



***COVID-19 RELIEF for Small Businesses Act of 2020***  
**HOUSE SMALL BUSINESS COMMITTEE DEMOCRATS**

American small businesses are facing an unprecedented economic disruption due to the novel coronavirus (COVID-19) outbreak, with reports of small businesses experiencing major difficulties. Due to the nature of this economic disruption, the existing disaster recovery programs for small businesses are insufficient. Congress must find new, innovative ways to help our nation’s small businesses survive the coronavirus outbreak, and build resiliency for the future.

House Democrats propose the ***COVID-19 RELIEF for Small Businesses Act of 2020*** to improve and leverage the tools available at the Small Business Administration (SBA) to support small businesses, and create new tools to address the unprecedented pressure that small businesses face, including waiving the disaster declaration requirements so that businesses in all states have immediate access to EIDL.

**SBA Direct Lending Program**

In addition to leveraging existing SBA programs and the thousands of lending partners that deploy capital to small businesses, small businesses will need a flexible resource for accessing affordable capital to sustain operations, pay workers forced to stay home from work due to the illness, address supply chain interruptions, and other outbreak-related expenses.

This bill establishes a temporary direct loan program at SBA for small businesses located in a State or Territory with a confirmed or presumed positive case of COVID-19. The Business Stabilization Direct Loan Program would:

- provide small business owners capital to pay off or refinance existing debt, provide employee benefits, pay employee wages and related taxes, and acquire technological and other resources that enable continuity of operation;
- support \$100 billion worth of zero interest, zero fee loans of up to \$2.5 million each with 10-year terms and repayment deferred for the first year;
- inject money into the economy quickly by mandating that 20 percent of the proceeds be disbursed within 5 calendar days after approval; and
- forgive up to 50% of the loan after December 31, 2021 if the borrower has retained the same number of employees as when they received the loan.

## **Guaranteed Lending Program**

To complement the existing guaranteed loan program and new direct loan program, this bill establishes a temporary guaranteed loan program at SBA for small businesses located in a State or Territory with a confirmed or presumed positive case of COVID-19. The Small Business Relief Guaranteed Loan Program would:

- provide small business owners capital to pay off or refinance existing debt, provide employee benefits, pay employee wages and related taxes, and acquire technological and other resources that enable continuity of operation;
- support \$100 billion worth of 100 percent guaranteed, zero interest, zero fee loans of up to \$2.5 million each with 10-year terms and repayment deferred for the first year;
- inject money into the economy quickly by mandating that 20 percent of the proceeds be disbursed within 5 calendar days after approval; and
- forgive up to 50% of the loan after December 31, 2021 if the borrower has retained the same number of employees as when they received the loan.

## **Small Business Debt Relief**

Small businesses in industries heavily impacted by coronavirus—such as travel, tourism, and hospitality—are experiencing dramatic cash flow problems. SBA borrowers in the 7(a), 504, and microloan programs are disproportionately in industries likely to be hurt by this crisis. By volume, hotels and restaurants are by far the two largest industries represented. The government is ultimately responsible for guarantees on all of these loans and has a vested interest in averting mass defaults.

To provide immediate relief to small businesses with SBA-backed loans, the bill would:

- provide small businesses with relief from SBA loan payments, including principal, interest, and fees, for six months;
- encourage banks to provide further relief to small business borrowers by enabling to extend the duration of existing loans beyond existing limits; and
- enable small business lenders to assist more new and existing borrowers by providing a temporary extension on certain reporting requirements.

## **Recovery Grants**

The federal government has a duty to prevent any small business from falling through the cracks during this public health emergency. The bill would create a new grant program to award up to \$100,000 to small businesses that can demonstrate losses due to the outbreak.

The grants may be used to address any purpose that would have been allowable under the EIDL program, including:

- providing paid sick leave to employees unable to work due to the direct effect of the coronavirus (COVID-19);
- maintaining payroll to retain employees during business disruptions or substantial slowdowns;
- meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains;
- making rent or mortgage payments; and
- repaying obligations that cannot be met due to revenue losses.

## **Expediting the EIDL Process**

As the Coronavirus (COVID -19) spreads throughout the country, small businesses in the travel, tourism, and hospitality industries are being hit hard by the travel bans, business travel reductions, and event cancellations. And restaurants, pubs, and small shops all across the country are being called upon to temporarily shutter their doors to protect the public's health. As such, the Small Business Administration and its Office of Disaster Assistance should relax some of the rules governing the EIDL program at a time when the program is experiencing a spike in demand.

To get economic injury disaster loan proceeds into borrower's hands faster and easier, the bill makes the following enhancements to expedite the EIDL process:

- Directs a preliminary injection of up to \$10,000 within three (3) days of the application being filed based on basic eligibility criteria: small, and a business or nonprofit. Remainder of application will be processed afterwards;
- Allows the use of credit scores to expedite processing;
- Allows waivers of affiliation rules;
- Bypasses the governor certification process;
- Allows start-up businesses to apply; and
- Appropriate \$1 billion in new subsidy to support additional \$7 billion in EIDL lending and \$177 million for the administration of the program.

