



**SMALL BUSINESSES  
STRUGGLING TO SURVIVE  
COVID 19**

**SOLUTIONS TO SUPPORT WORKERS  
AND SMALL BUSINESSES**

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**Small and diverse businesses are the backbone of the Maryland and American economies. During this health and economic crisis, we in Congress need to fight to make sure these businesses have what they need to weather this crisis.”**

CONGRESSMAN DAVID TRONE  
MARYLAND 6TH DISTRICT

# INTRODUCTION

**The coronavirus pandemic hit American workers and small businesses hard.** Public health is paramount, which is why state and local leaders across America have ordered certain businesses to temporarily restrict in-person services as we fight to stop the spread of virus. But these restrictions left many small businesses struggling to stay afloat, unable to keep their hardworking employees on their payrolls. I've heard directly from business owners across Maryland that the uncertainty from the pandemic has caused anxiety for both owners and employees alike, as many face decisions related to potential layoffs and financial losses. And even where businesses are able to remain open, new social distancing requirements and added expenses for personal protective equipment (PPE) are too costly for many to bear.

**Small and diverse businesses are the backbone of the American economy.** They make up almost half of our jobs and economic output. They are at the heart of our local

communities and embody the American dream through entrepreneurship, innovation, and hard work. Having founded my own business with a single store in 1985, I understand the anxieties and concerns of small business owners and employees faced with the worst economic hit in a generation, compounded by the presence of a deadly virus that has killed more than 170,000 Americans. As our nation grapples with widespread calls for racial and social justice, I also believe strongly that we need more focused support and access to credit for minority and women-owned small businesses that have been hit especially hard by COVID-19.

**It is essential for Congress to support small businesses during these unprecedented times.** According to estimates by JP Morgan, half of small businesses have only enough cash to last two weeks while closed. Another 10 percent of businesses can hang on one more week. Almost no small businesses can last for months without support, which many state and local governments have asked them to do so we can



Congressman Trone visits small businesses across Maryland's 6th District.



Photo Credit: Evan Wise

beat the coronavirus. As of July 2020, upwards of 130,000 businesses nationwide remain closed, and over half of these may be shuttering for good. In Maryland, upwards of 3,500 businesses are currently closed, and over half of these may never reopen without more federal aid.<sup>1</sup> Based on Department of Labor data analyzed by WalletHub, a financial advising service, unemployment claims in Maryland since the start of the pandemic are 14 times higher than in the same period last year.

**The bipartisan CARES Act prevented even worse economic hardship.** Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act on March 27, 2020 to get money into the hands of individuals, businesses, and organizations affected by the coronavirus. The law included the creation of the Paycheck Protection Program (PPP) for small businesses, stimulus checks paid directly to the American people, and increased unemployment benefits for those struggling to find work. This important law also included funding for larger businesses, state and local government, healthcare, and other needs.

**This report will focus on the largest provision of the CARES Act dedicated to small businesses: The Paycheck Protection Program (PPP).**

- How has the PPP program affected Maryland's Sixth Congressional District?
- What worked well?
- Where did the program fall short?
- What more needs to be done?

<sup>1</sup> [Yelp](#), [Washington Post](#), [Census](#), [SBA](#), Office of Rep. Trone calculations

“

The [CARES] Act hits the mark in several key respects. It is big, it is timely, and it directly helps individuals, businesses, and state and local governments. Naturally, a mammoth package that moves rapidly through the Congress will have shortcomings. But the CARES Act is not the last COVID-19-based package Congress will need to enact, so there will be opportunities to correct mistakes and fix oversights.”

GRACE ENDA,  
WILLIAM G. GALE, AND  
CLAIRE HALDEMAN,  
BROOKINGS INSTITUTE

Enda, G., Gale, W., & Haldeman, C. (2020, March 27). Careful or careless? Perspectives on the CARES Act. Retrieved September 10, 2020, from <https://www.brookings.edu/blog/up-front/2020/03/27/careful-or-careless-perspectives-on-the-cares-act/>

“

Based on how the program is structured, we estimate that upwards of 90% of businesses owned by people of color have been, or will likely be, shut out of the Paycheck Protection Program.”

