

# Small Business Innovation Fund

## FAQ - Final

8/12/22

This FAQ supersedes any verbal responses given.

1. **One of the questions inquires about current and former state employees. I worked for the State of Washington 16 years ago. What does this mean for our application?**
  - a. You can still apply, and unless there is a conflict of interest, it will not affect your application.
2. **Do all funds need to be "obligated" versus "spent/performed" by May?**
  - a. All funds will need to be spent on or before June 1, 2023.
3. **1-year spend window on that 500k- 5m?**
  - a. Actually this isn't a one year spend window. We are hoping to contract quickly and then funding must be spent and utilized on or before June 1, 2023, with all invoicing, deliverables and reports received by June 30, 2023.

Unfortunately, the state budget isn't flexible on this deadline. This one time funding proviso requires state funds to be spent (i.e. receipts) by fiscal year end, not encumbered. This isn't the agencies call. Our attempt to bring some more flexibility to this funding is to offer reimbursement payments rather than based off deliverables. Your concern regarding the spending deadline is shared by us, which is why so much of the application is geared towards procurement. I also believe that shovel ready or existing programs looking to scale may be best positioned to execute this funding.

Some other State procurement guidelines that need to be considered, including advance payment for goods or services is generally prohibited by RCW 43.88.160. There are very few exceptions that include postage, books, subscriptions, software/software updates and equipment maintenance.

We highlighted the challenge of spending this amount of money on this timeline to legislators and stakeholders during the last session when it was being developed and unfortunately our input was not considered. We are hoping to request some flexibility to allow for funds to be spent into the next biennium in the event that not all funds can be expensed in the current statutory timeline, but we will see what the legislature decides to do next session.

4. **Are cities eligible to apply directly or limited to apply through CBO's, EDB's and/or Non Profits?**
  - a. Yes, cities can apply. The only **ineligible** applicant is a **for profit** business.
5. **How to demonstrate commitment of match? Follow-up: the City of Kent for instance has ARPA funding earmarked in its passed mid-biennium budget for a BIPOC business accelerator. The source is Federal...and the source of this state fund is federal. What are the concerns for matching federal to federal?**

- a. Match is not required, only encouraged. For your follow up, this is not allowed as federal dollars can't leverage federal.

**6. Washington Main Street question: Is capital acquisition an eligible expense?**

- a. Capital expenditures for acquiring or maintaining fixed assets, such as land, buildings, and equipment are eligible expenses. We would require disposition plans and the average useful life of the item purchased would need to be 13 years or more.

Costs directly associated with property acquisition include appraisal fees, title opinions, surveying fees, real estate fees, title transfer taxes, easements of record, and legal expenses are eligible as well.

**7. Could an organization create a fund to subsidize a three year lease for BIPOC businesses?**

- a. No, this would not be an acceptable use of funds. The allocated funding would need to be spent by June 1, 2023. Since this project would require funding to be dispersed over a 3 year period, this would not be compliant.

**8. Could an organization create a fund for capital access?**

- a. Yes.

**9. Are projects that would mainly have metrics produced after spent down at competitive disadvantaged?**

- a. No, we will be requiring 3 years of project reporting after the close of contracts. Due to this fact, we anticipate metrics to continue to be produced after spend down.

**10. Can you clarify the schedule/time line for reimbursement on the costs when they are incurred?**

- a. Funds will need to be spent prior to June 1, 2023, but the pay schedule of monthly or quarterly is negotiable. This will be a deliverables based contract, and as such all deliverables and pay schedules will be negotiated during the negotiating period after awardees have been selected.

**11. On page 8 it is stated that subcontractors are to carry Fidelity insurance within their Commercial liability insurance for contracts over 10k. Can you define Fidelity insurance? Is this the same as Employee dishonesty policies? And is there an amount required?**

- a. Fidelity insurance is an insurance policy that protects policyholders for losses that they incur as a result of fraudulent acts by specified individuals. It usually insures a business for losses caused by the dishonest acts of its employees. This does coincide with employee dishonesty policies. Commerce typically requires fidelity insurance at \$100,000.

**12. Can awardees fund operational start-up costs for a new business?**

- a. This is too vague of a question as gift of funds restrictions come into play. If the costs do not fall into a situation of gifting of state funds directly to a business, then it is possible it could be funded.
- b. Costs must be clearly defined within your application.

