

Guide to Government Funding for Manufacturing

Given widespread government funding opportunities, California's small and medium manufacturers (SMMs) can readily pursue capital for growth and development. The funds available could [reach \\$74 billion](#) based on previous years, the dramatic increase in funding activity following the pandemic's revelation of challenges, and the 2020 passing of the CARES Act.

Although not all government funding is marked for manufacturers, a substantial amount is available through federal, state, local, and nongovernmental entities for initiatives like broadband upgrades, developing rural supply chains and semiconductors, and more. Landing any of these opportunities — grants, contracts, loans, or economic incentives — enables California's SMMs to reach or maintain positions at the forefront of their industry.

Here in our eBook, we'll cover everything California's SMMs need to know when pursuing these government funding opportunities.

Grants

Grants can generally be defined as funds provided to an organization — SMMs in this case — to pursue funder-specified outcomes, whether for worker training, technology upgrades, or any other desired result.

Three qualities distinguish grants from other forms of funding. Grants:

1. Include an agreement to pursue stated objectives
2. Aren't repaid
3. Depend on government budget cycles and political priorities, making them much more fluid than other funding opportunities

Funder-specified outcomes will likely be broad; your application contains the specifics unique to your initiative and how they align with funder-stated goals to make it compelling.

Areas SMMs can Receive Grants for

Micki Vandello, President of Lakeview Consulting and expert on grants, has identified seven different grant categories applicable to SMMs:

1. **R & D and commercialization** – Includes grants aimed at exploring technological potential and may increase via state matching programs (e.g., up to 50% or 75% increase), such as:

- a. [Small business innovation research \(SBIR\)](#)
 - b. Small business technology transfer (STTR)
 - c. [Technology-based economic development \(TBED\)](#)
2. **Facilities and capital expansion** – Dedicated for new or expanded facilities and capital investment; may include capital investment training
3. **Training** – Pertaining to upgrading workers’ skills. In California, they’re overseen by the [Employment Training Panel](#)
4. **Recycling** – Used to help divert materials from landfills and foster sustainability
5. **Energy efficiency and renewable energy** – Awarded by the US Department of Agriculture (USDA) to facilitate green energy infrastructure development via the Rural Energy for America (REAP) program. Eligible SMMs must be located in communities of 15,000 or less and outside metropolitan areas.
6. **Exporting** – Nearly every state provides exporting funding through a state trade export program (STEP) for purposes including:
 - a. Creative booth building for tradeshow
 - b. Tradeshow missions
 - c. Website translation
7. **Tech program** – Eligible for SMMs that have experienced negative revenues and dropping unemployment

Regardless of what grant-funded initiative SMMs have planned, there is likely a category available for obtaining funds.

[How to Apply for Manufacturing Grants](#)

Building a complete grant application follows a seven-step process:

1. Determine what opportunities your business is eligible for based on specifics like initiative details, cost, and location.

2. Register with the appropriate portal, prepare two to three years of financial data, and submit it.
3. Review the Request for Proposal (RFP) or Notice of Funding Opportunity (NOFO) more than once to familiarize yourself with the requirements.
4. Determine and begin collecting all the necessary information the application requires.
5. Establish a grant application submission timeline, ideally aiming for one week before the deadline.
6. Stick to the application timeline.
7. Submit the application and wait.

Executing these steps will be in-depth, but the overarching procedure is straightforward and consistent across grant opportunities.

Grant Application Do's and Don'ts

When preparing a grant application, ensure you:

- **Do sell your story** – Include all pertinent information needed to make your application convincing regardless of page counts.
- **Do use the most current data** – Current data will paint the most accurate picture and represent your needs best.
- **Don't neglect odd requirements** – Application reviews tightly adhere to the guidelines provided, and odd requirements like formatting and page margins can be used to create more document space for including more information.
- **Don't expect an immediate response** – The response to your application may take weeks or months. You'll need to wait until receiving an answer (and funding) before starting the initiative in question or risk disqualification.

Securing grant funding is often hypercompetitive, so SMMs will want to adhere firmly to these best practices to gain every advantage possible.

Contracts

Unlike grants, contracts provide a deliverable directly to a government entity and function like most business contracts. The agreement specifies deliverables and pricing and may also establish delivery timelines.