ASHLEY HARRINGTON,  
DIRECTOR OF FEDERAL  
ADVOCACY AND  
SENIOR COUNCIL  
FOR THE CENTER FOR  
RESPONSIBLE LENDING

Cerullo, M. (2020, April 22). Up to 90% of minority and women owners shut out of Paycheck Protection Program, experts fear. Retrieved September 10, 2020, from <https://www.cbsnews.com/news/women-minority-business-owners-paycheck-protection-program-loans/>

**The PPP was essential to saving our small businesses, but the program had several serious flaws.** PPP loans [saved](#) tens of millions of jobs and kept millions of businesses afloat. However, it was far from perfect. Too many big businesses applied for and received loans. Too few minority-owned and women-owned businesses were granted loans. Program conditions did not adapt to the specific situation of some categories of businesses, especially restaurants. The program has now expired, although businesses are still struggling amid a resurgence of the virus.

**Now, Congress must act to renew and improve the PPP.** The PPP must be extended and targeted to those most in need to support hard working Americans trying to make ends meet. On May 15, 2020, Democrats in the House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which would extend the PPP until the end of the year and strengthen its key provisions. However, Senate Republicans have blocked this much needed aid for three months. Long-term, businesses cannot plan for the future when there is so much uncertainty about whether and when the government will agree on support.



Congressman Trone outside of the Capitol while practicing socially-distant voting.

# PPP LOANS WITHIN THE CARES ACT

The CARES Act is a \$2 trillion stimulus [package](#) designed to help the American economy weather the storm of COVID-19. Individuals received about \$270 billion directly through stimulus checks and \$290 billion through extended and increased unemployment insurance, including \$600 extra per week in benefits. State and local governments received around \$150 billion, as did the healthcare sector. The remainder was split across education, the social safety net, transportation, reduced taxes, and disaster assistance.

**Congress provided \$659 billion for the PPP, but the program expired on August 8, 2020 with \$130 billion remaining in unused funds.** The CARES Act provided an initial \$350 billion in PPP funding, and Congress [boosted](#) the program by an additional \$310 billion by passing the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020. While Congress extended the program by five weeks past its initial expiration date of June 30, 2020, Senate Republicans have refused to come to an agreement that would further extend the program.

## HOW PPP LOANS WORK

- PPP loans were available to small businesses, from self-employed individuals, independent contractors, and sole proprietorships to nonprofits and businesses of up to 500 employees
- Loans could be up to \$10 million and would be forgiven as long as:
  - A certain portion was used for payroll (originally 75%, later reduced to 60%)
  - Funds were spent within a certain timeframe (originally 8 weeks, later extended to 24 weeks)

THE NATIONWIDE AVERAGE LOAN WAS SLIGHTLY OVER \$100,000.



**As a small In-person events company, we were severely impacted by the COVID-19 shutdown. We were unable to produce any of our swim camps across the USA between the first week of March and the end of May. We postponed almost 100 camps and had no revenue. The PPP enabled us to keep our entire staff employed with us at 100% of their salary. This positioned us to work very closely with all of our customers who were effected by the postponements. We were able to manage their expectations and retain their business. Additionally the help of the PPP enabled us to create online courses that generated revenue for us at a time we needed it. Without the PPP we would have been in trouble.”**

DAVID ARLUCK, FLITTER AND FASTER,  
MONTGOMERY COUNTY

# THE IMPACT OF PPP LOANS

**\$453  
MILLION**

**IN PPP LOANS  
UNDER \$150K  
APPROVED FOR  
MD-06 BUSINESSES**

**56,000+  
JOBS SAVED**

Although our economy is still in serious trouble, PPP loans have been an essential part of preventing worse damage. Across the nation, over 50 million jobs were [saved](#) at least in part thanks to PPP loans.

