

Ask for Public Money and You May Receive

Government grants are available for small business. Here's how to get a piece.

By LOUISE LEE

Grants aren't for only nonprofits. Small businesses can sometimes get their hands on that money too—and get a big boost in the process. Take Wombat Security Technologies Inc. When it was spun off from Carnegie Mellon University in 2008, the software start-up had seed money from the school but needed more to develop new antiphishing products. So, the Pittsburgh firm turned to the federal Small Business Innovation Research program.

Its efforts were rewarded with a number of grants—including a \$750,000 award in 2010 and one for \$100,000 this year. The grants "can be a tremendous source of funding," says Norman Sadeh, co-founder and chief executive at Wombat. "It's a great opportunity."

But identifying and applying for grants requires jumping through some hoops. Here are some tips to help you decide if a grant is right for you and navigate the application process.

Where to Find Them

Almost all business grants, which can range from a few thousand dollars to \$1 million or more, come from government bodies. By contrast, most private sources, such as foundations, give only to nonprofits.

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In other words: Scour government websites. The federal government posts grant opportunities, called "funding opportunity announcements," "requests for proposals" or "notices of funding available," at grants.gov. You can also sign up for electronic newsletters alerting you to grant opportunities. State and local governments publicize grant information online, too. For example, for information about the state of Pennsylvania's grants to businesses, go to newpa.com.

Who Can Get Them

Not all types of small businesses are eligible for grants. For federal grants, you have to be in a business that the government considers to be promoting the public good, including energy efficiency, environmental technology, biotechnology, health care or information technology. Most other types of businesses aren't going to fit the bill.

State and local governments, though, have grant programs for companies in a wider range of industries that they want to help. For instance, the Wisconsin Entrepreneurs'

Network, funded largely by the state's Department of Commerce, has a grant program for small businesses in a number of fields, including tourism, printing and child care.

Local governments also often seek to encourage and fund businesses in certain areas, such as rural towns or economically depressed urban neighborhoods. A wider range of businesses may be eligible for these grants, but "you have to [operate] where the grantor wants it done," says Larry Van Horn of Business Plans & Consulting LLC in Newport News, Va.

If you can't determine if your business fits the criteria of a grant, call the program officer noted on the announcement, says Louise Mathias, a grant writer in Los Angeles, Calif. "They'll tell you if it's not a fit and if you're barking up the wrong tree," she says.

Beyond basic eligibility, you're limited in how you can use the money. Many federal grants, for instance, have to be used for research and product development. Businesses receiving a Market Access Grant from the state of Pennsylvania can use the money to cover only expenses associated with "international marketing needs." In Wisconsin, a company that wins an Early Planning Grant from the state can use the money only to cover the cost of developing a business plan for an expansion or new venture.

How to Apply

The grant announcement and application will tell you what to submit. Some of it's pretty basic: details about your operations, personnel, budget and expenses, as well as business goals and what need you hope to fill. You'll probably have to describe how you'd use the money and disclose other sources of financing. Some funders require you to secure a loan or other funding the same size as the grant. (Unlike a loan, a grant doesn't have to be paid back.)

Federal applications ask for other paperwork, including a form disclosing lobbying activities, a statement describing your accounting policies and a copy of the previous year's financial audit. Companies also need to complete a registration process before applying.

Be prepared to back your arguments with third-party research. "You can't say just, 'Our green initiative is good because it's green,' " says Saadia Faruqi, a Houston grant consultant. "You want to cite references to say what you're specifically doing is valid and serves a need."

What's more, cast your objectives in terms that can be evaluated. "If you're seeking money to help build a residence for the elderly, note the number of beds you'll have, the number of staff you'll hire, and the approximate date by which residents can move in," says Mr. Van Horn.

Likewise, you'll have to include criteria by which you can measure progress on the project the grant would fund. If you win the grant, you'll need to report back, perhaps six to 12 months later, on your results as measured by those criteria.

Finally, write in a straightforward manner. "It's facts, not creative writing," says Mr. Van Horn. "Don't say that you'll have 'the most beautiful landscaping' but just, 'The grounds will be landscaped with plants.' "

Who Can Help (If You Need It)

Grant writers can help you decide if you're a good fit for a grant opportunity and help you with writing and editing your application. Some grant writers charge a flat fee, while others bill by the hour, at rates that range from \$50 to \$200 or more. For an application for a federal grant, expect to pay at least several thousand dollars. Remember, though, that you have to pay the writer whether you win a grant or not.

As you search for a grant writer, beware of scammers guaranteeing "free money" or promising to find you a grant if you buy something. Don't bother with anyone who demands a cut of any grant you win or wants you to pay for material that's easily obtainable online.

"There's no reason to pay for information about the grants themselves," says Ms. Mathias, the grant writer in Los Angeles. "Don't fall for that."

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