



To: Greater Philadelphia's local, state, and federal legislators and government officials
Re: Challenges, Needs, and Solutions for the Local Business Community in the Face of COVID-19
From: The Sustainable Business Network of Greater Philadelphia (SBN)
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No point in our lifetimes more loudly reinforces how critical small businesses are to our economy, the impact that climate change has on our economy, and the degree to which historically underrepresented communities continue to be marginalized. And yet, government actions continue to be misaligned with both the need and the opportunity to address these issues.

To support the full recovery of small businesses, especially those with fewer than 100 employees (and thus our entire economy), we must first truly listen to what they are repeatedly saying they need. If small businesses do not have a prominent seat at the table, policy solutions will continue to favor big business and continue to marginalize women-, minority-, and immigrant-owned businesses. We have an unprecedented opportunity not just to restore our economy, but to completely rebuild it for the better by changing policies and practices to prioritize equity, climate resilience, and local independent businesses.

SBN requests a conversation with you to discuss the following recommendations, informed by the hundreds of small businesses that SBN serves.

1. *Provide more funds over a longer duration to better meet the duration of economic uncertainty.*
2. *Provide small businesses with grants and not loans in all upcoming financial stabilization and recovery packages; provide debt relief.*
3. *Address institutionalized discrimination by establishing clear and thorough guidelines for fund administrators and by earmarking substantive resources specifically for small businesses owned by women and minorities.*
4. *Insurance companies must cover the pandemic under standard 'business interruption insurance.'*
5. *Double down on funding for organizations that serve local independent businesses.*
6. *Economic recovery policy solutions must comprehensively:*
 - a. *Invest in climate resilient infrastructure such as renewable energy and energy efficiency, transportation system improvements that minimize greenhouse gas emissions, and nature-based stormwater management.*
 - b. *Invest in workforce training and placement for millions of construction, manufacturing, and maintenance jobs that support climate resilient infrastructure.*
 - c. *Invest in restoring and strengthening local food systems.*
 - d. *Prioritize small businesses development over big business attraction.*



1. *Provide more funds over a longer duration to better meet the duration of economic uncertainty.*

According to the SBA, “early data suggest a disproportionate impact of the pandemic on small businesses and their employees. For example, estimates from the ADP National Employment Report released in early April [2020] indicate that job losses through the first half of March [2020] were concentrated among small businesses.”¹

In Pennsylvania, small businesses represent 99.6% of all private sector employers. Prior to COVID-19, nearly half of all workers in the state were employed by a small business.² A recent survey of over 600 small business owners in Pennsylvania reveals that nearly 80% of respondents have seen revenue decreased by more than 50%. Nearly two-thirds of those surveyed indicate that their business is at risk of closing permanently in the next five months without necessary interventions.³

Small businesses have traditionally led economic recovery and, per the SBA, accounted for 67% of net new jobs following the Great Recession.⁴ Policy solutions must prioritize small businesses, especially those with fewer than 100 employees, as a core strategy for economic stabilization and recovery.

2. *Provide small businesses with grants and not loans in all upcoming financial stabilization and recovery packages; provide debt relief.*

Small businesses are eager for financial relief, however, nearly half of all small businesses say that it is somewhat to extremely difficult to pay down the debt they already carry. A 2016 study by Experian found that small businesses carry an average debt load of \$195,000, paying an average of \$2,000 each month towards debt.⁵ Small business owners are understandably concerned about taking on more debt as the only strategy to save their business, especially when their economic future is uncertain. In a recent survey by Main Street Alliance, an overwhelming 76% of respondents say grants – not loans – will help them survive this pandemic.⁶

3. *Address institutionalized discrimination by establishing clear and thorough guidelines for fund administrators and by earmarking substantive resources specifically for small businesses owned by women and minority groups.*

When it comes to seeking capital, research has shown that women and minority business owners have higher denial rates even when controlling for other factors like business credit score, personal wealth, and revenues.⁷ When they do receive loans, women and minority business owners are still at a disadvantage

