



# HOW THE FEDERAL GOVERNMENT'S COVID-19 RESPONSE IMPACTS NEW MEXICO

## SMALL BUSINESS PROVISIONS



### BY THE NUMBERS:

Small businesses<sup>1</sup> are generally less well equipped than large corporations to bear the unprecedented economic fallout caused by the COVID-19 pandemic. But in New Mexico, small businesses are truly the backbone of our state's economy:

- More than **154,000** small businesses operate in New Mexico.<sup>2</sup>
- They constitute **99%** of all businesses in the state.<sup>3</sup>
- Small businesses employ more than half (**53.3%**) of New Mexico's workers – nearly **335,000** New Mexicans.<sup>4</sup>
- More than half (**54%**) of these businesses – **NEARLY 85,000** – are owned by people of color or women.<sup>5</sup>

### WHAT'S INCLUDED:

The CARES Act allocates \$349 billion in small business loans, to be distributed primarily through two programs:

1. Paycheck Protection Program,<sup>6</sup> which:
  - Is available to any small business with fewer than 500 employees;
  - Provides up to \$10 million per business to cover payroll, rent, mortgage interest, or utilities;
  - Defers loan payments for six months; and,
  - Has a maturity of 2 years and an interest rate of 1%.

In addition:

  - The Small Business Administration (SBA) will **forgive loans** if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.
  - For a loan to be completely forgiven, 75% of it must be used for payroll-associated expenses.
  - Loans are issued on a first-come, first-served basis.
2. Economic Injury Disaster Loan,<sup>7</sup> which:
  - Will provide \$10 billion in emergency grants of \$10,000 each to small businesses and non-profits, with the primary purpose of alleviating the temporary loss of revenue due to COVID-19;
  - Will be provided within three days of application; and,
  - Does not have to be repaid.



# WHO'S LEFT OUT:

Approximately 95% of New Mexico's small business

- Launched on April 3, the \$349 billion CARES Act fund was depleted by April 16 due to the high demand driven by worsening economic conditions. In New Mexico, approximately 8,277 loans have been approved totaling over \$1.4 billion. However, it's estimated that fewer than 5% of New Mexico's small businesses have received a federal loan, and preliminary estimates suggest these businesses only received enough funds to cover 49% of the state's eligible payroll.<sup>8</sup> Unless the fund is replenished, most small businesses in New Mexico will not receive any relief.



# WHAT'S NEXT:

While Congress has reached an agreement on replenishing the fund, legislation still needed to be enacted as this fact sheet went to press. In addition, rigorous outreach must be conducted to reach small businesses that were likely missed by the first wave of funding, including those owned by immigrants, people of color, and people in underserved economic areas.



1 The CARES Act defines a "small business" as any business with 500 or fewer employees

2 "2019 Small Business Profile New Mexico," U.S. Small Business Administration Office of Advocacy, 2019

3 Ibid

4 Ibid

5 Ibid

6 Paycheck Protection Program, U.S. Small Business Administration, 2020

7 Economic Injury Disaster Loan Emergency Advance, U.S. Small Business Administration, 2020

8 "Small-Business Rescue Shows Not All States Are Created Equal," *Bloomberg News*, 2020