

# Ohio Microbusiness Recoverable Grant Fund



## The Challenge

There are almost 28 million small businesses in the U.S. and over 22 million are microbusinesses with no additional payroll or employees. These businesses are sources of local and personal pride in their communities. The U.S. Small Business Administration found that since 1995, 2 out of every 3 new jobs created have come from small businesses. They are indeed the backbone of the economy, but many microentrepreneurs lack access to traditional banking resources.

In 2013, OCDCA began administration of the Ohio Microbusiness Development Grant Program (OMBDP) via the Ohio Development Services Agency (ODSA). The OMBDP currently provides funding support on a competitive basis to 13 community development organizations to foster microbusiness development for low-to-moderate income entrepreneurs in the form of training, technical assistance, and loan fund development. Through this program, community development organizations strengthen the economic health of their communities by investing time and resources into these microbusinesses, which become community assets.



In 2015 alone, the OMBDP:

- Provided over 2,100 technical assistance consultations to microbusinesses
- Educated over 1,000 aspiring entrepreneurs
- Started or expanded over 200 businesses
- Created or retained almost 300 jobs in low-to-moderate income communities

## The Solution

OCDCA has created the ***Ohio Microbusiness Recoverable Grant Fund*** to provide a sustainable pool of funding to these community development organizations, who can then use the funds to make loans to local microentrepreneurs in their community.

# Ohio Microbusiness Recoverable Grant Fund

The Ohio Microbusiness Recoverable Grant Fund (RGF) is a statewide fund, from which OCDCA makes recoverable grants to sub-sites of OCDCA's Microbusiness Development Grant Program, in order for the sub-site to then make loans to their low-to-moderate income microentrepreneur clients. Loan repayments are paid back to the subsite who repays OCDCA to replenish the grant fund, so that more grants for loans to microentrepreneurs can be made in the future.



## Program Eligibility

OCDCA administers the Ohio Microbusiness Development Grant Program (OMBDP), which provides training and technical assistance funding for microbusiness development programs. The OMBDP funds are awarded on a competitive basis to eligible members of OCDCA who submit the strongest application. OMBDP grant awardees (sub-sites) are then eligible for access to the RGF in order to make microloans to their microbusiness clients.



## Goals

With an investment of at least \$30,000, the Microbusiness Revolving Loan Fund can:



Make anywhere from four \$7,500 recoverable grants, to sixty \$500 recoverable grants to member organizations



Empower OMBDP subsites greater autonomy with the loans they disburse and reduce reliance on grant funding



Serve 4-60 more low-to-moderate income clients



## The Details

After the sub-site has approved a microloan for its client through its own loan approval process, it requests a recoverable grant from OCDCA. OCDCA requires a 1:1 match from another source to use funds from its RGF. Other sources of funds might include their own revolving loan fund, crowdfunding, or a local lender. After the appropriate supporting documentation is received, OCDCA disburses the recoverable grant. When using OCDCA funds, each sub-site microloan has a minimum threshold of \$1,000 (\$500 from OCDCA, \$500 from another source), or a maximum limit of \$15,000 per loan (\$7,500 from OCDCA and \$7,500 from another source) and each sub-site can use a maximum of \$15,000 in OCDCA RGF funds per OMBDP grant year.

The microloan to the client is then administered by the site according to its policies and procedures as usual. Any interest charged on the microloan remains with the subsite, and so long as the microloan remains in good standing, the sub-site is responsible for repaying the full amount of the recoverable grant to OCDCA according to the microloan's amortization schedule. In the event of default, the sub-site and OCDCA are in equal loss positions, meaning that any collateral collected in the event of default is split between the subsite and OCDCA in order to cover the costs of collection, and to replenish the grant fund, respectively.



## In Practice

Nature's Magic owner, Danielle Young, began Natures Magic in 2008 as a home-based business. Young creates natural, bio-degradable cleaning products. She utilizes essential oils and plant-based ingredients which are highly effective and provide long term health and wellness benefits in addition to containing antibacterial and germicidal properties expected from a cleaning agent.



When expanding her business on her own proved to be a challenge, Young requested the assistance of ACEnet, one of our member organizations, to scale up her business capacity and gain access to wholesale and retail markets. ACEnet provided manufacturing space, helped her develop packaging and product labels and helped her set up a bookkeeping system. ACEnet also helped her with paperwork to get into Whole Foods, including creating a recall procedure and lot tracking system. Nature's Magic was featured as ACEnet's Client of the Month in The Athens Messenger, and Young demoed her products at ACEnet's Taste of ACEnet event at the Athens, OH Kroger. Contributing to the Ohio Microbusiness Development Program allows for organizations like ACEnet to devote even more of their time to doing what they do best: assisting the hardworking business owners of Ohio. Since then the Nature's Magic cleaning product line has taken off! You can find Young's products in many local stores including Kroger, Seaman's Cardinal Grocery, The Village Bakery, Friendly Paws, The Farmacy, and Busy Day Market in Athens.



Nature's Magic can also be found in various locations in Columbus and Toledo as well, including Bexley Natural Market, Celebrate Local Easton Market, Kroger and Organic Bliss. Just one of many small businesses in Ohio, Young found a helpful team in ACEnet, and we hope to be able to assist many Ohioans like her with new investments into the expansion of our Microbusiness Development Program.