- 13. The slide on reporting indicated we'd be reporting on jobs created and jobs retained. If our program is primarily focused on jobs retained (by providing skills for business owners to skill up), does that hurt the project's viability, or is there room for jobs that primarily focus on job retention? Room for \*projects that primarily focus on job retention**
- a. Commerce realizes some projects are more geared towards different aspects of the intended outcomes. Therefore, a project focusing on job retention will not hurt the project's viability. Commerce will look at the quality of application in relation to the legislation and the sustainability of the project to determine if the applicant will be awarded. As long as applicant demonstrates an ability to benefit the small businesses within the targeted communities, then the application will have merit.
- 14. Can this program fund predevelopment costs for a capital project, where actual construction would take place after June?**
- a. Yes, the project will require reporting for 3 years after the contract closes.
- 15. Could these funds be used for business grants?**
- a. Yes, business grants are an acceptable use of funds. Your project plan must outline the number of grantees and their demographics.
- 16. Can these funds be spent on equipment as laptops, hotspots, etc. for business development trainings and cultural events to help businesses?**
- a. These items would be considered supplies, and as long as these items directly help small businesses within the targeted demographics, this should be fine. Length of program, and understanding of use of laptops long term would be requested. Commerce will decide if such materials prove beneficial to the project during contract negotiations.
- 17. Can two non-profits form a partnership and apply for projects that will be jointly managed and administered?**
- a. Yes, Commerce understands there may be some difficulties with spend down in the short contract timeframe. Thus, we welcome the idea of collaborative partnerships to form a project. We also see this as a way to potentially expand the ability to serve the targeted demographics within the program.
- 18. Can a city owned and non-profit run qualify for funds? Are 501(c)4 as well as (c)3 nonprofits are eligible?**
- a. Yes, any non-profit qualifies for these funds.
- 19. Just to clarify, the recommendation is that only existing programs apply for these funds due to the short contract window?**
- a. Commerce understands that within this short contract period, existing programs may be better suited to deliver the funds within the allotted timeframe. However, we also welcome new program ideas, and will not specifically recommend one or the other. A quality application around a new program idea may be looked at just as favorably as an existing program.
- 20. Are funds that are used for consultants and/or small businesses subject to procurement requirements?**
- a. Yes, Commerce requires a competitive procurement process for any subcontracting and consultant costs over \$30,000 or \$40,000 if the direct buy is made from a small business as defined by RCW 39.26. 010(22); or from a certified veteran-owned business.

- 21. Can we allocate the amount to subsidize training to manufacturing companies? Without knowing a prior the number of companies we will assist.**
- a. Yes. We would love to see a ballpark estimate of the number of companies you believe you may assist with the allocated amount, but this can be worked out during contract negotiations.
- 22. The EDA uses a de minimis 10% when you don't have a negotiated rate. Did I here correct that the admin percentage can't be more than 3%, can you confirm?**
- a. For this program, we are hoping as much money as possible can go to directly assisting small businesses. That being said, we also understand the organization must be able to adequately pay their employees whom are working on the program. Commerce has set a 3% admin fee for this funding, but organizations can add more in their budget. This will be weighed against the quality of project/application.
- 23. If we are reviewing applying as a partnership/consortium with regional CBOs, are the CBOs consider subcontractors so they should not be included in our proposal?**
- a. If there is a partnership application, we will consider these organizations co-awardees, and not subcontractors.
- 24. Can the funds be used for a mixed use project and cultural center?**
- a. As long as the funds go towards helping small businesses within the targeted communities as defined in the proviso. We will need to see how funds will directly impact small businesses, and if there is a clear beneficial impact, then these will be an acceptable use of funds.
- 25. Looking to expand a digital platform for small urban/rural businesses to include supported ecommerce, -- and partnering with a bunch of members of our Business Equity Coalition of the Inland Northwest as a place to bring all our BiPOC and other businesses. Basically expanding the existing platform to generate income for partner organizations via transactions on the platform. Are they applicants with us?**
- a. SBIF possibly could be used for platform development however, this funding is not geared towards non-profits generating program income beyond the grant funding period.
- 26. We have an entrepreneurial ecosystem project that we have been pursuing but unable to obtain initial funding. It would involving hiring a nonprofit from out of state. Might this be eligible?**
- a. If the non-profit is registered and licensed to work in Washington State, and has proven experience serving small business communities within Washington State, then this would be eligible. However, competitive procurement requirements would need to be followed in the event you are hiring a non-profit to do this work. Also all businesses benefitting must be located within Washington State.
- 27. If we award grants for BIPOC businesses to use a space for arts events can we award the grants prior to May 31st 2023 and allow grantees to use the space after the May 31st 2023 deadline?**
- a. We must receive a receipt for funds spent prior to June 1<sup>st</sup>, showing there were no funds paid in advanced for services. Invoices must be dated and paid for prior to or on June 1<sup>st</sup> for services rendered. No expenses are allowed to be paid for in

advance. However, requests for payment are due on or before June 30, 2023. Please refer to question 3.

