Road to Recovery
Recommendations for Business Recovery and Economic Restoration
The COVID-19 economic fallout has been catastrophic — in Wisconsin and across the country. Nearly half a million Wisconsinites have sought unemployment insurance benefits since the crisis began and small businesses in every corner of the state are on the brink of permanently shutting their doors.

While the Evers Administration’s Safer at Home order was an important and necessary step in preserving the public health and protecting the lives of Wisconsin citizens, the immediate and adverse impact the shutdown has had on the state’s business community is unprecedented. In fact, according to a recent statewide survey of Wisconsin businesses conducted by the University of Wisconsin Oshkosh, 35 percent of businesses that responded to the questionnaire said they will be forced to permanently close if current Safer at Home restrictions persist into the summer.

As the state continues to balance the public health aspect of the coronavirus outbreak with the need to smartly and safely reopen the Wisconsin economy, the Wisconsin Economic Development Association (WEDA) is sharing with state policymakers its Road to Recovery recommendations aimed at helping small businesses emerge from the COVID-19 economic crisis.

To minimize further economic harm and restore the Wisconsin economy, the state must assume a key role in sustaining businesses and securing jobs, especially in sectors that were unable to take full advantage of federal coronavirus relief aid. The Road to Recovery plan offers state policymakers with a list of economic recovery recommendations that focus primarily on programs and policies that provide assistance to the “smallest of small businesses.” This includes sole proprietors and independent contractors, as well as rural and minority-owned companies and businesses in the retail, tourism, agriculture, construction and service sectors.

The Road to Recovery proposals were developed with input from a diverse group of WEDA members and partners, including banking industry representatives, Small Business Administration (SBA) lenders; Community Development Financial Institutions; Certified Development Corporations; Regional Planning Commissions; Utilities; and several economic development organizations from across the state.

The recommendations offer potential solutions to help small businesses not only survive the public health emergency, but also put them in position to keep their doors open and hopefully thrive during what is likely to be an extended economic recovery period. We hope policymakers strongly consider these proposals as they work to put Wisconsin back on the Road to Recovery.
RECOMMENDATIONS:

RECOMMENDATION 1

♦ **Concern:** Current federal COVID-19 business assistance programs and potential state of Wisconsin programs to financially support small businesses as they prepare to reopen will not meet the working capital and cash flow needs of all impacted businesses. Tactically employed grant funding must be coupled with access to additional financing will be vital to preserving small businesses who are dealing with extreme revenue loss and facing an extended recovery period.

♦ **Proposal:** Create a $150 million small business grant program administered by WEDC to assist grantees with working capital needs associated with reopening or sustaining operations through the economic crisis. Grants would be provided to businesses as a standalone incentive or coupled with a new loan or payment accommodation from their lender to leverage additional working capital.

♦ **Grant Eligibility:** Grantees must be sole proprietors (up to one employee), independent contractors and businesses with annual revenue less than $2 million in the following sectors: retail, service, tourism and construction. Rural businesses and women and minority owned businesses outside of the identified sectors would also be eligible for the program. Businesses that received funding through WEDC’s SB 20/20 would not be eligible for the grant program. Grant applicants must illustrate substantial need for financial assistance and must document funding received through federal sources due to COVID-19, as preference will be given to businesses that did not receive federal funding.

♦ **Funding Levels:** Businesses would be eligible for grant awards of up to 20% of new loan amounts or lender payment accommodations of at least six months first received by a small business between March 1 and September 27, 2020, with the maximum grant not to exceed $3,500. The maximum grant without documentation of new loan or payment accommodation would be $2,000.

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RECOMMENDATION 2

♦ **Concern:** Agriculture, as a driver industry in Wisconsin, has struggled in recent years with low commodity prices. The industry’s struggles have been exacerbated by COVID-19 pandemic. Unfortunately, access to working capital is challenging for producers with slim margins and high debt loads, especially since agriculture financing options and disaster loan programs to support farmers are lacking in Wisconsin.

