

Administering stimulus funds from the American Rescue Plan to support small businesses

The COVID-19 crisis has been devastating for many small businesses, and more than a year into this pandemic, small businesses are still struggling to keep their doors open. Although a perceivable end to this pandemic is in sight, there is still a long road to recovery ahead for America's small businesses. Relief programs like the Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) have helped some businesses, but many fell through the cracks. As a result, small businesses are in dire need of more support. State governments are ideal for providing this support due to the stimulus aid provided to them via the American Rescue Plan. As a leading representative of America's 30 million small businesses, we offer our recommendations for the most constructive ways to administer stimulus aid provided to state and local governments. Strategic investments can have a transformative impact on the long-term sustainability of a small business ecosystem.

Targeted grants

Small businesses, particularly those owned by women and entrepreneurs of color, are struggling to recover from the pandemic. Survey data we collected in April of this year found that 25% of small business owners said they might not be able to survive the next three months without additional funding or other market changes. Additionally, 37% of Black entrepreneurs said they might not survive the next month. That is why, more than 1,500 small business owners and business organizations are [calling on Congress](#) to consider additional grant relief for vulnerable businesses that have been left behind by PPP and other federal aid programs. State and local governments can help fill the void, establishing their own grant programs, either on their own or in partnership with local nonprofits.

Technical assistance

Most small business owners tend to run every department of their business. That means that in addition to running their business, they are the accountant, HR, manager, and more. It is often difficult for small business owners to stay apprised of all the changes that impact them. That is why technical assistance (TA) providers are so critical to the small business ecosystem. They provide essential education, resources, and knowledge about business plans, access to capital opportunities and business growth. Many TA providers are already stretched thin as a result of the past year, which is why they need greater funding to expand their capacity to better meet the demand for help among small businesses. Governments and municipalities could establish grant programs directed toward organizations providing this crucial assistance; California, for instance, before the pandemic enacted its own grant program to support the state's network of Small Business Development Centers.

Rent relief

Our recent [survey](#) found that 78% of small businesses that rent or own their business space say they are still struggling with their rent. What's more, 46% of businesses with under \$100,000 in revenue with commercial space are one or more months behind on their commercial rent or mortgage. We recommend that state and local governments use stimulus aid to create a commercial rent and mortgage relief grant administered to small businesses.

Revolving loan funds and increasing loan guarantees

Revolving loan funds are a powerful tool for state and local governments to support small businesses in their region. Allocating federal aid to establish these funds and increase loan guarantees would support the small business ecosystem by ensuring greater access to capital. In fact, some of the national relief programs increased loan guarantees due to the pandemic, which incentivized lenders to make riskier loan

to small business borrowers and preventing permanent closures. This also meant more businesses had access to capital and that the dollars were more equitably distributed than previously.

Easing licensing requirements and permitting costs

Small businesses have had to adapt quickly because of the pandemic, but they continue to struggle to abide by state licensing and permit costs. This hinders their ability to contribute to their local economies and workforce and it restricts their cash flow during a difficult time. With at least 400,000 small businesses permanently closed, we encourage state governments to support small businesses by temporarily easing permit costs so that owners can adapt to encourage consumer safety, such as serving food and beverages outside. In addition, state governments should consider easing licensing requirements so that entrepreneurs are encouraged to start or grow a business.