

The Small Business Relief From Communicable Disease Induced Economic Hardship Act of 2020

Background: SARS-CoV-2, commonly referred to as coronavirus disease 2019 or COVID-19, has been detected on every continent except Antarctica. First discovered in Wuhan City, Hubei Province in China, the disease has spread throughout the globe. Global efforts at this time are focused concurrently on containing spread of this virus and mitigating the impact of this virus.

On January 27, 2020, Health and Human Services Secretary Alex M. Azar II declared a public health emergency under the Public Health Service Act, which follows a declaration by the World Health Organization (WHO) that spread of the virus constituted an international public health concern. The last similar HHS public emergency declarations for communicable diseases was due to the zika virus in 2017 and the H1N1 flu outbreak in 2009 and 2010. There have only been four pandemics¹ since the 1918 Spanish Flu epidemic with the coronavirus believed to be the fifth such outbreak.

Travel alerts have been issued by the Department of State for international travelers due to the coronavirus. As of February 20, 2020, the travel advisory for China is at a Level 4, resulting in a do not travel alert. It was also raised to a Level 3 advisory for South Korea, meaning that travelers should reconsider travel.

America's small businesses are beginning to feel the impact from the coronavirus. Economists have lowered the global forecasts for major economies from 2.6 percent to 2.4 percent. Much of the recent slowing of economy is linked to the coronavirus, which has weakened demand in travel and tourism.² Besides the decline in foot traffic for many retailers and restaurants, particularly those in Chinese communities, small firms have experienced challenges related to their supply chains.³ Companies sourcing products and services from China have had delays or complete cancellations of orders, resulting in lower profits for the company.⁴ Besides these challenges, small firms must start the process of preparing their companies for the potential to have employees become infected and remain home or telework. In many instances, a small employer may be unable to absorb the additional workforce reductions without a coinciding loss in productivity.

Legislation: The purpose of the bill is to assist small businesses experiencing an economic injury as a result of the coronavirus. In doing so, the Small Business Administration's Disaster Loan program. In this program, an economic injury disaster loan exists for purposes of assisting small businesses and private nonprofit organizations in the event of a disaster.

¹ Centers for Disease Control and Prevention, National Center for Immunization and Respiratory Diseases (NCIRD), Pandemic Influenza, <https://www.cdc.gov/flu/pandemic-resources/basics/past-pandemics.html>, last visited Feb. 28, 2020.

² Paul Hannon and Amara Omeokwe, Coronavirus Hits U.S. Business Activity Surveys indicate February U.S. output fell to lowest level in more than six years as global economies started to feel effects of China's virus outbreak, Wall Street Journal, Feb. 21, 2020.

³ *Id.*

⁴ Ali Gostanian, It's not just Apple – small businesses are feeling the effects of the coronavirus outbreak, NBCNews.com, Feb. 27, 2020; Monique Lopez, Coronavirus impacting small businesses in Northeast Wisconsin, Fox11News.com, Feb. 26, 2020.

The Small Business Relief From Communicable Disease Induced Economic Hardship Act of 2020

Economic injury is the inability of a business to meet its obligations as they mature and to pay its ordinary and necessary operating expenses, which allows them to be eligible for an economic injury disaster loan. These loans are for working capital to small businesses and small agricultural cooperatives to assist them through the disaster recovery period. EIDL assistance is available only to small businesses determined unable to obtain credit elsewhere. The SBA can provide up to \$2 million to help meet financial obligations and operating expenses which could have been met had the disaster not occurred. Loan amounts are based on actual economic injury and the business's financial needs. If a business is a major source of employment, SBA has authority to waive the \$2,000,000 statutory limit. Currently, the interest rate on such loans will not exceed 4 percent per year.

The disaster loan program has carry-over funding of \$1 billion from previously appropriated funds. Therefore, the agency has only requested loan administration funding of \$168 million for FY2021.

Section Summary

Section 1: Designates the short title of the bill as the "Small Business Relief From Communicable Disease Induced Economic Hardship Act of 2020"

Section 2: Sets for the conditions for economic injury loans for communicable diseases by:

- Expanding the definition of a disaster to include a communicable disease for which the Federal Government has issues a travel alert or warning
- Adding a triggering event for which the economic injury loan may be utilized. Such event shall be the presence of a communicable disease for which the federal government has issues a travel alert or warning in conjunction with a federally declared public health emergency for such communicable disease.
- The SBA is prohibited from requiring a payment of interest upon such economic injury loan
- The loan program is effective upon the date of enactment