

January 27th, 2020

Re: Recommendations to Prioritize Equity in California's Small Business COVID-19 Relief Grant Program

Dear Leaders and Program Administrators,

Although the Small Business COVID-19 Relief Grant Program (Grant Program) is an admirable effort, we write to call attention to critical shortcomings that hamper the program's ability to support the microbusinesses who have least to fall back on. While providing additional funding to small businesses must remain a top budgetary priority, the current implementation of the Grant Program also requires greater **equity, accessibility, transparency, and accountability** in order to help our most vulnerable microbusinesses. These issues should be addressed not only in the continued implementation of the Grant Program, but in all future small business relief efforts.

Our concerns are informed by our experiences working with those microbusinesses that make up [93% of all businesses](#) across the Los Angeles County area, but point to [fundamental shortcomings](#) in the program statewide. As you yourself recognized in announcing the Grant Program, 44% of small businesses are at risk of permanent closure due to the pandemic, with minority-owned businesses disproportionately impacted (with the numbers of Black owned businesses dropping by 41%, Latino-owned by 32%, Asian-owned by 25%, and immigrant-owned by 36%).

As California remains a national epicenter of COVID-19 cases in the nation, the renewed possibility of further lockdowns (for example, as contemplated this month by the Los Angeles County Board of Supervisors) once again most immediately threatens microbusinesses with permanent closure--wiping out one of the main avenues for BIPOC communities to build economic security. We know from the initial rollout of the federal Paycheck Protection Program (PPP) that without intentional, targeted policy, microbusinesses (and disproportionately BIPOC-owned businesses) will either be the last to obtain aid, or not obtain aid at all.

We recognize that relief programs like this one face difficult trade-offs between speed of implementation and alignment with public policy goals. Yet efficiency cannot outweigh equity. If the Grant Program is truly to live up to the Governor's stated goal of preventing the pandemic from destroying those mom-and-pop businesses that most "embody the best of the California Dream," it must address the disproportionate harm the pandemic continues to have on BIPOC-owned and immigrant-owned businesses most at risk of losing their livelihoods.

We urge you to address the following issues with the Grant Program to better support those California microbusinesses most in need:

Transparency and Accountability

Lendistry has not made public any data about the first round of the Grant Program, nor made any commitment to i) ever make such data public, or ii) adjust further relief programs based on such data to ensure equitable outcomes.

Public transparency is essential for assessing the program's success, holding the State and its partners accountable, and bridging the trust gap with many of the most vulnerable that it tries to help. Other governmental agencies, including the federal government and the City and County of Los Angeles, have released data about their small business support programs, including recipients, loan amounts, race and ethnicity demographic information, and industries.

We urge you to:

- Require Lendistry to **immediately publish basic grant recipient data disaggregated by race, at minimum**. This should happen **before** the second and last scheduled round of grant funding closes in order to reveal structural inequities before it is too late.
- **Meet with advocates for microbusiness and community leaders** to address the issues raised in this letter, and provide a more detailed update on the Grant Program and other small business relief efforts.

Equity

The Grant Program restricts support to many microbusinesses at a level below their need and disproportionately allocates funds to the largest small businesses, [thus making the same mistakes as the initial iteration of the federal Paycheck Protection Program](#).

This danger is particularly great due to the grant cap placed on the lowest bracket. Even if feasibility or other factors require allocating funds based strictly on revenue, the current \$5,000 maximum grant for the smallest businesses (with revenues between \$1,000 and \$100,000), is particularly undersized. According to a recent [Lending Tree](#) study, 43% of small business owners reported having lost over 50% of their gross revenue, while 74% had to take on debt. In California, the absence of state or federal eviction protections for nonpayment of rent only increased the financial pressures on small business survival. The smallest businesses often have the fewest reserves (if any) or additional lifelines other than more burdensome debt (if their existing pandemic debts have not already made them ineligible). We recommend against capping grants to the smallest businesses at 5,000; it will simply perpetuate a system where the largest businesses get the bulk of the dollars. The smallest microentrepreneurs often have the greatest need (proportional to their revenue), and increasing the maximum grant beyond the current \$5,000 cap would help ensure more impact on these businesses as well as ensure that the program doesn't disproportionately leave significant relief out of reach of BIPOC-owned businesses.

We also urge you to build on the example of later rounds of the [federal PPP](#), in which 14% (or \$40 billion of the \$284 billion) was explicitly allocated to small businesses of 10 employees or fewer or located in low or moderate income neighborhoods. PPP Round 2 also gave CDFIs, CFIs, MDIs, and CDCs priority access (though only for a short window) to give businesses in marginalized communities a more fair opportunity.

