

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 nine months into this pandemic, stories and data from business owners across the country, including from our network of 80,000 small businesses, have illuminated the dire reality of what they are facing. Our most [recent survey](#) revealed 35% of small businesses won't survive past the next three months without additional relief.¹ 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.

Reform the Payroll Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program

Immediate Policy Needs:

- Monitor and prepare to fix and improve the 2021 rollout of PPP and EIDL funds, particularly the set-aside for CDFIs and MDIs.
- Immediately pass a long-term recovery COVID-19 package consistent with HEROES 2.0.
- Forgive all EIDL loans under \$150,000 to provide parity with PPP loan forgiveness.
- Set aside \$100 billion in PPP funds specifically for Community Development Financial Institutions (CDFIs,) Minority Depository Institutions (MDIs), rural and other mission-driven lenders.
- Mandate that lenders are forbidden from using credit history to underwrite PPP loans.
- Ensure that existing borrowers have five years to pay back any unforgivable portions of the loan.
- Require the SBA to collect demographic data to determine whether funds were equitably distributed to minority-owned business.

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.

¹ More than 1 in 3 small businesses won't survive past the next three months without additional financial relief, October 2020, <https://smallbusinessmajority.org/our-research/survey-more-1-3-small-businesses-won-t-survive-past-next-three-months-without-additional-financial-relief>

- 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.

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:

- For those businesses who were shut out of federal programs, pass the SBA Lifeline Grant Program which would provide grants for small businesses with 50 or fewer employees that have suffered an economic loss of at least 30%, as proposed in the HEROES Act 2.0
- 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.
- 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.

Long-Term Policy Needs:

- Maintain the recent expansion of funding for the CDFI Fund at \$3 billion.
- Reauthorize 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.

Strengthen the Affordable Care Act (ACA)

Much more must be done to expand coverage, prevent key ACA provision rollbacks, strengthen the marketplace and rein in costs so that small businesses and workers won’t face increasing premiums and lackluster coverage during and after the pandemic.

Immediate Policy Needs:

- Guarantee continued health protections for individuals with pre-existing conditions
- Strengthen the federal and state healthcare marketplaces via expanded enrollment periods.

Long-Term Policy Needs:

- Expand the current system of marketplace subsidies that has helped make healthcare more affordable for many small businesses, their employees and self-employed Americans.
- 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.
- Enact a public option enabling the purchase of competitive insurance products alongside those in the private market.
- 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.

- Pass legislation to rein in the rapidly rising costs of prescription drugs.
- Eliminate non-ACA-compliant plans—specifically short-term plans and association health plans.

Other critical benefits

As we emerge from the pandemic and the millions of layoffs that have occurred, 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:

- Provide businesses that offer paid family/sick leave during COVID-19 with cash reimbursement.
- Continue federal support for unemployment insurance directed to both employees and independent contractors for the duration of the pandemic.
- Expand broadband to cover all rural communities.

Long-Term Policy Needs:

- Enact and implement paid leave provisions at the national and state levels.
- 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 national and state EITC programs to include independent entrepreneurs/workers.

Additional financial measures and resources

Immediate Policy Needs:

- 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 as a result of COVID-19 layoffs.