NATIONAL GOVERNORS ASSOCIATION

M E M O R A N D U M

Updated June 8, 2020

To: Governors' Offices
From: Bill McBride, Executive Director
Re: Economic Recovery Planning & Resources to Support Businesses and Local Communities

Summary
This memo reviews steps that governors can take to mitigate the economic impact of COVID-19, including efforts to provide rapid relief to businesses and communities. This memo is part of an NGA checklist that provides considerations for governors in preparing for, responding to, and recovering from the virus. It is not intended to be an exhaustive list, but rather to highlight key steps that states may consider to protect public health, address other consequences and offer resources to support state actions.

The Economic Impact of COVID-19
Businesses and economies across the world are feeling the impact of COVID-19. Despite having a robust economy just over a month ago, the effects of the virus are already slowing the economy. Unemployment rates in the U.S. are skyrocketing and businesses are facing potential and real closures because of new policies that attempt to limit the spread of COVID-19. As a result, governors are looking for ways to mitigate the economic impact and to provide relief to businesses and communities.

Available Gubernatorial Levers to Provide Economic Relief
Business supports: To mitigate economic impacts, governors may wish to enact policies in support of the business community, including:

- **Consider establishing a COVID-19 State Economic Recovery Task Force and Recovery Plan.** Several governors and states, including Georgia, Utah, Wyoming, and Washington, have appointed members to serve on an Economic Recovery Task Force to align, manage and deploy resources, as well as to develop a comprehensive long-term recovery plan. For example, Utah Governor Herbert recently published Utah Leads Together: Utah's plan for a health and economic recovery. Once economic impacts are assessed, encourage state leaders to develop measurable goals and promote equity by developing specific goals for populations adversely affected by the COVID-19 crisis, including people of color, New Americans, workers in the personal care and services industries, and those in under-resourced geographic locations. A plan for state economic recovery may address: stabilizing job losses in the short term, and increasing hiring in the longer term; extending new resources to small businesses and easing business burdens; recovery of critical supply chains, including the health sector; increasing aggregate demand for goods and services; and stabilizing state markets.
- **Encourage the state's small businesses to seek financial assistance through the new Paycheck Protection Program** (PPP) established by the Coronavirus Aid, Relief, and Economic Security, or "CARES" Act (P.L. 116-136), signed into law March 27, 2020. PPP is a new U.S. Small Business Administration (SBA) loan fund which currently provides $670 billion to help small businesses keep workers employed amid the COVID-19 pandemic and economic downturn. The initiative provides 100% federally guaranteed loans to small businesses through December 31, 2020 for SBA 7(a) loans. SBA implementation guidance and program resources are available at SBA's webpage and on the U.S. Chamber of Commerce Small Business Guide and Checklist.

- **Encourage the state's small businesses to seek SBA-administered** Economic Injury Disaster Loans (EIDLs) which provide low-interest forgivable loan advances of up to $10 million for small businesses that suffer economic injury from COVID-19. Supplemental appropriation (P.L. 116-123) allowed governors to request that the SBA issue them disaster declarations and, at this point, all U.S. states and territories have been granted their declarations. As soon as a state is granted disaster status, its small businesses are eligible to apply to the IEDL program. On April 16, 2020, SBA announced it had exhausted all funding for the Economic Injury Disaster Loan program. EIDL applicants who already submitted their applications will continue to be processed on a first-come, first-served basis.

