Steve Daines
UNITED STATES SENATOR FOR MONTANA

Recharge and Empower Local Innovation and Entrepreneurs Fund (RELIEF) for Main Street Act (S. 3742)

Background:

New federal financing, including the Paycheck Protection Program (PPP), has quickly provided hundreds of billions of dollars in emergency assistance to small businesses and their employees impacted by COVID-19. But millions more remain on the financial brink, including very small, minority-owned, and rural businesses.

In response to growing need, across the country, states, cities, counties, and towns have stepped up and established local relief funds to provide emergency support, including loans and grants, to small businesses experiencing revenue loss. Local funds are led by a range of stakeholders, including city and county governments, public authorities, philanthropies, financial institutions, and local chambers of commerce. Funds leverage distribution channels beyond traditional financial institutions, enabling them to reach a broader set of businesses more quickly, and with financing that meets the particular needs of very small businesses unexpectedly on the financial brink. But local efforts are massively oversubscribed; many funds received requests for more funding than there was available within days or even minutes of the application process opening.

RELIEF for Main Street Act:

The RELIEF for Main Street Act would build on what is already working across the country. The legislation creates a new $50 billion Fund, operated by Treasury, to provide direct allocations to cities, counties and states to seed and scale small business local relief funds.

Recognizing that no two communities are alike, local relief funds can be tailored based on local capacity and the financial needs and conditions of local borrowers. Importantly, funds must provide financing to very small businesses with fewer than 20 employees, minority-owned businesses, small businesses in low-income and rural communities, businesses outside the mainstream banking system, and tribal businesses. Local funds may also offer flexible resources to serve as a bridge or complement to options like the PPP and the Economic Impact Disaster Loans (EIDL) program.

Program Design

- Fund is based at the Treasury Department and seeded with $50 billion, allocated to ensure equitable access:
    - $35 billion distributed based on the Community Development Block Grant formula (70% of funding directly allocated to larger cities and counties and 30% of funding to states to serve rural communities), but without corresponding CDBG requirements
    - $15 billion "rural bonus" allocated to states to provide financing exclusively to businesses in rural areas.
    - For state-controlled funds, guidance requires equitable distribution across the state. States are encouraged to sub-allocate funds to rural communities with funds already established.

- States, cities, and counties may use new resources to seed or scale a Local Small Business Emergency Fund (or Funds), and/or support organizations providing qualifying technical assistance.

- Local funds may provide financing to privately-held businesses and nonprofits that meet the following criteria:
    - 20 full-time employees (FTE) or fewer, OR 50 FTE or fewer if located in a low-income neighborhood, defined as a census tract with income less than or equal to 80% area median income, or poverty rate greater than 20 percent (definition for New Markets Tax Credit);
    - Has experienced a loss of income due to COVID-19, with criteria determined by the Treasury Secretary; and
    - Additional requirements, as determined by localities.

- To combat against fraud and abuse, local funds are required to submit demographic and disbursement information to Treasury to demonstrate basic compliance and engagement with underserved businesses and communities.