



# Mississippi's Small Business Relief: Gaps and Opportunities

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As part of its response to the COVID-19, the Mississippi legislature, passed with overwhelming bi-partisan support, a historic relief program to assist small businesses withstand COVID's economic impact. Despite high-levels of demand from the state's small businesses, the Mississippi Development Authority, charged with administering the program, disbursed very few grants within the first two months of the program. In response, the legislature enacted key changes to make the relief funds more accessible by affected small businesses. The following provides an overview of the program, analysis of its implementation to date in comparison to other programs in the Deep South, and makes recommendations as it enters the next phase of implementing the recently passed changes.

## Program Overview

On May 20, Mississippi enacted a \$300 million relief package for the state's small businesses.<sup>1</sup> The program was funded by Mississippi's \$1.25 billion allocation from the Coronavirus Relief Fund created by the CARES Act, which provided allocations to states to meet the needs of unexpected expenses related to COVID-19.<sup>2</sup> By this time into the COVID-19 pandemic, the struggles of Mississippi small businesses were palpable. In the first full week of May, more than 90% of Mississippi business owners reported COVID having a negative effect on their businesses.<sup>3</sup> At the same time, the evidence was clear that many small businesses, particularly small businesses of color, were unable to access relief through the first round of \$300 billion deployed through the federal Paycheck Protection Program (PPP).<sup>4</sup> Nationally, by the end of April the number of Black-owned businesses declined by 41%, compared to 17% of white owned businesses.<sup>5</sup>

As of August 14, 2020, Mississippi has deployed about 10%, or \$29.5 million, of available aid to over 15,600 small businesses, with an average amount of \$1,880. Any funds unspent by November 1, 2020, will revert to the Governor's office, to be deployed at his discretion in accordance with the federal CARES Act by December 31, 2020.

The Mississippi program consists of two types of relief for businesses 50 or less full time employees: a \$2,000 direct payment through the Mississippi COVID-19 Relief Payment Fund, and grant awards up to \$25,000 for which businesses can apply through the Mississippi Back to Business Program grant program through which businesses could apply for awards up to \$25,000. These program components, along with implementation and challenges status are summarized in turn below.

## Mississippi COVID-19 Relief Payment Fund

The Mississippi COVID-19 Relief Payment Fund consists of \$60 million for the Mississippi Department of Revenue to distribute in direct payments of \$2,000 to eligible small businesses that fell within designated industry sectors and had paid taxes in either 2018 or 2019.<sup>6</sup> The Department estimated the payments would reach approximately 29,000 small businesses and would be deployed automatically to those the Department deemed eligible. Businesses did not have to take any action to receive the payments.

The Department of Revenue disbursed the first round of direct payments on June 2, providing over \$18 million of relief to 9,060 businesses.<sup>7</sup> By August 13, it had disbursed over \$26.5 million to 13,358 businesses.<sup>8</sup> Despite this fairly successful and quick deployment of funds, two challenges arose: (1) The Department of Revenue estimated that approximately 25%, or 7,200, of businesses otherwise eligible were disqualified for failure to pay their taxes in 2018 or 2019. (2) Many businesses filed their taxes using the incorrect industry code (NCAIS code), which affected their eligibility unless addressed or corrected. On August 18, Mississippi expanded the types of industries eligible for this direct payment relief.<sup>9</sup>