- **Consider providing no- or low-interest loans from the state to businesses impacted by COVID-19 or amend the state's current business loan programs – or establish loan programs targeting certain industry sectors. Massachusetts** Governor Baker announced economic support with a $20 million Small Business Recovery Loan Fund, offering up to $75,000 per business, through the Massachusetts Growth Capital Corporation. **New Mexico** Cabinet Secretary Alicia Keyes announced a COVID-19 Business Loan Guarantee Program and Zero Percent Interest Loans from the New Mexico Economic Development Department. Florida, Illinois, Maine, Maryland, Michigan, Minnesota, Pennsylvania, Virginia and Washington State have also established state-level emergency loan programs for businesses. In terms of pre-existing loans, North Dakota suspended existing business loan payments to the state. Delaware Governor Carney announced the Hospitality Emergency Loan Program ("HELP") to support Delaware small hospitality businesses adversely affected by COVID-19, and later announced an expansion of the program to include the personal care service sector as well. Other states such as Illinois and Iowa are offering support for distressed sectors in the form of grants. New Jersey's Small Business Emergency Assistance Grant program is a $10 million fund to provide grants up to $5,000 to businesses with 10 or fewer employees.

- **Consider launching initiatives available to the nonprofit business sector to avoid layoff aversions.** Illinois governor Pritzker announced a partnership with United Way of Illinois and Alliance of Illinois Community Foundations to launch the Illinois COVID-19 Response Fund to support nonprofit organizations serving those whose lives have been upended by this pandemic.

- **Consider offering businesses extensions on their tax filings and penalty waivers for late payments**, as California, Connecticut and Washington state have done. In Virginia, businesses impacted by COVID-19 can request to defer the payment of their state sales tax. In other states such as Illinois and Minnesota, the hospitality industries are being granted deferrals for paying state sales taxes and grace periods for late payments.

- **Consider issuing guidance to relevant regulatory agencies on amending regulations related to onsite alcoholic beverage consumption in support of small businesses affected by restaurant closures. Vermont** Governor Scott issued a gubernatorial directive. **New Hampshire** Governor Sununu issued an emergency order allowing restaurants to offer beer and wine with take-out orders. Texas Governor Abbott announced the temporary suspension of certain provisions of the Texas Alcoholic Beverage Code to allow for refunds of application fees to businesses who applied for temporary event permits for events that were later cancelled.

- **Require the state's economic development organization to set up an online source of information for the business community with clear direction to resources and opportunities, FAQs and contact points for questions**, such as Maryland, New York, California and New Jersey have done – and requiring state insurance offices to address business insurance coverage questions, as New Hampshire and Washington State have done. This is especially important for proving guidance on the state's identification of businesses defined as essential. The state's approaches to spreading the word on this have included reaching out to state chambers of commerce; setting up hotlines so businesses can ask whether they are essential and establishing procedures for businesses to request waivers.

Pennsylvania, for example, has chosen to identify whether a business is either life-sustaining or non-life-sustaining, and has found this helps those businesses that fall in gray areas to better understand what they need to do. In Louisiana, Governor Bel Edwards announced the opening of the Louisiana Economic Development help desk, providing both email and hotline support for Louisiana businesses impacted by COVID-19. The North Dakota Department of Commerce is partnered with the Greater North Dakota Chamber to provide weekly business briefings.

