

## Policy Brief: Small Business Relief Programs

# Local And State Governments Have Marshalled \$9.27 Billion for Small Business Relief, But Desperately Need More Funds

By Kennedy Smith, October 2020

An analysis by the Institute for Local Self-Reliance has found that cities, counties, states, and community organizations have established more than 800 programs to provide financial assistance to small businesses in the wake of the pandemic. These programs have deployed more than \$9.27 billion in grants and loans. They have been fast, tailored to local needs, and have filled critical gaps in federal aid. They have helped businesses stay afloat and retool.

Most of these programs have run out of funds, some within hours of launching. One important way Congress should address the unprecedented crisis facing small business is by quickly providing the resources local governments need to do this important work.

When the federal government declared the coronavirus pandemic a national emergency in March, local and state governments, nonprofits, and citizens moved swiftly to keep small businesses afloat. Since then, more than 800 cities, counties, and states have launched small business financial relief programs. ILSR has been tracking and analyzing these programs. We found that they have deployed more than \$9.27 billion in grants and loans – and the amount is still growing. Behind this enormous number are astonishing stories of local resilience and deep concern about the fate of the nation's small businesses. In this brief, we detail key findings from our analysis.

### → Local officials recognize the crippling costs of inaction.

Local governments have stepped into the breach, despite facing their own debilitating financial losses from the pandemic, because they recognize that the long-term costs of not acting are huge. One-third of Americans are employed

by small businesses with under 100 employees, and the percentage is even higher in many smaller cities and towns. Small businesses are also a significant source of local and state tax revenue. But even more than these impacts, small businesses are crucial drivers of local economic activity. The ripple effects when one closes are extensive. When a cascade of these closures occurs in a short period of time, the cumulative community impact is profound and long-lasting, with debilitating losses that can impede economic recovery and growth for many years. The business owners lose their livelihoods; their employees lose their jobs. Commercial property owners lose rental income, and the vacancies chip away at property values and tax revenue. Banks lose small business customers. Local media lose an advertiser. Accountants, attorneys, insurance agents, cleaning services, and security services lose a client. In short, all the businesses that depend, in part, on purchases from other local businesses, or their workers, suffer. The consequences are not only economic. The loss of beloved local businesses leaves people with diminished shopping options and saps

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neighborhoods of their vitality and sense of community. (For more, see ILSR's reporting and research on [Why Small Business Matters](#).)

The stakes are high, and the needs vast and urgent. Based on its business listings, [Yelp](#) estimated that nearly 100,000 businesses had closed permanently by early September. In a [recent survey](#) by the U.S. Census Bureau, about one-third of small businesses reported that they had experienced a "large negative effect" from the pandemic. Among small restaurants and hotels, the figure was two-thirds. Unless substantial relief is provided to meet the scale of the needs, hundreds of thousands of small businesses are likely to go under.

### → Many local governments responded rapidly.

Unlike the federal government's small business pandemic relief programs, some cities and states put emergency aid into the hands of small business owners within days of their governors' emergency declarations. Boston's Arts and Culture Department, for example, launched the Boston Artist Relief Fund on March 12, just two days after Massachusetts Governor Charlie Baker declared a state of emergency. In Battle Creek, Mich., Battle Creek Unlimited, a nonprofit economic development organization, began accepting applications for an emergency micro-grant fund on March 19. Ohio's Department of Commerce immediately offered a liquor buy-back program for bars and restaurants that had stocked up in preparation for St. Patrick's Day.

### → Local officials have scrambled to find funding for these programs.

Given their own budget shortfalls, cities and states have had to be highly creative to find the money to fund their small business relief programs. Berea, Ohio, quickly depleted its existing \$86,000 small business Emergency Relief Fund, so its city council voted to take a pay cut for the rest of the year to help come up with another \$20,000 to help an additional ten businesses. A coalition of three organizations and a

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[Safeguarding Small Business During The Pandemic: 26 Strategies For Local Leaders](#)

radio station in Emporia, Kan., seeded the Greater Emporia Area Disaster Relief Fund with their own contributions, using a weekly radio broadcast to announce new grant recipients and solicit additional contributions from the public. Mt. Washington, Ky., transferred \$45,000 from its Water Sales and Service Fund and \$45,000 from its general contingency fund to offer grants of up to \$3,000 to local businesses.

### → Local programs have evolved to meet the shifting needs of small businesses, including for long-term retooling.

Many of the earliest of these 800-plus COVID-19 small business relief programs were interest-free loans, with repayment deferred for six months or longer, intended to tide businesses over until federal relief was available. Almost all focused on immediate needs, such as helping businesses pay their rent or mortgage payments.

By late spring, communities began shifting their focus to helping businesses retool in order to operate safely during the pandemic and beyond. They offered grants to help businesses develop or expand online storefronts, reconfigure store or office space, and buy Personal Protective Equipment. Programs like Digital Detroit, the Small Business Reemergence Program in Mesa, Ariz., and Nevada County (California)'s Relief Fund offer accelerator-like training and coaching to help competitively-selected businesses ramp up online sales.