¹ Wilmoth, D. (2020, April). *Small Business Facts*. Retrieved from <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/04/24155054/Small-Business-Facts-Early-Pandemic-Data.pdf>

² Sustainable Business Network of Greater Philadelphia. (2020). *Vision for a Just, Green, and Thriving Economy*. Philadelphia, PA: Sustainable Business Network of Greater Philadelphia. Retrieved from <https://www.sbnphiladelphia.org/wp-content/uploads/2020/02/SBN-Vision2020-webrevised.pdf>

³ Powe, M., & Wagner, M. (2020). *The Impact of COVID-19 on Small Business: Findings from Main Street America's Small Business Survey*. National Main Street Center. Retrieved from https://higherlogicdownload.s3.amazonaws.com/NMSC/390e0055-2395-4d3b-af60-81b53974430d/UploadedImages/Resource_Center/COVID_19/NMSC57_MSA_COVID19IMAPCTSURVEY_F.pdf

⁴ SBA Office of Advocacy *Frequently Asked Questions*. (2012). Retrieved from U.S. Small Business Association, Office of Advocacy: https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

⁵ SmallBusiness.com. (2016, September). *How Small Business Owners Differ from Others in Debt, Money & Demographics*. Retrieved from SmallBusiness.com: <https://smallbusiness.com/finance/experian-small-business-debt-demographics-comparison/>

⁶ Powe, M., & Wagner, M. (2020). *The Impact of COVID-19 on Small Business: Findings from Main Street America's Small Business Survey*. National Main Street Center. Retrieved from https://higherlogicdownload.s3.amazonaws.com/NMSC/390e0055-2395-4d3b-af60-81b53974430d/UploadedImages/Resource_Center/COVID_19/NMSC57_MSA_COVID19IMAPCTSURVEY_F.pdf

⁷ Kynn, C. (2014, January). *Access to Capital for Women- and Minority-owned Businesses: Revisiting Key Variables*. Retrieved from U.S. Small Business Administration, Office of Advocacy: <https://www.sba.gov/sites/default/files/Issue%20Brief%203%20Access%20to%20Capital.pdf>



because they often receive smaller loans with higher borrowing costs.⁸⁹ Programs need to address these inequities in lending, not exacerbate the problem.

Investing in women- and minority-owned small businesses is also a key strategy for economy recovery.¹⁰ A report by the Center for Global Policy Solutions found businesses owned by people of color played a significant role in improving the American economy after the Great Recession. However, due to systemic discrimination toward people of color, the U.S. economy missed out on an estimated 1.1 million businesses that would have created 9 million jobs and \$300 billion in national income.¹¹ Data from New American Economy found immigrants account for 1 in 5 entrepreneurs in the U.S., and they employ almost 8 million Americans.¹²

Without substantive resources invested in firms owned by historically marginalized groups, our economic recovery will be girdled.

4. *Insurance companies must cover standard business interruption insurance for the pandemic.*

Business interruption insurance is meant to replace business income lost in a disaster. Historically, this has been applied to fires and natural disasters, and can cover lost profits, fixed costs, wages, taxes, and loan payments. COVID-19 has been declared a disaster in order to make SBA disaster relief funds available, so it's logical that insurance companies would provide coverage under this provision. Yet, they are not. Six states, including Pennsylvania, are considering legislation clarifying that coverage would extend to losses attributable to the pandemic, allowing small businesses to avoid costly and unnecessary disputes with their insurers. This legislation needs to be passed and applied nationwide.

5. *Double down on funding for organizations that serve local independent businesses.*

Backbone organizations such as SBN provide critical services to our local independent business communities, contributing to economic stability and vitality. We understand the businesses we serve, allowing us to provide relevant support to small businesses as well as trustworthy information to policy-makers. COVID-19, and the long road to economic recovery, is increasing demand for our services from our local businesses thus demanding more resources from us to meet their needs.

