

Congressman

Paul E. Kanjorski

Representing the 11th Congressional District of Pennsylvania

SMALL BUSINESS ASSISTANCE GUIDE

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CONGRESSMAN PAUL E. KANJORSKI HAS PREPARED THIS SMALL BUSINESS ASSISTANCE GUIDE FOR INFORMATIONAL PURPOSES ONLY. BEFORE MAKING ANY FINANCING DECISIONS, YOU SHOULD CONSULT WITH OFFICIALS AT THE SMALL BUSINESS ADMINISTRATION AND WITH AN ACCREDITED LENDER TO CRAFT A PLAN TO MEET YOUR NEEDS.

Dear Business Leader:

In an effort to keep business leaders in my congressional district informed of federal and state aid programs for which they may qualify, I have completed this business assistance guide. It is intended to outline assistance programs in a concise manner, which allows for quick review and cross comparison.

It is my firm belief that the economic revitalization of Northeastern and Central Pennsylvania depends on the success of our small business communities. While some companies are expanding, the region has yet to realize its full economic potential. It is essential that every effort be put forth to ensure that the region's business leaders are supplied with the resources they need to expand operations, create jobs and generate revenues.

The first section of the guide details issues that individuals should consider when starting a business. The guide also includes sections on federal government programs regarding business financing, research and development funding, and government procurement. Additionally, I have included a section that specifically discusses resources available for Northeastern and Central Pennsylvania.

To specifically address the financing needs of small businesses, this guide

highlights many of the programs maintained by the United States Small Business Administration (SBA). The SBA directs the majority of the federal aid programs. The administration should be consulted first by businesses looking to expand operations, upgrade machinery and equipment, or seek working capital.

Many other federal agencies provide assistance to small businesses as well. Some of these programs are discussed in greater detail in the pages that follow.

The topic of Government procurement is also addressed in this Guide. The Federal Government is the largest consumer of goods and services in the country, yet many businesses do not know how to sell to government agencies. In order to expand sales opportunities for small and mid-sized businesses, the Guide discusses procurement programs, which stem from federal government agencies. In addition to expanding opportunities for companies, increased involvement in government procurement by the businesses of Northeastern and Central Pennsylvania will have a direct and positive impact on the region's economy.

Finally, it is extremely important to understand that the Guide serves as a working document in which programs

and topics are added, deleted, and updated as necessary. Your experience in dealing with the Federal Government will be helpful to me in making suggestions to other businesses and improving the document.

Furthermore, every federal program will be under intense scrutiny as Congress seeks cuts in the federal budget, and it is important for me to know which programs are worthwhile. Please feel free to contact me with any comments or questions you have.

Once again, I hope the information I have organized in the Business Assistance Guide is useful to you. I wish you the best of luck with all your business endeavors.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Kanjorski". The signature is written in a cursive style with a large, prominent initial "P".

Paul E. Kanjorski
Member of Congress

STARTING A SMALL BUSINESS

When considering whether to start a small business, entrepreneurs should consider several issues. First and foremost, individuals aspiring to start their own business should spend some time formally developing their business concept. After developing the business concept, entrepreneurs should work on constructing a business plan in order to secure financing options. You should also visit the Small Business Administration's (SBA) website at http://www.sba.gov/starting_business/index.html for more information.

When beginning the process to start a small business, you should consult with the Small Business Development Centers (SBDC) in your community. The SBDC program is a cooperative effort of the private sector, the educational community, and federal, state, and local governments (see page 18 for more information). Locally, the SBDCs at Wilkes University and the University of Scranton have been enormously successful in fostering small businesses in Northeastern Pennsylvania. You can visit the SBDCs at both universities free of charge. The SBDCs in Northeastern Pennsylvania are located at the following addresses:

University of Scranton SBDC

Elaine Tweedy, Director
St. Thomas Hall, Room 588
Scranton, PA 18510
(570) 941-7588 or (570) 829-7232
www.pasbdc.org/scranton

Wilkes University SBDC

Ruth Hughes, Director
Hollenback Hall
192 S. Franklin Street
Wikes-Barre, PA 18766
(570) 408-4340
sbdc.wilkes.edu/

The SBA maintains a branch office in Philadelphia that can answer specific questions about SBA programs. You can reach the Philadelphia office through the following contact information:

Philadelphia District Office
Robert N.C. Nix Federal Building
900 Market Street, 5th Floor
Philadelphia, PA 19107
(215) 580-2SBA

The pages that follow offer, among other things, information on some of the following topics:

Starting a Small Business	Federal Procurement Process
Financing Your Small Business	Taxes and Insurance
SBA Financial Assistance Programs	Tax Incentives

Developing Your Concept

Before you can establish your small business, you should take some time to ask, answer, and reflect on the following points:

Which business is right for me?

- 1) What do I like to do with my time?
- 2) What do others say I am good at in life?
- 3) Do I have hobbies or interests that are marketable?

What niche will my business fill?

- 1.) Do I have a practical business idea?
- 2.) What is my advantage over existing firms?
- 3.) Can I create a demand for my business?

Am I finally ready to begin my business?

- 1.) Where will the business be located?
- 2.) What structure of ownership will the business implement?
- 3.) How will the business find resources?

Creating a Business Plan

After developing a business concept, prospective small business owners should begin creating a business plan. If an owner of a business wants to apply for a loan, they will have to submit a business plan. This plan will enable the lender (of the money) to see the strategic steps the business will take to generate the money that will eventually pay back the loan. Business plans also help the owner of the small business to think about the different and crucial aspects of the company. If you are applying for financing for your business, you will need to supply the financial institution with a copy of your business plan as part of the application (see the Financing section).

INTRODUCTION:

- ◆ Detailed description of business and goals
- ◆ Ownership of the business as well as the legal structure (sole, general, limited, etc.)
- ◆ Skills and experience you bring to the business
- ◆ Discuss the advantage your business has compared to competitors

MARKETING:

- ◆ The products and services offered
- ◆ Identify the customer demand
- ◆ Identify your market, its size, and locations
- ◆ Explain how you will advertise
- ◆ Discuss pricing strategy

FINANCIAL MANAGEMENT:

- ◆ Detail your source for internal capital
- ◆ Develop a monthly operating budget for the first year
- ◆ Discuss your break even point
- ◆ Tell who will maintain your accounting matters
- ◆ Provide “what if” statements for approaches to problems that may develop

OPERATIONS:

- ◆ Discuss daily operation of the business
- ◆ Discuss hiring procedures
- ◆ Account for equipment and delivery of and for the services
- ◆ Suppliers

CONCLUDING STATEMENT:

- ◆ Summary of business goal
- ◆ Projected Financial Statements should also be part of any business plan

Two Small Business Administration programs, *Small Business Development Centers (SBDC)* as well as the *Service Corps of Retired Executives (SCORE)* program (see page 20 for program details), offer free assistance with the preparation of business plans. Once the plan is perfect in your eyes, meet with your potential lender to discuss an agreement that changes as the business flourishes.

Ownership and Management should be a separate section of the plan, including a resume of owners and key personnel. A Location section for some businesses, such as retailers, may be necessary when location is a critical element. The location section would include not only the physical address, but also the parking, traffic patterns, other businesses in the area that may be draw or deterrent to the business. Finally, you may want to consider including the physical layout of the building in your plan.

FINANCING YOUR BUSINESS

Once you have developed your concept and constructed your business plan, you will need to think about how you intend to finance your small business. Your ability to obtain and secure appropriate financing is one of the key prerequisites to starting a successful business. Raising capital is the most basic of all business activities. But raising capital may not be easy. In fact, it can be a complex process. However, if you are informed and have planned effectively, raising capital for your business may be a positive experience. The following information summary focuses on ways small businesses can raise money and explains how to prepare a loan proposal.

Finding the Money You Need

There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision. The following are some potential sources:

- ◆ **Personal Savings:** The primary source of capital for most new business comes from savings and other from other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even from very small loans.
- ◆ **Friends and Relatives:** Many entrepreneurs look to private sources when starting a business venture. Friends and family may loan money at free or low interest rates, which can be beneficial when getting a business started.
- ◆ **Banks and Credit Unions:** The most common sources of funding, banks and credit unions, will provide a loan if you can present a sound business proposal.
- ◆ **Venture Capital Firms:** The firms help expanding businesses engage in the exchange of equity or partial ownership.

On its website, SBA has established a special section, which provides information about financing your small business. The web address is as follows:

http://www.sba.gov/starting_business/financing/basics.html.

Borrowing Money

It is sometimes said that small business people have a difficult time borrowing money. This is not necessarily true. Banks make money by lending money. The inexperience of many small business owners in financial matters, however, often prompts banks to deny loan requests. Applying for financing when you are not properly prepared sends a “high risk” signal to your lender.