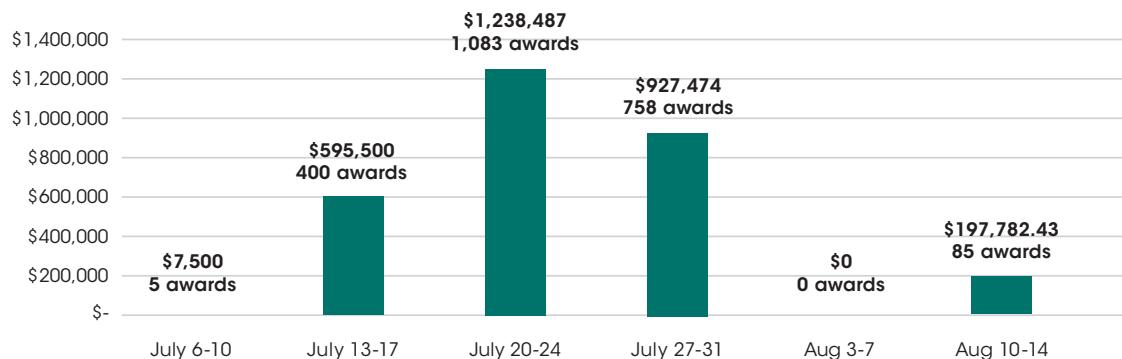
## Mississippi Back To Business Program

The Mississippi Back to Business Program consists of \$240 million for the Mississippi Development Authority (MDA) to distribute as grants up to \$25,000 for which eligible businesses could apply to cover expenses due to COVID-related business interruption. In its creation, the legislature sought to prioritize businesses most in need of support: for the first 21 days, it would prioritize businesses that had not yet received PPP or other federal assistance, and importantly, for the first 60 days, it provided that \$40 million would be set aside for minority and women-owned businesses.

The Mississippi legislature allocated \$900,000 to the program with which MDA could contract with an outside vendor to handle administrative services for the program. MDA contracted with law firm Balch and Bingham for \$732,000 to help administer the program.<sup>10</sup> MDA has spent an additional \$165,439 in to cover additional expenses associated with advertising and other services (\$162,897 to the Gibbes Company, \$550 to Frontier Strategies, and \$1,992 to the Mississippi Prison Industries Corporation).<sup>11</sup>

On June 10, MDA launched the application portal for the Mississippi Back to Business Program. By June 15, 14,953 businesses registered on the site and 7,637 applications were completed and submitted. MDA disbursed the first round of grants on July 5: five grants of \$1,500 each.<sup>12</sup> As of August 14, over 60 days after the program launch, the program had deployed \$2,982,492 to 2,326 businesses. See Table 1. In addition to few businesses receiving grants, the majority of grant awards were less than \$1,500, the minimum grant award established by statute. Only 60 out of the 2,326 awards received more than \$1,500 base payment and 1,072 businesses received \$750 or less. See Table 2.

**Table 1:** Timeline of deployment of MS Back to Business Grant Awards as of August 14, 2020



**Table 2: Distribution of MS Back to Business Grant Award sizes as of August 14, 2020**

Grant Size	Number of Businesses
More than \$1,500	60
\$1,500	1,179
\$1,499 to \$750	15
\$750 or less	1,072

Mississippi's low distribution rate is not due to lack of demand or awareness. Stakeholders throughout the state worked to help inform and assist small businesses in applying for the funds. Local governments such as Tupelo, Starkville, and the City of Jackson, and statewide community groups, including Hope Policy Institute, Mississippi NAACP, Children's Defense Fund, Women for Progress MS, Excel by Five, and the Mississippi Low Income Child Care Initiative, conducted virtual outreach events. In addition, the Mississippi Small Business Development Center joined in these efforts and created a dedicated hotline to help businesses complete their applications. The Community Foundation of Mississippi placed radio ads on stations covering its 22-county region over an eight-week period. These and other efforts appeared to have worked. As of July 30, 33,000 businesses had registered, and over 20,000 businesses submitted applications to the program, seeking over \$100 million in grant assistance.<sup>13</sup> Fifty-eight (58%) of applicants were minority and women-owned businesses.<sup>14</sup>

One major consequence of the delay in deploying the dollars is that it essentially negated the priorities set by the Mississippi legislature in the bill (for the first 21 days, prioritizing those who had not yet received any relief, and for 60 days prioritizing minority and women-owned business). During the timeframes of these priority set-asides, only 1.2% of the \$240 million had been deployed to any businesses at all.

