

Small Business and Non-Profits

Federal Programs

What relief is available through the federal Small Business Administration (SBA)?

The federal SBA is offering four separate types of relief to small businesses affected by the COVID-19 pandemic.

The **Paycheck Protection Program (PPP)** provides forgivable loans to businesses that commit to rehiring or retaining employees for at least eight weeks or that use the money for payroll, rent, mortgage interest, or utilities.

The PPP is available to any small business that meets the SBA's size standards, any business with a North American Industry Classification System (NAICS) Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location, and to sole proprietors, independent contractors, and self-employed persons.

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. PPP loans have a maturity of 2 years and an interest rate of 1%.

Because the PPP is an expansion of SBA's existing 7(a) loan program, small businesses can apply for a PPP loan through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, or other participating financial institution. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Small businesses wishing to apply should contact their preferred lender to ask if it is participating in the program. However, because many institutions are giving priority to their existing business customers, small businesses should reach out to their existing bank or credit union before contacting other lenders.

Despite widely-reported early challenges rolling the PPP out, the federal government is committed to ensuring the program reaches businesses in need of help. A significant portion of the \$2.3 trillion in support announced by the Federal Reserve on April 9, 2020 is designed to ensure that the PPP and the SBA's other loan programs work as intended.

The **Economic Injury Disaster Advance Loan** will provide up to \$10,000 of economic relief to businesses that are currently experiencing a temporary loss of revenue due to the COVID-19 pandemic. This program is designed for any small business with less than 500 employees, including sole proprietorships, independent contractors and self-employed persons. Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.

Funds will be made available within three days of a successful application. This loan advance will not have to be repaid.

SBA Express Bridge Loans enable small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly. If a small business has an urgent need for cash while waiting for decision and disbursement on an Economic Injury Disaster Loan, they may qualify for a SBA Express Disaster Bridge Loan to tide them over. These bridge loans can be repaid in part or in full with proceeds from the EIDL.

The SBA is also offering Payment Relief on Existing and New SBA Loans. The SBA will automatically pay the principal, interest, and fees of current 7(a), 504, and microloans for a period of six months and will automatically pay the principal, interest, and fees of new 7(a), 504, and microloans issued prior to September 27, 2020.

I have a small business that has been impacted by COVID-19. What main financial resources are available to me through the federal government?

Federally, small businesses are eligible for the Paycheck Protection Program and the Economic Injury Disaster Loans:

- **Paycheck Protection Program (PPP)** is a \$349 billion grant program that offers up to \$10 million in loans for certain small businesses or non-profits. The PPP is primarily aimed at covering payroll costs (up to \$100,000 per employee) to guarantee up to eight weeks of payroll. Funds can also be used to finance some expenses such as utilities, rent, and interest on mortgage payments. Businesses may request 2.5 times their average monthly payroll costs for the loan. Loans can be fully forgiven if businesses and non-profits keep employees on payroll or rehire them by June 30, 2020 and funds are used for approved purposes. If the money is used for non-approved purposes, that non-approved portion will not be forgiven.
- **Economic Injury Disaster Loan Program and Advance (EIDL)** provides \$10 billion in loans to support businesses affected by COVID-19. The program allows for an immediate \$10,000 emergency “advance” that businesses will not have to pay back, as well as up to \$2 million to cover operating expenses. The amount a business may receive is based on the “substantial economic injury” the business suffered. EIDL provides funds for a broader array of costs than the PPP, including rent, mortgage payments, salaries, workers’ paid leave, and the business’ operational needs. Unlike PPP, EIDL loans are not forgivable. All California counties have demonstrated eligibility for EIDL.

How do I know if I qualify for federal funding?

To qualify for the PPP, certain businesses and non-profits must show the following:

- a) that they were operational on February 15, 2020,
- b) had and paid employees or independent contractors,
- c) had 500 or fewer employees whose principal place of residence is the United States,
- d) have a physical place of business in the United States and conduct business in the United States, and

- e) have been substantially impacted by COVID-19. Qualifying businesses and nonprofits include business concerns, non-profits, veteran organizations, or tribal business concerns. Certain self-employed workers, independent contractors, and sole proprietors may also apply.
- To qualify for the EIDL, an applicant must be:
 - a) a 1) business, 2) cooperative, 3) Employee Stock Ownership Plan, or 4) tribal small business concern that has less than 500 employees;
 - b) a business with more than 500 employees that meets SBA Size Standards (https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards_Effective%20Aug%202019%2C%202019.pdf)
 - c) an individual operating as a sole proprietor with or without employees, or as an independent contractor; or d) a private nonprofit, as defined.