**28. Is there any way to send us a copy of power point so we at the Filipino Community can take a look what are requirements to apply for SBIF?**

- a. The power point will be posted on the Commerce website here: [Solicitation for Applicants - Small Business Innovation Fund - Washington State Department of Commerce](#)

**29. We are concerned about the deadline to spend the innovation fund money by May 31st. Any flexibility on that deadline would be great, even allowing the money to be encumbered by that deadline would be helpful.**

- a. Unfortunately, the state budget isn't flexible on this deadline. This one time funding proviso requires state funds to be spent (i.e. receipts) by fiscal year end, not encumbered. This isn't the agencies call. Our attempt to bring some more flexibility to this funding is to offer reimbursement payments rather than based off deliverables. Your concern regarding the spending deadline is shared by us, which is why so much of the application is geared towards procurement. I also believe that shovel ready or existing programs looking to scale may be best positioned to execute this funding.

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**30. Can we partner with a foundation who will write the checks, but non-profit will be doing the work?**

- a. A foundation should be a non-profit.

**31. One of the hurdles is how they define the procurement process. It appears there may be issues related to procurement which could take a substantial amount of time. What are the procurement rules?**

The procurement rules are outlined in the program guidance, as added below:

- a. The Sub recipient/Contractor must establish and adhere to procurement policies and procedures in accordance with the blend of general Federal procurement standards ([2 CFR 200.317-327](#)) and State procurement standards ([RCW 39.26](#)) ([DIRECT BUY POLICY 2020](#)) as outlined below when awarding subcontracts funded by FEDERALLY.

Micro-purchase: (\$10K and below) Can be awarded without soliciting competitive price quotations if the price is reasonable (Federal)

Small purchase: (\$10,001 to \$30K) Price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate (Federal)

Large purchase: (\$30,001 and above) Formal procurement process required (State)

The Contractor's procurement system should include at least the following:

- A. A code or standard of conduct that shall govern the performance of its officers, employees, or agents engaged in the awarding of contracts using federal funds.
- B. Procedures that ensure all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition.
- C. Minimum procedural requirements, as follows:
  - i. Follow a procedure to assure the avoidance of purchasing unnecessary or duplicative items.
  - ii. Solicitations shall be based upon a clear and accurate description of the technical requirements of the procured items.
  - iii. Positive efforts shall be made to use small and minority-owned businesses.
  - iv. The type of procuring instrument shall be determined by the Sub recipient/Contractor, but must be appropriate for the particular procurement and for promoting the best interest of the program involved.
  - v. Contracts shall be made only with reasonable subcontractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement.
  - vi. Some form of price or cost analysis should be performed in connection with every procurement action.
  - vii. Procurement records and files for purchases shall include all of the following:
    - 1) Contractor selection or rejection.
    - 2) The basis for the cost or price.
    - 3) Justification for lack of competitive bids if offers are not obtained.
  - viii. A system for contract administration to ensure Sub recipient/Contractor conformance with terms, conditions and specifications of the FEDERALLY Contract, and to ensure adequate and timely follow-up of all purchases.

**32. The allocations show 1/3 funding to urban and 1/3 to rural – would organizations benefit if they could apply for both? Service area expands rural and urban.**

- a. The intent is to ensure the ultimate recipient of the services are in these areas. Applicants should apply under one application, even if they are serving multiple areas. Applicants may benefit if they are able to show an ability to positively impact small businesses in both rural and urban areas. Commerce will look at strength and quality of project to determine whether quality work will be done in both areas. We do not want applicants to detail how they will benefit each of the desired areas, but end of primarily serving one or the other. Applicants will need to be able to show and ensure they have served each area with as much focus.