6. *Economic recovery policy solutions must comprehensively:*

- a. *Prioritize small businesses development over business attraction.*
- b. *Invest in climate resilient infrastructure such as renewable energy and energy efficiency, transportation system improvements that minimize greenhouse gas emissions, and nature-based stormwater management.*

⁸ Johnson, A. (2017, January). *Access to Capital: Challenge for Women and Minority Business Owners*. Retrieved from Townsquared: <https://townsquared.com/ts/resources/access-to-capital/>

⁹ Bates, T., & Robb, A. (2012, July). *Minority-Owned Businesses Come Up Short in Access to Capital: It's Time to Change the Equation for MBEs*. Retrieved from Forbes: <https://www.forbes.com/sites/kauffman/2012/07/30/minority-owned-businesses-come-up-short-in-access-to-capital-its-time-to-change-the-equation-for-mbes/#1881fdb5a25b>

¹⁰ Sustainable Business Network of Greater Philadelphia. (2020). *Vision for a Just, Green, and Thriving Economy*. Philadelphia, PA: Sustainable Business Network of Greater Philadelphia. Retrieved from <https://www.sbnphiladelphia.org/wp-content/uploads/2020/02/SBN-Vision2020-webrevised.pdf>

¹¹ Austin, A. (2016, April). *The Color of Entrepreneurship: Why the Racial Gap Among Firms Costs the U.S. Billions*. Center for Global Policy Solutions. Retrieved from <http://globalpolicysolutions.org/wp-content/uploads/2016/04/Colorof-Entrepreneurship-report-final.pdf>

¹² New American Economy. (2019, March). *New data shows Immigrant-owned businesses employed 8 million Americans; Immigrants wield \$1.1 trillion in spending power*. Retrieved from <https://www.newamericaneconomy.org/press-release/new-data-shows-immigrant-owned-businesses-employed-8-million-americans-immigrants-wield-1-1-trillion-in-spendingpower/>



- c. Invest in workforce training and placement for millions of construction, manufacturing, and maintenance jobs that climate resilient infrastructure jobs support.
- d. Invest in restoring and strengthening local food systems.

Investments in small business development have significantly higher returns on investment than tax credit programs used to attract or reward large corporations. For example, every federal dollar invested in Small Business Development Centers (SBDC's) generates \$2.16 in federal revenue, \$2.81 in state revenue, and \$45.47 in new capital. The national average for job growth is 1.5%, compared with 17.7% for SBDC clients.¹³ On average, independent retailers return 300% more money per dollar of sales to their local economy than their chain competitors.¹⁴ Additionally, research consistently shows that thriving independent business communities are linked to higher incomes, less economic inequality, stronger community cohesion and wellbeing, and improved environmental sustainability.¹⁵ Compare that to the wide body of research that consistently finds almost no correlation between big business attraction incentives and any measure of economic performance.¹⁶

According to E2's (NRDC) 2019 Clean Jobs Pennsylvania Report, renewable energy and energy efficiency sectors outpaced overall jobs growth in the state by 5 times and employed more than double the number of workers (90,772) as the state's entire fossil fuel industry (43,306). Independent Pennsylvania-based businesses in the renewable energy and energy efficiency sectors are driving this growth: 2 out of every 3 clean energy workers are employed by businesses with fewer than 20 employees.¹⁷ Nearly 80% of clean energy jobs across the nation are in the trades, construction, or manufacturing, accounting for more than 2.25% of the nation's overall employment at the end of 2019. That is more than teachers.¹⁸

In Philadelphia, the City's estimated \$2B investment in green stormwater infrastructure (GSI) over a 25-year period is expected to produce a \$4B economic impact in the city alone.¹⁹ Federal Clean Water Act requirements for stormwater management are driving investments in GSI across the country and creating enormous opportunities for similar economic impacts nationwide.

