

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 740

(Senator Rosapepe)

Finance and Budget and Taxation

Rules and Executive Nominations

Economic Development - COVID-19 Small Business Grant Program (COVID-19
Crisis Small Business Survival Program Act of 2021)

This emergency bill establishes the Maryland COVID-19 Small Business Grant Program in the Department of Commerce, subject to specified conditions. The program provides funding *to counties* to issue emergency relief grants to eligible small businesses in 2021 and 2022, under eligibility criteria and program parameters that the county generally determines. A grant under the program must be funded through federal coronavirus relief money provided to the State under the Coronavirus Response and Relief Supplemental Appropriations Act and any other federal legislation enacted in 2020 through 2022. The bill contains related reporting requirements on program eligibility and application criteria and recipient characteristics. **The bill terminates June 30, 2024.**

Fiscal Summary

State Effect: Federal fund revenues and expenditures for a particular agency or department are affected from FY 2021 through 2023 to the extent federal funds are directed to a different purpose than they would have been in the absence of the bill. However, the effect on any particular State agency or program is unknown and depends on a variety of factors, also discussed below.

Local Effect: Local governments are affected to the extent that coronavirus relief funds are reallocated under the bill. Any such impact, however, is uncertain.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The purpose of the program is to provide funding to counties to issue emergency relief funding during calendar 2021 and 2022 for small businesses located in the county that have experienced at least a 25% reduction in gross receipts during the COVID-19 pandemic resulting from either (1) local, State, or federal COVID-19 quarantine rules or (2) market forces.

A county may apply to Commerce for a distribution under the program and may designate a county entity to receive and distribute the funds. Generally, the county may establish eligibility and application requirements for grants and their use; however, a county is required to provide an additional 10% to a business participating in the work sharing unemployment insurance (UI) program. Subject to these provisions, Commerce must distribute to each county a portion of funds from the program on a per capita basis.

Current Law:

COVID-19 Business Relief

In response to COVID-19, several State agencies have administered a variety of programs to assist businesses, including small businesses, using federal and State funding sources. For example, Commerce administered a total of \$380.0 million in COVID-19 relief program funding in fiscal 2020 and 2021. The vast majority of the funding was provided in nearly equal amounts from the Coronavirus Aid, Relief, and Economic Security Act and the Rainy Day Fund. The operating budget analysis for Commerce, available on the Department of Legislative Services website, contains a thorough discussion of the use of these funds.

The American Rescue Plan Act of 2021, signed into law in March 2021, among many other actions, provides significant funding to states to mitigate the fiscal effects stemming from the public health emergency with respect to COVID-19. A preliminary estimate of the funding available to Maryland under this provision is approximately \$3.9 billion, although there are some limitations to the use of the funds.

For an overview of the effects of COVID-19, including previous federal funding for Maryland to address the pandemic, see the **Appendix – COVID-19**.

Work Sharing Program

The State has adopted an optional Short-Time Compensation Program, more commonly known as work sharing, as allowed under federal law. Maryland employers who participate in work sharing can retain employees by temporarily reducing the hours of work among

employees within an affected unit. The employees with reduced work hours receive partial UI benefits – the same percentage as the hourly reduction – to supplement lost wages. For example, an employer could reduce hours by 20%, and then those affected employees would be entitled to 80% of their normal earnings, plus 20% of their UI benefit.

State Fiscal Effect: This estimate assumes that, consistent with the bill’s requirement that grants be provided with federal funds, no State funds are provided to the program. As discussed above, there are significant federal coronavirus relief funds available to the State. Therefore, the bill potentially alters and limits the uses of federal coronavirus relief funds in calendar 2021 and 2022. However, the bill does not contain a mandate; any funding for the program would be discretionary.

Accordingly, federal fund revenues and expenditures for a particular State agency are affected from fiscal 2021 through 2023 to the extent federal funding is directed to a different purpose than would happen in the absence of the bill. Any such impact, however, largely depends on (1) whether funds are actually provided to the program in the bill; (2) the extent to which any reallocated funds are used differently than they otherwise would have been; and (3) any differences in required staffing or other administrative expenses.

For example, it is conceivable that Commerce would otherwise receive similar levels of funding for small business relief programs in the absence of the bill and, therefore, revenues and expenditures for the department would be largely unaffected.

Local Fiscal Effect: Local revenues and expenditures are affected in much the same way as described above – the impact largely depends on how reallocated funds would have otherwise been used and the number of counties that apply for assistance. For context, since funds must be allocated on a per capita basis, **Exhibit 1** shows the absolute and relative populations of the counties and Baltimore City.