When seeking government contracts, check the associated North American Industrial Classification System (NAICS) code to confirm that SMMs are eligible. For manufacturers, currently available contracts as of July 2022 numbered roughly 42,000. So, myriad opportunities exist for SMMs.

Types of Contracts

Government contracts consistently fall into one of three categories regardless of their other terms and conditions:

- **Firm-fixed-price** – The price stipulated in the bid you submit for the contract is precisely what you'll be paid if it's accepted.
- **Indefinite-delivery, indefinite-quantity (IDIQ)** – The government will establish a minimum duration and quantity threshold to be met, guaranteeing revenue. However, there is no upper boundary on quantity and no predetermined delivery schedule. Multiple SMMs may be awarded the contract concurrently.
- **Large-scale projects** – Unlike the other two types, the lowest bid is not usually given the greatest chance of success. These projects are complex enough that the government may consider a certain quality, experience, or another factor more important and is more likely to be willing to spend more to achieve the desired result.

How to Apply for Contracts

Contract applications can be completed in four steps:

1. Acquire a nine-digit Data Universal Numbering System (DUNS) number — or Unique Entity Identifier (UEI) — and register with the System for Award Management (SAM).
2. Browse the SAM or California's Cal eProcure websites to find available contract opportunities.
3. Identify the federal or state contract opportunities for which you qualify, accounting for considerations and ways to narrow the competitive field like:

- a. Manufacturing capacity
 - b. Fit
 - c. “Set-aside” opportunities reserved for smaller businesses
 - d. Opportunities for SMMs that are majority-women-owned
 - e. Opportunities for SMMs that are veteran-owned or service-disabled veteran-owned
 - f. 8(a) opportunities from the Small Business Administration (SBA) for socially and economically disadvantaged SMMs
 - g. HUBZone opportunities for SMMs located in “historically underutilized zones”
4. Submit the application with the requisite Request for Bid (RFB), Request for Quote (RFQ), or RFP.
- a. RFBs and RFQs are more simple, generally used for firm-fixed-price or IDIQ contracts, and will typically be awarded to the lowest priced product.
 - b. RFPs are generally used for the more complex, large-scale projects and involve substantial effort.

Contract Application Do’s and Don’ts

When preparing RFBs, RFQ, and RFPs for government contracts, ensure you:

- **Do start with subcontracts** – Subcontracts are the perfect way to enter government contracting — particularly if your business qualifies for any “set aside” opportunities.
- **Do tailor your submission and marketing to government audiences** – Remember that government audiences will be interested in different information than private companies (e.g., DUNS numbers, NAICS codes).
- **Do your homework ahead of time** – Research the agencies that purchase your manufactured items so you can approach them at networking events and discuss their needs based on previous contracts.
- **Don’t give up** – It may take a few different procural efforts before you finally land a government contract; don’t get disheartened if the first few aren’t wins. It’s about persistence.

- **Don't provide unnecessary or unsolicited information** – Agency reviewers ask for a substantial amount of information and must sort through it all. Providing additional information or alternative suggestions outside of what's specified only complicates their job.

Loans

Government loans operate the same as those secured from private sources — an amount of money, property, or other material goods is lent on the condition of repayment over time with interest. While grants and contracts may be more favorable since there's no repayment, loans still provide SMMs with a means to inject new capital into their business and stimulate growth.

Companies seeking funding for specific items are generally better served by loans than grants due to the latter's emphasis on particular outcomes and associated restrictions. Grant applicants seeking funding for purposes tangential to or outside the funder-stated goals are likely to be denied. In contrast, there will be fewer upfront restrictions on any purchases SMMs make with loans.

However, the lender will still want to know what the money will be used for, so loans should not be viewed as capital available without restrictions.

Types of Loans for SMMs

The different types of loans that SMMs should consider applying for include:

- SBA guarantee loans – Also known as a 7(a) loan, the terms and conditions generally follow:
 - Amounts of \$5,000 to \$5.5. Million
 - Low-digit single interest rates
 - Repayment terms over six to 25 years
 - Time to funding turnarounds of 60-90 days
- Short-term loans – The terms and conditions generally follow:
 - Amounts of \$5,000 to \$500,000
 - 5.99% annual percentage rate (APR) or more, depending on the lender and the borrowing SMM's creditworthiness
 - Repayment terms over six months to two years
 - Time to funding turnarounds of 24 to 48 hours

