



April 13, 2020

The Honorable Patrick Leahy
United States Senate
Washington, D.C. 20510

Dear Senator Leahy:

On behalf of the Boards and staff of the twelve Regional Development Corporations (RDCs) of Vermont, and the thousands of Vermont businesses we serve, thank you for all your support and active efforts to pass bills responding to the COVID-19 pandemic. We are especially grateful for the provisions that will benefit the business community.

Vermont's RDCs remain open and active (remotely, of course), providing guidance, assurance, and direct assistance to business operations of all sizes and sectors in every region of Vermont. We have been providing services, in cooperation and collaboration with our state and regional partners, throughout the response and will continue to do so through the stabilization and recovery phases of this crisis.

As part of the frontline response to businesses, we have had first-hand experience with the EIDL and PPP programs and other responses provided in the relief bills enacted by Congress and implemented through Federal and State agencies. Many businesses will require adjustments to the current programs and/or additional resources to mitigate the developing economic crisis. Attached to this letter is a list of issues and suggestions based on problems, concerns, gaps, and unmet needs we have identified while working with Vermont businesses. We hope these suggestions will help inform the next phase of federal relief.

Again, thank you for all your work during this crisis and for your willingness to seek input from the field.

Sincerely,

Addison County Economic Development Corp.
Bennington County Industrial Corp.
Brattleboro Development Credit Corp.
Central Vermont Economic Development Corp.
Franklin County Industrial Development Corp.
Greater Burlington Industrial Corp

Green Mountain Economic Development Corp.
Lake Champlain Islands Economic Development Corp.
Lamoille Economic Development Corp.
Northeastern Vermont Development Corp.
Rutland Economic Development Corp.
Springfield Regional Development Corp.

cc: Senator Sanders, Congressman Welch, Governor
Scott



**REGIONAL DEVELOPMENT CORPORATIONS OF VERMONT
COVID-19 RESPONSE
CONCERNS, ISSUES, SUGGESTIONS**

Rural Areas and Sectors Hit Hard

Issue: The relief packages enacted to date have contained very little for farmers, agricultural concerns, and rural borrowers, a population that was already in need prior to this disaster. Farmers may be eligible for the PPP, but farms have very little or no payroll. Agricultural and rural borrowers tend to utilize USDA programs, not SBA. Very small, rural businesses, farmers and other agricultural operations need cash in hand as quick as possible. We are very appreciative of the Vermont delegation's efforts to include programs in the CARES Act to benefit rural areas, agriculture and farmers. We know you will again advocate on behalf of this population when additional legislation is considered.

Suggestions: Extend loan forgiveness, allow deferrals, and provide other debt relief to USDA, FSA, USDA/RD, EDA and other federal agencies. This would not only immediately put cash into the hands of the end borrowers just as with SBA debt forgiveness but would also free up funds that intermediaries currently have available for quick lending at favorable rates. For example: 1) Convert USDA/RD IRP and RMAP loans and EDA loans to intermediaries to grants; 2) Waive or defer payments of Principal & Interest to USDA/RD by IRP, RMAP and other USDA intermediary lenders and EDA lenders; 3) Allow intermediaries to forgive loans to end borrowers without impacting the intermediaries repayment to USDA; 4) Provide relief to USDA/RD and USDA/FSA, EDA and other non-SBA lending program end borrowers similar to relief provided through SBA, such as six months P&I paid by USDA/RD.

Issue: Similarly, tourism represents Vermont's second largest economic contributor with restaurants, lodging establishments, agritourism, and agricultural operations serving as the backbone the rural economy and maintaining our working landscape. These sectors were feeling the economic impact of this pandemic long before state action temporarily closed many of these businesses. With mandated statewide closures in effect, most of these businesses will have no hope for cashflow for months.

Suggestions: 1) Supplement the existing programs with financial resources in the form of grants or forgivable loans with widely achievable qualifying criteria; and 2) Provide funding to enhance domestic tourism promotion to assist rural states restart tourism sectors devastated by mandated closures.

Economic Injury Disaster Loans (EIDL)

Issue: Lack of information regarding the "advance"

Suggestion: Require SBA to issue clear and complete guidance regarding how the advance is obtained, calculated, and distributed.

Issue: Lack of information on amount of loan. Businesses are applying to replace lost revenue. Most are trying to plan how to survive through a period with an unknown duration. It would help if they knew how the loan amounts are calculated and have the ability to estimate what the loan amount will be

Suggestion: Require SBA to issue clear and complete guidance regarding how the loan is calculated and provide a tool to estimate the loan amount.

Payroll Protection Program

Issue: Funding is running out fast and many small businesses are/will be left out because they cannot act as fast as larger companies with inside staff and payroll systems. Many small businesses that use payroll services are experiencing difficulty getting their payroll information from their third-party vendors due to the volume of requests.

Suggestions: Appropriate additional funding, extend the application date beyond June 30, 2020, provide a small business set aside using a very small business criterion (i.e.: less than 50), and extend the maturity date from two years to ten.

Issue: Timing. Many small businesses have had to lay off their employees or have been forced to do so. They want to bring staff back but do not know when they will be allowed to or when they will be able to. Obviously, no one knows the timing of this pandemic. Yet, on April 7 Treasury issued guidance to banks to close these loans within 10 days. We understand the need to get the funds into the hands of businesses that can remain open, but many more are not in that position.

Suggestion: Provide that banks may commit funds and delay closing on loans to small businesses that hope to reopen until closer to the date that they plan to bring employees back to work. It may also make sense to extend the date by which employees need to be brought back to some date after the expiration of the additional \$600/week unemployment benefit (currently slated to expire on 7/31/2020).

Issue: The CARES Act did not specifically provide eligibility for not-for-profit organizations such as local and regional economic development organizations and local Chambers, all of whom are remaining open and keeping staff employed to help assist businesses and non-profits through this crisis. These organizations operate under several IRS designations including 501(c)(4) and 501(c)(6). Revenue for these organizations is provided through various mixes of grants, dues, fees, and rents – all of which will be diminished because of this crisis.

Suggestion: Clearly designate eligibility for the PPP for non-profit organizations that provide local and regional economic and community development services.

Unemployment Insurance

Issue: The business community is appreciative of efforts to support furloughed workers and understand the importance of getting money into the hands of individuals quickly. However, employers are concerned about the competing incentives created by the Unemployment Insurance (UI) benefit increases contained in the CARES Act. The level of compensation now available to UI claimants is often difficult or impossible for employers to compete with through regular payroll allocations. If employers use the PPP to rehire or maintain workers, those employers risk creating a contentious dynamic with their employees by preventing them from accessing the now more lucrative UI benefits. As noted above this added benefit may also complicate the forgiveness provisions of the PPP.

Suggestion: Review and address this perhaps unintended consequence in subsequent legislation.

Stabilization and Recovery

Issue: Organizations like Vermont's regional development corporations rely on a mix of revenue sources such as grants, dues, fees, and rents – all of which will be diminished because of this crisis. We are maintaining operations and providing services alongside our partners such as the SBDC, Score, and CWE, all of whom received supplemental funding in the CARES Act. Organizations like ours will also be on the front line during the stabilization and recovery phases. We all hope to be leading economic and community development in our regions when this crisis ends.

Suggestion: Provide grant funding for capacity for non-profit organizations that provide local and regional economic and community development services. Make the grant programs easy to access and implement and non-competitive.