

Small Business Assistance

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by President Trump on March 27, 2020. It expands the programs and types of assistance available to small businesses through the Small Business Administration, the demand for which has been overwhelming. There are also opportunities that have been made available to small businesses in Rhode Island through other federal and state actions. These are described in the paragraphs that follow.

This report has been updated from the version released on April 20 to reflect the Paycheck Protection Program and Health Care Enhancement Act which became law on April 24, 2020. Those updates are in blue.

Federal Opportunities

The Small Business Administration offers a variety of programs to small businesses that provide access to capital including its guarantee loan programs for small business concerns, its Express Loan program, and its Disaster Loan program. The CARES Act amends these programs to provide specific relief to small businesses impacted by the Coronavirus outbreak. These programs provide forgivable loans for staffing and operating costs, debt relief for existing loans, as well as grants up to \$10,000 for businesses with an immediate need, and bridge loans up to \$25,000 for businesses with an existing Small Business Administration lender relationship that are awaiting decision or disbursement of loan applications. The following is a summary of programs to date; it should be noted that there are ongoing discussions on the federal level of additional programs and future support.

Paycheck Protection Program. This new program provides no-cost loans for eligible employers, including entities with fewer than 500 employees, sole proprietors, independent contractors, or the self-employed who were in operation as of February 15, 2020. Payments would be deferred for six months and require no collateral or personal guarantee. The loans can be used to cover mortgage interest, rent, utilities, and salary expenses including wage increases for lost tips and commissions, paid leave including vacation or sick leave, and other compensation up to \$100,000 annually for each employee plus medical benefit costs and local taxes on compensation. The following formula is used to determine the loan amount a businesses is eligible to receive. The example below assumes total annual payroll costs of \$1.2 million

$$\frac{\$1,200,000}{12 \text{ months}} = \$100,000 * 2.5 = \$250,000 \text{ loan eligibility}$$

Paycheck Protection Program loans are forgivable in their entirety, and exempt from taxation. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease compared to a prior period. The Small Business Administration guidance requires 75.0 percent of the amount used for payroll to be fully forgiven. Using the example above, this assumes \$187,500 would be available for payroll expenses, and \$62,500 for other costs. The loans have a maturity of two years and a 1.0 percent interest rate. As of April 16, 2020, Rhode Island,

businesses had 7,732 loans approved for a total of \$1.3 billion, averaging \$172,760 per loan. Nationally, the average loan size was just over \$206,000; over 87 percent of the loans were for \$350,000 or less. As of April 16, the initial funding was fully committed.

The Paycheck Protection Program and Health Care Enhancement Act became law on April 24, 2020 increasing the program's appropriation by \$321.3 billion. Recapitalized, the Small Business Administration resumed accepting applications on April 27. As of May 8, 2020, Rhode Island, businesses had been approved for an additional 7,960 loans for a total of \$593.1 million, averaging \$74,521 per loan; over 91 percent of the loans for this phase were for \$150,000 or less. Across both funding phases, the average loan size for Rhode Island businesses was \$122,927.

Links: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

Participating local lenders: <https://commerceri.com/wp-content/uploads/2020/04/Rhode-Island-Participating-Lenders-040320.pdf>

Emergency EIDL Loans. The CARES Act amends the Small Business Administration's Economic Injury Disaster Loan (EIDL) program in several ways. It allows loans to be approved based on a credit score and waives the existing requirements for:

- a) An inability to obtain credit elsewhere
- b) Personal guarantees for loans and advances for amounts up to \$200,000
- c) To be in operation for one year prior to the disaster for those businesses in operation prior to February 1, 2020

It also allows eligible employers to receive a loan advance up to \$10,000 for expenses similar to the Paycheck Protection Program through December 31, 2020. The loan advance will not have to be repaid, and funding is in addition to any loan funding provided under the Paycheck Protection Program. The Small Business Administration has noted the expectation is for funds to be made available within days of a successful application and based on the number of employees at approximately \$1,000 per employee. As of April 17, the Small Business Administration reported that it had closed applications for the COVID-19 related program, including the advances based on available funding. [The Small Business Administration issued new reports on these programs.](#) As of April 24, 2020, Rhode Island recipients have been approved for 223 loans averaging \$151,608; the national loan average was \$204,370. Rhode Island recipients have also had 4,292 loan advances processed, at an average of \$4,150; the national advance average is \$4,030.