Exhibit 1
Population – Maryland Counties and Baltimore City
July 1, 2019

County	Population	% Population
Allegany	70,416	1.2%
Anne Arundel	579,234	9.6%
Baltimore City	593,490	9.8%
Baltimore	827,370	13.7%
Calvert	92,525	1.5%
Caroline	33,406	0.6%
Carroll	168,447	2.8%
Cecil	102,855	1.7%
Charles	163,257	2.7%
Dorchester	31,929	0.5%
Frederick	259,547	4.3%
Garrett	29,014	0.5%
Harford	255,441	4.2%
Howard	325,690	5.4%
Kent	19,422	0.3%
Montgomery	1,050,688	17.4%
Prince George's	909,327	15.0%
Queen Anne's	50,381	0.8%
St. Mary's	113,510	1.9%
Somerset	25,616	0.4%
Talbot	37,181	0.6%
Washington	151,049	2.5%
Wicomico	103,609	1.7%
Worcester	52,276	0.9%
Total	6,045,680	100%

Source: U.S. Census Bureau

Small Business Effect: Small businesses are affected in much the same way as local governments – that is, they are affected to the extent that the bill reallocates funding to or from particular small businesses.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Commerce; Montgomery and Prince George's counties; U.S. Census Bureau; Department of Legislative Services

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Appendix – COVID-19

In December 2019, a novel strain of coronavirus known as severe acute respiratory syndrome coronavirus 2 emerged in Wuhan, China. Coronavirus disease (COVID-19) is an infectious disease caused by this virus. As the number of cases spread globally by March 2020, the World Health Organization declared COVID-19 a pandemic.

Testing, Cases, and Deaths in Maryland

Maryland's first three confirmed cases of COVID-19 were recorded on March 6, 2020, with the first two deaths occurring March 16, 2020. As of January 27, 2021, Maryland reported a total of 346,559 confirmed cases, 31,468 individuals ever hospitalized, and 6,821 confirmed deaths. The jurisdictions with the highest number of cases have been Prince George's, Montgomery, and Baltimore counties and Baltimore City. Statewide, 8.4% of cases (28,954) and 45.9% of COVID-19 deaths (3,130) occurred in congregate living settings (*i.e.*, nursing homes, assisted living, and group homes). Updated data on COVID-19 in Maryland is available on the Maryland Department of Health (MDH) dashboard: <https://coronavirus.maryland.gov>.

Vaccines

In December 2020, the U.S. Food and Drug Administration approved both Pfizer-BioNTech and Moderna's COVID-19 vaccines for emergency use. Due to limited quantities, distribution began with priority groups as determined by states. Maryland began distribution in January 2021 with Phase 1A, which includes health care workers, residents and staff of nursing homes, first responders, public safety, corrections staff, and front-line Judiciary staff. Phase 1B began January 18, 2021, and includes residents of assisted living facilities and other congregate settings, adults age 75 and older, staff of K-12 schools and child care facilities, high-risk incarcerated individuals, and those involved in continuity of government. As of January 27, 2020, the State is in Phase 1C, which includes adults aged 65 and older, additional public safety and public health workers, and essential workers in food/agriculture, manufacturing, public transit, and the postal service. Phase 2 will include individuals aged 16 to 64 at increased risk of severe illness, incarcerated adults, and remaining essential workers. Phase 3 will include the general public. As of January 27, 2021, 852,625 doses of the vaccine have been distributed, and 419,579 doses have been administered (363,282 first doses and 56,297 second doses). Updated data is available on the MDH dashboard: coronavirus.maryland.gov/#Vaccine.

Declaration of a State of Emergency and Initial Executive Orders

On March 5, 2020, Governor Lawrence J. Hogan, Jr. declared a state of emergency and the existence of a catastrophic health emergency to deploy resources and implement the emergency powers of the Governor to control and prevent the spread of COVID-19. The declaration, which has been renewed several times (most recently January 21, 2021), initiated a series of executive actions, including moving the Maryland Emergency Management Agency to its highest activation level, activating the National Guard, and closing all public schools. The Governor then ordered the closure of in-house dining at bars and restaurants and banned mass gatherings of more than 50 people. This action was followed by a more extensive stay-at-home order on March 30, 2020, requiring closure of all nonessential businesses. This order remained in effect until May 15, 2020.

Emergency Legislation

Chapters 13 and 14 of 2020 (the COVID-19 Public Health Emergency Protection Act of 2020) authorized the Governor, for the duration of the emergency, to take actions relating to health insurance, Medicaid, retailer profits, employer actions, and personnel at State health care facilities as a result of the state of emergency and catastrophic health emergency. The Acts also authorize the Secretary of Labor to determine certain individuals eligible for unemployment insurance (UI) benefits due to COVID-19. The Acts terminate April 30, 2021.