I have more than 500 employees. Is there a way I can still qualify for the PPP?

Yes, there two main ways businesses with more than 500 employees can still qualify for the PPP.

First, you are still eligible for the PPP if you have 500 employees and you are in an industry where the Small Business Association (SBA) standard is greater than 500 employees. Please see the [SBA size standards](https://www.sba.gov/size-standards/) (<https://www.sba.gov/size-standards/>) tool to check your industry.

Second, you are still eligible for the PPP if you operate a business that provides “accommodation or food services,” has multiple physical locations, and has 500 or fewer employees at each independent location.

Are there businesses that are immediately disqualified from receiving funding?

Yes.

- For the PPP, businesses are ineligible if they are engaged in illegal activities, loan packaging, or investment or lending, among other options. This includes fintech companies and cannabis companies. For more information on this topic, please visit <https://www.law.cornell.edu/cfr/text/13/120.110>
- For the EIDL, please visit <https://covid19relief.sba.gov/#/> for a list of disqualifying information.

Can I apply for both sources of federal PPP and EIDL funding?

Yes. You may apply for relief through both the PPP and the EIDL if your EIDL loan was received between January 31, 2020—April 3, 2020. However, applicants who receive a loan under EIDL must not use the money for the same purpose (i.e., if you already have a PPP loan to pay employees for the month of March, you cannot apply for an EIDL loan to pay employees for the month of March). If you received an EIDL loan for payroll costs, your PPP loan must be used to refinance your EIDL loan.

When can I apply for both sources of funding?

- For PPP, if you are a business or non-profits, applications are available as of April 3, 2020; if you are an independent contractor or self-employed, applications are available on April 10, 2020.
- For EIDL, both businesses with employees and independent contractors may now apply for the EIDL.

How quickly will I receive funding?

- For PPP funding, the timeline is uncertain because it is an entirely new program.
- For EIDL funding, applicants can expect to receive advance funding within three days of approval, but longer for remaining funding.

Is the funding for businesses with employees or independent contractors?

Yes. However, the application availability is different.

- For PPP funds, businesses can access the PPP funds as of April 4, 2020; while independent contractors can access PPP funds on April 10, 2020.
- For EIDL funds, businesses with employees and independent contractors may access those funds now.

How much money can my business receive?

- For the PPP, businesses are able to receive up to 2.5 times their average monthly payroll costs for the loan, for up to \$10 million per organization. Average monthly payroll costs include worker salaries, paid leave, health care benefits, commissions, and tips. For more information, see part 2(f) of the guidance document at https://content.sba.gov/sites/default/files/2020-04/PPP--IFRN_FINAL.pdf. Please note that an employer or borrower may not count independent contractors and 1099 workers toward payroll costs when calculating how much can be borrowed and how much can be forgiven.
- For the EIDL, businesses can receive up to \$2 million in support. Please note there are no personal guarantees needed for loans less than \$200,000. Businesses must show documentation of operating expenses and revenue.

How are average monthly payroll costs calculated for the PPP?

Average monthly payroll cost calculations depend on when the business began operation. If the business began operation last year, average monthly payroll costs will be calculated using the business's monthly costs from February 15 to June 30, 2019. If the business began operating this year, average monthly payroll costs will be calculated using the business's average monthly costs from January 1 to February 15, 2020.

What are the interest rates of these federal loans?

- For PPP loans, the guidance document clarified on April 2, 2020 that the interest rate on is 1%. The CARES Act allows for up to 4% interest on PPP loans.
- For EIDL loans, you will have an interest rate not exceeding 3.75% if your business is not a non-profit. If your business is a non-profit, you will have a 2.75% interest rate.

What is the maximum term of repayment on these federal loans?

- For the PPP, the maximum term of repayment is two years.
- For the EIDL, the maximum term of repayment is thirty years.

When do I have to make my first payment on my loan?

Participants do not have to make any payments for six months following the date of disbursement of either PPP or EIDL loans.

Are the federal loans completely forgivable?

- PPP loans are 100% forgivable provided entities adhere to the following guidelines: (1) At least 75% of the loan payments go toward employee salaries; (2) A business does not lay off workers or rehires existing workers by June 30, 2020; and (3) The loans are used completely for approved costs.
- PPP loans may not be 100% forgiven if any of the following occur: (1) A business lays off workers and does not rehire them by June 30, 2020; (2) A business reduces wages paid to any employee by more than 25% by June 30, 2020; or (3) The loan is used for non-approved costs.
- EIDL loans operate under the following guidelines: (1) The \$10,000 EIDL grant that businesses and nonprofits can apply for is forgivable; (2) Aside from the \$10,000 grant; the rest of the loan is not forgivable.

