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. An astounding 9 in 10 reported the coronavirus had impacted their business in the first few weeks of the crisis, and 100,000 small businesses have already closed their doors permanently. As we begin reopening our economy, it’s critical that policymakers understand their needs and focus on enacting policies to bolster Main Street’s recovery and long-term success.

While government officials have historically 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 these programs are inefficient and have left millions of the smallest businesses and those owned by people of color behind. And for those who have received a loan, the guidelines are so unclear and the timeline is so restrictive that some are afraid to use the money in case a misstep costs them their loan forgiveness.

It’s clear that we need bold action to ensure that small businesses can recover and be better positioned to withstand the next crisis. This can be done by pursuing the short and long-term policy recommendations outlined in this document.

**Provide grant assistance to ensure small businesses stay afloat**

*Immediate Policy Needs:*

Small businesses that are unable to maintain payroll or have operational costs that rival or exceed the cost of payroll, desperately need direct grant assistance. We recommend allocating $600 billion in funding for direct grants to cover four months of operations for small businesses with up to 100 employees, including the self-employed. The grants can be administered through existing federal emergency programs or the IRS using a simple application. All amounts granted would be reduced by any forgivable loans received under the current PPP program.

Congress should pass the numerous legislative proposals on the table that would provide targeted grant/tax relief to very small businesses.

**Reform the Payroll Protection Program (PPP)**

*Immediate Policy Needs:*

- Extend the deadline to apply for PPP through the end of the year.
- Forgive all loans under $150,000 so small businesses do not have to navigate a convoluted loan forgiveness process in the midst of keeping their business afloat.
- Eliminate the current requirement that at least 60% of the loan funds be used for payroll costs in order to be forgiven to increase the amount small businesses can use for other operational costs.
- Guarantee that existing borrowers also have five years to pay back any unforgivable portions of the loan instead of the current two years.
- Allow borrowers to apply for a second round of PPP funding.

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• Ensure PPP funding is open for justice-impacted business owners.

• Provide lenders a minimum processing fee of $2,500 per loan to ensure lenders do not lose money by processing small-dollar loans or cherry pick larger loans.

• Set aside $100 billion in PPP funds specifically for Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), rural and other mission-driven lenders.

• Require the SBA to collect demographic data to determine whether funds were equitably distributed to minority-owned business.

• Mandate that lenders are forbidden from using credit to deny potential PPP borrowers.

Reform the Economic Injury Disaster Loan (EIDL) Program

Immediate Policy Needs:

• Forgive all loans under $150,000 so small businesses can benefit from the flexibility of the EIDL program, which the PPP program lacks.

• Allocate more funding for the EIDL advance so that each business receives the full $10,000 grant, regardless of the number of employees.

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.

• Significantly expand state funding (including federal funding to states) 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.

• Increase liquidity for microloan intermediaries that provide technical assistance support to underserved businesses.

Expand access to responsible credit and capital

While small businesses may be wary to take on new debt in this economic climate, we must ensure they are able to access the right kind of capital in an efficient manner and that women, people of color, immigrants and rural entrepreneurs have equal access to financing.

Immediate Policy Needs:

• Expand the CDFI Fund to $1 billion to ensure an infusion of loan dollars that CDFIs can start disbursing into their communities now.

• 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.

• Require the SBA to increase awareness about the Small Business Debt Relief Program and extend it for another six months.

• 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.
• 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.

**Long-Term Policy Needs:**

• Reauthorize and fund a program similar to the State Small Business Credit Initiative (SSBCI) at $10 billion.

• 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.

**Additional financial measures and resources**

**Immediate Policy Needs:**

• If the direct grant programs or the improvements to the PPP recommended above are not enacted, establish a program that would pay employers to maintain healthcare for employees they had to lay off or furlough. Similarly, allow furloughed employees to stay on their business-sponsored health plans during the COVID-19 emergency.

• Ensure the small business tax provisions of the CARES Act can be taken in conjunction with any grant/loan assistance like the PPP.

• 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 for at least six months.

• Enact measures that would immediately provide funding for small businesses to acquire personal protective equipment, plexiglass and other supplies that help prevent the spread of viruses.

**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 as a result of COVID-19 layoffs.

**Strengthen the Affordable Care Act**

Much more must be done to expand coverage, prevent key ACA provision rollbacks, strengthen the marketplace and rein in costs so that if COVID-19 continues to threaten the health of our communities, small businesses and workers won’t face increasing premiums and lackluster coverage.

**Immediate Policy Needs:**

• Guarantee continued health protections for individuals with pre-existing conditions

• Protect consumers from surprise billing by limiting patient cost-sharing to the amount they would owe to an in-network provider.

**Long-Term Policy Needs:**

• Continue to expand Medicaid in states that haven’t done so, which is vitally important for low-income entrepreneurs and small business workers who can’t afford coverage. Roughly [616,000 small business employees](https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca) could gain coverage if all remaining states expanded Medicaid.2

• Reinstate the ACA’s risk corridor program to help protect against carriers overpricing or underpricing their products to keep premiums low and insurance markets sustainable.

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2 Small Business Majority. “Small businesses see significant gains from the ACA,” October 2018. [https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca](https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca)
• Expand the current system of marketplace subsidies that has helped make healthcare more affordable for many small businesses, their employees and self-employed Americans.

• Pass legislation to rein in the rapidly rising costs of prescription drugs.

**Paid family and medical leave and additional benefits**

Nearly half of all U.S. workers are employed by small businesses, which means small businesses are particularly impacted by loss of employees due to illness. The following actions can help small businesses retain their employees while decreasing the spread of COVID-19.

**Immediate Policy Needs:**

• Ensure small businesses that offer paid family medical and sick leave during COVID-19 receive cash reimbursement, instead of having to wait for a quarterly tax reduction or an annual tax credit as provided in the Families First Coronavirus Response Act (FFCRA.)

• Enact a temporary sick leave policy to help cover employees who need to take sick time, but this must be coupled with immediate grant funding to help small employers cover the costs of leave.

**Long-Term Policy Needs:**

• Pass the FAMILY Act to establish a national program that would provide partial wage replacement for small business employees and the self-employed.

• In lieu of a federal paid leave program, pass more state laws to establish paid family and medical leave insurance programs.

• Implement policies at the national and state levels that would help more working parents afford child care, which is essential to retaining a skilled workforce.

• Support state and federal efforts to establish publicly-administered retirement savings programs (“Secure Choice”) programs, as has been enacted in several states, to help more small businesses, their employees and the self-employed establish retirement plans.