emphasizes quality workmanship, professional attitude, and a team approach with her employees, or "co-workers" as she prefers.

In 2003 Susan Mercurio was recognized for her

achievements with the SBA's 2003 Woman-Owned Small Business of the Year Award from the SBA San Diego District Office. The success of Cut 'n Core, however, has not been achieved without any challenges.

On September 8, 2004, the entire company was grief stricken when a co-worker, Clayton McCobb was murdered. While on his way to a worksite, McCobb stopped at an ATM to deposit his pay check. He was car-jacked, robbed, and killed by three suspects. "Clay" as his many friends called him, joined Cut 'N Core in 1984 and was the first of eight co-workers hired at the company. This tragic event had a devastating impact on Susan and all of her co-workers but Clay's memory will always live with them.

Since Susan started the business in 1979 with just a hand full of employees and equipment, Cut 'n Core has more than tripled in size and is more diversified then ever.

Initiative Spurs Native American Economic Development

SBA will assist in the economic development of Native American small businesses by supporting the creation of 20 firms that will reduce wild land fire risks to people, communities and the environment.

The establishment of these Native American firms is part of the SBA's implementation of the President's Healthy Forests Initiative, designed to reduce the threat of destructive wildfires to the nation's forests, communities and endangered species. The President's initiative has prompted forest restoration projects that include clearing forests of underbrush and trees to improve forest health and to benefit surrounding communities.

"The President has made forest health a high priority, and will continue to promote forest conservation and restoration," Hector V. Barreto, SBA Administrator said. "Under the Healthy Forests

Initiative, this Administration has acted to remove the causes of severe wildfires by thinning forest undergrowth before disaster strikes, and the development of Native-American small business ownership will help to ensure a healthy environment and continued economic growth and job creation."

The Healthy Forests Initiative allows federal agencies to enter into long-term contracts with small businesses, communities and nonprofit organizations to reduce wild-fire risk and improve forest health. This effort establishes a framework for protecting communities and the environment through thinning, planned burns and restoration projects.

The SBA recently contracted with the Intertribal Information Technology Co. (IITC), to develop and train 20 Native American forest restoration companies that will participate in forest restoration and preservation.

The IITC is a multi-tribal 8(a) firm teamed together to build information technology business on Native American lands, and is an advocate for reservation economic development.

The IITC will help to establish the forest restoration companies, as well as help the firms to bid on Healthy Forests Initiative contracts with the federal government. The creation of these Native-American owned reservation-based companies is vital to the advancement of forest restoration projects, and will help to reduce fire danger and return the nation's forests and rangelands to a healthier state.

For more information on Native American business development through the Healthy Forests Initiative project, contact project director Malcolm Bowekaty with the IITC at 505-870-3363.

Contracting

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that are transferred to a large acquiring business needs to be properly counted as contracts now held by large businesses. Now that federal contracts may last as long as 20 years under multiple award contracts such as the GSA Schedules, policies on small business reporting must take into account potential changes in business ownership and control that may occur over time.

Assistance for Small Businesses Affected by Military Call-Ups

Small business owners or small businesses that employ military reservists or national guard members in key positions can receive online assistance through a web page developed by SBA's Office of Veterans Business Development.

The SBA Office of Veterans Business Development created the site to assist small business owners or small businesses with key employees who are members of the Reserve or National Guard find relevant information. The first phase of the information website, www.sba.gov/reservists, is part of a comprehensive plan to provide members of the National Guard and Reserve who own or are an essential employee of a

small business with timely information on all SBA programs and services available to them if and when they are called to active duty.

Through a vast array of programs and services, the U.S. Small Business Administration provides tools to assemble and enact a plan designed to prevent or reduce the potential disruption caused a business by the sudden absence of a key player. The SBA and its resource partners offer managerial, technical and financial assistance, counseling and training to assist small business with any conceivable business-related issue, from how to market their products and services, to financial assistance, to what

to do if called to active duty.

Salient among these programs are: basic 7(a) loan guarantee, SBA's primary loan program to help small businesses obtain financing while they may not be eligible through conventional channels; disaster loans for eligible small businesses affected by the call-up; debt relief on SBA loans in the form of repayment deferrals, interest rate reductions and other assistance.

The site has a list of Veterans Business Development Officers nationwide, information on financial options, business counseling and training and other SBA resources.

