

Massachusetts Equitable PPP Access Initiative

To: Massachusetts House & Senate Conference Committee Members
From: Massachusetts Equitable PPP Access Initiative Members
Re: An Act Enabling Partnerships for Growth
Date: July 30, 2020

The undersigned organizations are members of a coalition that has been working directly with small, minority-owned businesses since late April to help those who can't access forgivable, federally-guaranteed Paycheck Protection Program (PPP) loans - the Federal government's primary means of supporting small businesses through the pandemic. Collectively we are the [Massachusetts Equitable PPP Access Initiative](#), a coalition that has provided technical assistance to nearly 800 business owners seeking PPP loans, and bank referrals to those who qualify and wish to apply.

We write today to thank both the House and the Senate for including substantial funding for small businesses in your respective versions of this legislation. Your shared commitment to supporting businesses impacted by the COVID-19 Pandemic and subsequent economic crisis is much appreciated.

We write today to share our views on the best way to support small and micro businesses owned by low- and moderate-income people, especially those owned by people of color and immigrants.

It is our informed conviction that **state resources are needed immediately to assist minority-owned businesses to replace lost revenues, make their businesses safe, assess and respond to a fundamentally changed market, invest in their business and their employees and build the capacity needed to survive this crisis.** While we are proud of our work helping business owners of color access the Paycheck Protection Program, the program has left unmet the needs of the vast majority of minority-owned businesses in the Commonwealth. More flexible state grants are urgently needed.

Early local and federal data about the impact of COVID-19 on small businesses have demonstrated that very small businesses and businesses owned by people of color are the most imperiled by COVID, and the worst served by the PPP program. MassINC Polling Group survey data released last week indicated that businesses owned by women of color have experienced an average revenue drop of 54%. The smallest businesses, which are more likely to be owned by people of color, are less likely to be fully or partially open, less likely to have banking and insurance relationships, more likely to have fallen behind on payments and less likely to have received PPP funding. PPP was also a poor fit for micro and small businesses most impacted by COVID-19, either because safety regulations prevented them from operating at all or barely or because they operate in the hardest hit communities where customers and employees are severely impacted by both COVID-19 and the economic crisis. Failure to provide flexible, immediate support to these businesses will exacerbate this inequitable outcome and deepen historical inequities in access to capital and opportunity.

Lessons Learned from the PPP Program

Our direct experience working with nearly 800 businesses has underscored the fact that the challenges are greatest for businesses with few employees, businesses experiencing shutdowns, those with dramatically reduced demand and those who need funding to purchase PPE, digital tools and make other investments to make their business safe and viable in a dramatically changed market. To help microenterprises and small businesses owned by women and people of color survive this crisis, we suggest the following principles guide your decision making as you reconcile the House and Senate versions of this legislation.

- Replace lost revenues with grants, rather than loans, wherever possible. Businesses that have lost 35 to 50% of their revenue are rightly concerned about taking on debt – even forgivable loans frequently scare business owners from even applying.
- Allow the funds to be used flexibly. Businesses with limited resources and existential challenges need the flexibility to cover payables, buy PPE, build their digital capacity and invest to rebuild demand and revenue. While capital investments will be necessary for some businesses, we urge you to leave program administrators the flexibility to fund operating costs needed to sustain businesses through crisis for more than just a few months.
- Include businesses that have received federal funding. We estimate that the average PPP loan received by businesses participating in the Equitable PPP Access Initiative is only \$14,000. This funding is unlikely to be adequate, and owners should not be penalized for seeking to take advantage of the federal relief programs.

We urge you to pass the economic development bill, S 2842 and HR 4854, before the scheduled end of the legislative session on July 31. In particular, the following resources are needed immediately to respond to the devastating effects COVID-19 is having on businesses owned by people of color in the Commonwealth. If the legislative session is extended, these measures cannot be deferred.