In Maryland, the corresponding figure is close to 1 million jobs, which is more than 15 percent of the total population of Maryland.<sup>2</sup>

The story is similar for Maryland's Sixth District. Looking only at loans of under \$150,000, the PPP saved at least 56,000 jobs and provided more than \$453 million in loans up until June 30, 2020.<sup>3</sup>

In fact, the very smallest loans of under \$25,000 saved the most jobs, even adjusting for total loan value.<sup>4</sup> This shows just how important small mom-and-pop shops are to our economy and job creation. Still, many deserving businesses - especially the very smallest - did not receive loans.

## MD-06 jobs retained of PPP loans under 150k, by loan size bracket



Source: PPP data

2 [SBA](#), Office of Rep. Trone calculations  
 3 [SBA](#), Office of Rep. Trone calculations  
 4 [SBA](#), Office of Rep. Trone calculations

# THE SHORTCOMINGS OF PPP LOANS

Too many loans went to businesses and organizations that did not deserve them. These organizations used their existing relationships with big banks to elbow past those that truly needed the funds.

For example, initial applicants that were [granted](#) funds included Harvard University, major food chains like Shake Shack and Potbelly, and mega sports franchises like the Los Angeles Lakers. Although many of these organizations later returned the money, they should never have been given the funds in the first place.

There were some businesses that did not return the money. Kanye West's footwear brand Yeezy, [received](#) between \$2-5 million, and major law firms, investment funds managing billions of dollars, and companies connected to the Trump family and their associates [all received](#) money that they did not return.

That is a disgrace.

Transparency of the program has also been sorely lacking. Despite pressure from Congressional Democrats, it took until July 6, 2020 for Treasury Secretary Mnuchin to reveal the names of entities that benefited from the PPP. Although the Secretary is quick to claim that only 13 percent of companies receiving loans got over \$150,000, these big businesses [got](#) 75 percent of the money available.

Too much money was funneled to large corporations, often with sales or market values in the tens or hundreds of millions of dollars at the expense of smaller companies in dire need.

Even within small loans of under \$150,000, the program had a number of serious problems.



**The Paycheck Protection Program (PPP) was a lifeline for small businesses when it was initially launched and Congress's quick action certainly helped save many small companies. However, I don't think anyone envisioned that the pandemic would last this long and the PPP money received by those small businesses is long gone. As the crisis rages on and businesses continue to struggle, many of the program applicants would have been better off waiting to apply for PPP money, especially with the mandatory closures of businesses."**

**NICOLE CHRISTIAN,  
GARRETT COUNTY  
CHAMBER OF  
COMMERCE**



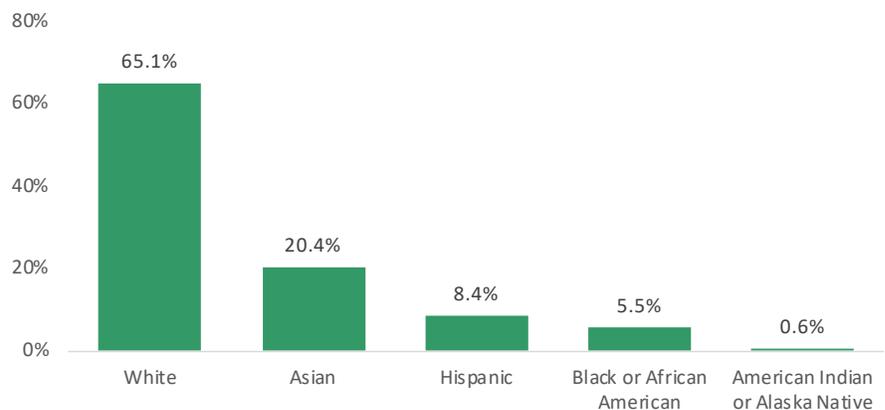
Despite its imperfections, PPP was a lifesaver. I know that PPP saved Silver Diner and allowed us to bring back 1,200 jobs and keep our doors open through today. The challenge is that the funds will run out this August while the pandemic continues to cripple so many businesses. Without a robust second PPP round, a very significant number of businesses won't make it through the end of the year.”