- **Require state economic development organization(s) and housing agencies to seek assistance from the U.S. Department of Housing and Urban Development's (HUD)** Community Development Block Grant program which has specific Congressional authorities for disaster recovery (CDBG-DR) so that state and local agencies can issue loans and grants for small and medium-sized businesses, workforce development, and community stabilization. **Arkansas** Governor Hutchinson requested a disaster declaration for the state's small businesses, which made working capital loans of up to $2 million per business available from the CDBG program so they could remain open during the COVID-19 pandemic. HUD issued to its grantees and field office directors this memo outlining flexibilities for CDBG-CV funding and urged grantees to amend or prepare their plans as soon as possible and not to wait for the pending Federal Register notice. Additional information about state allocations can be found here.
- **Consider encouraging small underserved businesses with little access to traditional loan sources to seek loans from the Department of Treasury's certified and funded** Community Development Financial Institutions (CDFIs) which provide loans and guaranteed bonds not only to businesses, but also to community developers and investors in economically distressed areas, including technical assistance to small businesses from rural, minority and other underserved communities. Treasury's CDFI Fund also administers additional capital financing and tax credit programs for banks, sector-targeted businesses, and native American communities. On May 28, 2020, the U.S. Small Business Administration, in consultation with the U.S. Treasury Department, announced it is setting aside $10 billion of Round 2 funding for loans to be lent exclusively from CDFIs under the Paycheck Protection Program (PPP). As of May 23, CDFIs have approved more than $7 billion in PPP loans. To date through the CARES Act, more than 4.4 million forgivable PPP loans have been approved for over $510 billion for small businesses across the U.S. **Wisconsin's** Small Business 20/20 program provides funds to Wisconsin-based CDFIs to make grants to existing loan clients to mitigate short-term cash flow issues. Ohio's JobsOhio is similarly invested in a state-based CDFI.
- **Consider initiatives to support entrepreneurship, including innovation-based economic development.** The Iowa Economic Development Authority created a COVID-19 Targeted Small Business Sole Operator fund to support small businesses with zero employees and designed to help women, individuals with minority status, service-connected disabled veterans and individuals with disabilities to overcome hurdles in starting or growing a small business. The New Jersey Entrepreneur Support Program is similarly providing funding for startups. Rhode Island Governor Raimondo announced that the state's small businesses and startups can receive 45 minutes of free tech support via teleconference or telephone through Rhode Island Commerce and this service is staffed by volunteers from Rhode Island tech companies. The Oregon Innovation Council is awarding grants to companies that are advancing innovation-based solutions addressing COVID-19.
- **Consider easing regulations on small businesses,** such as expanding allowable operations or allowing a temporary extension on business license renewal fees. For example, Missouri Governor Parson signed an executive order allowing restaurants to sell unprepared/bulk foods to the public to help generate profits and business.
- **Consider proactive insurance-related relief**, beyond sharing information. The Oregon Department of Consumer and Business Services issued a temporary emergency order requiring insurance

companies to extend grace periods for premium payments, postpone policy cancellations and non-renewals, and extend deadlines for reporting claims.

- **Consider encouraging the use of "short-time compensation" (STC) or work sharing programs.** STC can be an alternative to layoffs for employers experiencing a reduction in available work. Eligible employers may apply for STC programs. Those employees experiencing a reduction in hours are allowed to collect a percentage of their unemployment compensation (UC) benefits to replace a portion of their lost wages. STC programs are administered by state UI agencies. 27 states had STC programs established in law that met federal standards with 26 having operational programs (Arizona, Arkansas, California, Colorado, Connecticut, Florida, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Vermont, Washington, and Wisconsin).
    - Under The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 27 states that have STC compensation programs can now have these programs' benefits to workers 100% federally financed for up to 26 weeks, creating a further incentive for them to promote STC to businesses. Employees that are covered under an STC program will receive, in addition to their partial unemployment, the additional Federal Pandemic Unemployment Compensation (FPUC) $600 weekly payment. For states without existing programs, the federal government will temporarily finance 50% of the program. The federal government will also provide up to $100 million in grants to states to implement, improve, and promote STC programs.
    - An example is Arkansas' Division of Workforce Services Shared Work Unemployment Compensation Program which provides an alternative for employers faced with a reduction in their work force, allowing the employer to divide available work or hours of work among a specific group(s) of employees in lieu of a layoff, and allowing the employees to receive a portion of their unemployment benefits.

- **Consider encouraging the state's economic development organization (EDO) to coordinate with the Manufacturing Extension Partnership (MEP) center in the state** which is supported by the U.S. MEP program at the National Institute of Standards and Technology. State-level MEP centers help to bring together EDOs and other state programs with the manufacturers in their states. For example, they can: help to determine critical PPE needs in states; help state EDOs to create PPE supply chain portals linking manufacturers to demand; manage those supply chain portals and organize manufacturers to deploy as needs change in the state; offer supply chain mapping for PPE; connect the state's manufacturing industry with state procurement efforts; identify alternative materials and specifications for manufacturers; and participate in state emergency task forces to address manufacturing & PPE challenges and issues. A number of states are already using the services of their state MEP center for these purposes, and the CARES Act allocated specific COVID-19-related funding for each state MEP. Through its work with the state MEP, for example, the North Carolina MEP center is developing a database of companies with PPE production capabilities.

