

September 17, 2020

Oregon Legislature Emergency Board
900 Court St NE
Salem, OR 97301

President Courtney, Speaker Kotek, and Members of the Emergency Board,

Thank you for your efforts to support Oregon businesses throughout the pandemic. As partners who have been directly involved with the deployment of Business Oregon grant funding, we are writing to highlight barriers to the deployment of that funding and offer suggestions that would allow us to get those dollars into the hands of struggling businesses. Combined, these administrative barriers (not lack of need!) are preventing Oregon businesses from receiving critical resources and threaten our state's ability to expend Coronavirus Relief Funds by November 15.

Need #1: Streamline Application Process for Small Businesses

The application form and attachments developed by Business Oregon include requirements that are above and beyond what is required in the US Treasury guidance for the CARES Act. This additional information, including financial statements, creates barriers for the micro-businesses, BIPOC-owned businesses, entrepreneurs who are not fluent in English, and others who are a high priority for these dollars. The requirement (requiring a 50% loss of income comparing specific date ranges) is too rigid to accommodate for seasonal businesses and too specific to recognize the ever-changing economic realities of COVID. In addition, every unnecessarily cumbersome requirement places an undue burden on entrepreneurs who are working around the clock just to keep their business alive.

Recommendations:

- Streamline the application to collect only the minimum required data about each business.
- Develop a self-certification to attest to all threshold criteria (% of income loss, verification of federal funds received, verification of unduplicated uses for state/federal funds, etc.).
- Eliminate / substantially reduce requirements for business financials and other attachments.
- Reduce income loss requirement to 25% over any pre/post COVID date range.
- If Round 4 award amounts are raised, allow previously-funded businesses to receive the difference without re-application. (e.g. if a business received \$2500 in Round 1, and is now eligible for \$5000 in Round 4, allow automatic funding of the difference.) This streamlines access for businesses, and reduces the application backlog to focus on new applicants.

Need #2: Allow Layering of State Grants with EIDL and PPP

With the intention of trying to stretch limited dollars, Rounds 1 & 2 of the Business Oregon grant funds excluded all businesses that had received PPP and EIDL. Round 3 created a subtraction formula that enabled a business to receive the difference in funding if federal dollars received were less than their state award limit. In practice, *both limitations are excluding tens of thousands of struggling businesses*. In April and May, we had no way to know just how far the reach of PPP and EIDL would be: we now know that more than 52,000 businesses received

EIDL Advance grants (up to \$10,000) and more than 66,000 received PPP funds (86% for under \$150,000). Many of us work with cities/counties that have been unable to fully distribute Round 1&2 funds because (despite direct outreach) we cannot locate businesses that haven't received PPP and EIDL. We also had no way to know how long the crisis would last: PPP funds were intended to cover eight weeks of limited expenses, but we're now coming up on six months of business restrictions. Micro/small businesses that received PPP/EIDL are still struggling, desperately need additional financial support, and should be allowed to layer resources to give themselves the best chance of survival.

To be clear, undistributed funds do not represent a lack of need in our communities, but a mismatch between eligibility criteria and the reality on the ground.

Recommendation:

- As of October 1, remove any limitation or subtraction attached to EIDL or PPP for all remaining funds (including unspent funds from prior rounds).
 - Businesses who did not receive PPP/EIDL had exclusive access in July and August.
 - Businesses who can benefit from the subtraction formula will have exclusive access in September. That accomplishes our collective goal of prioritizing businesses who received little to no federal support.
 - Ending the limitation on October 1 will recognize the tens of thousands of Oregon businesses who need layered financial resources to survive, and ensure that all funds reach businesses before November 15.
- We truly believe that removing all PPP/EIDL restrictions is the best path forward, because those award were proportionate to the size of each business, and businesses with 15-25 FTE who received higher federal aid are still struggling to survive. However, if that is untenable, a backup option would be full eligibility for state grant dollars if a business received under \$160,000 in federal assistance.

Need #3: Streamline Administration and Timing of Multiple Funding Rounds

Business Oregon originally structured the grant dollars to be released in multiple rounds, so that we could use lessons learned in the first round to make necessary adjustments to future rounds. However, the changing eligibility criteria, distribution partners, and timelines are making it increasingly difficult to communicate accurate information to businesses and get funds out the door. We have to juggle recruiting businesses for Rounds 1 & 2 that didn't get PPP/EIDL, but allowing some PPP/EIDL recipients in Round 3 (if they meet the subtraction formula), while preparing to implement different criteria and maximum award amounts in Round 4 (when previously funded businesses may be able to apply again). Businesses are rightfully confused and frustrated by the conflicting messages, and we're also running out of time.

Recommendations:

- Consolidate and simplify the many funding rounds and differing requirements/eligibility criteria, which increase the cost and time to administer and deploy these funds. All unspent funds from previous rounds should align under Round 4 criteria and award caps. This will reduce confusion to businesses and conflicting outreach messages.

- Amend Round 3 contracts (with cities, counties, EDDs and COGs) to follow changes made for Round 4. Recapture unspent funds from Rounds 1 and 2, to be released in Round 4.
- Release all remaining funds in one round using an alternative allocation methodology (might include practices similar to OBDD PPE disbursement by number of “small businesses” per County) to ensure equitable statewide coverage.
- Eliminate all unnecessary administrative requirements, so that partners can get the remaining \$17m (plus unspent funds from early rounds) out the door in a 6 week period. This will be a heavy lift under any circumstances; we know we cannot do it if we have to continue navigating the current administration barriers.

Need #4: Allow a Consistent Admin/Operating Percentage

The original \$10 million in state funds did not allow any admin/operating funds for deployment partners; our agencies had to scrape together funds to cover staff time, outreach, and marketing. When the Emergency Board allocated the \$22.5 million in CARES Act funds, it enabled up to 5% in admin costs for CDFIs, but remained silent on the percentage to cities/counties. As a result, Business Oregon has disallowed an admin percentage in the \$5 million currently being distributed to cities/counties. This creates additional strain, especially on small jurisdictions and/or CDFIs who are often administering grants on behalf of a city/county recipient. As administration of these funds become increasingly complicated, administration cost recovery is absolutely imperative to the survival of local CDFIs *and* public agencies.

Recommendation: Clarify that up to 5% admin is allowed for the full \$22.5 million originating with CARES Act, regardless of the channel of distribution.

Businesses are still grappling with the impacts of the initial and ongoing wave of COVID. A second wave of COVID impacts is also a forthcoming reality which will compound issues, with businesses who previously received EIDL, PPP, grants, and other private and public loans requiring those same resources again. While we know we will be unable to save every business, those that are able to access multiple resources will have the greatest chance of maintaining operations and rebuilding Oregon’s economy.

Time is also of the essence. We understand that CARES Act funds will be swept back after November 15, including any funds not yet allocated to businesses. Due to existing administrative barriers, we have been unable to fully deploy even the first \$7.5 million from Rounds 1 and 2 over a three month period, despite extraordinary outreach efforts by local practitioners, CDFI’s and communities. It will be impossible to deploy \$22.5 million in Round 3 and 4 funds without the significant changes we are suggesting. Meanwhile, Oregon’s micro and small businesses are hurting.

Thank you for your consideration of these recommendations above and for your ongoing efforts to support Oregon businesses

