

South Dakota Small Business Recovery Grant Package

Considerations:

- Some businesses have been eligible for State and Federal programs and have received assistance, while others have not been eligible or received little to no assistance.
- The SBA indicated there are businesses who are being denied for PPP and EIDL.
- Loan programs have been created to provide assistance; however, many business owners do not want to take on additional debt load during a time that they are struggling to pay their current bills, loans, and trying to operate in a time of continued uncertainty. Also, business owners may not be eligible for additional loans.
- COVID-19 has had a negative impact on many businesses. Businesses have seen a decrease in sales or realized no sales for long periods of time. This has created a very real hardship that results in a difficulty to pay bills, loans, employees and keep the business open.
- How do we help businesses that did not receive assistance via programs like PPP or EIDL? How do we identify and prioritize these businesses?
- Should businesses that received assistance via programs like PPP or EIDL receive additional assistance before the ones that received no financial assistance?

South Dakota Small Business Recovery Grant Details

The impact on businesses throughout our state is very real and many have needed help. The following lays out some parameters that would address many of the concerns listed above. This plan was developed to focus on achieving the following goals:

1. Keep the Grant Program *Simple*.
2. *Identify* who has not received assistance.
3. A method to *Prioritize* who needs assistance.
4. Provide assistance in a swift manner.

Eligibility criteria:

- South Dakota based business operating on or before February 1, 2020.
- Demonstrated impact from COVID-19 (loss in sales compared to prior period)

Businesses will fill out an application/worksheet to include the following information to determine grant award amount:

- Time period for impact to business is identified. (Ex. 2nd and 3rd QTR of 2020).
 - Gross sales for time period of application would need to be compared to prior period using prior tax returns. An average of monthly sales could be used to smooth out cyclical/seasonality, etc.
 - For those businesses that started within the past year and have no established sales history a different approach would need to be taken. The methodology could include an explanation of the actual expenses of the company during the time impacted.

- Businesses would need to indicate any State or Federal Assistance they have received. That amount would be taken into consideration and be discounted from the economic impact calculation. Examples of Assistance include:
 - SBA funding received (PPP loans, EIDL Advance, etc...)
 - Funding from Governor's Small Business Relief Fund
 - Other sources of funding (local assistance)

How to administer? Who administers the program?

Option: Utilize commercial banks to administer and take applications. Another option would be to utilize a large accounting firm. Banks may be a good option if they would participate as they know their customers and every business has some form of a banking relationship.

Timeline and Process

Option: Set a timeline for accepting applications. After the deadline and all applications are in, analyze the data to determine the impact before granting any funds. This way we know the magnitude of the economic impact prior to granting awards. Essentially, it lets us know how big the pie is and from there we can determine how much we can afford to put towards the program and how many slices and how big of slices we need to cut from the pie. An additional option would be to guarantee a minimum dollar amount to businesses that have received no assistance or assistance that is less than an identified percentage of economic impact. Some examples may help demonstrate.

Example 1 assumes that the business maintained FTEs and salaries for employees.

Example 1: ABC Company experienced Lost Revenue of \$62,300 for the months of April and May 2020. ABC Company received a \$10,000 EIDL Advance grant as well as a PPP loan of \$62,300 of which \$52,300 will be forgiven¹. The result is ABC Company has captured 100% of its economic loss and no additional assistance will be provided.

Example 2: Company X experienced Lost Revenue of \$62,300 for the months of April and May 2020¹. Company X received a \$10,000 EIDL Advance and no PPP loan. The result is Company X has captured 16% of its economic loss.

Example 3: Producer Joe Smith experienced Lost Revenue of \$50,000 for the months of April and May 2020. Producer Joe Smith did not receive a PPP loan, but received \$25,000 from the Coronavirus Food Assistance Program.² Producer Joe Smith has captured 50% of his economic loss.

This economic loss calculation is simple and provides a percentage of assistance that can be used in several ways. It can be used to prioritize those that may receive a minimum or guaranteed amount, see the next example.

¹ \$52,300 based on PPP forgiveness calculator provided by SBA

² Coronavirus Food Assistance Program provides financial assistance to producers of agricultural commodities giving them the ability to absorb sales losses and increased marketing costs due to COVID-19.

Example 4: If a business has received less than 20% of its economic loss, it would be eligible for a minimum amount of \$25,000.

As you can see from the examples, this method identifies who has received assistance as well as the amount of assistance. The method creates a percentage of economic loss net of any assistance which allows prioritization and can also allow for swift disbursement of grants.

Caveats and Additional Considerations

There are many caveats that exist in creating this type of grant package, a few of them include:

1. Determining the size of business that is eligible. Should it be based on employee size or sales? What is the cutoff?
2. Determining the types of businesses that are eligible for this program. Which sectors can be included?
3. What is the total amount available to be used in this program? Is there a minimum/maximum amount that businesses would receive?
4. What is the best way to handle new businesses (less than a year old)?

These questions need to be answered and could be determined via the legislative process of hearings and testimony.

Goal of Legislative Meeting and Public Testimony

1. To notify SD that we are developing a grant program to address several sectors to include: healthcare, agriculture, and service and retail businesses to name a few.
2. To provide a public and transparent setting to hear from those sectors so we can better understand their needs and prioritize potential aid.

Structure and Action Steps (Broad Strokes)

Due to the time constraint and complexity of the program we are trying to develop, I would recommend the following as options to consider:

1. Create a committee/task force or use an existing committee that is willing to hold meetings to hear public testimony.
2. The testimony would be limited and focused on providing evidence of economic impact and not emotional appeal. Testimony would also include feedback on potential grant programs.
3. JCA would develop a final product that is presented to a voting body.