### *Challenges and Changes to the Back to Business Grant Award Formula*

In a letter to the legislature, MDA noted three particular challenges to deploying the funds to applicants: some were not eligible due to failure to pay taxes in 2018 or 2019; reductions to the grant awards as required by the statute; and reductions to the grant awards to ensure compliance with federal law.<sup>15</sup> At the same time, through outreach to businesses and partners working with businesses through the program, businesses reported common refrains of challenges, such as lack of information about the status of their application, difficulty in reaching anyone for help or questions, and the complications of the formula resulting in reductions of the grant amount.

The original bill creating the Back to Business program provided the following three options for determining the grant award:

- A base payment of \$1,500,
- A base payment plus \$500 per full-time equivalent employee employed as of March 1, 2020, not to exceed \$25,000.00 total, or
- A base payment plus payment to cover itemized eligible expenses on the application, not to exceed \$25,000.00 total.<sup>16</sup>

To receive a business payment, businesses did not need additional documentation beyond that required for determining their eligibility. The implementing statute provided only one reason for the grant award to be reduced: if a business had already received federal assistance or insurance compensation, then the award would be reduced by half but by no more than half of the eligible grant award.<sup>17</sup>

Upon launching the program, MDA allowed for additional reductions believed to have been needed for federal law compliance:

- Reducing the grant award by the \$2,000 direct payment a business received from the Department of Revenue, MDA would deduct it from their grant award, and
- If the business had received federal assistance and used some of those dollars for similar expenses for which it was applying for the grant, MDA would further reduce the grant award, even if meant reducing it by more than half.

On August 18, the Mississippi enacted changes to address some of these barriers, and made them retroactive to the original date of the enactment of the original bill.<sup>18</sup> For the grant program, MDA would no longer deduct the \$2,000 direct payment from a businesses' grant award, and would no longer reduce the grant award if the business had also received federal funding. It also increased the base payment amount from \$1,500 to \$3,500. Finally, it established an application deadline of September 15, 2020.

It is unclear from the changes how MDA will implement the set asides provided in the original bill for businesses that had not yet received any other assistance and for minority and women-owned businesses.

## Regional Comparison

To date, Mississippi lags behind other Southern states in the rate of deployment of its funds. See Table 3. Though each program has its unique challenges and opportunities in their implementation, in many ways, Louisiana's program is most similarly structured in size, scope, and requirements as Mississippi's Back to Business grant program<sup>19</sup>. Within two weeks of the program launch, over 14,500 businesses had applied, with more than 70% from minority, women, or veteran-owned businesses.<sup>20</sup> Based on its review of the applications, the Louisiana Treasurer found the average turnaround time to be 14 days, from review to disbursement. As of August 12, Louisiana had deployed \$177,000 to 47 eligible businesses. About 5,700 applications were still in process or missing information, and 1,411 had been denied. Another 7,000 other applicants were on hold because, like Mississippi, for the first 21-days businesses that had not received PPP or other federal assistance were prioritized. Louisiana's 21-day window closed on August 17.

**Table 3: Status of Deep South Small Business Relief Programs Funded by CARES Act**

State	Amount Allocated	Program Launch	Amount Deployed as of Mid-August	Number of Businesses Aided	Average Relief Amount
Alabama	\$120,000,000	July 16	\$96,204,868	7,896	\$12,184
Arkansas	\$147,000,000	May 6	\$128,658,245	11,391	\$11,295
Mississippi	\$300,000,000	June 2	\$29,556,492	15,684*	\$1,884
Louisiana	\$275,000,000	July 28	\$177,000	47	\$3,766
Tennessee	\$283,500,000	July 7	\$110,000,000	14,172	\$7,762
Total	\$1,125,500,000		\$364,596,605	49,190	\$7,412

**SOURCE:** Hope Policy Institute, "Deep South Small Business Relief: Who Benefits? Who is Left Behind?," August 2020

## Conclusion and Recommendations

Mississippi took the right steps in the right direction in its enactment of historic state-level relief for small businesses seeking help during this pandemic. The bipartisan effort to implement the program and make the necessary changes to ensure its success is commendable. The slow rate in which the money has been deployed is of concern in light of the crisis Mississippi's small businesses are facing and the critical role they play in the Mississippi economy.