To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a “good” credit risk.

Types of Business Loans

Terms of loans may vary from lender to lender, but there are two basic types of loans: **short-term** and **long-term**.

Generally, a **short-term loan** has a maturity of up to one year. These include working capital loans, accounts-receivable, and lines of credit.

Long-term loans have maturities greater than one year but usually less than seven. Real estate and equipment loans may have maturities of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

Writing a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business, and your financial needs to a lender. It is important to remember that lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chance of obtaining a loan is to prepare a written proposal.

A solid loan proposal will contain information on your business concept and your financial needs to a lender. You can satisfy the information requirements listed below with a sound business plan as described above. A robust loan proposal will contain the following:

General Information

- ◆ Include business names, names of principals, Social Security number for each principal, and the business address.
- ◆ Define the purpose of the loan – it is important to explain exactly what the loan will be used for and why it is needed.
- ◆ Identify the amount required – describe the exact amount of money you need.

Business Description

- ◆ Describe the history and nature of the business – details of what kind of business it is, its age, number of employees, and current business assets.
- ◆ Discuss ownership and nature of the business – details on your company's legal structure.

Management Profile

- ◆ Develop a short statement on each principal in your business – provide background, education, experience, skills and accomplishments.

Market Information

- ◆ Clearly detail your company's products as well as your markets.
- ◆ Identify your competition and explain how your business competes in the market place.
- ◆ Profile your customers and explain how your business can satisfy their needs.

Financial Information

- ◆ Compile Financial Statements—Be sure to collect balance sheets and income statements for the past three years. If you are starting out, provide a projected balance sheet and income statement for three years.
- ◆ Personal financial statements, including information on tax returns, on yourself and other principal owners of the business.
- ◆ Include collateral you would pledge as security for the loan.

The Loan Request Review Process

When reviewing a loan request, the lender is primarily concerned with repayment. Loan officers judge loan applicant on what are commonly referred to as *the four C's*:

- ◆ **Character:** Lenders will order a copy of your credit report and review debt repayment trends. They want to know if you pay your bills, and if you pay them on time. If there are blemishes on your report, explain them.
- ◆ **Cash Flow:** Lenders will look at historical and projected cash flows to determine whether you will be able to repay the loan and still have money to adequately run the business. Include written justifications for your projections in your loan proposal.
- ◆ **Collateral:** Collateral is an asset (something you own) which a lender may claim to satisfy a loan in the event the loan is not repaid according to the required terms. Often assets purchased with the loan may serve as collateral. If the business does not have enough collateral, the bank will look to personal assets.
- ◆ **Capitalization:** Capitalization refers to the basic resources of the company including owner's equity, retained earnings, and fixed assets. You do not have to be fully capitalized to qualify for a loan.

SBA'S ROLE IN PROVIDING FINANCIAL ASSISTANCE

The U.S. Small Business Administration (SBA) is an independent Agency of the Executive Branch of the Federal Government. It is charged with the responsibility of providing four primary areas of assistance to American Small Businesses. These are: Advocacy, Management, Procurement, and Financial Assistance. SBA primarily delivers financial assistance in four main ways: through business loan programs, investment programs, bonding programs, and research and consulting programs. **The SBA does not offer grants to start or expand small businesses, although it does offer a wide variety of loan programs, many of which are detailed in the following pages.**

The Small Business Administration's Business Loan Programs

SBA sets the guidelines for the loans while SBA's partners (lenders, Community Development Organizations, and Microlending Institutions) make the loans to small businesses. SBA backs those loans with a guaranty, which eliminates some of the risk to the lending partners who encourage eligibility and credit requirements based on dictates established and regulated by Congress. The SBA's requirements and practices can change however as the federal government alters its fiscal policy and priorities to meet current economic conditions. Therefore, past policy cannot always be relied upon when seeking assistance in today's market.

Although the SBA has the authority to make or guaranty a business loan through its Direct Loan Programs, Congress has not provided funding for these programs in recent years and no new appropriations are anticipated in the near future. Therefore, SBA's direct assistance programs for business are not available, rendering these programs void.

With a guaranty loan, the actual funds are provided by independent lenders who receive the full faith and credit backing of the Federal Government on a portion of the loan they make to small business. **The guaranty that SBA provides these institutions transfers the risk of borrower non-payment, up to the amount of the guaranty, from the lender to SBA.** Therefore, when a business applies for an SBA Loan, they are actually applying for a commercial loan, structured according to SBA requirements, which receives an SBA guaranty. In a variation of this concept, Community Development Organizations can get the Government's full backing on their loan to finance a portion of the overall financial needs of an applicant small business.

SBA administers three separate, but equally important loan programs: *the Basic 7(a) Loan Program*, *the Certified Development Company (504) Loan Program*, and *the MicroLoan Program*. The following is a detailed description of these three main loan programs in greater detail:

7(a) Loan Guarantee Program

The 7(a) loan guarantee program is the SBA's primary loan program. Through this program, the SBA provides guarantees on loans structured under SBA requirements. The SBA reduces risk to lenders by guaranteeing major portions of loans made to small businesses when funding is otherwise unavailable on reasonable terms. The eligibility requirements and credit criteria of the program are very broad in order to accommodate a wide range of financing needs.

When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guaranty. SBA backing on the loan is then requested by the lender. In guaranteeing the loan, the SBA assures the lender that in the event the borrower does not repay the loan, the Government will reimburse the lending institution for a portion of its loss. By providing this guaranty, the SBA is able to help tens of thousands of small businesses every year get financing they would not otherwise obtain.

To qualify for an SBA guaranty, a small business must meet the 7(a) criteria, and the lender must certify that it could not provide funding on reasonable terms except with an SBA guaranty. The SBA can then guarantee as much as 85 percent on loans of more than \$150,000. In most cases, the maximum guaranty is \$1 million. Exceptions are the International Trade, DELTA and 504 loans programs, which have higher loan limits. Greater details about this program are available at SBA's website:

<http://www.sba.gov/financing/sbaloan/7a.html>

Certified Development Company (504) Loan Program

In contrast to the 7(a) program, the 504 Loan Program distributes loans through a Certified Development Company. A Certified Development Company (CDC) is a nonprofit corporation with a mission to contribute to the economic development of its community. Through this program, CDCs work with the SBA and private lenders to provide financing to small businesses. This program provides growing businesses with long-term, fixed-rate financing for major fixed assets. This program typically permits businesses to acquire real estate or to purchase, expand and/or modernize buildings, machinery or equipment.

Typically a 504 project includes a loan secured from a private-sector lender with a senior lien, a loan secured from a CDC (funded by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the total cost, and a contribution of at least 10 percent equity from the borrower. The maximum SBA debenture generally is \$1 million (and up to \$1.3 million in some cases).

Small businesses requiring “brick and mortar” financing are the primary applicants for this program. You can visit the program’s website at the following address for more information:

<http://www.sba.gov/financing/sbaloan/cdc504.html>

7(m) MicroLoan Program

The MicroLoan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to non-profit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

Small businesses and non-profit child-care centers needing small-scale financing and technical assistance for start-up or expansion are the primary recipients of loans under this program. Working with the SBA and specially designated intermediary lenders (nonprofit organizations with experience in lending and in technical assistance) help to make direct loans to small businesses. You can learn more about this program at:

<http://www.sba.gov/financing/sbaloan/microloans.html>

Microlender intermediaries in our area include:

Northeastern Pennsylvania Alliance

1151 Oak Street, Pittston, PA 18640-3795

Executive Director: Cameron Moore

Microloan Contact: Tom Pellegrini

E-mail: tompel@nepa-alliance.org

Phone: 570-655-5581 Fax: 570-654-5137

Service Area: **Carbon, Lackawanna, Luzerne, Monroe**, Pike, Schuylkill, and Wayne counties

URL: <http://www.nepa-alliance.org/>

MetroAction, Inc.

222 Mulberry Street P.O. Box 4731

Scranton, PA 18501-0431

Executive Director: John Kokinchak

Microloan Contact: Kristine French

E-mail: kfrench@scrantonchamber.com

Phone: 570-342-7711 Fax: 570-347-6262

Service Area: **Luzerne, Lackawanna, and Monroe** counties

URL: <http://www.scrantonchamber.com>

SEDA-Council of Governments

RR #1, Box 372, Lewisburg, PA 17837

Executive Director: Dennis E. Robinson

Microloan Contact: Thomas J. Venditti

E-mail: venditti@seda-cog.org

Phone: 570-524-9190 Fax: 570-524-449

Service Area: Centre, Clinton, **Columbia**, Juniata, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, and Union counties.

