

## Hogan Announces Maryland Relief Measures for Small Businesses

By Mary Lundstedt, Esq.

Find this info and more at [AskFrost.com](https://www.AskFrost.com) 

Update 3/30/2020: Noted that the DLLR's funds have all been allocated and applications are no longer being accepted.

On March 23, 2020, in response to the COVID-19 pandemic, Maryland Governor Larry Hogan announced several new multi-million-dollar grants and loans aimed at providing much needed relief for small businesses:

- Relief via Maryland Department of Commerce
- Relief via the Maryland Department of Labor
- Relief via SBA Economic Injury Disaster Loans

As the situation develops, even more resources may become available—don't hesitate to contact a professional who can efficiently navigate the various options and create a strategy tailored to your needs.

### Relief Available Via Maryland Department of Commerce

First, the Maryland Department of Commerce now offers three new business assistance programs:

#### Maryland Small Business COVID-19 Emergency Relief Loan Fund (a \$75 million loan fund program)

- Loans up to \$50,000 (not to exceed three months of

cash operating expenses) open to Maryland for-profit businesses impacted by the COVID-19 with fewer than 50 employees.

- 0% for the first 12 months, and 2% for the remaining 36 months.
- Deferral of any payments for the first 12 months, and straight amortization beginning in the 13th month through the 36th month.
- Business must be established prior to March 9, 2020 and in good standing.
- Two years of historical financial statements and most recent interim statement to benchmark revenue against (if available).
- Six month pro forma of estimated lost revenue or other documented loss evidence.
- Minimum personal credit score of 575.
- No collateral requirements.
- Eligible uses include: working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations.<sup>1</sup>

**Note:** The relief available is meant “to provide interim relief complementing actions with [the business’s] bank, business interruption insurance, and financial partners.”<sup>2</sup> A for-profit business applying for relief via the **Maryland Small Business COVID-19 Emergency Relief Loan Fund** must be able to show “financial stress or disrupted operations.” Examples of these include, but are not limited to:

1. Notice of inability to pay rent or make loan payments due to reduced sales, suspended operations.
2. Increased cost related to COVID-19 prevention measures.
3. Notice of disrupted supply network leading to shortage of critical inventory or materials.

4. Other circumstances subject to review on a case by case basis.<sup>3</sup>

### **Maryland Small Business COVID-19 Emergency Relief Grant Fund (a \$50 million grant program)**

- Grants up to \$10,000 not to exceed 3 months of cash operating expenses for Maryland businesses and non-profits impacted by the COVID-19 with 50 or fewer employees.
- Must be established prior to March 9, 2020.
- Business must be in good standing.
- Annual Revenues of the business or nonprofit not to exceed \$5 million as evidenced by Financial Statement or other financial documentation.
- Business or nonprofit is expected to seek longer term funding through its bank, SBA, or other source.
- Eligible uses include: working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations.<sup>4</sup>

**Note:** A business or nonprofit applying for relief from the Maryland Small Business COVID-19 Emergency Relief Grant Fund must be able to show “financial stress or disrupted operations.” Examples of these include, but are not limited to:

1. Notices from tenants closing operations and not paying rent caused by loss of income.
2. Notice of inability to make loan payments due to reduced sales, suspended operations.
3. Increased cost related to COVID-19 prevention measures.
4. Notice of disrupted supply network leading to shortage of critical inventory or materials.
5. Other circumstances subject to review on a case by case basis.<sup>5</sup>

### **Maryland Small Business COVID-19 Emergency Relief Manufacturing Fund**

- \$5 million incentive program for Maryland manufacturers
- Incentivizes production of personal protective equipment (PPE) that is needed by hospitals and health-care workers across the nation.
- Expect more details regarding this fund on Friday, March 27, 2020.<sup>6</sup>



### **Relief Available Via Maryland Department of Labor**

Update 3/30/2020: The Department of Labor’s fund, described below, has closed applications. All of the money has already been allocated to, including an extra \$2mm that was added to the fund.

Other small business relief programs are still available as of writing, such as the two other funds described in this article and the [Paycheck Protection Program \(PPP\) Loans from the CARES Act](#) that was part of the \$2 trillion stimulus program.

Secondly, the Maryland Department of Labor is accepting applications for the new **“COVID-19 Layoff Aversion Fund (a \$7 million fund).”** According to the Department of Labor, “[t]he award (up to \$50,000 per applicant), will be a quick deployable benefit and customizable to the specific needs of your business to minimize the need for layoffs.” This program is intended for Maryland businesses that:

- Have 500 employees (not independent contractors) or fewer based within the State;
- Are up to date on Unemployment Insurance taxes and in good standing with the Comptroller of Maryland and MD Labor; and
- Can demonstrate a need for layoff aversion support due to the impacts of COVID-19.<sup>8</sup>

Examples of permissible activities include, but are not limited to:

- Purchasing remote access equipment to allow employees to work from home versus being laid off (computers, printers, telephones, headsets, etc.);
- Purchasing software programs or applications required for working remotely;
- Purchasing cleaning/sanitization supplies and/or services that will allow a small business to maintain

an on-site workforce as a result of exposure reduction through frequent deep cleaning;

- Paying for additional liability insurance for restaurants that convert to delivery under the State of Emergency;
- Supporting businesses that take advantage of the [Unemployment Insurance Work Sharing Program](#) by supplementing the employee's income and benefits; and/or,
- Other creative approaches and strategies to reduce or eliminate the need for layoffs, subject to review and approval by the MD Labor.<sup>9</sup>

This program is *not* intended for hazard pay, employee wages/benefits apart from the Workshare Unemployment Insurance Program, and "support services" (i.e., childcare, transportation, lodging, meals).