ROBERT GIAIMO,  
PRESIDENT/CEO,  
SILVER DINER,  
ROCKVILLE

### Maryland's Sixth Congressional District PPP loans disproportionately excluded Black and Hispanic small businesses that often lack the established financial relationships with big banks that approved most PPP loans.

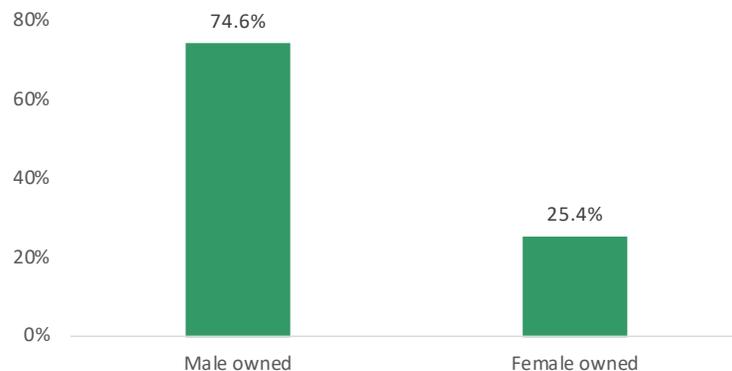
Black and Hispanic populations each represent close to 15 percent<sup>5</sup> of Maryland's Sixth District residents, but received only 5.5 percent and 8.4 percent<sup>6</sup> of PPP loans, respectively. Nationwide, Black and Hispanic owned businesses represent 10 and 12 [percent](#) of all businesses, again showing that PPP loans underserved these communities.

#### MD-06 PPP % of loans under 150k, by ethnicity



Likewise, data suggests that women-owned businesses have also received less than their fair share of PPP loans. Although the male to female business ownership split is only 60-40 [nationwide](#), 75 percent<sup>7</sup> of PPP loans in Maryland's Sixth District went to businesses owned by men.

#### MD-06 PPP % of loans under 150k, by owner gender



5 [Census](#), Office of Rep. Trone calculations

6 [SBA](#), Office of Rep. Trone calculations

7 [SBA](#), Office of Rep. Trone calculations

**Equal access to credit, regardless of race, ethnicity, or gender should be a top priority for Congress, and the next phase of PPP must address these disparities.**

The unclear and complex conditions initially attached to PPP loans did not make sense for every business. Restaurants that had very high overheads of rent, utilities, and perishables could not reasonably agree to spend 75 percent of their loan on payroll. Many were unsure if they could spend it all within 8 weeks, as required for loan forgiveness. While these provisions were eventually changed, more must be done to ensure the program meets our shared goal: keeping employees on the payroll.

When big business and Trump allies are quickly and quietly enriching themselves as mom-and-pop shops struggle to make sense of complicated application processes and loan restrictions, it is no surprise that money ran out after only two weeks.