URL: <http://www.seda-cog.org/>

Specialized Programs Under 7(a)

Under the 7(a) program, the SBA administers a number of special loan guaranty programs that address specific needs of start-up or established business. These programs are governed, for the most part, by the same rules, regulations, fees, and interest rates as the 7(a) loan guaranty program. The following is a quick summary of each of the specialized programs offered under the 7(a) Loan Program. Should you find that one of these programs meets a specific, specialized need of your small business, you should contact Congressman Kanjorski for further details.

Pre-Qualification Loan Program

(<http://www.sba.gov/financing/sbaloan/prequalification.html>)

SBA Pre-Qualification Loan Program was developed to provide substantive support and assistance in the small business loan application process. It is aimed at those segments of the small business community that traditionally may have been underserved by lending institutions. The Pre-Qual concept revolves around intermediaries who help market the SBA's loan programs and assist prospective borrowers in assembling a viable loan application package.

To be eligible, **a prospective business must be 51% or more owned by veterans, women, or minorities.** Export eligible loans are those made with the intention of significantly expanding existing export markets or developing new export markets. With respect to rural markets and other specially designated geographical area or industries.

Low Documentation Loan

(<http://www.sba.gov/financing/lendinvest/lowdoc.html>)

Instead of lengthy loan applications, the SBA offers Low Doc to minimize paper work as well as to streamline small business loans. After the lender approves the participant, the SBA reviews the application within 36 hours and notifies the participant of their standing. Interest rates can be negotiated between the participant and the lender.

The purpose of this loan is to promote the growth of new businesses that employ 100 people or less and have good credit. The greatest amount allowed to be borrowed is \$150,000 repayable over five to ten years. There is an 85% guaranty from the SBA.

SBAExpress

(<http://www.sba.gov>)

Business leaders and lenders enjoy this loan because of its immediate response time. Successful applications are permitted to borrow a maximum amount of \$250,000 under

this loan. The primary lenders are those who are already involved with the SBA. The greatest amount of interest charged on SBAExpress loans is 6.5% on any loan less than \$50,000 and an interest rate of 4.5% on any loans that are greater than \$50,000. Response to borrowers to determine qualification is almost immediate.

Lenders are allowed to use their own means of authorization, which essentially means that they can use their own forms and their own analyzing process. Upon authorization the SBA will guarantee up to 50% of the loan. Qualifications of this loan are based on the number of employees, the previous twelve months of operation, and industry size standards.

CAPLines

(http://www.sba.gov/business_finances/cap/)

Set up for small firm using an “umbrella” format, the CAPLine program offers five different loan programs. These short-term loans are formulated in order for new businesses to meet their cyclical needs.

- *Seasonal Line*: Advances against seasonal sales fluctuations.
- *Contract Line*: Finances the direct cost of labor and the material assigned to contractors.
- *Builders Lines*: Specifically designed for developing contracting firms that provide service to builders’ renovations residential or commercial dwellings, this loan finances both labor and material costs.
- *Standard Asset Based Line*: This spoke of the umbrella branches out to those who are unable to meet normal criteria for long-term loans. Generally, this loan is used to provide credit to lenders who allow new businesses to borrow money. Since collateral is constantly monitored when using this loan, additional fees may apply.
- *Small Asset Based Line*: Provides up to \$200,000 and functions as an asset-based line except there is more latitude concerning the stricter policies as long as the business can show they will repay the loan.

The maximum amount that can be borrowed is \$1,000,000. All small businesses are usually eligible for the loan; however, each determination is made by a case-by-case review of the applicant(s).

Export Working Capital Program

(<http://www.sba.gov/oit/finance/ewcp.html>)

After an exporting business has been in business for a half a year or more (not limited to but including exporting), this loan can be used to finance short-term capitals. The SBA

and the Export-Import Bank joined together to help small exporting businesses gain support from the federal government.

There are four provisions of the loan: First, the borrower must submit a report of the plan of action they intend to use in order to obtain the money needed to pay back the loan. If they are granted a loan then they must keep the lender updated throughout the loaning period of the actions they are taking to repay the loan. Second, the SBA does not prescribe the lenders fees. Third, the SBA does not prescribe the interest rate for EWCP. Finally, SBA guarantees 90 percent of the loan but only up to \$1,000,000.

Dependability of business size varies from division to division. The loan cannot be used to seek exporting market advice, travel, or to pay off existing debts. Special circumstances apply to such parties as agriculturists, immigrants, and those on either probation or parole.

International Trade Loan

[\(http://www.sba.gov/business_finances/inter/\)](http://www.sba.gov/business_finances/inter/)

This loan is designed for those companies that are already involved with exporting their products, those who wish to do so, and even those businesses that experience competition from other countries in their exporting business. Its purpose is to expand the company so that it will grow in scale from the point it applied for the loan.

The loan is unique in that it is able to apply for construction, renovation, and expansion of facilities along with the modernization of equipment to ensure a better, well-maintained and established company for exports. The loan cannot be used to pay off previous debts acquired by the company. The fixed asset portion of the loan cannot exceed \$1,000,000 and the non-fixed asset portion of the loan cannot exceed \$750,000.

Export Express Program

<http://www.sba.gov/financing/frexporthtml>

The SBA will consult the borrower within 36 hours of application to notify them of their status. The loan opportunity is extended to those companies that have been in business for one year (including but not limited to exporting) and want to expand or begin an international market. The maximum loan is \$250,000.

U.S. Export Assistance Center (USEAC)

<http://www.sba.gov/oit/export/useac.html>

Located in metropolitan areas around the country, these stations are open to business

owners who seek assistance on global trade issues. Contact information for a center in close proximity to the business is located at www.sba.gov/oit/export/useac.html.

Small businesses sometimes face challenges; however the SBA provides technical assistance in the form of marketing, managing, and planning assistance. The assistance is provided by U.S. Export Assistance Center, which includes SBDCs and SCOREs.

Defense Loan and Technical Assistance (DELTA)

[\(http://www.sba.gov/business_finances/delta/\)](http://www.sba.gov/business_finances/delta/)

The SBA and the U.S. Department of Defense have teamed up to create this program to aid small business developers. It helps those businesses that are related to the defense dependent and were affected by the reductions in defense. It can be used for purchasing raw materials, renovations, working capital, buying assets, and even for refinancing current debt.

In order to qualify for this loan, 25% of the revenues of the company must be from the Department of Defense or from the Department of Energy. The loan also has three policies. Of these, one must be met through the funds provided by the loan: the business retains defense employees, must create new jobs, the actions taken must still enable the business to be part of the Department of Defense. The SBA will back up to \$2,000,000 for the loan.

Disaster Assistance Program

[\(http://www.sba.gov/disaster_recov/index.html\)](http://www.sba.gov/disaster_recov/index.html)

Natural disasters as well as other events such as September 11th impact small businesses. The SBA created a long-range disaster assistance program that targets businesses that need assistance in rebuilding themselves after a tragic event that disables their business. A low interest rate not exceeding 10 percent is granted to applicants that do not have credit elsewhere. There are also loans that do not exceed 8 percent for applicants that do have credit available elsewhere. This type of loan may only be administered when either the President of the United States or the SBA administrator declares an event a disaster.

There are three types of disaster loan programs. First, the *Physical Disaster Business Loan* allows businesses of any size loans that will cover up to \$1.5 million in uninsured losses. Second, *Economic Injury Disaster Loans (EIDL)* make loans to those businesses that cannot afford to pay normal operating budgets due to a disaster. The maximum loan amount is \$1.5 million. The third type of disaster loan program is the *Home And Personal Property Loan*. Businesses can use this long-term recovery loan to borrow up to \$200,000 to repair uninsured losses that occurred because of the disaster.

SBA's Investment Program: Small Business Investment Companies (SBIC)

Beyond providing business loans, the SBA also encourages private sector investment in small independent businesses through the Small Business Investment Company (SBIC) program. Congress created the SBIC program in 1958. SBICs, licensed by the Small Business Administration, are privately owned and managed investment firms. They are participants in a vital partnership between government and the private sector economy. With their own capital and with funds borrowed at favorable rates through the Federal Government, SBICs provide venture capital to small independent businesses, both new and already established.

SBICs exist to help small businesses in attaining long-term loans, management assistance, and provide equity capital. SBICs lend money they received from the SBA to small firms that they believe will profit greatly from their assistance. All SBICs are companies that want the chance to share in the success of budding small businesses. Not only do the small business and the lender benefit, but also the taxpayer benefits from this professional relationship. The tax revenue that this causes covers more than the cost of the program and also provides jobs for thousands of people.

