

# SMALL BUSINESS RELIEF AND RECOVERY FUND

*Invest \$300 Million ARPA funding for Equitable Small Business Relief and Recovery*



## ► The Small Business Crisis Continues

For the past two years, small business owners have fought heroically to operate their businesses under the most challenging circumstances imaginable. Business owners have adapted and pivoted countless times and while we have seen thousands of businesses close, we have seen many others find a way to survive. Most recently, the Winter Omicron surge has exacerbated these challenges, especially for restaurants and other service-based businesses.

The economic disruption has had a particularly devastating impact on under-resourced smaller businesses owned by people of color, immigrants, women, and lower income entrepreneurs. These businesses have smaller financial reserves and less access to the resources, connections, customers and technology needed to survive and rebound from this crisis.

Today, the crisis in our small business community continues, as does the opportunity for transformative investments that close disparities and expand opportunity.

## ► We Can Turn This Crisis into an Opportunity

Over the past two years, in response to this crisis, the Commonwealth has expanded and modernized its small business support ecosystem to support BIPOC and other under-resourced small businesses much more effectively. This public-private partnership includes state agencies, community-based non-profits, community lending institutions, banks, corporate partners, municipal governments, and others dedicated to closing racial and economic disparities in our economy.

As the Legislature looks to invest its remaining American Rescue Plan Act (ARPA) resources, we have an opportunity to respond to the immediate crisis with urgently needed relief funding and long-term investments that will provide small businesses with the capital, connections, customers, and knowledge they need to thrive.

**The Coalition for an Equitable Economy has released two major reports in partnership with the Boston Foundation and MassINC that demonstrate the challenges ahead. Those challenges include:**

- Entrepreneurs of color in Massachusetts have unmet capital demand on the order of approximately \$574 million annually.
- In Massachusetts, 81 percent of White-owned firms received their full Paycheck Protection Program loan request, while just 71 percent of Black and Latinx firms and 69 percent of Asian-owned firms received the full amount they requested.
- Nationally, Black and Latino firms receive a combined 3% of venture capital investments, compared to 25% for Asian-owned firms and 72% for White-owned firms.
- 18% of Massachusetts entrepreneurs are people of color, but only 10% of small business bank loans go to neighborhoods that are majority people of color.

## Projected Outcomes

We estimate that the Small Business Relief and Recovery Fund could achieve significant outcomes

- 4,000-plus small businesses would receive grants
- 10,000-plus under-resourced small businesses would receive training, technical assistance, coaching and mentoring
- 50,000-plus jobs would be supported, mostly in underserved communities
- Every dollar invested in non-profit financing institutions would leverage four dollars in capital for small businesses


## Invest in a Plan That Will Get Results

We propose the creation of a \$300 million **Small Business Relief and Recovery Fund** to be administered by the Massachusetts Growth Capital Corporation (MGCC). The Fund will be empowered to make investments in:

1. Grants and technical assistance to under-resourced small businesses to support stabilization, recovery, and growth. These grants could be used by business owners to pay debts accumulated during the crisis, to cover payroll, inventory, rent, insurance and other expenses associated with starting or restarting a business, or to help a business pivot and adapt to new market realities and opportunities. Grants would also be available to business owners seeking to purchase the real estate where they are located to provide stability and wealth building for historically under-resourced businesses. Technical assistance would be provided by qualified business support organizations that offer culturally competent professional services that help businesses access capital, connections, and customers.
2. Investments in non-profit financing institutions such as Community Development Financial Institutions, so they can provide affordable capital that would otherwise be unavailable to many small businesses. Investing in such institutions will help leverage both federal and private capital and enable a broader range of business owners to access the capital they need to grow.

We propose that:

- A majority of the funds be used for immediate grants to small businesses, with the balance used to support longer-term investments in small business support programs.
- Up to 10% of the funds be made available for administrative costs, training and capacity building.
- The Small Business Relief and Recovery Fund be administered by MGCC which has successfully deployed over \$700 million in relief funding during the crisis and has deep connections with over 60 non-profit community organizations and community lenders that focus on helping under resourced entrepreneurs.
- MGCC be required to publish an annual report to highlight their investments and the outcomes achieved.



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