Thus far, since the attacks on America on

Sept. 11, 2001, more than 100,000 Reserve and National Guard members have been called to active duty. In anticipation of additional call ups, the SBA has taken these steps to ensure that eligible small businesses are informed of these services.

Additional information about SBA programs and services for veteran-owned businesses can be obtained through the Office of Veterans Business Development web site at www.sba.gov/VETS or by contacting [Maria Hughes](mailto:maria.hughes@sba.gov), Veterans Business Development Officer in the San Diego District Office, at (619) 557-7250 ext. 1139.

How can the Small Business Development Center Help You?

The Small Business Development Center (SBDC) Network for San Diego and Imperial Counties delivers individual counseling, business management training, and technical support services to small business enterprises through three service centers. Each center provides training tailored to the needs of their local community and has access to a network of professional consultants offering expertise in a variety of business specialties.

The SBDC works with clients to identify their specific needs and selects a consultant with the necessary skills and expertise to work with the client. Each consultant assigned to a client is contracted and paid for directly by the SBDC. There is absolutely NO CHARGE for any consulting services!

The SBDC program is a cooperative effort of the private sector, the educational community, the U. S. Small Business Administration, and state and local governments. Contact the SBDC to help grow your business at one of

these locations:

Imperial Valley SBDC

301 North Imperial Avenue, Suite B
El Centro, CA 92243
(760) 312-9800
Benjamin J. Soloman, Director
www.ivsbdc.org

North County SBDC

1823 Mission Street
Oceanside, CA 92054
(760) 795-8740
Sudershan Shaunak, Director
www.sandiegosmallbiz.com

Small Business Development and International Trade Center

900 Otay Lakes Road, Bldg. 1600
Chula Vista, CA 91910
(619) 482-6391
Victor M. Castillo, Director
www.sbditc.org



Mark your calendar today for SBA Expo 2005 during National Small Business Week in Washington, D.C., April 26-28, 2005. SBA Expo is a dynamic three-day event that brings together current and hopeful small business owners, corporations, trade associations, federal government employees, and community leaders to celebrate the common vision for the development and growth of small businesses nationwide.

Attendees have the opportunity to participate in an array of events all designed to enhance opportunities for entrepreneurs through valuable networking possibilities, unique educational information, and unparalleled inspiration. Special events include a small business expo, a business match-making event, business seminars, a town hall meeting, and award ceremonies honoring America's top entrepreneurs.

Information on SBA Expo 2005 can be found online at www.sba.gov/expo.

U.S. Small Business Administration



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The U. S. Small Business Administration was created in 1953 to maintain and strengthen the nation's economy by aiding, counseling, assisting, and protecting the interests of small businesses and by helping families and businesses recover from national disasters.

SBA's San Diego District Office is your small business resource for access to capital, counseling services, training, and government contracting opportunities, to help start or grow a small business in San Diego and Imperial counties. Our programs and services are delivered through participating lenders and our resource partners, SCORE: Counselors to America's Small Businesses, the Small Business Development Center, and the Women's Business Center.

Newsline is produced by the U. S. Small Business Administration's San Diego District Office. Subscribe to Newsline by registering online at web.sba.gov/list. Look for San Diego News.

San Diego District Office Fiscal Year 2005—1st Quarter Activity

October 1, 2004 through December 31, 2004

	Number of Loans	Dollar Amount
7(a) Loans	289	\$60,726,000
504 Loans	38	\$21,766,000
Total	327	\$82,492,000

Top 10 SBA Lenders Year-to-Date Based on Number of Loan Approvals

Bank of America, NA	47	\$1,551,500
Innovative Bank	36	\$245,000
Wells Fargo Bank, NA	30	\$2,606,500
CDC Small Business Finance Corporation	29	\$17,694,000
Capital One, FSB	23	\$955,000
California Bank & Trust	22	\$2,630,500
La Jolla Bank, FSB	14	\$6,495,000
Southwest Community Bank	11	\$6,645,000
San Diego Community Bank	9	\$2,974,500
EDF Resource Capital, Inc.	8	\$3,454,000

The San Diego District Office provided approximately 4,974 clients with counseling services and training through the assistance of our resource partners, SCORE: *Counselors to America's Small Businesses*, the Small Business Development Center, and the Women's Business Center of California. Additionally, we made 131 8(a) contracts, including modifications, worth \$24,344,572.