This investment targets small businesses that were denied the opportunity to own and operate businesses on account of social or economic standing. An SBIC may provide the loans independently or with the help of other public or private lenders. The first step in approaching an SBIC is to research SBICs by considering what types of loans the businesses generally lends out and if they would be interested in financing your company. Also find out how much money is available currently and how much will be available in the future. After careful research is completed, submit a business plan to potential lenders. **The SBA determines if each individual small business qualifies for this program.**

For more information on the SBIC program, you should contact the Small Business Development Centers in Northeastern Pennsylvania located at both the University of Scranton and Wilkes University. Contact information at both centers is located on the first page of this guide. You can find more general information about the program at:

<http://www.sba.gov/INV/overview.html>

You can also access of list of existing SBICs through the following website:

<http://www.sba.gov/gopher/Local-Information/Small-Business-Investment-Companies/>

SBA's Bonding Program: The Surety Bond Guarantee (SBG) Program

The Surety Bond Guarantee (SBG) Program was developed to provide small and minority contractors with contracting opportunities for which they would not otherwise bid. The U.S. Small Business Administration (SBA) can guarantee bonds for contracts up to \$2 million, covering bid, performance and payment bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels.

SBA's guarantee gives sureties an incentive to provide bonding for eligible contractors, and thereby strengthens a contractor's ability to obtain bonding and greater access to contracting opportunities. A surety guarantee, an agreement between a surety and the SBA, provides that SBA will assume a predetermined percentage of loss in the event the contractor should breach the terms of the contract.

You can learn more about this program at the following web address:

<http://www.sba.gov/financing/bonds/osgprogram.html>

SBA Research, Consultation, and Technical Assistance Programs

Research

The SBA's Office of Technology strengthens and expands the competitiveness of U. S. small high technology research and development businesses in the federal marketplace. The Office also assists in achieving the commercialization of the results of federal research and development programs. The Office oversees two main programs: the **Small Business Innovation Research (SBIR)** program and the **Small Business Technology Transfer (STTR)** program.

Small Business Innovation Research (SBIR)

SBIR is a highly competitive program that encourages small business to explore their technological potential and provides the incentive to profit from its commercialization. By including qualified small businesses in the nation's R&D arena, high-tech innovation is stimulated and the United States gains entrepreneurial spirit as it meets its specific research and development needs.

Small Business Technology Transfer (STTR)

STTR is an important new small business program that expands funding opportunities in the federal innovation research and development arena. Central to the program is expansion of the public/private sector partnership to include the joint venture opportunities for small business and the nation's premier nonprofit research institutions. STTR's most important role is to foster the innovation necessary to meet the nation's scientific and technological challenges in the 21st century.

You can find more information on the SBA's Office of Technology and specific details on each of these programs at the following address:

<http://www.sba.gov/sbir/indexsbir-sttr.html>

Consultation and Technical Assistance

SBA provides consultation and technical assistance through two main programs: the **Small Business Development Center (SBDC)** program and the **Service Corps of Retired Executives (SCORE)** program.

Small Business Development Center (SBDC)

The aforementioned **Small Business Development Center (SBDC)** program is the SBA's primary consultation and technical assistance program. The SBA administers the SBDC program to provide management assistance to current and prospective small business owners. SBDCs offer one-stop assistance to individuals and small businesses by providing a wide variety of information and guidance in central and easily accessible branch locations.

Wilkes University and the University of Scranton both operate SBDCs on their respective campuses. Contact information for these centers is included on the first page of this guide.

Service Corps of Retired Executives (SCORE)

Beyond the SBDC program, SBA administers the **Service Corps of Retired Executives (SCORE)** program. Started in 1964, SCORE is a program that networks volunteers who are familiar with different aspects of business-to-business leaders who need advice about their companies. They offer free and expert advice to help those in need of direction with their business. Financed by the SBA, the program seeks to match counselor experience with the needs of the business leader seeking advice. They also develop training programs and business oriented seminars to aid the concerns of business leaders.

The main topics of SCORE workshops and seminars include:

- Pre-business Planning;
- Basic Management Techniques;
- Marketing & Sales;
- Women's Business Operations;
- Financial Management Techniques;
- Veteran's Business Operations;
- International Trade Expansion & Franchising;
- Employee Rights & Regulations;
- Taxes & Accounting

You can learn more about this program at: <http://www.score.org/>.

Contact information for SCORE Offices in Northeastern Pennsylvania are as follows:

Wilkes-Barre SCORE – Chapter 0361

7 N. Wilkes-Barre Blvd., Suite 403

Wilkes-Barre, PA 18702-5241

PHONE: (570) 826-6502

FAX: (570) 826-6287

**Monroe –Stroudsburg SCORE –
Chapter 0531**

556 Main Street

Stroudsburg, PA 18360

PHONE: (570) 421-4433

FAX: (570) 421-4431

<http://www.scoremonroe.org/>

THE SBA APPLICATION PROCESS

How It Works

You submit a loan application to a lender for initial review. If the lender approves the loan subject to a SBA guaranty, a copy of the application and a credit analysis are forwarded by the lender to the nearest SBA office. After SBA approval, the lending institution closes the loan and disburses the funds. You make monthly loan payments directly to the lender. As with any loan you are responsible for repaying the full amount of the loan.

There are no balloon payments, pre-payment penalties, application fees or points permitted with 7(a) loans. Pre-payment fees are permitted on loans with maturities of 15 years or longer.

Use of Proceeds

You can use a 7(a) loan to:

- expand or renovate facilities;
- purchase machinery, equipment, fixtures, and leasehold improvements;
- finance receivables and augment working capital;
- refinance existing debt with compelling reason;
- finance seasonal lines credit;
- construct commercial buildings;
- and/or purchase land or buildings.

Terms, Interest Rates, and Fees

The length of time for repayment depends on the use of the proceeds and the ability of your business to repay. Typical repayment periods differ for different types of loans, usually 5 to 10 years for working capital and up to 25 years for fixed assets such as the purchase or major renovation of real estate or purchase of equipment.

Both fixed and variable interest rates are available. Rates are pegged at no more than 2.25 percent over the lowest prime rate for loans with maturities of less than seven years and up to 2.75 percent for seven years or longer. For loans under \$50,000, rates may be slightly higher.

The SBA charges the lender a nominal fee to provide a guaranty, and the lender may pass this charge on to you. The fee is based on the maturity of the loan and the dollar amount that the SBA guarantees. On any loan with a maturity of one year or less, the fee is just 0.25 percent of the guaranteed portion of the loan. On loans with maturities of more than one year where the portion that the SBA guarantees is \$80,000 or less, the

guaranty fee is 2 percent of the guaranteed portion. On loans with maturities of more than one year, the guaranty fee is 2 percent on loans up to \$150,000; 3 percent on loans over \$150,000 but not over \$700,000; and 3.5 percent on loans over \$700,000.

Collateral

You must pledge sufficient assets, to the extent that they are reasonably available, to adequately secure the loan. Personal guaranties are required from all the principal owners of the business. Liens on personal assets of the principals may be required. In most cases, however, a loan will not be declined in the event that insufficient collateral is the only unfavorable factor.

Eligibility

Your business generally must be operated for profit and fall within the size standards set by the SBA. The SBA determines if the business qualifies as a small business based on the average number of employees during the preceding 12 months or on sales averaged over the previous 3 years. Loans can not be made to businesses engaged in speculation or investment.

Maximum Size Standards:

- ◆ Manufacturing—From 500 to 1500 employees
- ◆ Wholesaling—100 employees
- ◆ Services—From \$4.0 million to \$29 million in annual reports
- ◆ Retailing—From \$6 million to \$24.5 million
- ◆ General Construction—From \$16 million to \$28.5 million
- ◆ Agriculture—From \$.5 million to \$10.5 million

Documentation Requirements: What Should You Take to the Lender

Documentation requirements may vary. You should contact your lender for the information you must supply. Common requirements include the following:

- ◆ Purpose of the loan
- ◆ History of the business
- ◆ Financial statements for three years (existing businesses)
- ◆ Schedule of term debts (existing businesses)
- ◆ Aging of accounts receivable and payable (existing businesses)
- ◆ Projected opening-day balance sheet (new businesses)
- ◆ Lease details
- ◆ Amount of investment in the business by owner(s)
- ◆ Projections of income, expenses, and cash flow
- ◆ Signed personal financial statements
- ◆ Personal resume(s)

THE FEDERAL PROCUREMENT PROCESS

The Federal Government is the largest consumer of goods and services in the world, yet many businesses do not know how to sell to government agencies. This next section provides the avenues and resources by which businesses both large and small can do business with the Government

SBA's Role in Contracting with the Government

Congress recognized the importance of small businesses to the vitality, growth, security, and sustainment of our nation. In 1953, Congress passed the Small Business Act (which established the Small Business Administration) to assist in promoting, fostering, and preserving small business concerns. It further required the Government to utilize small businesses to ensure this vision was met:

Such security and well-being cannot be realized unless the actual and potential capacity of small business is encouraged and developed. It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as possible, the interests of small business concerns in order to preserve free competitive enterprise, to insure that a fair portion of the purchases and contracts [or subcontracts] for property and services to the Government be placed with small business enterprises, and to maintain and strengthen the overall economy of our Nation.
(15 USC §631(a))

The Federal Acquisition Regulations (FAR) has devoted an entire section to Small Businesses (Part 19). Under the FAR, the government is required to reserve acquisitions within certain dollar thresholds for small businesses. For example, acquisition of supplies or services that has an anticipated dollar value that's between \$2,500 and \$100,000 is reserved exclusively for small businesses and shall be set aside for those businesses to bid on (there are some waivers regarding terrorism and defense related purchases). Furthermore, each agency has set standard percentages for setting aside business opportunities for small concerns with specific socioeconomic traits that can go above the established threshold. Working with many federal agencies and large contractors, the SBA ensures that small businesses acquire a substantial portion of government contracts and subcontracts. The SBA maintains a website dedicated to providing timely information on government contracting programs. You should visit this helpful website at:

<http://www.sba.gov/GC/indexcontacts.html>

The following is a breakdown of the some of the main sources of information you should investigate to learn more about business opportunities with the Federal Government as a small company.

