



February 2, 2021

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The Honorable Nydia M. Velázquez
Chairwoman
House Committee on Small Business
2302 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
Minority Ranking Member
House Committee on Small Business
2230 Rayburn House Office Building
Washington, DC 20515

RE: U.S. House Committee on Small Business Public Hearing: State of the Small Business Economy in the Era of COVID-19, Written Testimony on behalf of the United States Hispanic Chamber of Commerce (USHCC).

Dear Chairwoman Velázquez and Minority Ranking Member Luetkemeyer,

Thank you, Chairwoman Velázquez and Members of this Committee, for the opportunity to share written testimony on behalf of our 4.7 million Hispanic Business Enterprises (HBEs) that contribute an estimated \$800 billion to the U.S. economy annually. The USHCC, through our programming and network of more than 250 Hispanic chambers across our country have been providing necessary resources and technical assistance to ensure that the Economic Injury Disaster Loan (EIDL) program from the U.S. Small Business Administration (SBA) is being promoted and utilized to revitalize the American economy.

While this financial facility requires repayment to the U.S. Government, we appreciate the efforts put forth by Congress to allow for a \$10,000 cash advance so that small minority-owned businesses can have immediate and much needed liquidity. Below are real business testimonials from Hispanic Business Enterprises (HBEs), policy recommendations based on the USHCC's advocacy, and recent data which illustrates the need and continuation of the EIDL program and its consideration by Congress.

The USHCC's ongoing advocacy during the COVID-19 pandemic and after is focused on three driving pillars: increasing public and private sector procurement opportunities for Hispanic Business Enterprises (HBEs), advocating for issues affecting Hispanic business and the more than 61 million Hispanics living in America, and creating synergies of strategic collaboration with our network of more than 250 local Hispanic chambers across our country. Furthermore, we strive to do this work under three overarching goals which are: influence policy makers to adopt recommendations into stimulus related legislation and administration policies, expand Hispanic and minority-owned small business access to government and private sector procurement, and secure inclusion of the Hispanic community with decision and policy makers throughout the process.

USHCC Member Examples of Economic Injury Disaster Loan (EIDL) Utilization:

1. Business Name: Unico Communications

Business Owner: Lisa Bombin, President and CEO

Contact Information: 210-846-0960 / Lbombin@unicocommunications.com

“Unico Communications Inc. is a 16-year events production company, we were able to sustain payroll during the pandemic. We have a long history of producing large-scale events for the nation’s most reputable non-profit organizations. It was ironic that in the same year I was named one of the 100 most influential Latina leaders, I would find myself scrambling for a method to sustain my company, staff, and payroll. As the pandemic hit and the rapid event cancellations followed, our business came to an abrupt halt. The only alternative was to quickly pivot our services. During the quiet months that followed, I quickly suspended my own salary to retain as much cashflow enabling me to keep our staff secure and fully-employed. During that time, we shifted our focus to auditing, learning, and researching virtual productions and platforms with success in the market. I am thrilled to say, that we continue to produce national events today with our new services in virtual/digital productions. Without the forgivable funding we received through the EIDL Advance of \$4,000, which was capped because we only had four employees, it would have been hard to avoid layoffs from our small but mighty team. Furthermore, we also were able to secure a PPP Loan in the amount of \$26,900 which also helped us continue serving our customers with the necessary workforce.”

2. Company Name: LUHV

Business Owner: Silvia Lucci, Owner

Contact Information: 215-768-7192 / silvia@luhvfood.com

“LUHV Food is a Latino immigrant-owned vegan food manufacturer with fast casual restaurants and catering operations headquartered in the Philadelphia region. LUHV was built on this belief: We can all change the world by the way we eat one bite at a time. We understand eating vegan, gluten free, and healthfully is not easy for most, which is why we need to make food that people crave and can afford. Health should not be the privilege of wealth nor an unsatisfying compromise. We deeply believe in making veganism stress-free, and pride ourselves to be part of a movement that will ensure the health of every person and the protection of our world for generations to come. In 2020, LUHV received an EIDL loan with cash advance totaling \$112,000 that was used to cover operational expenses such as payroll, rent, and utilities. The funds were critical in helping the company stay afloat while pivoting our business model. Ultimately, LUHV was successful in increasing the wholesale segment and we are now expanding our manufacturing capacity.”

