

Comparison of Microloan Technical Assistance (TA) and Program for Investment in Micro-Entrepreneurs (PRIME)

Business technical assistance is a crucial element to the success of entrepreneurs. Small business owners that receive assistance have an **80 percent success rate** versus the 80 percent failure rate of small businesses that don't seek help. Also, entrepreneurs that receive assistance and start their own businesses on average **create two jobs in addition to their own**, over a three-to-five year period. Business assistance is a very cost effective job creation strategy – an average of \$1,000-\$3,000 per job compared to \$50,000+ for a public works infrastructure project job.

The key differences between PRIME and the Microloan TA are who is eligible to receive funding and the scope of the training.

- PRIME recipients are non-lender entrepreneurship training programs while Microloan TA funds are restricted to lenders.
- PRIME funds programs that train entrepreneurs at the start-up phase of their business before they are ready for a loan, e.g. writing business plans, preparing cash flow statements, providing market research.
- Microloan TA funds programs that train businesses that are ready for growth. Thus these programs serve very different populations with different needs.

Without the pipeline of suitable applicants at the start-up phase that PRIME funding supports, loan demand is low and default rates high. And that means slower job creation.

Last year, California's share of the PRIME funds amounted to approximately \$1 million and created an estimated 300 jobs with a potential for a total of 1,000. These small businesses create jobs and this small amount of SBA money has meaningful impact.

We want business technical assistance funding to be restored to the FY 2010 levels of \$8 million. The Senate funded PRIME at \$0 and the SBA Microloan TA fund at \$22 million; the House funded PRIME at \$5 million and the Microloan TA fund at \$14.5 million.