To help ensure that limited funds make it to those most in need, we urge you to:

- **Increase the maximum grant in the first tier to \$10,000** rather than \$5,000.
- Make a public commitment that 40% of each round of grant funding will go to **businesses in the lowest revenue tier**.
- [Make a public commitment that 20% of each round of grant funding will go to **minority-owned businesses** (which we recognize may not all be in the lowest tier).
- Further require that eligible businesses, at least in the lowest tier, have **no more than 10 employees**.

Accessibility

Lendistry's application process does not ensure basic access for microentrepreneurs, many of whom face technology and language barriers that require more intentional outreach.

Without changes to the program's implementation, many of our most vulnerable small businesses will not be able to successfully apply. Furthermore, as we've seen throughout the pandemic, inaccessibility to vital government programs [breeds opportunities for predatory assistance providers](#) to charge exorbitant fees to vulnerable microentrepreneurs desperate to save their livelihoods.

Technology

- **Broaden access to the online application.** The application assumes the applicant has access to a computer, and Lendistry's system strongly recommends use of a specific web browser, Google Chrome, and has very specific scanning and formatting requirements. We know not only from our direct work, but also the experiences of community partners with other kinds of outreach (e.g. the 2020 Census) that such specific and narrow technological requirements pose a major obstacle to microbusinesses.
 - Ensure compatibility on a range of browsers
 - Eliminate/broaden the scanning requirements to ensure processing of all applications that are legible, as many entrepreneurs may not have the hardware or technical familiarity to scan documents within the narrow parameters specified.
 - Increase the font size on the Lendistry website and/or provide an accessibility button to increase the size to assist those with visual disabilities.

Language

- **Provide real translations of application materials.** The rollout of this program failed to provide sufficient education to communities that are limited-English proficient (LEP). The application form appears to have been translated through Google Translate, which is notoriously poor at handling Asian languages. For example, a number of Japanese small business owners in Los Angeles County opted to use the English form despite their lack of proficiency because the Japanese translations were confusing and ineffective at communicating what was on the form.
- **Provide in-language technical assistance.** The website did not provide dedicated language lines to provide technical assistance in-language to small business owner applicants, which combined with poorly-translated materials continues to exclude LEP communities.

Outreach

Even the best online application cannot guarantee access to all microbusinesses. Many microbusiness owners do not have the hardware to use fillable pdf forms without time-consuming assistance (exceeding the capacity of community organizations where such groups even exist). Older microbusiness owners, particularly in underserved communities, are understandable wary of providing personal information to Lendistry's apparent non-governmental site (e.g. lacking a ".gov" address and other indicia of official nature).

- **Adopt best practices from the California 2020 Census outreach efforts.** We know the State is capable of providing targeted, in-language approaches. These can include outreach through mailers to small businesses, leveraging Secretary of State and other state databases. These mailers should provide resources, including in-language hotline numbers and contact information for community-based non-profit organizations that are funded by the State to serve as trusted messengers to provide technical assistance.
- **Develop resource banks and other infrastructure for sharing.** Resources and best practices can also be shared through resource banks so that non-profit organizations that are providing technical assistance can draw upon or contribute to the resource banks. In addition, the State can provide a space where staff of non-profit organizations can provide feedback on whether the implementation of the program is effective at reaching small business owners that would otherwise face these significant challenges.

Other Access Issues

- The application asks for a business EIN but does not make clear that it is required, and gives the incorrect impression that sole proprietors are ineligible for a grant.

We are heartened by your recognition of the need to save our small businesses, and your attention to the disproportionate harm done to BIPOC and immigrant-owned small businesses. However, without the changes we outline here and a continued commitment to evaluate and revise the implementation of your small business relief efforts, well-intentioned efforts like the Grant Program will fall short. The microbusinesses we work with need your help, and all of our communities will be worse off without it.

Sincerely,

Asian Pacific Islander Small Business Program

California Reinvestment Coalition

CicLAVia

Community Development Technologies Center (CDTech)

Esperanza Community Housing

Inclusive Action for the City

Little Tokyo Service Center

Public Counsel

If you'd like to schedule a meeting to discuss, please feel free to reach out to Paulina Gonzalez at pgonzalez@calreinvest.org or Rudy Espinoza at rudy@inclusiveaction.org.