General Business Portals: Sources of Information

Federal Business Opportunities

(<http://www.fedbizopps.gov/>)

FedBizOpps.gov is the single government point-of-entry (GPE) for Federal government procurement opportunities over \$25,000. Government buyers are able to publicize their business opportunities by posting information directly to FedBizOpps via the Internet. Through one portal – FedBizOpps (FBO) – commercial vendors seeking Federal markets for their products and services can search, monitor and retrieve opportunities solicited by the entire Federal contracting community. You should visit the website for more information about Federal contracting opportunities.

FirstGov.gov

(<http://www.firstgov.gov/>)

FirstGov.gov, the official U.S. gateway to all government information, is the catalyst for a growing electronic government. The website offers a wealth of information on opportunities available to businesses. FirstGov should be your first step in your efforts to do business with the federal government. The website offers easy access to government services for U.S. businesses and provides businesses with tools necessary to secure necessary information about how to get started in pursuing doing business with the federal government. On the main page, click on the Business Gateway or simply go directly to the following link:

http://www.firstgov.gov/Business/Business_Gateway.shtml.

Central Contractor Registration

(<http://www.ccr.gov>)

In order to do business with certain federal agencies, including the Department of Defense, you should first register with the Central Contractor Registration (or CCR). CCR is a government database of past, current, and potential vendors. Vendors must be registered in the CCR prior to the award of a contract, basic agreement, basic ordering agreement, or blanket purchase agreement, unless the award results from a solicitation issued on or before May 31, 1998. Once registered, you will become part of a pool of

businesses from which the government may select eligible entities. You should visit the CCR website at <http://www.ccr.gov/> to begin the registration process.

Other SBA Procurement Support Programs

PRO-Net

(<http://pro-net.sba.gov/index2.html>)

The SBA has a variety of other programs and services available to assist small businesses including: training and educational programs; advisory services; publications; financial programs; and contract assistance. The SBA has offices located throughout the country. To assist small businesses with government contracting, the agency has developed Pro-Net, an electronic gateway of procurement information for and about small businesses. Pro-Net is a search engine for contracting officers, a marketing tool for small firms, and a “link” to important information on procurement opportunities.

Pro-Net is an Internet-based database of information on more than 195,000 small, disadvantaged, 8(a), veteran-owned and women-owned businesses. It is free to federal and state government agencies as well as prime and other contractors seeking small business contractors, subcontractors and/or partnership opportunities. Pro-Net provides a listing of all anticipated business opportunities for each government agency’s fiscal year and is open to all small firms seeking federal, state, and private contracts. As a business, you can go on-line and review all forecasted business opportunities from the government. More importantly, it lists potential opportunities that are set-aside strictly for small businesses. In other words, large businesses are restricted from competing for such set-asides. As an electronic gateway, PRO-Net provides access and is linked to FED/BizOpps website, agency homepages and other sources of procurement opportunities. **You should register at the PRONET website at the following address: <http://pro-net.sba.gov/pro-net/register.html>.**

SUB-Net

(<http://web.sba.gov/subnet/>)

Prime contractors use SUB-Net to post subcontracting opportunities. These may or may not be reserved for small businesses, and they may include either solicitations or other notices of sources sought for teaming partners and subcontractors on future contracts. Small businesses can review this website to identify opportunities in their areas of expertise. While the website is designed primarily as a place for large businesses to post solicitations, it is also used by Federal agencies, state and local government, non-profit organizations, colleges, and even foreign governments for the same purpose.

Tech-Net
(<http://tech-net.sba.gov/>)

Tech-Net is an electronic gateway of technology information and resources for and about small high tech businesses. It is a search engine for researchers, scientists, state, and federal, and local government officials, and a potential link to investment opportunities and capital. Tech-Net is a free service for those seeking small business partners, business contractors, subcontractors, research partners, and investment opportunities.

The Prime Contracts Program

The SBA's Prime Contracts Program helps small businesses increase their shares in government contracts. SBA procurement center representatives (PCR's) are the main lobbyists working to secure and expand contracting opportunities for small businesses. PCR's review contracting actions at major federal procurement centers, review the subcontracting plans, recommend contracting sources, and provide counseling.

There are two types of PCR's: traditional and breakout. Traditional PCR's work to increase the number of procurements set aside for small businesses. Breakout PCR's work to remove components from sole-source procurements to procurements, through open competition, which generate savings for the federal government.

The Subcontracting Assistance Program
(<http://www.sba.gov/GC>)

The Subcontracting Assistance Program promotes maximum use of small businesses by the nation's largest prime contractors. The SBA's Commercial Market Representatives (CMR's) visit large businesses to identify and expand subcontracting opportunities for small businesses. To ensure that large businesses comply with their small business subcontracting program requirements, CMR's conduct program reviews. They also counsel small businesses on how to market their products and services to these large contractors.

The Certificate of Competency Program
(<http://www.sba.gov/GC/certcomp.html>)

The Certificate of Competency (COC) Program enables small businesses to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government contract on which it is the apparent low bidder. When a small business applies for a COC, SBA financial and industrial specialists conduct a detailed review of the firm's capabilities to perform on the contract. If the business

demonstrates the ability to perform, the SBA issues a COC to the contracting officer requiring the award of that specific contract to the small business.

The Surety Bond Program

(<http://www.sba.gov/opc/pubs/fs21.pdf>)

If your small construction or service company bids on projects requiring surety bonds, the U.S. Small Business Administration has a program that could make you more competitive. The Surety Bond Guarantee Program provides small business contractors with contracting opportunities for which they could not otherwise compete. By law, prime contractors to the federal government must post surety bonds on most federal construction projects valued at \$100,000 or more. For further details, see page 18 of this guide.

The Size Determination Program

(<http://www.sba.gov/GC/indexprograms-size.html>)

The Size Determination Program ensures that only small businesses receive contracts and other benefits set-aside exclusively for them. When a business makes the claim that it is small is challenged, the SBA size specialists determine if the business does, in fact meet established SBA size standards. Size determination may also be made when requested in connection with other federal contracting programs.

Other Federal Sources of Procurement

General Services Administration

[\(<http://www.gsa.gov>\)](http://www.gsa.gov)

The General Services Administration (GSA) — the federal government’s business manager, buyer, real estate developer, telecommunications manager, and IT solutions provider — contracts for billions of dollars worth of products and services for federal agencies. GSA purchases goods and services from small businesses across the country.

GSA is an advocate for today’s small, disadvantaged, women-owned, HUBZone (Historically Underutilized Business Zone), Veteran, and service-disabled Veteran-owned businesses. GSA has established goals for awarding contracts to these businesses and for subcontracting with small businesses. Like the SBA, GSA also has some small business programs with “set-asides” under which certain contracts are reserved for competition among small or small disadvantaged businesses. Assistance for small businesses is available through GSA headquarters and regional Small Business Centers.

Small business can also contract with GSA to provide various goods and services. The Federal Supply Schedules (FSS), otherwise known as Multiple Award Schedules (MAS), enable small businesses to sell more than four million services and products directly to federal customers. The FSS can be considered a national directory or catalogue of goods and services available to the government buyer. It lists companies and the products they offer organized by category (i.e. computers, office supplies, temporary services, etc.). To find more about the GSA Multiple Award Schedules Program, contact the MAS Helpdesk at MASHelpdesk@gsa.gov or call (703) 305-6566. Learning more about the Federal Supply Schedules could be your first step in selling your product directly to federal customers.

