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**Covid-19**

Coronavirus / COVID-19  
Response Team

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**Small Business Funding Updates  
Under The American Rescue Plan  
Act of 2021**

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## Today's Topics

- American Rescue Plan Act of 2021 (ARP) Update
- Paycheck Protection Program (PPP) Updates
- Targeted Economic Injury Disaster Loan (EIDL) Advances
- Shuttered Venue Operator Grants (SVOG) Update
- Restaurant Revitalization Fund (RRF) – New SBA Program
- State Small Business Credit Initiative – Revived Program
- Lingering Questions / Issues
- Wrap-Up

## American Rescue Plan (ARP) Update

- Initial version approved by the House on February 27
- Amended Senate version approved on March 6
- House approved amended Senate version on March 10
- President signed into law on March 11
- **Big Picture:** Dollar amount of small business-specific appropriations lower than in CARES Act and related follow-up 2020 legislation, but still some important changes and a key new grant program for restaurants, bars, caterers, etc.

## Paycheck Protection Program (PPP) Updates

- **Big Picture:** No **major** structural changes to PPP, and no statutory extension of current **March 31 deadline**
  - Additional appropriations for FY2021: \$7.25 billion
  - Reports of bipartisan House deal to extend deadline by two months
- ARP expands PPP eligibility for certain not for profits (NFPs):
  - More 501(c) NFP entity types now eligible
  - Also, some NFPs may be able to measure number of employees on a per location basis for eligibility, which will benefit larger NFPs
  - Limitations on lobbying activities and expenditures
  - **Bottom Line:** If your NFP was previously ineligible, you should revisit

## PPP Updates (Cont.)

- Certain “Internet Publishing Organizations” are also now eligible for PPP loans
  - Must use NAICS Code 519130 (Internet Publishing and Broadcasting and Web Search Portals)
  - Must be “engaged in the collection and distribution of local or regional and national news and information”
  - Must satisfy employee limit on a “per location” basis
  - Must certify in good faith that the proceeds of the loan will be used to support expenses at “the component of the business concern or organization that **supports local or regional news**”
- **Major Takeaway:** ARP did not “triple-down” on PPP loans

## Targeted Economic Injury Disaster Loan (EIDL) Advances

- Under ARP, \$15 billion appropriated to SBA in FY2021 for targeted Economic Injury Disaster Loan (EIDL) advances
  - \$10 billion to be used to finalize EIDL payments that were authorized in December 2020 under Section 331 of the “Economic Aid Act”
  - \$5 billion to be used for incremental \$5,000 EIDL advances targeting “mom and pop” businesses that:
    - have suffered an “economic loss” of greater than 50%; and
    - have 10 or fewer employees.
  - For the second category of targeted EIDL advances, the \$5,000 advances are in addition to any previously received EIDL advances

## Shuttered Venue Operator Grants (SVOG) Updates

- ARP appropriates an additional \$1.25 billion to the SVOG program, bringing total appropriations to \$16.25 billion
- Importantly, ARP eliminates the restriction on SVOG recipients taking PPP loans after December 27, 2020
  - Instead of rendering otherwise eligible SVOG recipients completely ineligible for a grant, these newer PPP loans will simply reduce the amount of the grant ultimately received
  - This was an important change given the delays in “standing up” the SVOG program and the current March 31 end date for PPP loans
    - Allows SVOG entities to move ahead with PPP while waiting for SBA to complete the roll out of the SVOG application process, etc.

## Restaurant Revitalization Fund (RRF) – New SBA Grant Program

- New \$28.6 billion grant program to be administered by SBA
  - Conceptually similar to SVOG program (tax-free grants), but grant calculations/permitted uses and prioritization frameworks differ
- Eligible recipients may receive a grant up to “the **gross receipts ... of the eligible entity during 2020 subtracted from the gross receipts of the eligible entity in 2019**”
  - So, in general, the grant amount = the eligible recipient’s reduction in “gross receipts” in 2020 compared to 2019
  - However, grants are **reduced by the amount of any prior PPP loans**
  - Special calculations for eligible grantees established in 2019 or later

## RRF – New SBA Grant Program (Cont.)

- **Grant Caps:** The aggregate amount of RRF grants made to an eligible entity and any affiliated businesses of the eligible entity:
  - shall not exceed **\$10,000,000 in total**; and
  - shall be limited to **\$5,000,000 per physical location**
- **Eligible Entity** means “a restaurant, food stand, food truck, food cart, caterer, saloon, inn, tavern, bar, lounge, brewpub, tasting room, taproom, licensed facility or premise of a beverage alcohol producer where the public may taste, sample, or purchase products, or other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink”