## **Increasing Access to Capital through 7(a), 504, and Microloan Programs**

Unlike large companies, small businesses operate on narrow margins, which makes them more vulnerable to long economic disruptions. Every day, small businesses experiencing disrupted supply chains and mandatory closures for social distancing are losing money—inching toward going out of business.

To get capital to small businesses, the bill temporarily tailors SBA programs to:

- reduce the cost of capital by waiving the fees associated with 7(a) and 504 loans, for borrowers and lenders, for up to 18 months, including for Community Advantage Loans and Export Loans;
- provide a permanent fix to waive fees for veterans and their spouses on 7(a) Express Loans;
- expand the pool of available capital for small businesses by increasing the annual lending limit of the 7(a) loan program, SBA's long-term loan program, from \$30 billion to \$75 billion for two years;
- raise the max loan amounts for 7(a) and 504 loans from \$5 million to \$10 million;
- incentivize lenders to make loans by increasing the guarantee up to 90% on 7(a) loans;
- enhance the 504 refinance program to reach more small businesses who need to refinance expensive fixed assets and lower their payments; and
- boost the microloan program with an additional \$72 million in loans, increase how much each lender can loan from \$6 million to \$10 million, and give borrowers an extra two years to repay.

## **SBIC Program**

The Small Business Administration and the private equity funds that participate in the Small Business Investment Company (SBIC) program can play a valuable role in enhancing access to affordable, long-term capital for impacted small business, and provide an additional option for small businesses who struggle to access reasonably termed investment capital conventionally.

The bill would call for SBIC Capital Infusion by making the following changes to the SBIC program:

- Makes a maximum of \$100 million in additional leverage available to SBICs that make equity investments in small businesses impacted by the COVID-19 outbreak; and
- Provide \$10 billion to revitalize the New Markets Venture Capital program.

## **Federal Contracting**

The federal government must grant flexibility to small business federal contractors and expedite the contract award process so affected contractors can begin generating revenue. The bill would:

- extend contract performance time by 90 days to small businesses affected by COVID-19;
- require the Federal government to pay small business contractors and revise the delivery schedules, holding small contractors harmless for being unable to perform under a contract because of COVID-19;
- temporarily remove the requirement for contracting officers to conduct market research so that contracting officers may grant sole-source award contracts for small business programs, including the women-owned, HUBZone and service-disabled veteran-owned small business programs;
- increase total sole-source award contract values to \$8 million for services and \$10 million for manufacturing;
- have federal agencies promptly pay small business prime contractors and contractors with small business subcontractors within 15 days, notwithstanding any other provision of law or regulation, for the duration of the President invoking the Defense Production Act in response to COVID-19; and
- provide 8(a) firms with a one-year extension of their eligibility.

## **State Trade Expansion Program (STEP) Support**

The State Trade Expansion Program (STEP) provides matching funds to states and territories to provide opportunities for small businesses to participate in trade missions, international marketing efforts, workshops, export trade show exhibits, and other promotional activities. With 95 percent of the world's consumers living outside the United States, the STEP program levels the playing field for small businesses and helps them to enter new markets, in turn creating jobs and expanding our economy.

This bill would:

- reimburse States for financial losses resulting from the cancellation of foreign trade missions or trade show exhibition due to COVID-19;
- allow States to repurpose up to 10 percent of their funds, provided States notify the Associate Administrator and comply with program rules; and
- allow States to use unspent funds from FY 2018 and FY 2019 to cover losses due to COVID-19 outbreak through FY 2021.

## **Entrepreneurial Development**

SBA resource partners, including Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and the SCORE program, provide vital mentorship, guidance and expertise to small businesses. These organizations will need to hire more staff to deal with the increasing number of small businesses that need their help to respond to COVID-19. The bill would:

- provide \$25 million in additional funding to WBCs, roughly \$150,000 per center, and SCORE program
- inject an additional \$75 million into SBDCs;
- waive the matching fund requirement for Women's Business Centers for a 3-month period, allowing them to focus solely on meeting the needs of women entrepreneurs, rather than fundraising;
- provide \$25 million in additional funding to SBDCs, WBCs, and SCORE for the purchase of technology to ensure that such employees can continue to provide technical assistance, particularly by remote services, with \$15 million of that amount dedicated to SBDCs; and

## **Increasing Access to SBA Through Multiple Language Support**

Immigrant-owned small businesses are an essential part of our economy. In 2018, more than 3.1 million immigrants launched small businesses, employing more than 8 million people, generating more than \$1.3 trillion in sales, and paying more than \$4 billion in taxes. It is vitally important to ensure SBA provides services and written materials in languages other than English.

The bill would authorize \$25 million for small business resource material and services in the ten most commonly spoken languages.

## **SBA Staffing to Meet Demand**

The Small Business Administration (SBA) can play a vital role in helping small businesses survive during these unprecedented times. To support small businesses, Congress passed legislation to give SBA approximately \$7 billion in low-cost loans to small businesses affected by COVID-19. Moreover, Small Business Committee Democrats introduced new bills to leverage the tools available to the Small Business Administration and create new grant programs to help small businesses recover. To execute these proposals swiftly, the SBA will need to hire more staff.

This bill would provide \$200 million for SBA to hire employees to meet increased demand from small businesses impacted by COVID-19.