Subsequent Executive Orders and Advisories

Since March 2020, the Governor has issued numerous executive orders relating to COVID-19, including (1) closing Maryland ports and harbors to passenger vessels; (2) expanding child care access; (3) expanding the scope of practice for health care practitioners, activating the Maryland Responds Medical Reserve Corps, controlling and restricting elective medical procedures, closing adult day care centers, and providing additional health care regulatory flexibility; (4) augmenting emergency medical services; (5) prohibiting price gouging; (6) fast tracking lab testing processes; (7) authorizing expanded telehealth services; (8) delegating authority to local health officials to control and close unsafe facilities; (9) extending certain licenses, permits, and registrations; (10) authorizing remote notarizations; (11) prohibiting evictions of tenants suffering substantial loss of income due to COVID-19, additionally prohibiting certain repossessions, restricting initiation of residential mortgage foreclosures, and prohibiting commercial evictions; (12) regulating certain businesses and facilities and generally requiring the use of face coverings; (13) establishing alternate health care sites and authorizing regulation of patient care space in health care facilities; and (14) implementing alternative correctional detention and supervision.

Federal Legislation Regarding COVID-19

Five federal emergency bills have been enacted to address the COVID-19 pandemic:

- the **Coronavirus Preparedness and Response Supplemental Appropriations Act**, which provided \$8.3 billion in emergency funds for federal agencies (including \$950 million through the U.S. Centers for Disease Control and Prevention for state and local response);
- the **Families First Coronavirus Response Act**, which addressed emergency family and medical leave and paid sick leave, specified insurance coverage of COVID-19 testing, and provided additional funding for nutrition assistance programs and unemployment benefits;
- the **Coronavirus Aid, Relief, and Economic Security (CARES) Act**, which included a Coronavirus Relief Fund for state and local governments; an Education Stabilization Fund for states, school districts, and institutions of higher education; a Disaster Relief Fund for state and local governments; additional funding for public health agencies to prevent, prepare for, and respond to COVID-19; funding for transit systems; an expansion and extension of eligibility for UI benefits, and additional temporary unemployment compensation of \$600 per week; \$349 billion for the establishment of the Paycheck Protection Program (PPP); a \$500 billion lending fund for businesses, cities, and states; and Economic Impact Payments to American households of up to \$1,200 per adult and \$500 per child;
- the **Paycheck Protection Program and Health Care Enhancement Act**, which provided an additional \$310 billion to PPP, \$75 billion for health care providers, \$60 billion for small business disaster loans, and \$25 billion for increased testing capacity; and
- the **Consolidated Appropriations Act, 2021, and Other Extensions Act**, which included \$908 billion in relief, including another \$284 billion for PPP, \$82 billion for schools, \$45 billion for transportation, \$25 billion in emergency assistance to renters, \$20 billion for vaccine distribution, \$13 billion for a major expansion in Supplemental Nutrition Assistance benefits, \$13 billion for agriculture and rural programs, \$10 billion for child care assistance, extended federal unemployment benefits of up to \$300 per week, extended the federal moratorium on evictions through January 31, 2021, and provided a second stimulus payment of up to \$600 per person.

Federal Funding for Maryland to Address COVID-19

The CARES Act and the Families First Coronavirus Response Act provided Maryland with a significant amount of federal aid. More than \$6 billion in assistance has been made available to the State and local governments, including an enhanced federal matching rate for Medicaid. More than \$900 million was directly provided to local governments. The largest and most flexible portion of CARES Act funding is the Coronavirus Relief Fund, which totals \$2.3 billion, \$691 million of which was allocated directly to Baltimore City and Anne Arundel, Baltimore, Montgomery, and Prince George's counties.

CARES Act funding also included \$800 million for the Disaster Recovery Fund; \$696 million for transit grants; \$575 million in enhanced Medicaid matching funds (through December 2020); \$239 million in CDC grants; \$108 million for airports; \$74 million for community development block grants; \$50 million for homelessness assistance; \$46 million for grants for local education agencies and higher education institutions; \$46 million for child care and development block grants; \$36 million for public housing and rental assistance grants; \$24 million for community health centers; \$20 million for senior nutrition; \$19 million for energy assistance; \$18 million for justice assistance grants; \$17 million for administration of the UI program; \$14 million for community service block grants; \$13 million for emergency food assistance; \$8 million for Head Start; \$8 million for the Women, Infants, and Children program; and \$7 million for election security.

The Consolidated Appropriations Act is estimated to provide Maryland with \$1.2 billion for education (including \$869 million for K-12 education, \$306 million for higher education, and \$57.7 million for the Governor's Fund); \$1.1 billion for transportation (including \$830.3 million for transit in the Washington, DC area, \$149.3 million for highways, \$76.2 million for transit in Baltimore, \$22.5 million for airports, and \$9.1 million for rural area grants); more than \$475 million for health (including \$335.6 million for testing, \$75.3 million for vaccines, \$32.6 million for mental health assistance, and \$31.9 million for substance use assistance); \$402.4 million for rental assistance; and \$140.6 million for human services (including \$130.4 million for child care).