

Small business needs during and after the coronavirus crisis: A roadmap to recovery

From plunging revenues to shuttered storefronts, the COVID-19 public health crisis has driven too many small businesses to the brink of collapse. More than a year into this pandemic, stories and data from business owners across the country, including from our network of 85,000 small businesses, have illuminated the dire reality of what they are facing. A [recent survey](#) of our network revealed that an astonishing 56% of small firms report they may not survive past three months without additional funding or market changes. This is why policymakers must understand their needs and enact policies to bolster Main Street's recovery and long-term success.

While government officials have historically chosen big business over small and new businesses, the pandemic's impact on the small business community has been front and center during the crisis. Congress has taken some steps to address these needs by funding emergency small business loans, but they have not been comprehensive and robust enough to ensure businesses recover, nor do they support the millions of the smallest businesses and those owned by people of color that were left behind.

We need bold action to ensure that small businesses can recover and be better positioned to withstand the next crisis, as outlined in the short and long-term policy recommendations below.

Investing in physical and human infrastructure

Small businesses survived tremendous and unique obstacles throughout this pandemic and are now facing new impacts of coronavirus variants. Although small business owners have weathered a significant storm, they are still in need of additional assistance. This is why small businesses need investments in both [physical](#) and [human](#) infrastructure, as proposed in the Infrastructure Investments and Jobs act and the proposed budget reconciliation outline.

The provisions in both legislative packages are crucial to rebuilding an equitable and sustainable small business ecosystem. [Our recent survey](#) found broad support among small businesses for key provisions in the Infrastructure Investment and Jobs Act, including 79% support for improving the nation's physical infrastructure and 76% support for expanding and enhancing the nation's broadband infrastructure. Our research has similarly found strong support for measures in the human infrastructure plan to invest in healthcare, childcare and paid family and medical leave. Furthermore, the human infrastructure package would raise significant revenue by closing tax loopholes for large corporations and wealthy Americans, thus leveling the playing field for small business owners. Small businesses [support many of the proposed tax reform](#) changes.

Fund innovative access to capital, monitor existing relief programs, lending capacity, and provide immediate grant funding

Small business owners, particularly people of color, face significant hurdles accessing capital from traditional banking institutions. The current reconciliation instructions indicate that the U.S. Senate Committee on Small Business & Entrepreneurship will only receive \$25 billion to fund legislation focused on investments for access to credit and markets. This allocation is too low to adequately address the serious circumstances many small businesses still face. We must ensure greater access to responsible capital for entrepreneurs by enacting the following:

Immediate Policy Needs:

- Secure funding for emergency small business aid. Small businesses need a healthy public infrastructure, which is why we applauded the Senate's passage of the bipartisan infrastructure package. However, we are disappointed that the package will be paid for in part by pulling billions of much-needed dollars from the U.S. Small Business Administration's (SBA) Economic Injury

Disaster Loan (EIDL) grant and loan programs. Congress must protect these funds to support those many small businesses that continue to struggle to keep their doors open.

- Boost funding for SBA's operations and expenses. The bipartisan infrastructure package also proposes to rescind dollars for SBA's salaries and expenses, which is the exact opposite of what the Agency (and small businesses who rely on the Agency's efficiency for capital) needs right now.
- Expand the SBA lending capability such as a direct lending program to increase access for traditionally underserved communities and small government contracts that need working capital.
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- Appropriate emergency funding to replenish the Restaurant Revitalization Fund to reach the more than [180,000 RRF applications](#) that remain unfunded.
- Extend Truth in Lending Act disclosure requirements to small business credit products so that small businesses struggling with cash flow are not taken advantage of during this pandemic. Similarly, prohibit "confession of judgment" clauses in small business lending agreements whereby borrowers agree in advance to waive their right to contest any dispute with a lender.
- Establish special purpose vehicles or other facilities within the Federal Reserve to allow CDFIs, MDIs and other mission-driven lenders to sell loans on the secondary market.

Long-Term Policy Needs:

- Quadruple SBA lending guarantees, specifically by raising the maximum guaranteed annual loan amounts and loan guarantee percentages.
- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion.
- Ensure that funds made available via the State Small Business Credit Initiative (SSBCI) reach the most vulnerable businesses and technical support providers.
- Establish and financially backstop new types of loan products that provide initial repayment moratoria, a subsequent period of no- or low-interest and responsible interest levels after that.