## RRF – New SBA Grant Program (Cont.)

- However, even if a business initially qualifies under the prior definition, it would nevertheless be **ineligible** for an RRF grant if any of the following apply:
  - It is a State or local government-operated business
  - As of March 13, 2020, it owned or operated (together with any affiliated business) **more than 20 locations**, regardless of whether those locations do business under the same or multiple names
  - It has a pending application for or has received a grant under the SVOG program
  - It is majority owned or controlled by a publicly-traded company

## RRF – Prioritization of Grant Awards

- \$5 billion of overall RRF appropriations are set aside for eligible recipients whose 2019 “gross receipts” were less than \$500,000
- The remaining \$23.6 billion will be available to the SBA Administrator to make grants “in an equitable manner” to eligible entities of different sizes based on gross receipts
  - SBA may make adjustments to the distribution of these funds based on demand and the relative local costs in different markets
- After a phase-in period, SBA may open up the RRF to all eligible entities regardless of size/gross receipts

## RRF – Prioritization of Grant Awards (cont.)

- During the first 21 days of awarding grants, SBA “shall prioritize” awarding grants to eligible entities that are small business concerns **owned and controlled by women or veterans** and/or **socially and economically disadvantaged small business concerns** (as defined under existing SBA legislation and rulemaking)
- Thereafter, SBA will general make grant awards in the order that applications are/were received

## RRF – Certifications / Application Process

- Eligible entities applying for an RRF grant must certify that:
  - the uncertainty of current economic conditions makes necessary the grant request to support the ongoing operations of the eligible entity
  - the eligible entity has not applied for or received an SVOG grant
- SBA Administrator is empowered to develop a new registration system for eligible recipients that leverages existing business identifiers and industry information, rather than shoehorning businesses into the existing federal government grantee registration system
  - Likely response to problems in “standing-up” the SVOG program

## RRF – Permissible Uses of Grant Awards

- Eligible recipients may use the grant funds for the following expenses **incurred as a direct result of, or during, the COVID-19 pandemic**:
  - Payroll costs
  - Payments of principal or interest on any mortgage obligation (excluding prepayment of principal on a mortgage obligation)
  - Rent payments (excluding prepayment of rent)
  - Utilities
  - Maintenance expenses, including (i) construction to accommodate outdoor seating and (ii) walls, floors, deck surfaces, furniture, fixtures and equipment

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## RRF – Permissible Uses of Grant Awards (Cont.)

- *Continued from prior slide...*
  - Supplies, including protective equipment and cleaning materials
  - “Normal” food and beverage expenses
  - Covered supplier costs
  - Operational expenses
  - Paid sick leave
  - Any other expenses that the SBA Administrator determines to be essential to maintaining the eligible entity
- If the grant has not been used in full by December 31, 2021 (or a later date established by SBA), then any excess grant funds must be returned

## State Small Business Credit Initiative – Revived Program

- ARP reauthorizes, amends and appropriates \$10 billion to the “State Small Business Credit Initiative Act”
  - Program originally implemented during the “Great Recession”
  - Funds will be allocated to States, territories and possessions and then used to leverage local small business loan and other financing programs with private investor participation
  - This will be a longer-term small business financing relief effort as opposed to the near-term PPP, EIDL, SVOG and RRF programs
  - Theoretically, appropriations are available for deployment under this program through **September 30, 2030**

## Lingering Questions / Issues

- Will PPP “end date” be extended past March 31?
  - Many banks are starting to wind down PPP application processes and/or not implementing recent changes due to existing backlogs
- When will SBA clear backlog of PPP loan forgiveness applications?
- When will SBA begin accepting and processing SVOG applications?
- How quickly can SBA launch RRF application and grant process?
- Can SBA also handle GYMS Act (another potential grant program)?
- How quickly can SBA roll out the “Community Navigator” pilot program that is authorized and funded under ARP?

## Wrap-Up

- SBA has more on its plate - by orders of magnitude - than it ever has before, and they may be tasked with administering additional recovery/grant programs
- Meanwhile, many PPP borrowers are still waiting for SBA to approve forgiveness on loans from April 2020
  - Concerns that additional program load will further slow the PPP forgiveness process and strain SBA’s staff and resources
- Best bet is to check SBA and Treasury websites periodically and set news alerts for SBA, PPP, EIDL, SVOG, RRF, etc.
  - Also, attend MJ COVID team webinars and check client updates :)



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