As of August 14, about \$270 million of small business funds remain available both through the direct payments and grants programs. As of August 30, MDA noted that the 20,000 businesses with submitted applications sought over \$100 million in assistance. Quickly deploying these funds includes ensuring those who have already applied receive the full amount possible, and ensure that new applicants are able to access the resources. It is critical to get this assistance to these businesses as swiftly as possible, prior to November 1, after which time the funds may be redirected to other uses in accordance with the CARES Act regulations.

As Mississippi moves forward in the final few weeks of implementation of its small business relief program, the following will be important to its success:

- Ensure businesses that have already applied and received money will benefit from the changes implemented on August 18, 2020. During this process, MDA should ensure businesses that were to be prioritized during the first 60 days of the program, particularly minority and women owned businesses, still benefit from the prioritization.
- Increase technical assistance available to small businesses seeking to apply for the grants which require itemization of expenses for the purposes receiving grant awards up to \$25,000.
- Increase transparency and accountability by reporting data on the number of applications received, grants awarded, and grant amounts by race, gender, and county location. This same information should be reported for the direct payments program as well, at least in aggregate by number of recipients and dollar amount for each category. This information should be reported as soon as possible, not after the program closes.
- Engage in robust outreach by partnering with groups already working with small businesses hardest hit by this crisis such as community development financial institutions, community-based groups, and small business resource development centers.

Small business are vital to the communities and economy of the state of Mississippi, both prior to and following COVID-19. The importance of this recovery is underscored by the length of recovery following the 2008 Great Recession: Mississippi had just recovered pre-recession job levels in October of 2019.<sup>21</sup> Ensuring businesses suffering from the consequences of COVID-19 get the relief they need now will promote a smoother, faster recovery for the state as whole.

<sup>1</sup> SB 2772, <http://billstatus.ls.state.ms.us/documents/2020/pdf/SB/2700-2799/SB2772SG.pdf>

<sup>2</sup> For more information on the Coronavirus Relief Fund guidance and uses, see U.S. Department of Treasury, "The CARES Act Provides Assistance for State, Local, and Tribal Governments," <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>. Accessed August 23, 2020.

<sup>3</sup> U.S. Census Small Business Pulse Survey, May 3 through 9, <https://portal.census.gov/pulse/data/#weekly>. See also, <https://msbusiness.com/2020/07/for-small-town-mississippi-the-pandemic-could-not-have-come-at-a-worse-time/> ("An April survey of 149 Mississippi small business owners by Main Street America indicated that 62 percent of those businesses were at risk of closing permanently by September 2020.")

<sup>4</sup> The first round of \$350 billion PPP funding to small businesses launched on April 3 and was fully depleted 15 days later by April 15. <https://home.treasury.gov/news/press-releases/sm981>. The second round of \$300 million launched on April 27. On May 12, a national poll by Color of Change and UnidosUS found that just 12% of Black and Latino owned businesses received the PPP relief for which they applied. [https://colorofchange.org/press\\_release/first-covid-19-survey-of-black-and-latino-small-business-owners-reveals-dire-economic-future/](https://colorofchange.org/press_release/first-covid-19-survey-of-black-and-latino-small-business-owners-reveals-dire-economic-future/) For more discussion of inequities in the PPP program, see Kiyadh Burt, Hope Policy Institute, May 8, 2020 "Despite Changes in Second Phase of PPP, Many Small Businesses Remain Locked Out," <http://hopepolicy.org/blog/despite-changes-in-second-phase-of-ppp-many-small-businesses-remain-locked-out/>

