# COVID-19: Comprehensive Recovery Strategy

As the situation surrounding COVID-19 evolves, small businesses and communities across the country will very quickly face liquidity challenges, job losses, and project stagnation. Credit will be tightening and small businesses will struggle to make payroll while communities will be forced to scale back or halt infrastructure development. Moreover, communities are already facing difficulties financing critical infrastructure such as health facilities, broadband networks, and testing centers to address local COVID-19 demands.

Banks will certainly play a major role in addressing this; however, banks will not be able to quickly loosen their credit standards. The bond market, much like during the great recession, is poised to assist but will need a catalyst effort to build investor interest.

Based on the input of our 500+ members, CDFA has developed a set of policy proposals that would allow state and local governments, through development finance agencies, to be immediate problem solvers that can help alleviate the extreme economic challenges facing small businesses and communities to put America securely on the path to recovery.

**Unlock Capital for Small Business Immediately:**
To support small businesses, Congress and the Administration should:

<u>**Reauthorize & Fund the State Small Business Credit Initiative**</u>
The State Small Business Credit Initiative (SSBCI) was a federal financing program that delivered flexible, affordable capital to small businesses around the country. The expiration of the SSBCI Program in 2017 left a void in the marketplace for affordable small business loans. A $2 billion infusion in a reauthorized SSBCI Program would provide immediate access to capital for small businesses that desperately need it. The programs created by states under the original SSBCI are still in operation and would be ready to immediately deploy capital to businesses in need. **There would be no need to create new rules and regulations should this option be enacted. States are prepared to receive an infusion of SSBCI funding immediately.**

Detailed information about SSBCI is available on the CDFA website.

<u>**Temporarily Remove Match Requirements from Certain Federal Programs**</u>
There are existing federal loan programs in place with development finance agencies and Community Development Financial Institutions covering most of the country. These programs could quickly be amended to add federal funds without matching requirements. This is the only way to move at the speed businesses need. Tax breaks will not solve immediate liquidity needs for businesses whose sales have or will soon disappear, and new grant rounds will take months. **Congress should immediately remove matching requirements and allow existing federalized RLFs to seek immediate new capitalization for ongoing low-interest lending.**

## Amend Existing Revolving Loan Funds

In times of disaster and pandemic, it is critical that federal agencies are on the ground throughout communities and be able to quickly lend funds to borrowers. This can be accomplished by investing cash and giving emergency authority to the following agencies to amend existing contracts for local revolving loan funds. By amending existing contracts and immediately wiring funds into the organizations, new funding can be available to help small businesses in days rather than months.

- USDA Intermediary Relending Program
- CDFI Fund Financial Awards
- EDA Revolving Loan Fund
- U.S. Treasury State Small Business Credit Initiative

Further, the forgiveness of outstanding USDA Intermediary Relending Program loans and the immediate defederalization of EDA Revolving Loan Funds older than 10 years would decrease the burden of pandemics and disasters on small businesses. **Congress should immediately pass these measures to provide maximum revolving loan fund flexibility to aid recovery.**

**Pass Immediate Bond Financing Provisions:**

To support communities, Congress and the Administration should:

## Pass the Modernizing Agricultural and Manufacturing Bonds Act (MAMBA) H.R. 5422

Industrial Development Bonds (IDBs) and First-Time Farmer Bonds (Aggie Bonds) are vital financing tools for small manufacturers and first-time farmers. These tools, however, need quick reforms to allow for flexibility and greater use following the COVID-19 pandemic. These private activity bonds could be used in times of crisis to quickly ramp up agricultural and manufacturing production, notably in the delivery of medical manufacturing and food systems delivery. CDFA proposes six common-sense, bipartisan reforms contained within MAMBA to update the rules for IDBs and Aggie Bonds to allow for the rapid buildup of the supply chains needed to mitigate and recover from disasters. **This legislation has already been introduced and is ready for immediate passage.**

Detailed information about MAMBA is available on the CDFA website.

## Create a Permanent Category of Disaster Recovery Bonds

In the aftermath of severe weather events, pandemics, and natural disasters, communities around the country often find themselves in dire need of federal assistance to enable recovery and rebuild essential infrastructure. While the federal aid offered through the Stafford Act offers a much-needed source of funds for communities affected by disasters, those funds are rarely available in the immediate onset of a disaster and are often insufficient for comprehensive mitigation and recovery efforts. Communities need a permanent financing tool that is accessible during and immediately after disaster strikes. Such a tool would leverage private investment to make essential infrastructure resilient in the long-term. This tool could be put in place and triggered by the declaration of a national emergency. **Permanent disaster recovery bonds could be in place today and be used by thousands of communities to address critical COVID-19 pandemic needs.**

Detailed information about this proposal is available on the CDFA website.

**Allocate Federal Funding Accordingly:**

- **CDFI Fund** - $1 billion to address critical community lending needs
- **EDA** - $500 million to seed new, flexible revolving loan funds and to provide direct technical assistance to communities hit hard by the crisis
- **HUD** - $2 billion to address urban disaster recovery due to small business losses
- **USDA** - $2 billion to address rural development stagnation and the loss of small businesses

Detailed information about all of these proposals is available on the CDFA website or by contacting CDFA.

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