The Paycheck Protection Program and Health Care Enhancement Act became law on April 24, 2020 and recapitalized the program providing an additional \$60.0 billion, of which \$50.0 billion was for loans and \$10.0 billion was for loan advances. The Small Business Administration updated its EIDL advance reports through May 7, 2020; Rhode Island has been approved for an additional 10,758 advances, totaling \$36.2 million. Only \$116.8 million of the \$10.0 billion allocated to advances remains available.

Link: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

SBA Debt Relief. The Small Business Administration will automatically pay all liabilities for existing and new loans made under its express and guarantee loan programs, on behalf of the borrowers for six months. For existing loans, the six-month period is from the date of the first payment due under the disaster period; for new loans issued prior to September 27, 2020, the six months is from the first payment date. This program does not apply to the forgivable Paycheck Protection Program loans, which already include a six-month payment deferral.

Link: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-debt-relief>

SBA Express Bridge Loans. The Small Business Administration's express loan program authorizes its express lenders to provide expedited, Administration-guaranteed bridge loans up to \$25,000 in areas impacted by a presidentially-declared disaster while those small businesses apply for and await a determination for other financing. Rhode Island became a declared disaster on March 30, 2020; the incident period is backdated through January 20, 2020.

The CARES Act expands the ability for financial institutions to provide Small Business Administration loans and increases the maximum amount for the existing express loan program from \$350,000 to \$1.0 million through January 1, 2021.

Link: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/sba-express-bridge-loans>

State Trade Expansion Program. In accordance with the CARES Act, the Small Business Administration increased its grant reimbursement to eligible small businesses for website development and design of marketing materials to reach international markets. Grant awards can be used to procure consulting services to help develop market research, advertising and digital marketing, website translation assistance, and search engine optimization. Reimbursement is based on a percentage of total cost up to \$6,000; new exporters are eligible for 75.0 percent reimbursement, existing exporters can be reimbursed up to 50.0 percent. The Act also requires the agency to reimburse grant recipients for financial losses from cancelled international trade events due to COVID-19 within the existing grant's funding level. Rhode Island's State Trade Expansion Program is administered by the Chafee Center at Bryant University.

Link: <https://www.bryant.edu/sites/web/files/content/STEP%20FY19%20Program%20Guidelines%20pdf.pdf>

Social Security Tax Deferral. The CARES Act allows employers to delay payment of their share of the federal Social Security taxes for 2020. The deferred payment must be repaid within two years, with half owed by December 31, 2021 and the remaining amount by December 31, 2022. This deferral is not available to recipients of loan forgiveness for paycheck protection program loans.

Business Tax Relief. The CARES Act includes multiple provisions to reduce business tax liabilities, some of which are refundable, through the expanded availability of tax credits and deductions, the elimination of caps on business losses, and modifications to the use of carryforwards and carrybacks. Eligibility for certain changes depends on the entity's filing type.

State Opportunities

Bridge Loans for Restaurants and Micro-Businesses. The Commerce Corporation has partnered with the Local Initiative Support Corporation and Bank Newport to provide short-term bridge loans for employers with up to 10 employees, restaurants and other food service businesses. The program was capitalized with \$1.0 million each from the Commerce Corporation's Small Business Loan Fund and Bank Newport. To be eligible, applicants first must apply to the Small Business Administration for an Economic Injury Disaster Loan. Then they apply to the Local Initiative Support Corporation. Staff from the Small Business Loan Fund will complete a credit check and contact applicants for final paperwork and to complete the loan award.

Loan amounts are available up to \$5,000 and provided with no interest until the applicant receives its Disaster loan or for up to six months. The Commerce Corporation's Small Business Loan Fund has been supported by general revenue appropriations of \$6.0 million, including \$5.5 million from FY 2016, and \$0.5 million for FY 2020. The Corporation reports as of April 17, 15 batches totaling 173 loans and \$850,700 have been approved. [Through May 8, 2020, the Corporation reports an additional 17 batches, for 150 loans totaling \\$748,000. The program totals 323 loans valued at \\$1.6 million.](#)

Link: <http://rilisc.org/>

PPP loans. The state announced an alternative application process for small businesses to access paycheck protection program loans on April 13, 2020. Goldman Sachs committed \$10.0 million to fund loans for small businesses in Rhode Island through a partnership with the Commerce Corporation and the Community Reinvestment Fund, USA, a non-profit, non-bank Small Business Administration lender. This program is the same as offered by the Small Business Administration, but funded through an alternative source. The program received qualified applications for the entire \$10.0 million on the first day, and the application window is closed.