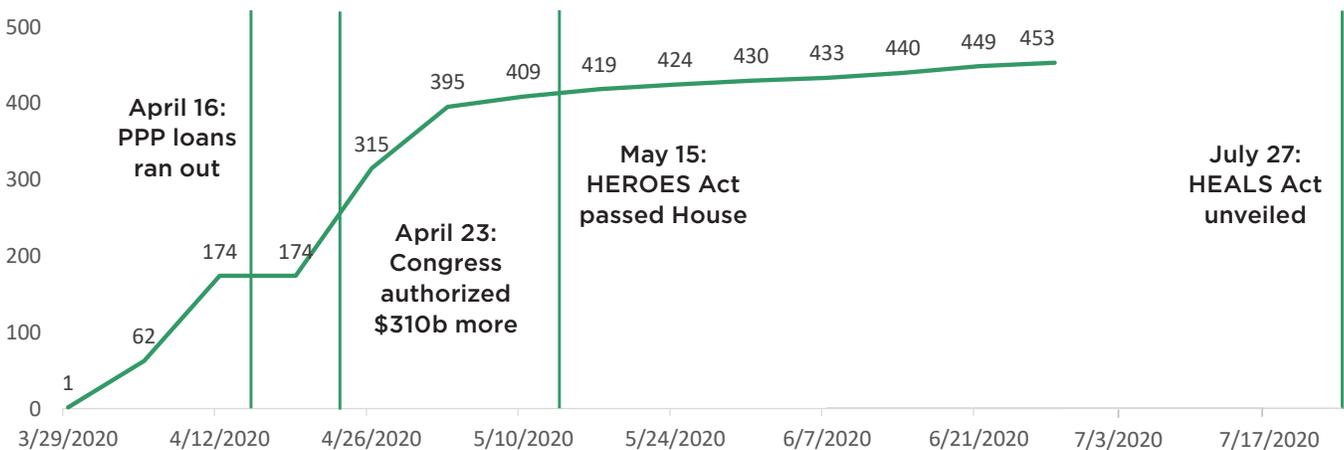
Fortunately, Congress acted swiftly in April to authorize more funding. Democrats in the House

of Representatives followed up on May 15, 2020, to pass a new stimulus package called the HEROES Act, as the economic recovery stalled and worsened in places that had not brought the virus under control. However, Senate Republicans stalled for time and refused to consider the House’s bill. By the time the Senate proposed its own much weaker measures on July 27, 2020, many businesses had already spent their PPP loans but still could not reopen. On August 8, 2020, the PPP program expired. It has not been extended as Republicans refuse to consider the HEROES Act.

According to a recent survey by Small Business Majority, a small business advocacy group, 80 percent of small businesses [want](#) an extension of the PPP and over 25 percent will not survive three months without more support. It has been three months since the House passed legislation providing more support that the Senate has ignored.

**There are solutions available that Congress must take up now.**

**MD-06 Approval of PPP loans under 150k, April 3 - June 30, \$m**



Source: PPP data

# POLICY SOLUTIONS AND A PATH FORWARD

## HEALTH AND ECONOMIC RECOVERY OMNIBUS EMERGENCY SOLUTIONS (HEROES) ACT:

The HEROES [Act](#), passed by the House of Representatives on May 15, 2020, is a \$3 trillion bill that would be a lifeline for American workers and small businesses struggling to survive the pandemic. It includes reforms to the PPP program, and, most importantly, it would make sure money gets to those who need it most.

The HEROES Act extends the PPP at least until December 31, 2020. Of \$130 billion in remaining funding, it guarantees that 25 percent must be spent on the smallest businesses with fewer than 10 employees. The bill also requires that 25 percent of the money be reserved for non-profits. And at least \$10 billion is dedicated to lending by community and minority finance institutions, small lenders, and microfinance organizations that have more grassroots expertise and a better record of serving minority, veteran, and women-owned businesses than big banks.

Under the HEROES Act, business owners who take on PPP loans can also benefit from an Employee Retention Tax Credit of up to \$36,000 per employee. And, small businesses are able to access 7(a) loans from the Small Business Administration (SBA). In fact, HEROES expands the 7(a) program from \$30 billion to \$75 billion and clarifies SBA rules so the 7(a) money will not run out when the PPP ends. Expanded tax credits worth \$126 billion are also provided for employer pandemic expenses, paid leave, and to support the self-employed. Lastly, the bill strengthened reporting requirements to ensure transparency by the SBA and lenders.

**Senate Republicans must pass this critically important bill to support small businesses.**

## HEALTH, ECONOMIC ASSISTANCE, LIABILITY PROTECTION AND SCHOOLS (HEALS) ACT:

Two and a half months after the HEROES Act, Senate Republicans unveiled their [version](#) of the next stimulus package on July 27, 2020.