Small business can also purchase surplus goods and excess property from GSA as well. For more information, you should visit the GSA website and click on the link near the top of the page entitled “Buying from GSA.” For specific information on surplus property, click on the link entitled “Surplus/Excess Property.” GSA disposes of real property (land and buildings) and personal property (furniture, computers, equipment, vehicles, etc.) using the following process: once a Federal agency determines it has unneeded property, that property is declared to be excess property. It is then available for transfer to any other Federal agency. If no agencies want the excess property, it is declared surplus to Federal needs. It may then be donated to state or local governments or selected non-profit organizations, or it may be sold through public auctions.

Business Opportunities with the U.S. Department of Defense (<http://www.dodbusopps.gov>)

The Department of Defense (DOD) maintains an electronic commerce network, <http://www.dodbusopps.com/>, which allows businesses to compete for DOD contracts. Currently, DOD's network is separate from www.fedbizopps.gov but DOD will be integrating its solicitations into it. Only the U.S. Air Force lists its contracting opportunities on both networks. Again, you must be registered with the Central Contracting Registration to effectively win work with DOD.

Each agency maintains a small business point of contact. For the DOD, you should contact the Office of Small and Disadvantaged Business Utilization or visit the website at <http://www.acq.osd.mil/sadbu/>.

The Defense Logistics Agency, on behalf of the Secretary of Defense, administers the DOD Procurement Technical Assistance (PTA) Cooperative Agreement Program. PTA Centers are a local resource that can provide assistance to business firms in marketing products and services to the Federal, state and local governments. You should visit the PTA website at <http://www.dla.mil/db/procurem.htm>.

State and Local Procurement Support

Pennsylvania SBDCs *Bid Match* System (<http://www.pasbdc.org/govtmarketing/>)

The Pennsylvania SBDCs have developed *Bid Match*, an electronic bid announcement service, which is available only to Pennsylvania companies. The *Bid Match* system will help you identify foreign, federal, state and local government opportunities. *Bid Match* can also help you find subcontracting leads with major government prime contractors. *Bid Match* provides targeted contract leads, matching your individual products or services with worldwide government sales leads. The *Bid Match* system will extract only those leads that match your products or services. Business leads come from extensive database networks, including: CBD, the Department of Defense, Prime Contract Awards, Pennsylvania Bidnet, nationwide state and local government bid boards, foreign trade leads, and private contracting opportunities. The SBDCs provide this service at no charge. SBDC consultants will work with you to develop a profile of your firm's products and services to enter into the Bid Match system. You should visit your local SBDC at the University of Scranton or Wilkes University for more information. You can reach these SBDCs through the contact information contained on the first page of this guide.

**Procurement Technical Assistance Center (PTAC)
at the Northeastern Pennsylvania (NEPA) Alliance**
<http://www.nepa-alliance.org/ptac.htm>

Another local resource for small businesses seeking government contracts is the NEPA Alliance, formerly known as the Economic Development Council of Northeastern Pennsylvania (see page 40). NEPA Alliance maintains a Procurement Technical Assistance Center (PTAC), which functions as a local source for counseling and information on government purchasing. The PTAC's primary goal is to provide quality counseling and technical assistance to Northeastern Pennsylvania businesses, both large and small, which will help them to identify and effectively apply for government contract awards. The PTAC's experienced staff uses an abundance of resources available to locate opportunities and counsel your business in government contracting. To learn about the PTAC's services, contact Mr. David Kern, Program Director, Procurement Technical Assistance Center, NEPA Alliance, 1151 Oak Street, Pittston, Pennsylvania, 18640-3795. The NEPA Alliance telephone number is **570-655-5581**.

Preferences for Small Businesses in the Federal Procurement Process

In recognition of the role that small businesses play in economic development, the SBA has developed programs designed to empower small businesses to compete for federal procurement opportunities. The following is a brief description of some of these programs.

Government-wide Procurement Preference Goaling Program

(<http://www.sba.gov/GC/goals/>)

This program, commonly referred to as the *Small Business Set-Aside Program*, requires government agencies to set-aside a fair proportion of its contracting opportunities for award exclusively to small businesses. There are several implementing components to the small business program, including the aforementioned Certificate of Competency Program, the Size Determination Program, and the Contract Bundling Program.

To ensure that small businesses get their fair share, the SBA negotiates annual procurement preference goals with each Federal agency and reviews each agency's results. The SBA is responsible for ensuring that the statutory government-wide goals are met in the aggregate. The statutory goals are as follows:

- ◆ 23 percent of prime contracts for small businesses;
- ◆ 5 percent of prime and subcontracts for small disadvantaged businesses;
- ◆ 5 percent of prime and subcontracts for women-owned small businesses;
- ◆ 3.0 percent of prime contracts for HUBZone small businesses for FY2003 and each year thereafter;
- ◆ 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses.

The local SBA office and SBDC can assist you in learning more about set-aside opportunities. Moreover, registering with PRO-NET is the primary way that you can find out about these and other contracting opportunities. As always, you can feel free to contact Congressman Kanjorski's office about this program.

HUBZone Empowerment Contracting program (<https://eweb1.sba.gov/hubzone/internet/>)

The HUBZone Empowerment Contracting program was enacted into law as part of the Small Business Reauthorization Act of 1997. The program falls under the auspices of the US Small Business Administration. The program encourages economic development in historically underutilized business zones – “HUBZones” – through the establishment of preferences.

SBA’s HUBZone program is in line with the efforts of both the Administration and Congress to promote economic development and employment growth in distressed areas by providing access to more Federal contracting opportunities.

SBA regulates and implements the program and

- determines which businesses are eligible to receive HUBZone contracts,
- maintains a listing of qualified HUBZone small businesses that Federal agencies can use to locate vendors,
- adjudicates protests of eligibility to receive HUBZone contracts, and
- reports to the Congress on the program’s impact on employment and investment in HUBZone areas.

Certain parts of the 11th Congressional District contain HUBZones. You can find out if a current or potential location of a small business is included in a HUBZone by visiting the program’s website at the following address:

<https://eweb1.sba.gov/hubzone/internet/general/findout.cfm>.

You can also feel free to contact Congressman Kanjorski’s office for more information about locating HUBZones in Northeastern Pennsylvania.

Very Small Business Set-Aside Program (<http://www.sba.gov/GC/indexprograms-vsbs.html>)

The Very Small Business (VSB) program is an extension of the small business set-aside program, administered by SBA as a pilot to increase opportunities for VSB concerns. Procurement requirements, including construction requirements, estimated to be between \$2,500 and \$50,000 must be reserved for eligible VSB concerns in designated pilot SBA districts.

The term very small business or VSB means a concern whose headquarters is located within the geographic area served by a designated SBA district and, together with its

affiliates, has no more than 15 employees and has average annual receipts that do not exceed \$1 million. The terms, concerns, affiliates, average annual receipts, and employees have the meaning given to them in SBA's Regulations contained in Chapter 13 of the Code of Federal Regulations.

If your current or future small business meets the criteria of the VSB program, the first step in potentially securing procurement opportunities is to register with the aforementioned PRO-NET, an electronic gateway of procurement information for and about small businesses.

Small Disadvantaged Business Certifications

<http://www.sba.gov/sdb/indexaboutsdb.html>

Major reforms of the Federal government procurement programs are being implemented to assist Small Disadvantaged Businesses (SDB). The SBA processes SDB certification applications. To qualify as an SDB, a firm must be owned and controlled by one or more individuals who are socially and economically disadvantaged. Congress has directed that individuals who are members of certain ethnic groups are presumed to be disadvantaged. Other persons, including women and persons of any race, can also qualify by establishing their disadvantaged status.

In the past, the government has relied on self-certification for purposes of SDB eligibility, which allowed firms to identify for themselves as meeting the requirements for certification. Under the new rule before the small business concern can become eligible to receive a benefit as an SDB, each firm must be certified as an SDB by the SBA.

Once certified by SBA as an SDB, firms can find out about contracting opportunities available to them through PRO-NET.

Special Interest Opportunities in the Federal Procurement Process

Numerous variations of SBA's basic loan programs are made available to support special needs of traditionally disadvantaged businesses. The following is a brief listing of programs designed to encourage and promote business growth in these special needs sectors.

Minority-Owned Businesses

Minority Business Development 8 (a) Program

[\(http://www.sba.gov/8abd/\)](http://www.sba.gov/8abd/)

The SBA's 8(a) BD Program, named for a section of the Small Business Act, is a business development program created to help small disadvantaged businesses compete in the American economy and access the federal procurement market. Specifically, this program is designed to help small disadvantaged businesses compete with larger businesses in the American economy. In order to apply to this program, the owners of the firm must be a small business according to the guidelines of the SBA, at least one of the owners must be considered economically disadvantaged, and the business must demonstrate potential for success.