Provide robust funding for business support services

Small business owners are desperate for guidance right now, which is why we need robust funding for business assistance centers. This is particularly needed as many small business owners are taking on debt for the first time or are also being forced to rethink their entire business model.

Immediate Policy Needs:

- Provide more immediate funding and resources for business assistance providers.
- Ensure state funding (including federal aid to states) includes appropriations for small business technical assistance programs.

Long-Term Policy Needs:

- Promote SBA and other programs that foster peer-to-peer mentoring and encourage expanded procurement opportunities for very small and underserved businesses.

Strengthen the Affordable Care Act (ACA)

Despite repeated threats and pernicious obstacles, the Affordable Care Act (ACA) has significantly expanded access to quality affordable healthcare for small business owners, their employees and the self-employed. Still, more must be done to expand coverage, prevent ACA provision rollbacks, strengthen the

marketplace, and rein in costs so that small businesses and workers won't face exorbitant premiums and lackluster coverage during and after the pandemic.

Immediate Policy Needs:

- Extend provisions in the American Rescue Plan to make healthcare more affordable, specifically increasing premium assistance to those who are already eligible for premium tax credits and expanding subsidies to people making more than 400% of the federal poverty line.
- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#). Policy solutions should include allowing Medicare to negotiate prices directly with pharmaceutical companies.
- Allow consumers who are offered employer-sponsored insurance to instead receive premium assistance for marketplace coverage if they choose. This would eliminate the “unaffordability” threshold that consumers must currently meet to be eligible.
- Expand Medicare coverage to include individuals age 55 and older is an important step towards closing the gap in access to care, which our research found is strongly [supported by small business owners](#).

Long-Term Policy Needs:

- Make significant investments towards educating the public about the annual open enrollment period. This must include multi-year funding for consumer assistance in navigating the program.
- Millions of individuals, including many small business employees and self-employed entrepreneurs, do not have access to Medicaid coverage due to political decisions in 12 states. To correct this inequity, Congress should pass the Medicaid Saves Lives Act or allow individuals, no matter where they reside, to purchase coverage through the ACA marketplace.
- Eliminate non-ACA-compliant plans—specifically short-term plans and association health plans.

Other critical benefits

As we emerge from the pandemic, we must swiftly address the needs of a changing, disparate workforce—both people employed by small businesses and individuals working as independent entrepreneurs. The pandemic has accelerated the trend toward a workforce that is increasingly operating independently, so we must ensure that self-employed entrepreneurs have access to benefits consistent with those in the W-2 workforce.

Immediate Policy Needs:

- Establish a national program that would provide partial wage replacement for small business employees and the self-employed to take leave to address serious health conditions for themselves and family members.
- Allow independent entrepreneurs to access Secure Choice programs, understanding many freelancers and self-employed individuals are unable to access traditional retirement benefits.

Long-Term Policy Needs:

- Expand state-based retirement programs as has been done in several states.
- Expand childcare programs in underserved communities via (1) support for owners and their workers to afford childcare and (2) financing and technical support for local childcare businesses.
- Expand both federal and state Earned Income Tax Credit (EITC) programs to increase small business employees' incomes and allow self-employed entrepreneurs to buy into these programs, as proposed in the American Families Plan.

Additional financial measures, resources and policy solutions

Immediate Policy Needs:

- Promote commonsense and comprehensive immigration policies, including finding a long-term solution for recipients of Deferred Action for Child Arrivals (DACA), understanding that young immigrants are the lifeblood of entrepreneurship. We must similarly find a long-term solution for recipients of Temporary Protected Status (TPS).
- Adjust repayment due dates on property taxes and commercial rent.
- Pass legislation that would ensure business insurance companies cover COVID-19 revenue losses.
- Provide forbearance on all small business loans and credit card payments during the pandemic.

Long-Term Policy Needs:

- Pass a moratorium on increasing future unemployment insurance rates so that small businesses do not have to pay higher premiums in subsequent years because of COVID-19 layoffs.