



Rural Business Enterprise Grant (RBEG) Program

The RBEG program provides grant funds for *precisely targeted* technical assistance, training, and other activities that support the development of small business enterprises in rural areas.

Funds available

In FY2006, the Oregon state allocation was **\$356,000**. Limited additional funds were available from a national reserve. In FY2007, a similar allotment is expected. To accomplish the greatest distribution of these valuable but limited funds, USDA-Oregon is encouraging projects in the \$2,000-\$20,000 range, not to exceed \$25,000. *In FY2006, \$2,781,000 was earmarked to assist Native American communities nationwide. A similar allotment is expected in FY2007. There is no grant size restriction on these funds.*

Eligible applicants (Who may receive the grant?)

Public bodies, nonprofit corporations, & tribes seeking to conduct a rural business development project. ***This is not a grant program for individuals or businesses.*** “Pass-through” grants are not permitted.

Eligible projects (Who must the grant assist?)

Only *rural* communities (outside the urbanized periphery of cities with a population of 50,000) may be assisted. RBEG projects must have a reasonable prospect for resulting in the development of a specifically-identified “small & emerging private business enterprise”.

- A “small ... enterprise” is one that will employ ≤ 50 employees and that projects $\leq \$1$ million in gross profit (i.e., gross sales less cost of goods sold & sales returns). *The grantee is responsible for assuring such a beneficiary.*
- A tribally-owned business can be considered a “small ... enterprise” only if its governing board is independent of the tribal government.

The key question an applicant must be able to answer is, Which is the “small enterprise” that will benefit from this RBEG project?

Authorized purposes (What type of activities can be funded?)

RBEG’s may be used for the following project types:

- **Technical assistance** – a problem solving activity such as business counseling/training, market research, feasibility study, professional/technical report, or product/service improvement
- **Workforce training** – including distance learning networks
- **Revolving loan funds (RLFs)** – to capitalize a loan fund for re-lending to “small enterprises” exclusively *
- **Capital items (real estate, infrastructure, equipment)** – to be leased to or for the benefit of “small enterprises” exclusively *

RBEG funds are disbursed on a **reimbursement**-basis only.

The purposes highlighted above are strongly encouraged. For the reasons set forth below, other types of projects should be undertaken with care:

* ☞ *Important consideration!* The grantee is responsible for assuring that a “small enterprise” benefits exclusively for the life of the RBEG project. For RLFs, this means RLF lending is constrained for as long as any of the RLF capital remains intact regardless of how many times the loan fund revolves. For capital development projects, this means the property’s use is limited for its entire useful life. For this reason, RLF & capital expenditure RBEG projects should be undertaken with caution.

* ☞ *Important consideration!* Capital developments receiving RBEG funds (e.g., real estate improved with RBEG funds) cannot be sold or transferred without the prior concurrence of USDA. If sold, the RBEG grant generally must be repaid to USDA, including shared appreciation. For this reason, capital expenditure RBEG projects should only be undertaken with caution.

Limitations – RBEG funds may not be used for:

- General economic development planning or broad strategic planning (Remember, there must be a clearly-identified “small enterprise” beneficiary.)
- Business attraction or the marketing of an area
- Agricultural production (although technical assistance & training for farmers & ranchers is allowed)
- Housing or residential site development

Matching requirement

Priority is given to projects with nonfederal leveraging. As a practical matter, 1:1 matching funds are essential for an application to be competitive.

Application Process

Prospective RBEG applicants are strongly encouraged to talk to USDA before preparing a formal application. In FY2007, Oregon expects to award its RBEG funds in March. (National competitions results are normally announced in late summer.)

Priority Point System

RBEG funds awarded competitively based on how well they meet the following selection criteria:

Max Points	Grant selection criteria
15	Project location’s population: <5,000 (15 pts); 5-15,000 (10 pts); 15-25,000 (5 pts); >25,000 (0 pts)
20	Project location’s unemployment vs. State rate: >25% higher (20 pts); 0-25% higher (10 pts); < State rate (0 pts)
20	Project location’s median household income (MHI) vs. US poverty line (\$20,000) & State MHI (\$42,593): <\$20,000 (25 pts); \$20,000-\$36,204 (15 pts); \$36,204-\$42,593 (10 pts); >\$42,593 (0 pts)
10	Applicant has 5+ years of experience administering activity of the proposed type
25	Written commitment from a small business that it will start up or expand as a result of the project
15	% of project funding from committed nonfederal sources: >50% (15 pts); 25-50% (10 pts); 5-20% (5 pts); <5% (0 pts)
25	RBEG funds will establish this grantee’s very first RLF
10	RBEG will create or save jobs (per written commitment from employer): ≤\$10,000 RBEG funds per job (10 pts); \$10-25,000 per job (5 pts); >\$25,000 per job (0 pts)
5	Project is consistent with the community’s economic development plan
25	RBEG size: <\$100,000 (25 pts); \$100-200,000 (15 pts); \$200-500,000 (10 pts); >\$500,000 (0 pts)
10	The small business assisted will be a tribal nonprofit entity in a town of <5,000 or on a reservation
50	USDA State Director discretionary points (based on geographic distribution, employment benefit, economic distress mitigation, emergency situations, etc.)

Helpful RBEG links

RBEG program regulations. The RBEG program is governed by RD Instruction 1942-G which is on-line at: <http://www.rurdev.usda.gov/regs/regs/pdf/1942g.pdf>

More information at: <http://www.rurdev.usda.gov/or/rbs.htm> **or contact:**

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