<sup>5</sup> Fairlie, R. June 2020. The Impact of COVID-19 on Small Business Owners, <https://www.nber.org/papers/w27309.pdf>

<sup>6</sup> For full eligibility requirements and industry sectors, see Section 4 of <http://billstatus.ls.state.ms.us/documents/2020/pdf/SB/2700-2799/SB2772SG.pdf>

<sup>7</sup> Mississippi Department of Revenue, Tweet on June 2, 2020 (reporting "As of today, 9,060 business relief payments have been issued, for a total of \$18,120,000"), <https://twitter.com/MSDeptofRevenue/status/126785261572925403>

<sup>8</sup> Transparency MS, <http://www.transparency mississippi.gov/caresAct/caresact.aspx>. Accessed August 13, 2020.

<sup>9</sup> SB 3053, <http://billstatus.ls.state.ms.us/documents/2020/pdf/SB/3000-3099/SB3053SG.pdf> (adding the following industry sectors to program eligibility: bakeries, caterers and mobile food providers, sightseeing companies, promoters for sports and arts events and bars).

<sup>10</sup> Mississippi Public Procurement Review Board, Minutes, May 29, 2020, <https://www.dfa.ms.gov/media/10051/5-pprb-agenda-minutes-52920.pdf>

<sup>11</sup> Transparency MS, <http://www.transparency mississippi.gov/caresAct/caresact.aspx>. Accessed August 23, 2020

<sup>12</sup> Transparency MS, <http://www.transparency mississippi.gov/caresAct/caresact.aspx>. Accessed August 23, 2020

<sup>13</sup> Letter from John Rounsville, Mississippi Development Authority, to Mississippi Legislature, August 3, 2020.

<sup>14</sup> Id.

<sup>15</sup> Letter from John Rounsville, Mississippi Development Authority, to Mississippi Legislature, August 3, 2020.

<sup>16</sup> SB 2772, "The base payment to an eligible business shall be One Thousand Five Hundred Dollars (\$1,500.00). An eligible business may choose to receive additional compensation by either claiming Five Hundred Dollars (\$500.00) per full-time equivalent employee employed by the eligible business as of March 1, 2020, or itemizing eligible expenses on the application form." See also, Mississippi Development Authority Back to Business FAQs, <https://www.backtobusinessms.org/faqs/>. Accessed August 13, 2020.

<sup>17</sup> SB 2772, "The total payment shall be reduced by the amount of any Paycheck Protection Program (PPP) funds, Economic Injury Disaster Loan (EIDL), Emergency Advance funds up to a maximum of Ten Thousand Dollars (\$10,000.00), and business interruption insurance proceeds, received by the eligible taxpayer; provided, however, that the total payment shall not be reduced by more than half." <http://billstatus.ls.state.ms.us/documents/2020/pdf/SB/2700-2799/SB2772SG.pdf>

<sup>18</sup> SB 3053, <http://billstatus.ls.state.ms.us/2020/pdf/history/SB/SB3053.xml>

<sup>19</sup> Louisiana Main Street Recovery Program, <https://www.louisianamainstreet.com>. See also, SB 189, Act 311, 2020, <https://legis.la.gov/legis/BillInfo.aspx?i=237870>

<sup>20</sup> Louisiana Department of Treasury, Report to the Louisiana Joint Legislative Committee On The Budget, August 14, 2020, at page 830, <https://jlcblouisiana.org/Docs/2020/aug/08-14-20%20JLCB%20Meeting%20File.pdf>

<sup>21</sup> Sara Miller, Hope Policy Institute, "Deep South Job Losses due to COVID-19 likely to Far Eclipse those of the Great Recession," April 21, 2020, <http://hopepolicy.org/blog/deep-south-job-losses-due-to-covid-19-likely-to-far-eclipse-those-of-the-great-recession/>