Significantly, the Department of Labor indicates that it is accepting grant applications now and until 30 days after the State of Emergency ends (subject to funding availability).

**Note:** Additionally, an "applicant" may include "employer consortiums" – i.e., businesses who collectively meet the above criteria, such as:

- Non-profit or community-based organizations;
- Industry Associations;
- Two or four-year institution of higher education;
- Local Workforce Development Areas;
- Labor Unions;
- Local or Regional Economic Development entities; and
- Local Governments<sup>10</sup>

## Relief Available Via SBA Economic Injury Disaster Loans

U.S. Small Business Administration (SBA) economic injury disaster loans provide critical economic support to small businesses facing significant disaster-related revenue losses—offering up to \$2 million in assistance per affected small business. On March 17, 2020, in an effort to minimize the significant economic disruption to our nations' small businesses resulting from the COVID-19 pandemic, the SBA Administrator Jovita Carranza released revised criteria

for states (or U.S. territories) seeking a COVID-19 economic injury declaration. Specifically, the SBA has relaxed its criteria to request an economic injury declaration—resulting in statewide disaster assistance loans.

In its announcement, which may be read in full at [sba.gov](https://www.sba.gov), the SBA stated that the revised criteria will have the following immediate effects:

- **Faster, Easier Qualification Process for States Seeking SBA Disaster Assistance.** Historically, the SBA has required that any state or territory impacted by disaster provide documentation certifying that at least five small businesses have suffered substantial economic injury as a result of a disaster, with at least one business located in each declared county/parish. Under the just-released, revised criteria, states or territories are only required to certify that at least five small businesses within the state/territory have suffered substantial economic injury, regardless of where those businesses are located.
- **Expanded, Statewide Access to SBA Disaster Assistance Loans for Small Businesses.** SBA disaster assistance loans are typically only available to small businesses within counties identified as disaster areas by a Governor. Under the revised criteria issued today, disaster assistance loans will be available





statewide following an economic injury declaration. This will apply to current and future disaster assistance declarations related to Coronavirus.

Significantly, these loans may be offered with long-term repayments, up to a maximum of 30 years. The term of a loan is determined on a case-by-case basis and weighs each borrower's ability to repay. The interest rates are set at 3.75% for small businesses and 2.75% for nonprofits.

**Note:** We are closely monitoring legislative developments regarding proposed modifications to the requirements for small business loans issued in response to COVID-19 and will update our readers accordingly.

## Conclusion

Again, we urge you to act quickly to take advantage of the relief that's available. Remember, as the Department of Labor's **COVID-19 Layoff Aversion Fund** reminds potential applicants—their program is only available within a certain timeframe (which is also subject to funding availability). An experienced legal professional can help efficiently determine the relief-strategy that works best for you and streamline the application process(es).

*We will continue to update our readers on developments pertaining to relief provisions for small businesses as they become available. Specifically, we are tracking Senate Bill 3541 ("A bill to modify requirements relating to small business disaster loans made in response to COVID-19, and for other purposes") and Senate Bill 3548 (To provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic.)*

*If you would like to discuss small business relief provisions available during the COVID-19 pandemic, call Frost Law today at 410-862-4220.*

## Footnotes

1. <https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-loan-fund>
2. Id.
3. Id.
4. <https://commerce.maryland.gov/fund/maryland-small-business-covid-19-emergency-relief-grant-fund>
5. Id.
6. <https://commerce.maryland.gov/fund/maryland-covid-19-emergency-relief-manufacturing-fund>
7. <https://www.dllr.state.md.us/employment/covidlafund.shtml>
8. <https://www.dllr.state.md.us/employment/covidlafundpolicy.pdf>
9. Id.
10. Id.

## Additional Resources



### CARES Act Temporarily Expands Streamlined Small Business Process in Chapter 11 Bankruptcy

In February of 2020, the Small Business Reorganization Act (SBRA) became effective and added new Subchapter S of the United States ...

[CONTINUE READING](#)



### Paycheck Protection Program (PPP) Document Checklist for Applying

The SBA loans under Section 1102 of the CARES Act (sometimes referred to as "7(a) Loans") which are eligible for forgiveness are ...

[CONTINUE READING](#)

This analysis is not legal advice. It is provided for informational purposes only. This analysis does not constitute legal advice and is being provided on an informational basis only. For advice about whether and how you or your business can benefit from this topic, please contact your legal counsel.

Call us at 410-497-5947 | [info@FrostLaw.com](mailto:info@FrostLaw.com)