- Long-term loans – The terms and conditions generally follow:
 - Amounts of \$10,000 to \$10 million
 - Costs and interest depending on the lender and the borrowing SMM’s creditworthiness
 - Repayment terms over seven to 25 years
 - Time to funding turnarounds as quickly as 48 hours, although that depends on the lender

- Equipment financing – The terms and conditions generally follow:
 - Amounts of up to \$50 million
 - APRs as low as 5%, depending on what equipment is being purchased and the borrowing SMM’s creditworthiness
 - Repayment terms over three to five years, although longer is not uncommon
 - Time to funding turnarounds within 24 hours

- USDA loans – The terms and conditions for loans provided by the US Department of Agriculture generally depend on the associated program, such as:
 - USDA Rural Energy for America Program Loans
 - USDA Business & Industry Loans
 - USDA Rural Development Loan

Be sure to review all terms, conditions, and standard purposes for any loans you consider applying for to ensure the best fit and likelihood of application acceptance.

How to Apply for Loans

You can complete a loan application by following these six steps:

1. Prepare for the loan application process by determining:
 - a. **The type of funding you need** – Large purchases or expansions will likely be better served by an SBA guarantee or equipment loan, while business lines of credit will be more suitable for day-to-day expenses. Startups may find it difficult

to secure larger loans, but business lines of credit and personal business loans will help bridge the gap until you qualify.

- b. **When you need the loan** – Online lenders will have the shortest time-to-funding durations if you need the money as soon as possible.
 - c. **Loan qualifications** – While banks prefer to provide business loans to borrowers with good credit scores or better (i.e., 690+), you can still find business loans available for those with lower scores. Additional qualifications will generally include years in business and minimum annual revenues.
 - d. **Affordable payments** – A good rule is that your total income should be 1.25 times your total expenses, including the loan payments.
 - e. **What loan size you need** – The ideal loan type and amount will depend on your business stage and plans for the funds.
 - f. **What the loan is for** – The intended purchase(s) you'll make with the loan will determine which type of loan will be best suited for you.
2. Talk to a financial advisor before starting the loan application process. This step is not mandatory, but it can significantly help with preparing:
 - a. Profit and loss analysis
 - b. Which type of loan you should apply for
 - c. How to save time and money (both for the loan application and other purposes)
 - d. Executing your business plans
 - e. Planning investments
 - f. General financial management
3. Start comparing lenders to determine who would be best to borrow from:
 - a. **Online lenders** – Generally, online lenders have high approval rates and provide the fastest time to funding. However, they also tend to set higher APRs for the loan. Online lenders are most appropriate when lacking collateral or time before the funds are needed.

- b. **Banks** – Banks typically provide loans with the lowest APRs but have some of the slower time-to-funding turnarounds. Lending funds from banks is most appropriate for businesses at least two years old, with good credit scores, and that don't need the funding quickly.
 - c. **Microlenders** – If time and the amount are not pressing factors, these nonprofits may be your best option. Although a lengthy process to acquire, microlenders are most appropriate for businesses seeking \$50,000 or less, that have poor to no credit history, are newly formed, and can't secure traditional loans.
4. Prepare your application materials and confirm with prospective lenders what information and materials you should include with your application. For 7(a) loans, the SBA provides a [dedicated checklist](#) you can follow for guidance. You may need to provide:
 - a. Financial statements — including annual revenue or profit and loss statements, tax returns, and bank account statements for both the business and its owner
 - b. Personal information about the business owner(s), such as social security numbers and addresses
 - c. Information about the business, including its name and address, its tax ID number, the business plan, and the business loan proposal detailing how the funds will be used
5. Review your application before submitting it to confirm all necessary information is included and presented as the lender requests, which will also help speed up the decision-making process. You may wish to reconsult with a financial advisor to double-check your work.
6. Submit your loan application, following the lender's application instructions precisely. Determine average decision-making and response times so you know what to expect.

Loan Application Do's and Don'ts

When applying for loans:

- Do prepare carefully ahead of time.
- Do compare terms, conditions, and rates.
- Do make your business's financial documents and business plan available.

- Do consult with an attorney to review loan documents, terms, and conditions before signing or submitting anything.
- Do limit the number of loans you apply for, as numerous applications will affect things like your credit score.
- Don't overestimate your financial worth or income.
- Don't underestimate your expenses.
- Don't limit yourself to local banks.
- Don't ask how much you will qualify for.