Specifically, to participate in the 8(a) program, a business must be at least 51 percent unconditionally owned and operated by an individual(s) who is a socially and economically disadvantaged citizen of the United States. Socially disadvantaged people include Hispanic Americans, Black Americans, and Native Americans, along with other groups that are designed by the SBA. If a particular group is not appropriated to be a disadvantaged group, it is still possible to qualify for the 8(a) program if it can be proven that the group has been socially discriminated against. In order for any business that meets these requirements to be considered for the program, they must already be in business for two years.

A company's participation in this program is divided into two stages: the development stage and the transitional stage. During the first stage, businesses attempt to overcome their economic problems and develop solutions to the problems. During the second stage, which lasts for five years, businesses prepare to leave the assistance program.

The programs are reviewed on an annual basis for retention. The receiver of the benefits of the program must submit the following to the SBA:

- a certification that it meets the requirements of the SBA,
- a certification that original circumstances have not changed,
- the personal finance of the owner, all records of transfer of funds from family members or friends that contributed finances to the company, a record of all

payments, a copy of IRS form 4506, and finally, any other information the SBA deems necessary.

If a business does not comply with the above regulation by falsifying information, by failing to maintain eligibility, or by inadequate performance it will be subject to termination. A business is considered to graduate from the program once the term of the program expired.

As the first step, established firms or potential minority business owners interested in this program should contact the local SBA district office serving our area (contact information is provided on the first page of this guide). An SBA representative will answer general questions over the telephone. Some district offices may also have 8(a) orientation workshops to provide additional information regarding the eligibility requirements and to review various SBA forms.

Under the 8(a) program, SBA administers the Mentor-Protégé Program. This program is designed to encourage 8(a) certified companies to team up with more experienced businesses in seeking and performing government contracts. Specifically, the program advocates private-sector relationships and expands SBA's efforts to identify and respond to the developmental needs of 8(a) clients. For more information on this program, you should visit:

<http://www.sba.gov/8abd/indexmentor.html>

Women-Owned Businesses

Women business owners are critically important to the American economy. America's 9.1 million women-owned businesses employ 27.5 million people and contribute \$3.6 trillion to the economy. However, women continue to face unique obstacles in the world of business. To address these obstacles, Congress has provided SBA with the authority to administer programs designed to bolster women-owned businesses through several important programs.

Womenbiz.gov

(<http://www.womenbiz.gov/>)

One of the best ways to find out about procurement opportunities available to women-owned business is through the womenbiz.gov website. The website is organized to target the five specific stages that a woman business owner should go through as she begins to explore whether the federal government is the right customer for her. This site serves as the electronic gateway for all information relevant to women-owned businesses.

Women's Business Development Center

In 1995, the United States Small Business Administration's Office of Women's Ownership granted money to the Women's Development Center to start a fund for creating business development and continuation among women.

They offer resources, loan packaging, Internet technology, and certification assistance for women business leaders who want to start up a business or expand an existing firm. You can contact the Women's Business Development Center at (215) 790-9232 for more information.

The Office of Women's Ownership maintains a website located at:

<http://www.sba.gov/womeninbusiness/wnet.html>

Veteran-Owned Businesses

Our country owes a great deal of gratitude to our nation's veterans. In recognition of the fact that many small business owners are also veterans, the Federal Government maintains programs and services designed to economically empower veteran entrepreneurs. SBA also provides technical assistance to veterans and service-disabled veterans who are interested in business ownership.

Vetbiz.gov

<http://www.vetbiz.gov/default2.htm>

With specific regards to procurement opportunities for veteran-owned businesses, you should visit [vetbiz.gov](http://www.vetbiz.gov). Vetbiz.gov serves as the electronic gateway for federal procurement opportunities directed toward small businesses principally owned by veterans.

The SBA additionally maintains an Office of Veterans Business Development (<http://www.sba.gov/vets/>) and administers the Veterans Business Outreach Program (<http://www.sba.gov/VETS/vbop.html>). The purpose of these entities is to provide entrepreneurial development services such as business training, counseling and mentoring, and referrals for eligible veterans owning or considering starting a small business.

For more information on these programs and for greater detail on other government contracting programs, you should contact the SBA office in Philadelphia (using the contact information on page one of this guide) or you can contact Congressman Kanjorski's office for further details on any of the information included in this guide.

TAXES, INSURANCE, AND LEGAL STRUCTURE

Note: The information contained in this section is for informational purposes only. You should contact the appropriate sources for more detailed information on issues of taxation, insurance, and business structure.

State and Federal Tax Requirement

Understanding tax requirements is a necessary aspect of all businesses. As you may expect, various taxes are imposed upon individuals, employers, businesses and certain products – the taxes for which any business enterprise is liable depend on the type and structure of that business.

For state tax-related problems, the Pennsylvania Business Resource Network can expedite state tax problems with the Department of Revenue. You should call (717) 783-5700 to gain a better understanding of Pennsylvania taxation issues.

At the federal level, the Internal Revenue Service (IRS) can provide you with a free tax kit and offers free tax workshops. Congressman Kanjorski's office can provide you with a kit or you can call the IRS directly at (800) 829-3676. You should review the information from the SBA's website on issues surrounding Payroll Taxes (<http://www.sba.gov/managing/taxes/payroll.html>) and Federal Income Taxes (<http://www.sba.gov/managing/taxes/fedtax.html>).

In addition, through the **Small Business Tax Assistance Initiative**, SBA works with the IRS to host a tax information web site for small businesses. Information covers such topics as simplified tax rules for small businesses, IRS forms, and IRS Problem Solving Days. You can learn more about this initiative by visiting the program's website at

<http://www.sba.gov/BI/taxinfo.html>.

Business Insurance

Similar to home insurance, business insurance protects the contents of your business against fire, theft, and other losses. It is prudent for any business to purchase a number of basic types of insurance. Some types of coverage are required by law, others simply make good business sense. The types of insurance listed below are among the most commonly used and are merely a starting point for evaluating the needs of your business. For more information contact your insurance agent or broker.

Types of Insurance

Liability: The business must be analyzed for insurance rates involving this type of insurance. This insurance is used when customers suffer from the damage of one of the products from your business.

Property: This type of insurance comes in different forms to meet the needs of the business owner. It is important to determine what kind of insurance you need in order to keep your business running.

Business Interruption: If there are damages to a business this insurance will cover the costs the business normally has while it recovers from the damages.

“Key Man”: If the owner is critical to the operation of the business, then this insurance can be used to cover cost of

running the company if there is a transition.

Automobile: This insurance can be taken out on a car either if it is your own personal vehicle or if it is one for the company, to cover the costs if it is damaged.

Officer and Director: This policy oversees the actions of the directors. This insurance would make them liable for their actions on behalf of the company.

Home Office: If the business is at home, make sure that the home insurance policy is updated so that it will include the business as well. Surprisingly, office equipment, supply, etc. for the business are not covered in homeowner's insurance policies.

Legal Structure

There are many forms of legal structure you may choose for your business. The most common structures are: *Sole Proprietorships, General and Limited Partnerships, C and S Corporations, and Limited Liability Companies*. Each legal structure offers organizations options, which are appropriate for different personal situations and affect tax and liability status. **It is important to research each legal structure carefully and consult a tax accountant and/or attorney prior to making decisions.** You can start by contacting the local SBA office first and you will be referred to the proper source or you can access www.businesslaw.gov to link to state and local resources.

Types of Legal Structures

Sole Proprietorship: One person, the entrepreneur, owns the entire business. Profits made from the business are taxed as personal income and typically lower than corporation taxes. This type of proprietorship calls for a business permit from the county clerk's office and experiences very little government regulation.

General partnership: Two or more people join together to operate a business. A formal agreement is highly recommended amongst the owners in the event of a future conflict. Taxes vary between the owners based on what percentage of the company they each own. The business must also be registered with the county government.

Limited partnership: An agreement made by two or more people but each has two categories of partners. A *general partner* is one who does not have limitations on the amount of dividends they can receive, dissolve the partnership. A *limited partner* only receives a share of the profit that is prorated based on their investment in the company.

"C" Corporation: A complex business agreement that is legally recognized as a corporation that is its own entity having its own rights, privileges, and liabilities apart from those that form the corporation. There are three groups of people in this type of corporation: shareholders, directors, and officers. "C" Corporations are subject to more government due to the small amount of involvement that is required on the part of the owners.

Subchapter "S" Corporation: In order to qualify as this type of corporation, the business must meet certain requirements determined by the IRS. If those requirements are met, the corporation can be taxed as a partnership or sole proprietorship.

Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP): LLC combines corporate and partnership aspects of ownership. LLP is similar to LLC but targets professional organizations.