Some communities have established multiple programs to meet varying and evolving needs. For example, Montgomery County, Md., offered emergency grants of up to \$75,000 until late April, using \$20 million from the County's undesignated reserves. In mid-June, it used \$1 million in federal Community Development Block Grant (CDBG-CV) funds earmarked for pandemic aid to make micro-grants to businesses with five or fewer workers. Then, on July 7, it launched a \$14 million Reopen Montgomery Grant Program, funded by a special appropriation, to give grants of up to \$5,000 to help businesses safely reopen.

### → Cities and states have filled crucial gaps in the federal small business aid programs.

As it became apparent that small businesses lacking strong banking relationships, including many businesses owned by Black and Latino entrepreneurs, were effectively shut out of the federal Paycheck Protection Program, and that its payroll formula did not fit the circumstances faced by many other businesses, communities launched programs to fill these gaps. For instance, Franklin County, Ohio, allocated \$1.6 million for grants and \$400,000 for technical assistance to Black-owned businesses hurt by the pandemic. Reno, Nev.,

is launching specialized small business grant programs for women, minorities, artists, and musicians. Wilkes-Barre, Penn., created a Restaurant Emergency Relief Loan Program. New York City and Phoenix offered grants to help restaurants buy food, rehire staff, and implement safety protocols.

Local programs are also well-positioned to leverage partnerships on the ground to reach the hardest-hit small businesses. For example, many local governments, from Oakland, Calif. to Chicago, have partnered with Community Development Financial Institutions (CDFIs), to administer their small business relief programs. Unlike big banks and the U.S. Small Business Administration, CDFIs are equipped to reach businesses in underserved communities and walk them through the application process.

### → **Despite substantial outlays, the scale of the need has quickly outstripped available funds.**

Demand for grants has been crushing. Hillsboro, Ore., began accepting applications for its \$500,000 Small Business Emergency Relief Program on March 23. The response was so overwhelming that the program was depleted within a few hours. The City found another \$500,000 and reopened the program – and that was also gone within a day. In Hawaii, Kaua'i County's Small Business Boost grant program received 886 applications the day it opened, exhausting the program's \$5 million funding allocation. Bexar County, Texas, received nearly 650 grant and loan applications in the first week of its \$5.25 million program, totaling \$42 million in requests. Tampa's Relief Now, Rise Together Fund – which was capitalized by \$300,000 in CDBG funds, \$1 million in interest funds from the city's community redevelopment areas, and private contributions from the owners of Tampa's four professional sports teams, plus others – was drained after a day and a half. Houston's \$15 million Small Business Economic Relief Program received more than 8,500 applications. The city added an additional \$5 million in order to offer grants to small businesses whose applications it had received but had been unable to cover in the first round.

Many communities used lotteries to choose grant recipients. Illinois's \$14 million Hospitality Emergency Grant Program received 12,128 valid applications by its deadline, from which 708 were selected by lottery to receive grants. Programs in Arcadia, Calif., and New Hanover County, N.C., likewise were so oversubscribed that they had to resort to a random draw to determine which businesses would get desperately needed assistance. A few communities have offered low-interest loans – but, with small business owners understandably reluctant to take on debt during a pandemic, they have been largely untapped.

### → **Additional federal funds are critical to enabling these programs to meet the deep and ongoing need.**

The federal CARES Act included a \$150 billion appropriation for the Coronavirus Relief Fund, which was distributed to state, territorial, local, and tribal governments with populations of more than 500,000. (States, in turn, distributed portions of their allocations to smaller jurisdictions within their borders.) The funds were designated to be used to cover the many crucial needs that have arisen from the pandemic and the resulting economic crisis, including providing financial aid to small businesses.

Several hundred towns, cities, and counties have used a portion of these allocations to help keep small businesses afloat. Some communities that offered relief programs in the first month of the pandemic reopened their programs for a second round of grants after they received CARES Act funds. For instance, Lakewood, Ohio, cobbled together a \$187,492 Small Business Rent Relief Fund in mid-March, using money from the city's Economic Development Fund and Community Development Block Grant allocation, and gave grants to 118 small businesses to cover their March or April rent. It reopened the program with \$450,000 of its CARES Act allocation, offering larger grants that could cover both rent and payroll expenses. Several dozen other communities, including Anchorage, Alaska, and Allegany County, Md., have done the same.

**However, the CARES Act's Coronavirus Relief Fund's money has now been depleted, and local and state government budgets are drained. The relief programs provided by local and state governments have kept hundreds of thousands of small businesses afloat so far and helped them adapt to the surreal commercial environment the pandemic has created. But absent additional and ongoing funding these crucial programs will cease, leaving hundreds of thousands of small businesses at risk of going under in the coming months. Local programs are not a substitute for the kind of direct federal assistance that small businesses need and that many other nations are providing. But local programs are a critical part of the solution because they are able to respond effectively and creatively to local needs and circumstances. Without swift Congressional action on a relief package, this winter could be the toughest yet for America's small businesses. ■**



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