Economic Incentives, Rebates, and Tax Credits

Economic development incentives such as rebates and tax breaks are used by governments to make their locations more appealing to businesses. Per [PEW Charitable Trusts](#), tax incentives are “one of the primary tools that states use to try to create jobs, attract new businesses, and strengthen their economies.” Although it can seem difficult to determine which incentives are available, they are more widely available than you might expect.

Accounting firm Plante Moran states that, in 2020, roughly 95% of US states and cities offer economic incentives—more than all other economic development programs combined at amounts between \$30 and \$80 billion.

Types of Economic Incentives

Governments typically provide two types of incentives: automatic incentives and discretionary incentives. The first type comprises static tax incentives and exemptions created by the government and made available to all businesses that meet the qualifying conditions (e.g., purchasing specific equipment). The second type is negotiated between a business and the government to determine what economic benefits will be provided.

Types of economic incentives include:

- **Income tax credits** – These consist of refundable and nonrefundable tax breaks to enable companies to create more jobs or make further capital investments. They can take the form of deductions, exemptions, and exclusions from certain taxes or tax amounts.
- **Job training funding** – Companies may receive tax breaks or funding to provide worker skills training to new and existing employees.

- **Utility incentives** – Reducing operating expenses, these benefits are often provided to companies developing emerging technologies or to those working with their partners to reduce energy consumption. They generally are attained through rebates on high-efficiency, low-energy-consumption equipment purchases.
- **Opportunity Zones** – Incentives created to encourage placing or conducting businesses in specific locations, often in disadvantaged or low-income communities.

How to Find Economic Incentives

Finding economic incentives for SMMs is easy when you begin by looking in the right places:

1. Determine which government agencies are responsible for providing economic incentives, particularly at local levels. This information can be found at:
 - a. SelectUSA
 - b. State Business Incentive Database
 - c. USAGov
 - d. Grants.gov
 - e. SBIR.gov
2. Familiarize yourself with the eligibility requirements for available incentives and ensure your business plan and other documents align with them.
3. Prepare and submit your application to receive economic incentives, readying a presentation of your business plan. It's wise to consult with financial advisors and experienced consultants to ensure you're best prepared.

Funding Resources for SMMs

Given the availability and diversity of government funding resources, any SMM can identify and pursue capital for business growth and development. And you're not alone; there are available resources — many of them free — that you can take advantage of in your efforts to secure government funding:

- Lakeview Consulting, Inc. is committed to helping fund the success of the manufacturing community through clarifying project goals, planning new services and programs, and securing grant funding in support of its mission. To date, Lakeview's team of grant professionals has successfully secured \$260 million in funding across 850 proposals, and they offer access to a database specifically tailored to manufacturing grants.

- San Diego, Orange, and Imperial Procurement Technical Assistance Center (PTAC) teaches businesses in San Diego, Imperial, and Orange Counties how to sell their goods and services to government agencies at all levels.
 - Numerous small business resource programs like Procurement Technical Assistance Centers, Small Business Development Centers, and Women’s Business Centers are located throughout California and usually offer their assistance at no cost.
- Economic Development Centers/Corporations’ (EDC) are typically structured as 501(c)3 nonprofits whose entire mission is to partner with businesses to help promote economic development in specific locations. Their services often include:
 - Guiding new businesses within their economic region
 - Offering financial assistance and advisory regarding grants, loans, and tax-exempt bonds
 - Assistance with business location selection
 - Employee recruitment and job training resources

[REDACTED] and [REDACTED]

SMMs in California can always turn to the [REDACTED]. Each year, our advisors assist hundreds of SMMs in implementing solutions to their growth challenges with programs like [REDACTED].

[REDACTED] is a co-investment program that leverages technical expertise and leadership to analyze your business and determine the best solution for you. Joining the program provides access to:

- A [REDACTED] Advisor who will advise business matters and may work alongside a Growth Coach, who engages in one-on-one coaching to help you achieve your business goals.
- Networking opportunities with other local manufacturers, who may offer customer, supplier, or strategic partnership opportunities
- Incentive and funding information notifying you of special programs that can help offset various initiative costs.

Contact us today to learn more about [REDACTED] and [REDACTED] other services and resources for SMMs.

Sources:

Deloitte. *2022 Manufacturing Industry Outlook*.

<https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/manufacturing-industry-outlook.html>
