



LESSONS LEARNED FROM SMALL BUSINESS PANDEMIC RELIEF

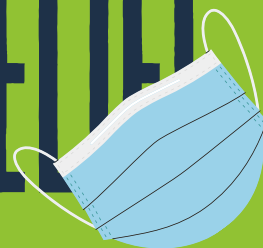


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INTRODUCTION

Four years have passed since the start of the pandemic, leaving small business owners facing uncertainty. In response to the pandemic, targeted programs dedicated to assisting small businesses were passed into law or established through administrative action. Both federal and state programming worked to provide small business owners with resources and tools to navigate the pandemic, but there were gaps between the assistance provided and the remaining needs for many small business owners. Four years later, it is time to evaluate the relief provided, what relief is still needed, and what lessons have been learned from the pandemic relief programs.

Major federal programs for pandemic relief include the Small Business Administration distribution of PPP Loans, EIDL loans and industry specific grant funding. PPP loan eligibility required that the employer had fewer than 500 employees; Main Street Alliance defines a true small business as one that has fewer than 10 employees as this is representative of the majority of small businesses.



**“I never applied for a PPP loan because we were not large enough of a business”
-Allison Vick, Little Blue Macaron**

SUCCESS OF PANDEMIC PROGRAMS: WISCONSIN CASE STUDY

In addition to federal programs, several states provided small business specific funding that assisted and sustained small businesses throughout the pandemic; these programs utilized funding from the CARES Act and American Rescue Plan. Wisconsin serves as a key example of a state that supported small businesses and identified the gaps in federal funding sources.

In Wisconsin, 52,920 small businesses¹ were assisted through their pandemic relief funding resources. The Wisconsin Tomorrow Small Business Recovery Grant² provided \$125 million in support. The Wisconsin Tomorrow Main Street Bounceback Grants³ also provided necessary assistance to new and existing small businesses to support the opening of a new location or takeover of a vacant building. The program was successful in sustaining small businesses throughout the pandemic. Main Street Alliance is hard at work to continue the program in the next state legislative session.

With federal and state funding, some small businesses were still falling through the cracks because they did not meet the specific requirements for any program. Main Street Alliance, working with local members, addressed two major shortfalls of existing COVID small business programs: a lack of financial aid for non-ticketed live event venues (wedding venues, smaller music venues, etc.) and minority-owned businesses.

Main Street Alliance members met with Governor's offices, departmental agencies, and members of the Wisconsin Legislature to establish two critical programs: The Live Event and Event Venue Small Business Grant Programs⁴ and the Ethnic and Diverse Business Assistant Grant program.⁵

Together these programs provided over \$100 million in support to direct grants and other funding sources to expand the technical assistance capacity of local organizations. This level of funding created a great impact in services offered to women, minority, and veteran small business owners.

The work of Main Street Alliance was instrumental in sustaining small businesses throughout the pandemic. Main Street Alliance assisted in the push towards the changes to the Restaurant Revitalization Fund⁶ to support true small businesses. Without the work of Main Street Alliance, and other advocates including the Independent Restaurant Coalition, the Restaurant Revitalization Fund would not have been passed into law. Through the Restaurant Revitalization Fund small business owners were provided with grants to replace their loss of revenue. In total the program received \$28.5 billion and assisted 100,600 restaurants.



LESSONS LEARNED

SMALL BUSINESS OWNERS NEED IMPROVED ACCESS TO CAPITAL

The pandemic created financial challenges for small business owners, requiring some business owners to utilize personal resources in order to keep their businesses afloat. COVID relief programs, managed by federal and state agencies, were efforts to assist small businesses, but too much funding aided large corporations. The Small Business Administration estimates that out of the \$200 billion in funding distributed for small businesses, at least 17% of PPP and EIDL funds were distributed to fraudulent actors.⁷ In addition to funding, the SBA provided technical assistance to assist small business owners in understanding the process to apply for and report on grant and loan programs.

While PPP loans were eligible for loan forgiveness, Economic Injury Disaster Loans (EIDL) cannot be forgiven.⁸ During the pandemic, the EIDL program was necessary for small businesses to continue operations. Through the EIDL program, any loan over \$200,000⁹ required a personal guarantee from the borrower. Today, the borrower is required to pay back their loan keeping some small business owners from being able to sell their businesses.



**“Technical assistance is great,
but where is the access to capital”
- Shruthi Kamisetty, The Alliance for
Metropolitan Stability**

BROADBAND INTERNET ACCESS ISSUES STILL PERSIST

Broadband internet access became more important during the pandemic. In 2021, a Google study showed around 2-3 million small businesses lacked broadband internet access. Though the U.S. Department of Agriculture's Reconnect Program¹⁰ has awarded grants to assist in rural areas, gaps in internet access still persist in both rural and low income areas. In 2020, The Small Business Administration estimated that roughly half of all US small businesses, about 19 million, were home-based.¹¹ Lack of affordable internet access is a persistent issue for small businesses after COVID, especially for small businesses that operate out of their home.



MONOPOLY POWER IS WORSE THAN BEFORE



Monopoly power hurt small businesses during the pandemic by taking funding that was intended for small businesses. Subsidiaries of Live Nation, a large corporation within the entertainment industry, received \$19 million¹² in federal disaster relief funding. In many industries, the largest corporations received large amounts of federal funding¹³ which widened the gap between small businesses and larger corporations.



RECOMMENDATIONS

INCREASING ACCESS TO CAPITAL

Some small business owners who received a loan through the EIDL program are unable to make repayment. Though loans through the EIDL program are not forgivable, the SBA created an Hardship Accommodation Plan.¹⁴ If eligible, the plan allows for payments as low as \$25/month to be made towards the loan. The SBA should continue to expand program eligibility¹⁵ along with an increased deferment period to assist small business owners as they pay off these loans. The Hardship Accommodation Plan is not enough. Should the option for loan forgiveness become possible MSA will work with the Administration, Congress and SBA to ensure it's targeted at true small businesses.

Small Business Development Centers (SBDC) receive 50% of their funding¹⁶ through federal resources. SBDCs provide both technical and financial assistance to small businesses across the nation. SBDCs should receive an increase in federal funding to continue their work in supporting small businesses. SBDCs work to increase a small business owner's access to capital, increasing their funding would allow them to provide greater resources to small business owners.



INCREASING BROADBAND INTERNET ACCESS

Broadband internet access issues persist throughout both rural and urban areas. The focus of the USDA Reconnect Program is specific to rural areas.¹⁷ Though a smaller percentage, some urban areas still lack sufficient internet access and connectivity speed. The USDA should expand the program to include urban areas to provide increased internet access for small businesses.

DECREASING MONOPOLY POWER

Main Street Alliance strongly supports the actions of the Federal Trade Commission under the leadership of Chair Lina Khan. The FTC should be fully funded and supported by Congress, as well as the Antitrust Department of the Department of Justice. Furthermore, Congress must take overdue action in support of legislation to better regulate monopolized industries.

FINAL THOUGHTS

The core values of Main Street Alliance include a focus on cracking down on monopoly power and improving access to capital, especially for true small businesses. Main Street Alliance members represent true small business owners who engage regularly with both state and federal policy. We believe if lawmakers, agency regulators, and community leaders learn from the flaws evident in COVID-19 pandemic programs and implement these recommendations for the future, it will create an economy in which true small businesses can start and have the tools to thrive.

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alliance

