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## California small business program faces loss of federal funds

### Matching funds that California puts up to receive U.S. dollars will dry up next month, thanks to the state's budget problems, an SBA official says.

By Sharon Bernstein, Los Angeles Times

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California's budget woes are threatening to cut off money meant to help the state's small businesses survive the recession, a Small Business Administration official said Thursday.

John Mark Quinn, acting head of the federal agency's western region, said state funds that match federal monies slated for small business development are set to dry up next month — barring a last-minute agreement between the Schwarzenegger administration and the Legislature.

The federal allotment for the small business development programs is a modest boost for California, just \$12.5 million, Quinn said. But when combined with matching funds from the state it's been enough to help thousands of businesses, he said.

Quinn said this funding was key because it will help firms reposition themselves in order to survive the economic downturn.

Many small business owners have lost their customer base during the economic downturn as their clients cut back spending. So it's crucial that those entrepreneurs learn how to sell their businesses anew — training that such funding helps pay for, Quinn said.

Particularly hard hit are businesses that relied on discretionary spending from consumers, such as gym owners or restaurants, which must learn how to develop marketing and advertising campaigns to reach new customers or offer new products.

The state money serves as a matching fund for a federal allotment that has already been made, he said. The programs, typically administered by nonprofit small business development centers, took a hit in last year's budget as well.

Adalberto Quijada, acting director of the SBA's Los Angeles district, said if the California appropriation is cut off, the SBA will be dependent on private-sector donations, including funds like those recently pledged by the investment bank Goldman Sachs for entrepreneur training.

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And, as of now, "the state is not expected to fund the programs for the second half of the year," Quinn said.

State officials were not available to comment on the issue early Thursday.

Small business advocate Scott Hauge said the cutbacks also threatened the state's broader recovery efforts. Already, he said, community colleges were cutting back their small business development centers, which are dependent on the state and federal money.

The nonprofit centers teach business owners how to position and market their companies, how to develop a business plan and — perhaps most important — how to successfully apply for loans.

However, if this state budget problem isn't solved the development centers might have to return federal money they have already received.

"If small businesses are going to be the engine that is going to drive us out of the recession and the doldrums, the small business development centers are going to have to play a major role," Hauge said.

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