Link: <https://crfusa.com/sba-paycheck-protection-program-loans-from-crf/>

Small Business Tech Support. District Hall Providence is providing free 45-minute technical support sessions to assist small businesses with navigating various challenges including establishing work from home technology, online meetings, e-commerce, remote working security or document management. Support sessions are by appointment with any of 28 participating consultants. Support categories include running a remote business, e-commerce, marketing, food and beverage industry, and tech support.

Link: <https://districthallprovidence.org/commerceofficehours/>

Superior Court Business Recovery Plan. The Rhode Island Superior Court announced the establishment of a COVID-19 Non-Liquidating Receivership Program; the duration of the program is at the discretion of the Presiding Justice. The program allows the Court, under its business calendar to appoint a non-liquidating receiver to oversee the receivership of certain businesses. To be eligible a business must have petitioned into receivership after January 15, 2020 with its financial obligations in good standing as of that date; it must have had a 20.0 percent reduction in gross revenues over comparable 60-day periods, have ceased operation due to a governmental order, and demonstrate an adverse impact from the COVID-19 pandemic.

An eligible business may file a motion to be transitioned into a non-liquidating receivership. The appointed temporary receiver has at least 35 days to review and revise a receivership plan, notify and serve creditors and claimants with such a plan, take comments from those claimants and creditors, and set a date for a hearing. Once approved, a permanent non-liquidating receiver will be appointed. The program operates as an injunction against continuing acts of receivership, including commencing or continuing an adjudicative process, enforcement of a prior judgement, claims on property, and/or application of a lien or other collection, recovery, or debt offset. The Court retains authority to appoint a liquidating receiver; furthermore, default under the COVID-19 Non-Liquidating Receivership Program may result in the appointment of a liquidating receiver.

Artist Relief Fund. On April 7, 2020, the Rhode Island State Council on the Arts, Rhode Island Foundation, and Providence Arts Culture + Tourism announced a partnership to provide unrestricted grants up to \$1,000 to help local arts industries. To be eligible, applicants must be a Rhode Island resident and practicing or teaching artist, arts administrator, or arts and culture worker, age 18 and older, and able to demonstrate lost revenues from the COVID-19 pandemic. The application package requires a W9, and evidence of artistic work. Applicants apply through the Council's grant portal, and grants are awarded weekly. Applicants need apply only once and may be reconsidered for each funding round; recipients may receive more than one award if available funding allows.

Initially funded by \$0.1 million from the partnership, on April 14, 2020 the New England Foundation for the Arts provided an additional donations, totaling \$47,500. The Council later received another \$21,700 through the Rhode Island Foundation, and received 213 donations totaling \$71,107. The Council has received 1,107 applications over four award rounds, and awarded 437 grants totaling \$217,395. The Council reports the fund has nearly depleted its resources.

Link: <https://risca.online/grants/artistrelieffund/>

Business Microenterprise Stabilization Grant (MicroE) Program. As of April 23, 2020, Rhode Island's Office of Housing and Community Development is participating an opt-in partnership for the state's 33 communities for whom it manages Community Development Block Grant funding to provide \$5,000 grants for certain small business microenterprises. The municipalities will administer the program, with funding through the Office from existing Community Development Block Grant economic development allocations.

To be eligible, a for-profit business must have a physical presence within the town it applies to, have been in operation prior to January 1, 2020, have annual revenues in excess of \$25,000 and a documented loss of \$1,000, have between two and five employees including the owner, and serve multiple customers. The owner's gross family income must not exceed 80 percent of the Area Median Income standards as defined by the U.S. Housing and Urban Development based on family size and town of residence. The Office is providing an initial allocation of \$50,000 per community, for a total of \$1.7 million. As of April 24, 2020, 14 of the eligible communities are participating. Cranston, East Providence, Pawtucket, Providence, Warwick, and Woonsocket are the six communities not eligible because they receive Community Development Block Grant funds directly from the U.S. Housing and Urban Development.

Links: <https://commerceri.com/emergency-grants-and-funding/>

Median Area Income guidelines: <https://commerceri.com/wp-content/uploads/2020/04/fy-2020-mod-low-income-80-limit.pdf>

Participating municipality contact information: <https://commerceri.com/wp-content/uploads/2020/04/Microenterprise-stabilization-grant-program-municipal-contacts-for-businesses.pdf><https://risca.online/grants/artistrelieffund/>