♦ **Proposal:** Create a program under the State Treasurer’s office for agriculture lending like other Midwest states, such as *Ag Invest* in the state of Illinois. The proposed Wisconsin program would utilize funds deposited into local banks to create a financial program that assists lenders in making low-interest (below 3.75% through March 2023) working capital loans to agricultural producers.
Recommendation 3:

- **Concern**: Existing WEDC tax credit programs are tied to job creation and capital investment. Due to record increase in unemployment claims during the COVID-19 public health crisis, businesses will be less likely to invest and create new jobs until the economic recovery is strong. However, it will be critical for the state to continue to provide effective incentives for quality development projects.

- **Proposal**: Encourage legislative action to temporarily modify WEDC refundable tax credit programs to consider job creation and job retention equally for eligibility purposes. In addition, encourage WEDC to temporarily provide less weight to job creation when determining eligibility for non-statutory economic development programs.

Recommendation 4:

- **Concern**: Businesses with existing WEDC economic development award contracts may struggle to meet current WEDC award contract requirements (e.g., job creation) due to the pandemic’s economic fallout.

- **Proposal**: Suspend WEDC award contract terms as it relates to job creation, payroll and capital investment for businesses with existing award contracts during and for three years after the COVID-19 public health emergency ends.

Recommendation 5:

- **Concern**: Community Development Block Grant (CDBG) dollars are sitting on the sidelines and need to be mobilized.

- **Proposal**: Encourage the Department of Administration to utilize supplemental CDBG funds Wisconsin will receive through the federal CARES Act to create Micro-Enterprise program. The program would provide grants to businesses with five employees or less, as long as the Low and Moderate Income (LMI) requirements are met under the CDBG program.

Other Recommendations:

- **Concern**: SBA 504 program is a vital tool in providing long-term debt financing for businesses seeking to invest during this economic downturn. The 504 refinance program provides an opportunity for small businesses to restructure existing real estate & equipment debt at historically low long term-fixed rates. Several provisions of the 504 refinance program were expanded during the Great Recession, but have since been discontinued.

- **Proposal**: Encourage the SBA to reinstate the temporary terms from the 2012 refinance period, including: a) The 2012 definition of “Other Business Expenses”; b) Increasing the percentage of “Other Business Expenses” to 25%; c) Allowing 90% of Loan To Value for projects even if used for “Other Business Expenses”; and d) Allow 504 refinance of Floating-Rate SBA 7 (a) obligations used for fixed assets.
♦ **Concern:** Many smaller businesses do not have the resources or technical ability to offer online sales.

♦ **Proposal:** Encourage WEDC to develop an online sales toolkit to provide Wisconsin small businesses with the necessary technical assistant and support to build an e-commerce presence.

♦ **Concern:** Small (manufacturing) businesses may not have the internal expertise to fully analyze the fiscal impacts of COVID-19 and their economic recovery cashflow needs, which can have a ripple effect on their in-state supplier network.

♦ **Proposal:** Create a statewide technical assistance fund to aid distressed businesses (with suppliers) by providing experienced CFO/Risk Management professionals to assist in assessing current operations and help them work with financial institutions to design both short and long-term financial payment accommodations.

♦ **Concern:** Businesses and communities will not have the cash to meet match requirements for critical economic development programs provided by the state.

♦ **Proposal:** On a case-by-case basis, relax dollar match requirements for non-statutory WEDC economic development grant programs during and for three years after the COVID-19 public health emergency ends.

♦ **Concern:** While construction activity remains strong, the project pipeline could soon dry up due to the COVID-19 economic crisis

♦ **Proposal:** WEDC and WHEDA should work collectively to identify and allocate funding from existing appropriations to provide grants that spur additional investment in construction of workforce housing across the state.

♦ **Concern:** Financial markets throughout Wisconsin need an influx of capital to enhance lending capacity across the state to meet the financial needs of local businesses.

♦ **Proposal:** Encourage the Office of the State Treasurer to allocate available state resources at its disposal to Wisconsin community lenders and mid-sized financial institutions through the purchasing of financial instruments or through direct deposits. This would provide greater access to capital for target populations and industries. These funds could be used to spur local loan programs with terms similar to the Disaster Loan programs administered by WEDC and the SBA.