National Small Business Association®

The Honorable Marco Rubio
Chairman
Senate Committee on Small Business
& Entrepreneurship
U.S. Senate
428-A Russell Senate Office Building
Washington, DC 20510

The Honorable Susan Collins
Chairwoman
Senate HELP Subcommittee on
Employment & Workplace Safety
U.S. Senate
413 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Rubio and Chairwoman Collins:

On behalf of the National Small Business Association (NSBA), the nation's first small-business advocacy organization, with more than 65,000 small-business members representing every state and every industry across the country, thank you for your leadership in crafting the *Continuing Small Business Recovery and Paycheck Protection Program Act,* the federal relief package that builds on the success of the bipartisan Paycheck Protection Program (PPP) and other small business relief programs in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. As you well know, small businesses have been ravaged over the past several months and maintaining cash-flow and liquidity is essential to a vibrant small-business community and the only way we are going to be able to ride out the economic effects triggered by this global pandemic.

If a second wave of the Paycheck Protection Program (PPP) is not allocated—and quickly—countless small businesses could be forced to close permanently, if they have not already done so. Many small businesses have undergone fundamental changes to their business-models—changes which could be long-term—while many others are worried they simply will not make it through this pandemic. Thus, NSBA fully supports providing $190 billion of committed and appropriated funds for the PPP and new "PPP Second Draw Loans" as it is critical to help and save America's drowning small-business community.

While the PPP was quite successful—an internal poll of NSBA leadership found that, overall on a scale of 1 to 5, with 5 being the most important, the PPP loan program scored a 4.2—many small businesses could not access or take advantage of the program due to the tight restrictions on what the initial loans could be used for with regard to forgiveness as well as the limited period of time the capital could be used.

NSBA is pleased that your bill allows for more flexibility by expanding the allowable purpose of PPP loans and forgiveness to include certain operations costs; property damage costs from 2020 public demonstrations that insurance does not cover; payments to suppliers for goods already under contract that the business needs; and costs for complying with COVID-19 health guidelines such as buying PPE.

We are supportive of the broad use for these funds, as no two businesses are alike and many are operating under various reopening stages, which requires the funds to be allocated for an assortment of purposes.

We applaud you for addressing a primary issue within the PPP program, recognizing that the PPP would be much more effective for different types of small businesses—those in high cost areas, those without large payrolls but with higher overhead expenses, and those that are only gradually reopening—if loan recipients could use the funds based on the timing that makes the most sense for their business. The provision in your bill that allows borrowers to select a preferred 8-week period through 2020 to use the forgivable loan proceed is widely favored by NSBA members.

Further, we commend you for simplifying the loan forgiveness application by allowing borrowers with loans under $150,000 to give a good faith attestation that they complied with the rules. PPP loans of $150,000 and under account for 85 percent of total PPP recipients, but less than 26 percent of PPP loan dollars. We have heard from many that the complex and changing guidance in the initial PPP program was hard for all small businesses to follow and understand. Legislative pressure needs to be placed on the regulators to take the actions necessary to reduce the regulatory burden on small businesses who use these programs. Expediting the loan forgiveness process for many of these hard-hit businesses will save more than $7 billion dollars and hours of paperwork. By streamlining the loan forgiveness application, it will enable our nation's small-business owners to focus their time, energy, and resources back into their business and communities instead of allocating significant time and resources into completing complex forgiveness forms.

NSBA appreciates that you are seeking to course correct and address the near-total exclusion of 501(c)(6) associations from the PPP program thus far, by including the expanded eligibility to certain 501(c)(6) organizations in your measure. Many associations and other 501(c)(6) groups were ineligible for PPP because of Small Business Administration (SBA) restrictions on which groups could receive the funds. We are pleased those restrictions have been lifted, albeit with some caveats. Associations and other Section 501(c)(6) organizations play an important role to aid America's workforce, provide networking and educational resources and disseminate essential information to people in need – particularly during times of crisis. These organizations are needed to help coordinate federal resources, and they require staff to fulfill this duty.

While we understand your bill targets those hardest-hit small businesses that are struggling to recover from the impacts of the COVID-19 pandemic, we would suggest less stringent standards for the second round—and commensurate funding. We do have some concerns about the eligibility criteria, allowing only businesses that can show they lost 50 percent or more in revenue in one of the first two quarters of 2020 compared to 2019. For companies that have made major investments, and consequently have high fixed costs, a 20 percent drop in sales may mean that the company can no longer cover its costs and will go out of business. Reduction in sales or reduction in collection may be below their break-even profit margins. Because those companies require high investment, they are more likely not to reopen. Therefore, NSBA recommends that you also include businesses that demonstrate a 20-30 percent reductions in gross revenues to participate in this second wave of funding, making it much more effective across the diverse sectors and the various sizes who continue to need the help. We understand that such a change will require a larger appropriation, but feel that such action is warranted.

While the package includes increased flexibility for loan forgiveness, one key consideration could be to provide even greater flexibility for the smallest companies. The smallest companies often need more flexibility to spend on all normal business expenses (rent, software, equipment, suppliers, and vendors) not just the ones currently defined. Instead, forgivable expenses should be defined by "normal & routine" business expenses (such as the EIDL loan) for these firms. Over the course of the past several months, many of these companies rehired due to the payroll requirements—used all their PPP funds and had to lay off again. Plus, with the erratic reopening rules many have diminished customer demand, capacity limitations and slow-pay or no-pay accounts from customers.

Finally, NSBA applauds the concept of the expanded 7(a) loan guaranty program that would authorize $100 billion in long-term, low-cost loans to recovery sector businesses, which include seasonal businesses and businesses located in low-income census tracts. However, businesses all over the country are struggling and facing economic hardships all have significant working capital needs. Most small businesses—no matter where they are located--exist on very narrow margins and simply do not have the scope necessary to juggle employees and finances around to float the business indefinitely absent revenues coming in. In order for small businesses to restart and rebuild each of them all have the same type of expenses—they must pay their employees, buy their materials, meet their customer demands—all of which requires working capital. NSBA suggests looking for alternative ways to expand the 7(a) guaranty program that could include struggling businesses not currently captured by the bill's definitions.

Millions of small businesses still need assistance, so a second draw of PPP funding is crucial to maintaining our economic underpinnings. It is not just the survival of the business that is impacted but the livelihoods of their employees, their families and the communities they serve.

Thank you for your consideration and continued support for America's small businesses during this challenging time.

Sincerely,

Todd McCracken
President & CEO