HEALS agrees with the HEROES Act that \$10 billion should be allocated to lending by small and minority-focused lenders. But, it offers \$8 billion less of guaranteed funds for businesses of fewer than 10 employees and fails to dedicate funding for nonprofits. In addition to the \$130 billion in unallocated funding available, the bill proposes authorizing another \$190 billion without structural changes. This blank check is concerning given the glaring lack of oversight by Treasury and risks big business profiting again through poorly supervised loans.

HEALS also allocates \$58 billion in guarantees for SBA 7(a) loans and \$10 billion for loans to Small Business Investment Companies loans.

## JOBS AND NEIGHBORHOOD INVESTMENT ACT:

On July 22, 2020, Representatives Trone and Meeks and Senators Warner, Booker, Harris, and Schumer [unveiled](#) the Jobs and Neighborhood Investment Act. This bill would invest \$18 billion in low-income and minority communities that have been hit especially hard by the coronavirus. Funding and support would go through community and minority finance institutions rather than big

banks, providing access to credit for underbanked minority and low-income businesses and individuals.

According to a recent [study](#), 41% of black-owned businesses, 32% of Latino-owned businesses, and 36% of immigrant-owned businesses have shut nationwide due to the pandemic. This much-needed legislation would help these devastated communities to hang on and rebuild.

**This bill must be included in the next stimulus to prevent permanent damage to communities.**

### **SMALL BUSINESS TRANSPARENCY AND REPORTING FOR THE UNDERBANKED AND TAXPAYERS AT HOME (TRUTH) ACT AND THE PPP DATA DIVERSITY AND ACCOUNTABILITY ACT OF 2020:**

On May 28, 2020, the House of Representatives voted 269-147 for the TRUTH [Act](#) that would ensure transparency in the allocation of over \$500 billion in PPP funds. Although unanimously supported by Democrats, only 38 Republicans supported this common sense measure, and it fell short of the two-thirds majority required to pass the bill.

This bill would have required the Treasury to provide the names of all recipient organizations, as well as an explanation of the Small Business Authority's decision-making process, and important data about lending to minority, women, and veteran-owned businesses. It took Treasury Secretary Mnuchin almost another six weeks to release partial information which failed to document business owner characteristics for most loans, preventing accountability on potentially discriminatory lending practices.

On May 14, 2020, Representatives Chu, Cardenas, and Veasey introduced the PPP Data Diversity and Accountability [Act](#) of 2020. Similar to the TRUTH Act, this bill would require the SBA to report on both approvals and denials of PPP loans to minorities, women, and veterans.

Both bills are valuable pieces of legislation that would help Congress understand how to direct funds to the hardest hit communities and see where people are being left behind.

**Further lending must be transparent so lenders and the government can be held accountable.**

### **VICTORY FOR RETURNING CITIZEN ENTREPRENEURS IN CHALLENGE TO SBA RULE:**

On June 29, 2020, Congressman Trone was able to [congratulate](#) Hagerstown resident Altimont Mark Wilks, a formerly incarcerated individual, on his successful challenge to an SBA rule that prevented many formerly incarcerated individuals from accessing PPP loans.

Contravening the spirit of the CARES Act and going beyond its provisions, the SBA had restricted the access to credit of returning citizens and even some individuals never convicted of a crime. After months of pressure, a lawsuit on Mr Wilks' behalf, and outreach by Representative Trone and other members of Congress, the SBA relented and removed this restriction.

**Those who have completed their judicial sentence and followed the law, as well as those who have been convicted of no crime, should be able to start and save their own business.**

# CONCLUSION

The Paycheck Protection Program was a critically important piece of legislation. It helped keep the lights on for many small businesses facing permanent closure as the nation grappled with the coronavirus pandemic. In Maryland's Sixth District alone, the PPP saved over 56,000 jobs.

However, it also had serious shortcomings. Too much money went to big business. Too little went to minority, women, and veteran-owned small businesses that needed it the most. Restrictive and unclear rules meant many business owners did not feel confident taking a loan.

Congress can and must improve the PPP. Until we can safely reopen our economy, small businesses need help. There are policy solutions available. We must make them law.



Congressman Trone with small businesses owners in Maryland's 6th District.