3. Company Name: El Merkury

Business Owner: Sofia DeLeon, Owner

Contact Information: 517-488-9445 / sofia@elmerkury.com

“El Merkury is a Latina immigrant-owned fast-casual restaurant and caterer, serving Central American street food and churros in Philadelphia, PA. The idea behind this concept is that we can represent the under-represented countries whose perceptions are sometimes shadowed by news that sell (murder, criminals, drugs) and instead shine a different light by

showing the awesomeness that they have. In other words, we want to represent Central America through food! In 2020, El Mercurio received an EIDL loan with a cash advance totaling \$200,000 that was used to cover operational expenses such as payroll, rent, and utilities. These funds were critical in allowing our company to remain open while we evolved to an alternative business model and engaged with new customers. Ultimately, El Mercurio was successful in increasing the corporate catering segment and we are now adding a new location to our fast casual concept.”

Calls to Action:

1. Increase funding for the Economic Injury Disaster Loans (EIDL) and grants. Allow businesses to apply for this funding and their loan amount should be based on operating expenses, not number of employees and should not be capped. Small businesses who have less than ten employees are automatically not eligible for the full amount of economic relief available.
2. Extend the EIDL Advance Program through December 31st, 2021 and remove any caps that would preclude small minority-owned businesses from accessing this program.
3. Continue the deferral of EIDL grants given to small businesses for an additional 12 months through March 1st, 2022.
4. Assess the economic harm that EIDL recipients have undergone and implement an interest reduction program for those businesses who have seen grave economic losses in revenue.
5. Require more transparent reporting on SBA’s Disaster Relief Programs. Require lenders of all types to ask the ethnicity of loan applicants and report to the SBA to track demographic data that includes the total number and dollar amounts of loans or grants approved and disbursed through the Emergency EIDL Grants Program, and the EIDL Program as well as the amount of remaining funding in each program. Weekly reporting on EIDL should include a breakdown by industry, ethnicity, and loan/grant size.

Hispanic Statistics/Economic Impact:

- The number of U.S. Latino business owners grew by 34% when compared to all business owners in the country (2020),
- Today, one out of every four small businesses is run by a Hispanic entrepreneur,
- 43% of Fortune 500 Companies were started by an immigrant or their children,
- One out of ten jobs in America is created by an immigrant-entrepreneur,
- Latinos will be 75% of the labor growth in the U.S. over the next ten years,
- By 2050, one out of every three jobs will be held by a Latino/a,
- There are 61 million Hispanics living in America who account for \$2.6 trillion of U.S. economic activity,
- Latinos open businesses at three times the rate of the national average,
- Minority-owned businesses are more likely to rely on personal savings (49%) than all small businesses (43%) to fund and grow their company,
- 38% of minority-owned businesses said they are more likely to turn to local banks or credit unions for funding,

- If we provided the capital for Hispanic Business Enterprises to scale up, we would add another \$1.38 trillion to U.S. economy,
- Approximately 80% of U.S. jobs are created by small businesses,
- Working from home is not an option for more than 84% of Latinos professionals,
- 83% of Hispanics see the coronavirus as a threat to their finances vs 77% of the overall U.S. population.

Reimagine Main Street National Minority-Owned Businesses Survey Summary:

There has been very little data available about the effect this crisis is having on MBEs. To get a better understanding, the National Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE), in partnership with the U.S. Black Chambers, Inc. (USBC), and the United States Hispanic Chamber of Commerce (USHCC), conducted the largest national survey of its kind, in collaboration with Reimagine Main Street. Our survey was conducted online from September 28 through November 30, 2020. A total of 8,328 business owners responded, including 893 Asian American and Pacific Islander (AAPI), 2,208 Black, 879 Hispanic, and 179 Native American business owners.