How do I apply for the PPP and the EIDL?

- To apply for the PPP, call your bank or lender directly (<https://www.sba.gov/funding-programs/loans/lender-match>), or fill out the [form](https://www.sba.gov/sites/default/files/2020-04/PPP_Borrower_Application_Form.pdf) available here ([https://www.sba.gov/sites/default/files/2020-04/PPP Borrower Application Form.pdf](https://www.sba.gov/sites/default/files/2020-04/PPP_Borrower_Application_Form.pdf)) and submit it on the SBA website with payroll documentation. For more information on participating banks and requirements, please visit the SBA website at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>. For a factsheet developed by the Department of Treasury for Borrowers, please visit <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>.
- To apply for EIDL, businesses and nonprofits can apply on the SBA's website at <https://covid19relief.sba.gov/#/>

Many media outlets have reported that many federal programs are not being implemented and lenders are not issuing loans under these programs. Is this true?

While many businesses have expressed frustration with how this program has been rolled out, many hope that lenders will start issuing more loans through additional federal action. For example, on April 9, 2020, the Federal Reserve announced that it would provide an additional \$2.3 trillion in loans to support the PPP and other economic programs. For more information about the Federal Reserve's action, visit: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.

I'm a current borrower. Are there other federal programs offering relief for me at this time?

- Yes. If you are a current borrower or interested in taking out a new loan with SBA, you may be eligible for additional debt relief.
- SBA Express Disaster Bridge Loans: if you are looking for debt relief quickly, already have an existing relationship with an SBA Express Lender, and have an urgent need for cash while waiting for decision and disbursement on an EIDL, you may qualify for up to \$25,000 quickly through an SBA Express Disaster Bridge Loan. These loans can be repaid in part or in full with proceeds from the EIDL.
- Payment Relief on Existing and New SBA Loans: The SBA is also offering to automatically pay the principal, interest, and fees of current 7(a), 504, and microloans for a period of six months and will automatically pay the principal, interest, and fees of new 7(a), 504, and microloans issued prior to September 27, 2020.

Please visit the SBA's website for more information at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

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State Programs

What Relief Is Available Through the State?

On April 2, 2020, Governor Newsom announced the establishment of a \$50 million loan guarantee program designed to help businesses that are struggling to qualify for SBA relief. The loan guarantee program expands the existing Small Business Loan Guarantee Program available through the California Infrastructure and Economic Development Bank (I-Bank). Small businesses located in California that have up to 750 employees and have been negatively impacted or experienced disruption as a result of the COVID-19 pandemic are eligible to apply. Businesses need not have been turned down for an SBA loan to be eligible. Loan proceeds can be used for business continuance or to cure “economic injury” as a result of the COVID-19 pandemic. Loan terms are determined by participating lenders.

Businesses interested in applying for a loan through this program are encouraged to contact the Financial Development Corporation or Small Business Development Center closest to them.

What if my business isn't eligible for federal financial resources? Are there state resources I can access?

Yes. In California, the Disaster Relief Loan Guarantee Program allows small businesses not eligible for federal financial support to access micro lending opportunities funded through California's IBank. The state of California has allocated \$50 million in loan guarantees this purpose.

- **Who is eligible for the Disaster Relief Loan Guarantee Program?**
Eligible nonprofits or small businesses that have been negatively impacted by COVID-19, have 1-750 employees, and do not qualify for federal relief (including businesses in low-wealth and immigrant communities) may qualify for the program.
- **How much money can an individual recipient receive?**
One business can receive up to \$50,000.
- **What can the money be used for?**
The money may be used for continuance of business, including but not limited to rent and payroll.
- **What are the terms of the loan?**
Loans are guaranteed up to seven years, but the term can be longer. The terms also guarantee up to 85-95% of the loan. Loan interest rates are negotiated between the lender and borrower, and qualifications for a loan are negotiated between the lender and borrower.
- **How do I apply?**
Qualifying small businesses and eligible nonprofits can apply directly to the lender or contact a participating Financial Development Corporation. For more information, visit <https://www.ibank.ca.gov/small-business-finance-center/> or <https://www.ibank.ca.gov/publications/fdc/>.