A 2017 study by the Federal Reserve Bank of St. Louis and the Board of Governors of the Federal Reserve System found that "regional food systems represent a promising avenue for economic growth for both rural and urban communities through the creation of new or the enhancement of existing jobs and businesses....[With] appropriately targeted policies and support, the attendant opportunities can advance the economic and financial security of [low to moderate income] households and communities....[The] approaches that support the development of regional food systems not only contribute direct economic benefits to the community, but can also [improve] access to healthy food and other positive outcomes that could result in improved community health and a more productive

¹³ Small Business Development Center. (2020). *SBDC Economic Impact*. Retrieved from SBDC : <https://americassbdc.org/about-us/economic-impact/>

¹⁴ American Independent Business Alliance. (2020). *The Multiplier Effect of Local Independent Businesses*. Retrieved from AMIBA : <https://www.amiba.net/resources/multiplier-effect/>

¹⁵ Donahue, M. (2018, July). *Why Care about Independent, Locally Owned Businesses?* Retrieved from Institute for Local Self-Reliance: <https://ilsr.org/why-care-about-independent-locally-owned-businesses/>

¹⁶ Florida, R. (2017, March). *Handing Out Tax Breaks to Businesses Is Worse Than Useless*. Retrieved from CityLab: <https://www.citylab.com/life/2017/03/business-tax-incentives-waste/518754/>

¹⁷ Environmental Entrepreneurs. (2019, June). *Clean Jobs Pennsylvania 2019*. Retrieved from E2: <https://e2.org/reports/clean-jobs-pennsylvania-2019/>

¹⁸ Environmental Entrepreneurs. (2019, March). *Clean Jobs America 2019*. Retrieved from E2: <https://e2.org/reports/clean-jobs-america-2019/>

¹⁹ Sustainable Business Network of Greater Philadelphia. (2019). *The Economic, Social, and Environmental Case for Green City, Clean Waters: An Update*. Philadelphia: Sustainable Business Network of Greater Philadelphia. Retrieved from <https://www.sbnphiladelphia.org/wp-content/uploads/2020/02/SBN-GCCW-Report-0611.pdf>



workforce.”²⁰

In Greater Philadelphia, the local food economy supports 331,000 jobs across 25,000 businesses, which represents 12% of all jobs and 15% of all businesses. Ninety-five percent of Philadelphia’s food businesses have fewer than 50 employees; nearly 90% have fewer than 20 employees. Recovering and strengthening our local food systems is a critical strategy for small business recovery, economic recovery, and food security.²¹

Thank you for all you are doing and for responding to the needs of small businesses. SBN offers you our partnership in advancing our outlined recommendations and building a new economy. Let us schedule a time to discuss further.

In partnership,

A handwritten signature in blue ink, appearing to read 'AS'.

Anna Shipp
Executive Director
Sustainable Business Network of Greater Philadelphia

About the Sustainable Business Network of Greater Philadelphia

The Sustainable Business Network of Greater Philadelphia (SBN) is building a just, green, and thriving economy in the region. We support the local independent business community to be change agents in the movement towards social equity and climate resilience. SBN members are independent businesses based in Greater Philadelphia that practice - and measure success by - the triple bottom line of people, planet, and profitability. The majority of our members have fewer than 50 employees. Since our founding in 2001, SBN has remained the region’s leading organization serving the local triple bottom line business community.

²⁰ The Federal Reserve Bank of St. Louis. (2017). *Harvesting Opportunity: The Power of Regional Food System Investments to Transform Communities*. St. Louis: The Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System, the U.S. Department of Agriculture’s agencies of Rural Development and the Agricultural Marketing Service.

²¹ Economy League of Greater Philadelphia. (2019). *Good Eats: The Greater Philadelphia Food Economy, and Good Food's Potential to Drive Growth, Improve Health, and Expand Opportunity*. Philadelphia: Economy League of Greater Philadelphia. Retrieved from <http://economyleague.org/driving-regional-change/campaigns-projects/good-eats-2>