Community supports: Governors may also wish to consider enacting the following policies and practices in support of community economic recovery. Effective enactment requires states to develop clear and targeted online resources that direct community leaders and business stakeholders to appropriate resources and opportunities.

- **Consider encouraging the use of federal emergency authorities so that localities with major revenue shortfalls from federally declared disasters –** such as those highly dependent on a dislocated industry like tourism – could use Community Disaster Loans which provide up to $5 million in liquidity and are potentially forgivable.

- **Consider encouraging the state's economic development organization to apply for funding through the U.S. Economic Development Administration (EDA).** EDA at the U.S. Department of

Commerce received $1.5 billion through the CARES Act to fund: economic recovery planning; resiliency plans; revolving loan funds; innovation and entrepreneurship; public works & facilities supporting economic recovery including broadband -- and more.

- **Consider leveraging the following allowable uses of the HUD CBDG program outlined in the relevant guidance, including these and others:**
  - Temporary waiver to eliminate the need for standard Citizen Participation related to substantial amendments to the Consolidated Plan; and
  - Temporary waiver to shorten the 45-day public notice requirements for allocation of CDBG funds.

  In **Kansas**, for example, the Kansas Department of Commerce is now providing CDBG environmental certifications within 24 hours and the public notice period has also been shortened to 24 hours so that communities can issue working capital loans for small businesses in as little as two days.

- **Consider surveying the business community for sources and/or potential manufacturers of personal protective equipment (PPE); this could include providing financial incentives for existing manufacturers to add new product lines that include PPE or supporting business partnerships for this purpose.** The Maryland Department of Commerce created the Maryland COVID-19 Emergency Relief Manufacturing Fund, a $5 million fund to incentivize businesses to manufacture PPE and other supplies to satisfy the increasing needs of the healthcare industry. Georgia Governor Kemp called on all Georgia businesses who are able to help the state provide, produce, distribute, or store critical health care items. Indiana Governor Holcomb supported the Indiana State Department of Health and Eli Lilly COVID-19 Testing Partnership. In Kentucky, Governor Beshear announced many businesses in the state's food and beverage industries are making barrels of hand sanitizers for hospitals and first responders.

- **Given the urgent need for workers in certain industries such as healthcare – and based on state definitions of essential businesses/professions and changing unemployment rates – consider providing a state "matching service"** that connects individuals seeking work with companies seeking employees such as Arizona has done.

- **Consider partnering with the state's charitable foundation community and with anchor institutions to support a statewide recovery effort.** New Mexico Governor Grisham partnered with the New Mexico Coalition of Community Foundations to establish a $1.1 million All Together NM Fund to address immediate needs and to offer long-term support for work recovery. In North Carolina, Golden Leaf Foundation is partnered with the North Carolina Department of Commerce and the Economic Development Partnership of North Carolina and a number of nonprofit lending partners in establishing a $15 million fund -- the North Carolina COVID-19 Rapid Recovery Lending Program -- which supports small businesses and family farms through loans to bridge the gap between when the crisis strikes them and when federal loans, insurance payouts and other relief funds are approved. Based on a partnership with Columbus-based anchor institution Battelle, JobsOhio is subsidizing up to $250,000 toward the first two-week supply of PPE for health care workers and first responders at no cost.

- **Consider statewide grants for broadband service.** The Tennessee Department of Economic and Community Development is providing Broadband Accessibility Grants via a $19.7 million fund to allocate grants for broadband access by businesses and households.

For questions or concerns related to the contents of this memo, please contact NGA staff:

- *Sally Rood (srood@nga.org; 202.624.7820)*
- *Rachael Stephens (rstephens@nga.org; 202.624.3545)*