Is there any relief for small business in terms of sales and use taxes?

The state is also allowing small businesses to defer payment of sales and use taxes of up to \$50,000, for up to 12 months.

For more information about business taxes, please see the “Governance and Finance” POD document and look for “Business Taxes”.

I’m a small business owner struggling to make my existing loan payments. Is there relief available?

If you are having trouble making payments on your existing loans or other financing products due to government-issued stay-at-home orders, you may be entitled to relief. The Department of Business Oversight (DBO) encourages you to review the terms of your existing financing products and learn more about what you can do by visiting <https://dbo.ca.gov/2020/04/06/advisory-to-small-businesses-with-merchant-cash-advance-contracts/>.

I lost my job and/or my small business doesn’t make enough money to pay my bills. I need a new job or a second job. Are there any new resources I can use to help in my search?

On April 2, 2020, Bitwise announced a partnership with LinkedIn and Salesforce to match existing job openings with applicants on OnwardCA.org. As of April 2, 2020, 70,000+ jobs were listed on the website. The four biggest sectors looking for workers included: a) healthcare, b) agriculture, c) logistics, and d) grocers. Please visit OnwardCA.org to learn more.

Are there additional resources I can access?

The Governor’s Office of Business and Economic Development (GO-Biz) has a website (<https://business.ca.gov/coronavirus-2019/>) dedicated to information on these topics, including information about small business technical assistance and the loan loss reserve program.

Additionally, the California Entrepreneurship Task Force is providing timely weekly seminars on tips for managing your business during this crisis. To find and register for these tutorials, please visit: <https://business.ca.gov/advantages/small-business-innovation-and-entrepreneurship/help-us-advance-entrepreneurship/>.

Is my business considered an essential service during the Governor’s order?

Generally, an essential service includes gas stations, pharmacies; grocery stores; farmers markets; food banks; convenience stores; take-out and delivery restaurants; banks, and laundromats/laundry services. Additionally, essential state and local government functions will also remain open, including law enforcement and offices that provide government programs and services.

Recently, the Governor’s Office has provided additional guidance on what is an essential service, available at <https://covid19.ca.gov/img/EssentialCriticalInfrastructureWorkers.pdf>

If you do not believe your business is appropriately captured by this guidance and have suggestions, please contact our office.

NOTE: If you're looking for assistance relating to taxes, please see the "Governance and Finance" POD document and look for "Business Taxes".

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CalPERS and CalSTRS

Will I still receive my pension benefits during the COVID-19 crisis?

Yes. The payment of pension allowances to beneficiaries is an essential function. Both CalPERS and CalSTRS are maintaining essential functions while adopting changes to adjust to the Centers for Disease Control (CDC) guidelines for combatting COVID-19.

I need to make an appointment or have an appointment next week with CalPERS to discuss my benefits or file my retirement application. Is CalPERS closed? Will my appointment be cancelled?

CalPERS has closed its Field Offices but staff are still working. CalPERS is shifting all in-person appointments to telephone appointments effective March 17, 2020 at least through the end of March. CalPERS representatives will contact persons who have already scheduled in-person appointments within 15 minutes of the appointment to conduct telephone appointments. If you need to make an appointment, please call during business hours at 888 CalPERS (or 888-225-7377).

You can also access CalPERS' website, myCalPERS, <https://www.calpers.ca.gov/page/active-members/health-benefits/plans-and-rates/coronavirus>

How can I find out about my health coverage and COVID-19?

CalPERS has asked the health plans to provide information regarding COVID-19 testing and treatment on their websites. Visit your plan's website for the latest information and protocols. All CalPERS' plans have complied with this request. CalPERS has ensured that CalPERS members will not have to pay anything out of pocket for screening and testing of COVID-19. This applies to members in both the Health Maintenance Organization and Preferred Provider Organization plans.

<https://www.calpers.ca.gov/page/active-members/health-benefits/plans-and-rates/coronavirus>

I cannot reach the CalSTRS call center. Is CalSTRS closed?

The various 'shelter in place' orders in the community have required CalSTRS to temporarily close its Contact Center while CalSTRS transitions to working remotely. Starting on Thursday, March 19 CalSTRS will not be available by phone until Monday, March 23. CalSTRS encourages customers to use secure messaging through myCalSTRS or its secure online form or utilize CalSTRS.com to find answers to frequently asked questions. CalSTRS will be responding to secured messages as soon as possible. Updates will be posted on the CalSTRS website.

<https://www.calstrs.com/post/updates-calstrs-coronavirus>

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