



Small Business Commission

December 1, 2020, at 10:00 a.m.

Electronic Meeting

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The Small Business Commission (the Commission) met electronically with Delegate Alfonso H. Lopez, chair, presiding.¹ The meeting began with introductions and opening remarks followed by presentations and public comment. Materials presented at the meeting are accessible through the [Commission's website](#).

Presentation: Paycheck Protection Plan (PPP) Implementation; Collaboration Among State Agencies in Implementation of the PPP and Other Federal Relief During the COVID-19 Pandemic; Impact of Relief on Virginia Small Businesses

Brian Ball, Secretary of Commerce

Sean Brazier, Vice President of Economic Competitiveness, Virginia Economic Development Partnership

Secretary Ball began with a broad review of Virginia's response to the COVID-19 pandemic, which consists of short-term measures that provide immediate relief and long-term measures focused on recovery. He spoke highly of the collaborative effort among state agencies to implement relief programs. In particular, he identified the Virginia Economic Development Partnership (VEDP) as crucial in identifying the regions and industries most impacted by the pandemic so relief can be targeted to those regions and industries.

Mr. Brazier gave an overview of the implementation of federal relief programs in Virginia. The most prominent was the Paycheck Protection Program (PPP), a loan program authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In Virginia, about 90,000 of 150,000 small businesses received PPP loans; the average loan amount was \$120,000. After some discussion between the Commission members and Secretary Ball on small businesses' difficulty in accessing loan and grant programs, Mr. Brazier outlined the three main programs by which Virginia administered federal aid: the Rebuild Virginia Grant Fund, the Virginia Tourism Corporation's Recovery Marketing Leverage Program (RMLP), and the Department of Housing and Community Development's Community Development Block Grant Program.

Mr. Brazier provided data about small business closures in Virginia that have resulted from the COVID-19 pandemic. As of November 2020, 27 percent of small businesses have closed, either temporarily or permanently, since the previous January. The most impacted industry was leisure and hospitality, with about 43 percent of small businesses experiencing closure.

Senator John J. Bell observed that Virginia, like the rest of the country, is experiencing an increase in infections, and the situation likely will deteriorate for businesses before it improves.

¹ **Members Present:** Delegate Alfonso H. Lopez (chair), Senator John J. Bell (vice chair), Senator Lynwood W. Lewis, Jr., Senator Jennifer L. McClellan, Senator Frank M. Ruff, Jr., Delegate Kelly K. Conyers-Fowler, Delegate Christopher T. Head, Delegate Suhas Subramanyam, Delegate Rodney T. Willett, Jay Challa, Kunal Kumar, Matthew Nusbaum, Vickie Williams-Cullins, Jorge Yinat
Members Absent: Delegate Tony O. Wilt, Quan Boatman

He asked whether Secretary Ball recommended any legislative policies, apart from appropriating additional relief funds, to help small businesses. Secretary Ball responded that, prior to the pandemic, Virginia had one of the most well-capitalized unemployment trust funds (about \$1.3 billion in funds) in the country, which meant that Virginia's employment taxes, paid by businesses, were comparatively low. The pandemic exhausted the fund, which is now borrowing to cover necessary unemployment costs. While the administration has been in conversation with federal representatives to convert its borrowing to grants, the state could enact legislation to freeze premiums paid by businesses at pre-pandemic levels.

Vickie Williams-Cullins spoke on the difficulties small businesses experience in navigating the complex application process for relief, and she asked if the administration provided technical assistance. Turner Widgen, Assistant Secretary of Commerce and Trade, described the tools available to help businesses access and apply for relief.

Presentation: Joint Legislative Audit and Review Commission (JLARC) Report #537: Operations and Performance of the Department of Small Business and Supplier Diversity

Lauren Axselle, Principal Legislative Analyst, JLARC

Ms. Axselle described the operations of the Department of Small Business and Supplier Diversity (SBSD) and the improvements it has made within the past few years. She identified one of SBSBD's main functions as certifying businesses as small, women-owned, or minority-owned (SWaM) for the purpose of making them eligible for procurement set-asides.

She described possible changes to the statutory definition of "small" (currently 250 or fewer employees *or* \$10 million or fewer in gross receipts). JLARC's report (available [here](#)) offered several policy options: changing "or" to "and," lowering current numerical thresholds for employees or gross receipts so as to exclude larger employers, or setting thresholds by industry. She discussed the ease of administering each option, impacts on businesses, and the effects on current procurement goals.

Ms. Axselle presented JLARC's evaluation of the Small Business Financing Authority (SBFA), which is administered under SBSBD. SBFA is the agency responsible for administering the Rebuild Virginia Grant Fund, a program that is larger than all of SBFA's other programs combined in terms of loans distributed. Ms. Axselle described JLARC's recommendations to SBFA for improving its operations. JLARC viewed SBFA's lending policies as overly conservative, resulting in a large portion of available loan funds going unloaned in recent years. JLARC recommended that SBFA adopt a policy of a higher risk threshold than private banks are willing to accept, thereby helping them fulfill their mission of providing financing to small businesses when the private sector will not.

Discussion: Legislative Initiatives for the 2021 Regular Session

Delegate Lopez gave his opinion that the General Assembly should address the issues raised by Ms. Axselle with respect to Virginia's size threshold for small businesses. He said that he favors a bill adopting industry-specific standards based on the North American Industry Classification System (NAICS) standards (the same standards used by the federal Small Business Administration). However, he recognizes that the issue is complicated and that the legislature ought to avoid unnecessarily harming businesses in the process of altering the standards. He



believes the legislature should study the issue, but, due to the likely abbreviated length of the upcoming regular session, he does not plan to introduce legislation on the topic this session.

Delegate Kelly K. Convirs-Fowler said the two parts of helping small businesses make it through the economic consequences of the pandemic are providing funding and making that funding accessible to small businesses. Senator Bell agreed and commented that he intends to introduce legislation allowing alcohol sales to-go, which he said will help wineries and breweries.

Public Comment

Natasha Crosby, President of the Richmond LGBTQ Chamber of Commerce, commented that LGBTQ-owned businesses are falling through the cracks and not able to access available relief funding. She gave the opinion that there need to be more efforts to assist marginalized people in gaining access to these funds.

Nicole Riley, Virginia State Director of the National Federation of Independent Business (NFIB), stated that NFIB has been surveying its member businesses regularly throughout the pandemic and shared some information gathered from those surveys. Over 90 percent of NFIB members have used PPP funds and intend to apply for loan forgiveness, but, even with the relief, about 19 percent anticipate laying off employees within the next six months. Fifty percent anticipate needing new funding within the next 12 months, and 20 percent anticipate permanently closing if economic conditions do not improve in the next six months.

Due to these circumstances, Ms. Riley indicated the NFIB would support measures to improve conditions for businesses, including delaying the minimum wage increase that the General Assembly enacted during the 2020 Regular Session, making personal protective equipment exempt from sales tax, and making PPP loan forgiveness exempt from income tax.

Next Meeting

No date was set for the next meeting. The meeting adjourned at approximately 12:00 p.m.

For more information, see the [*Commission's website*](#) or contact the Division of Legislative Services staff:

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