ADDITIONAL RESOURCES & PROGRAMS

United States Department of Agriculture's Rural Development Programs

Congress established the USDA Rural Development programs in an effort to increase economic and community development opportunities in traditionally underserved rural communities. Among many other activities, USDA Rural Development promotes economic development by supporting loans to businesses through banks and community-managed lending pools. Rural Development also offers technical assistance and information to help agricultural and other cooperatives get started and improve the effectiveness of their member services.

Although small business owners should review all of the services provided by USDA Rural Development, entrepreneurs in rural areas may be particularly interested in the Department's Business Programs, specifically the Business and Industry (B&I) Guaranteed Loans program. B&I loan guarantees can be extended to loans made by recognized commercial lenders or other authorized lenders in rural areas (this includes all areas other than cities or towns with a population greater than 50,000 people and the urbanized area contiguous to such city or town).

Interested entrepreneurs should visit <http://www.rurdev.usda.gov/> for more information. For specific details on the B&I Loan program, you should visit http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm.

Commonwealth of Pennsylvania Resources

The Commonwealth of Pennsylvania, through the Department of Economic and Community Development, has developed an information packet on the business financing programs it administers. This packet contains a brief summary of each of the Commonwealth's financing programs, which are designed to assist businesses in their efforts to grow and thrive in Pennsylvania. You can access a copy of this packet online at:

<http://www.inventpa.com/docs/Document/application/pdf/5a64eab6-63cc-41eb-b530-5d2b023397d5/bus-finance-programs.pdf>

Local Resources in Northeastern Pennsylvania

The following is a brief summary of some of the resources available to current and prospective business owners in Northeastern Pennsylvania.

Northeastern Pennsylvania Alliance (NEPA)

(<http://www.nepa-alliance.org>)

(570) 655-5581

The **Northeastern Pennsylvania Alliance** (NEPA) is one of seven sub-state regional agencies that help to coordinate economic development activities in the Commonwealth of Pennsylvania. The Alliance's seven county region is composed of Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, and Wayne counties. The Alliance is a public private sector partnership with representation from government and non-governmental private sector organizations.

SEDA-Council of Governments (SEDA-COG)

(<http://www.seda-cog.org/>)

(570) 524-4491

SEDA-Council of Governments (SEDA-COG) is another sub-state regional agency that serves Northeastern Pennsylvania. The organization is a direct service provider and a link to other resources that can be applied to a wide range of community and economic needs. Columbia County is the only county from the 11th Congressional District that is a SEDA-COG member, but many of SEDA-COG's initiatives reach throughout Northeastern and Central Pennsylvania.

Greater Hazleton CAN DO, Inc.,

(<http://www.hazleton.org/>)

(570) 455-1508

CAN DO, Inc., based in Hazleton, has years of experience in supporting the business community in the Greater Hazleton area. CAN DO can provide prospective or current business operators with information on available sites in the Hazleton area.

Northeastern Pennsylvania Industrial Resource Center (NEPIRC)

(<http://www.nepirc.com/>)

1-800-654-8960

The **Northeastern Pennsylvania Industrial Resource Center** (NEPIRC) is in the business of helping small and medium sized manufacturers by providing them with access to cutting edge technologies and innovative business information.

Local Chambers of Commerce

Northeastern Pennsylvania is home to several dedicated chambers of commerce. Prospective and current small business owners should reach out to the chambers in their areas to gain a better understanding of the local resources that may be available to them. The following is a listing of the main chambers of commerce in Northeastern Pennsylvania:

Carbon County

The Jim Thorpe Chamber of Commerce

P.O. Box 164, Jim Thorpe, PA 18229

(570) 325-3673

<http://www.jimthorpe.org/>**Palmerton Area Chamber of Commerce**

364 Delaware Avenue, Palmerton, PA 18071

(610) 824-5100

<http://www.palmertonpa.com/chamber/>

Columbia County

The Berwick Area Chamber of Commerce

206 Mulberry Street, Berwick, PA 18603

Phone: (570) 752-3601/ Fax: (570) 752-3602

<http://www.berwickpa.org/>**The Bloomsburg Area Chamber of Commerce**

238 Market Street, Bloomsburg, PA 17815

Phone: 570-784-2522 / Fax: 570-784-2661

<http://www.bloomsburg.org/>

Luzerne County

The Greater Hazleton Chamber of Commerce

One S. Church St. Suite 200

Hazleton, PA 18201

(570) 455-1508

<http://www.hazletonchamber.org/>**Nanticoke Chamber of Commerce**

Market Street Plaza

Nanticoke, Pennsylvania 18634

(570) 735.6990

<http://www.nanticokechamber.org/>**The Pittston Area Chamber of Commerce**

Kennedy Blvd. & William St.

P.O. Box 704, Pittston, Pa. 18640

Phone: (570) 655-1424 / Fax: (570) 655-0336

<http://www.pittstonchamber.org/>**The Greater Wilkes-Barre Chamber of Business and Industry**

Two Public Square, Wilkes-Barre, PA 18710

Phone: (570) 823-2101, Fax: (570) 822-5951

<http://www.wilkes-barre.org/>

Lackawanna County

The Greater Scranton Area Chamber of Commerce

222 Mulberry Street, Scranton, PA 18505

(570) 342-7711

<http://www.scrantonchamber.com/>

Monroe County

Pocono Mountain Chamber of Commerce

556 Main Street, Stroudsburg, PA, 18360

570-421-4433

<http://www.poconochamber.net/>

TAX INCENTIVES

Keystone Opportunity Zones

The Commonwealth of Pennsylvania has developed an innovative tax incentive program, the Keystone Opportunity Zone (KOZ) program, designed to attract businesses to economically distressed areas. The program essentially eliminates state and local taxes within specific underdeveloped and underutilized areas in an effort to promote business development and economic growth.

Keystone Opportunity Zones are defined-parcel- specific areas with greatly reduced or no tax burden for property owners, residents and businesses. KOZ have been designated by local communities and approved by the state - they are, in fact, a partnership between each community and region among state and local taxing bodies, school districts, economic development agencies and community-based organizations.

Northeastern Pennsylvania is home to several KOZs. You can locate KOZ in the counties of the 11th Congressional District through the following contact information. You should also visit the program's website at <http://koz.inventpa.com/> to learn more about how this program can assist you in the development of your small business. The following page contains contact information for the counties in the 11th Congressional District.

KOZ Contact Information

Luzerne & Lackawanna Counties

Mr. Lee Namey, Zone
Coordinator
Redevelopment Authority
of Luzerne County
Suite #210
16 Luzerne Avenue
West Pittston, PA 18643
(voice) 570-655-3329
(fax) 570-655-3287
lcrammt@epix.net

Columbia County

Mr. Jerry Bohinski, Chief
Economic Development Program
SEDA-COG
201 Furnace Road
Lewisburg, PA 17837
(voice) 570-524-4491
(fax) 570-524-9190
bohinski@seda-cog.org

Monroe County

Janet Smith, Vice President,
Finance & Admin.
Lehigh Valley Economic Development
Corporation
2158 Avenue C
Suite 200
Bethlehem, PA 18017
(voice) 610-266-0887
jsmith@lehighvalley.org

Carbon County

Mark Scarbinsky, Director
Office of Economic Development
401 North Second Street
Pottsville, PA 17901
(voice) 570-628-1167
(fax) 570-628-1210
mjscarbinsky@co.schuylkill.pa.us

New Market Tax Credits

During the 106th Congress, Congressman Kanjorski worked hard to enact legislation that uses federal tax credits and loan guarantees, known as the New Markets Tax Credit (NMTC) program, to spur a massive amount of new private investment and create good-paying jobs in economically distressed areas. The hope for the NMTC is that it will generate \$15 billion in new investment capital over a seven-year period from private companies and individual investments for businesses in low- and moderate-income communities. Increasing the flow of private capital into low-income areas is the primary objective of the NMTC program. The investment capital generated through the program will give businesses in under-served communities the ability to weather temporary economic downturns and to expand in economic upturns. Investors in the program's Community Development Entities (CDEs) will receive a credit against their federal income taxes that may reach as high as 39 percent over the seven-year period.

The Treasury Department's Community Development Financial Institutions (CDFI) Fund and the Internal Revenue Service (IRS) administer the NMTC program. Organizations, once certified by the Treasury Department as Community Development Entities (CDEs), will apply to the CDFI Fund for an allocation of NMTCs. The credits will be awarded competitively based on a CDE's performance, accountability, and record of success in providing assistance to disadvantaged businesses or communities. Once a CDE secures an allocation of credits, it will use those credits to attract Qualified Equity Investments from individual or corporate taxpayers.

Congressman Kanjorski's office can provide you will additional information on this program and CDE's upon request.