- \$35 million to the Massachusetts Growth Capital Corporation (MGCC) for matching grants to community development financial institutions (CDFIs) or community development corporations (CDCs) to make loans to small businesses, including, but not limited to, businesses owned by women, veterans, minorities and immigrants. We strongly support this funding. CDFIs and CDCs work closely with business support organizations in communities across the Commonwealth, are trusted partners, and are the best positioned to deploy this funding effectively. CDFIs have a long track record of responsible and impactful lending to underfinanced communities.
- \$20 million to MGCC to provide grants to low-income and moderate-income entrepreneurs to acquire, expand, improve or lease a facility, to purchase or lease equipment or to meet other capital needs of a business with not more than 20 employees and annual revenues not exceeding \$2,500,000, with preference for businesses located in low income or moderate-income areas or socially and economically disadvantaged businesses and funding priority for businesses disproportionately impacted by the 2019 novel coronavirus pandemic. We support this funding, but believe it could aid more of the target businesses if this funding could be used for operating and/or capital grants, or for technical assistance by community based organizations.

- \$20 million to the Executive Office of Housing and Economic Development to provide financial and capital assistance to restaurants impacted by the 2019 novel coronavirus, including but not limited to capital projects or equipment purchases needed for public health/social distancing, with priority given to independently owned and operated restaurants and geographic equity.
- To the extent that the House bill's provision for \$30 million for working capital loans to small businesses severely impacted by the 2019 novel coronavirus pandemic is considered, these resources are badly needed, but we strongly urge you to expand eligible costs and make forgiveness available for funds expended on all eligible expenses. We also urge you to remove the requirement to maintain all employees in order for the loan to be forgiven as this will likely be impossible for many businesses operating under strict protocols that limit customers and revenue.

Addressing the Racial Wealth Gap

While we understand that several of these provisions include a preference or priority for certain disadvantaged groups of business owners, we suggest that legislators should require a minimum of 40% of each of these resources to be directed to business owners of color who are members of racial groups that currently experience a wide racial wealth gap and have historically suffered from lack of access to capital. We applaud the legislature's intent to target these programs to address racial wealth gaps, but feel a minimum investment must be required as part of the program authorization. There is scant track record to support a conclusion that investment in minority entrepreneurs will be adequate if not required.

The Commonwealth Must Fund Technical Assistance Providers

Finally, while we strongly support the foregoing relief proposals, a critical item remains unfunded: funding for technical assistance. The need for an Equitable PPP Access initiative itself demonstrates the need for technical assistance to navigate funding programs, including the programs we advocate for in this very bill. In fact, MGCC itself relied on TA providers to translate the PPP application into 20 languages to increase access.

But the need is deeper, still. Business owners need support to make their businesses safe, convert to touchless ways of operating, grow their digital capacity, rebuild demand and pivot their strategic direction. Expecting the smallest businesses, and those most affected by the pandemic, to do this without professional support is unrealistic. Expecting nonprofit organizations to provide such support at the scale needed without substantial additional public funding is also unrealistic. We urge you to allocate resources for this purpose, in this bill, through MGCC's Small Business Technical Assistance program or otherwise.

About the Massachusetts Equitable PPP Access Initiative

The Massachusetts Equitable PPP Access Initiative formed to provide timely and equitable access to forgivable PPP loans for underbanked businesses and historically disadvantaged and underserved demographic groups, including businesses owned by women and people of color. We mobilized over a weekend to conduct outreach to target businesses, technical assistance to assist business owners with applications and documentation, and referrals to banks that had committed to take their applications.

We are a coalition of community-based organizations, community development financial institutions, banks and advocates who work every day at the local level with entrepreneurs battling the effects of the pandemic. Between late April and late July of 2020, we have collectively provided technical assistance to over 775 small businesses. Of those, 328, or just over forty percent, decided that they were eligible, assembled an application, and reported that they would or did apply for a PPP loan. Based on loan amounts reported to us by borrowers, the average PPP loan obtained by borrowers we have served is approximately \$14,000.

Thank you for your consideration and your continuing leadership during these challenging times.

Sincerely,

**Betty Francisco, Co-Founder and Rosario Ubiera-Minaya, Executive Director
Amplify LatinX**

**Nicole Almeida, Senior Vice President, Chief Marketing Officer & Chief Diversity Officer
BayCoast Bank**

**Segun Idowu, Executive Director
Black Economic Council of Massachusetts**

**Orlando Watkins, Vice President for Programs
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**Nia Evans, Director
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**Heloisa Maria Galvão, Executive Director
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**Raymond Lanza-Weil, President
Common Capital, Inc.**

**Micha Josephy, Executive Director
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**David Parker, CEO
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**Franky Descoteaux, Director
Entrepreneurship Center @ CTI**

**Glynn Lloyd, Executive Director
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**Joseph L. Flatley, President and CEO
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