**33. Can a non-profit registered with the Secretary of State's Office be the non-profit fiscal sponsor/agent to another entity for the Small Business Innovation Fund Application?**

- a. Non-profit must be the lead for this project and enter into contract. Must follow procurement guidelines in [\(RCW 39.26\)](#).

34. If an application is submitted with multiple non-profit organizations working collaboratively to engage with and optimally enhance the Small Business Innovation Fund's stated goals and objectives, as well as provide the best approach for the "Use of Funds", will the same \$5M maximum be applied as the award to this submission group, or would each separate applicant in the group be allowed to reach the maximum allowable amount. For example, if two non-profit entities submit a joint application for funding, will the maximum amount awarded be restricted to \$5M, or recognize both groups with a total potential award of \$10M?
- a. The maximum amount of \$5M is per application.
35. If an applicant has business operations in King County, as well as other urban and rural counties (based on the designation on RCW 82.14.370), will an award to this applicant still be limited to a total of \$5M, or would the maximum award be \$5M per geographic area?
- a. The maximum amount of \$5M is per application.
36. What is the purpose and/or strategic goal of restricting the allowed "period of performance" to only the eight month (8) period beginning on or about October 1, 2022 and ending on May 31, 2023?
- a. The legislature has defined this as a one-time appropriation ending June 1, 2023. June 30th is when final invoices must be submitted. Please see question 29.
37. What is the end of the "period of performance" (i.e., that all moneys have been contractually committed to the appropriate project "Use of Funds", or that all moneys have been committed and utilized, or some other hybrid determination)?
- a. June 1, 2023. All final invoices and reports must be submitted on or before June 30, 2023.
38. If the rewarded funds are not utilized "by definition" by the May 31, 2023 deadline, and there is no legislative extension due to unexpected external forces or other occurrences, then are the awarded funds anticipated to be returned to the Department of Commerce, or can the applicant make a formal appeal for a singular project extension in order to complete the ongoing project activities and objectives?
- a. Awarded funds will not be paid in advance of deliverables received, therefore no funding will be returned to Department of Commerce. If the program is not complete by June 1, 2023, any funds remaining will be returned to legislature.
39. If the October 1, 2022 Grants awarded date is not met, then is it reasonable to assume that that the May 31, 2023 project completion date will be moved accordingly?
- a. No, this is out of our hands.
40. Can project costs include all necessary due diligence, technical third-party service providers, applicants costs of time and materials, applicant's demonstrated "project related" operating overhead, and/or any and all other required expenses to successfully complete the allowable projects?
- a. Yes.

41. Under the application section “Program Terms & Conditions”, what is the Per Diem scale/definition cited, and/or where can the application locate this information utilized by the Department of Commerce?
- a. Per diem rates are determined by [OFM](#).
42. Please confirm that “Local procurement initiatives” under the Use of Funds section includes both goods and services, and/or if there are any specific restricted carve-outs other than the two items cited under “Costs that are NOT eligible”.
- a. The two items mentioned are the non-eligible costs. Goods and services are included under local procurement initiatives.
43. Under the section “Program Records”, do all records that must be maintained for a period of six (6) years need to be kept in hard copy format, or can all records be electronically duplicated and stored to be more efficiently and easily identified and accessible?
- a. Yes.
44. Under the section Application Process, if “Commerce reserves the right to negotiate partnership contracts with high scoring applicants with similar projects”, and the applicants agrees to such partnership(s), then will the potential awards be still restricted to the \$5M maximum amount, or can the applicants negotiate a potential higher maximum amount to encourage the formation of the partnership(s)?
- a. Award, whether through a negotiated partnership or applied partnership, are still restricted to \$5M.
45. Does the Department of Commerce anticipate that the opportunity to apply for and receive a funding award under the Small Business Innovation Fund program will be a reoccurring event, and if so will October, 2022 successful applicates (that have completed successful community benefiting projects) be allowed to submit again for the next notice of funding?
- a. If future funding becomes available for Small Business Innovation Fund, a new application round will be opened for all eligible applicants to apply.
46. Can funds be used for work performed by small businesses registered outside of Washington State?
- a. No.
47. Can funds be used to extend existing contracts with small businesses to perform work in the future?
- a. The answer is dependent on how existing contracts were procured. If they meet federal procurement requirements, then yes. This can be discussed further during contract negotiation process.
48. Will independent contractors qualify as small businesses under the Small Business Innovation Fund?
- a. Yes.