The results of our survey, attached to this testimony, paint a sobering picture: 10% of respondents expect to close permanently in the next six months, and 45% expect to lay off at least one employee. Thirty-three percent of Black-owned, 26% of Native American-owned, and 21% of Hispanic-owned businesses report having less than a month of cash to cover operating expenses. Of the business owners expecting to lay off at least one employee, AAPIs were the highest at 49%. Since the survey was fielded, COVID-19 cases have surged, averaging more than 1.3 million per week and over 3,000 deaths per day in our country. Furthermore, our minority communities have been the most disproportionately affected by this virus from both a healthcare and economic perspective.

Collectively, the above mentioned organizations represent the interests of more than 9.3 million minority-owned business enterprises (MBEs) and a network of more than 450 minority focused nonprofit organizations across the United States. We provide this data in good faith to the House Committee on Small Business so that you may consider necessary legislation, appropriations, and innovative solutions to continue to combat the economic threat that COVID-19 has imposed on our MBE communities.

REIMAGINE MAIN STREET



Business Owners of Color and COVID-19

December 10, 2020



**PUBLIC PRIVATE
STRATEGIES**

REIMAGINE MAIN STREET



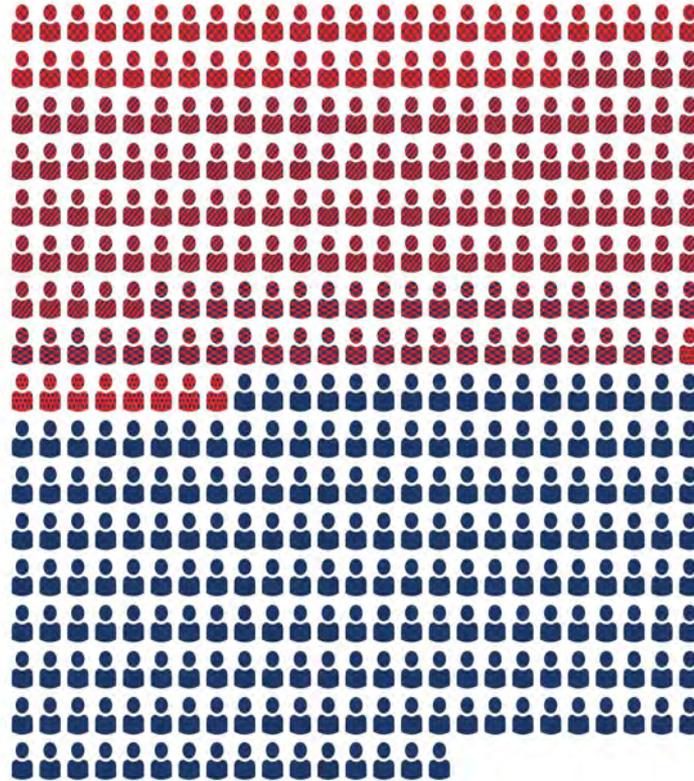
Small businesses and their workers must rebound from the COVID-19 crisis so that communities thrive and the benefits ripple throughout the economy. We are a multi-stakeholder, cross-sector initiative focused on advancing and uplifting innovative solutions to ensure that Main Street is at the center of our recovery. Reimagine Main Street is a project of Public Private Strategies.

Context for this Survey

- Small business and communities of color hard hit by pandemic
- Limited data available to reflect absolute and relative experience of Asian-, Black-, Hispanic- and Native-owned small businesses
- Large-scale national survey of small business owners fielded from September 28 through November 30, 2020. Large samples of Asian-, Black-, Hispanic-, Native- and White-owned businesses provide timely insight into impact and pain points.

Large and Diverse Sample

8,328
Respondents

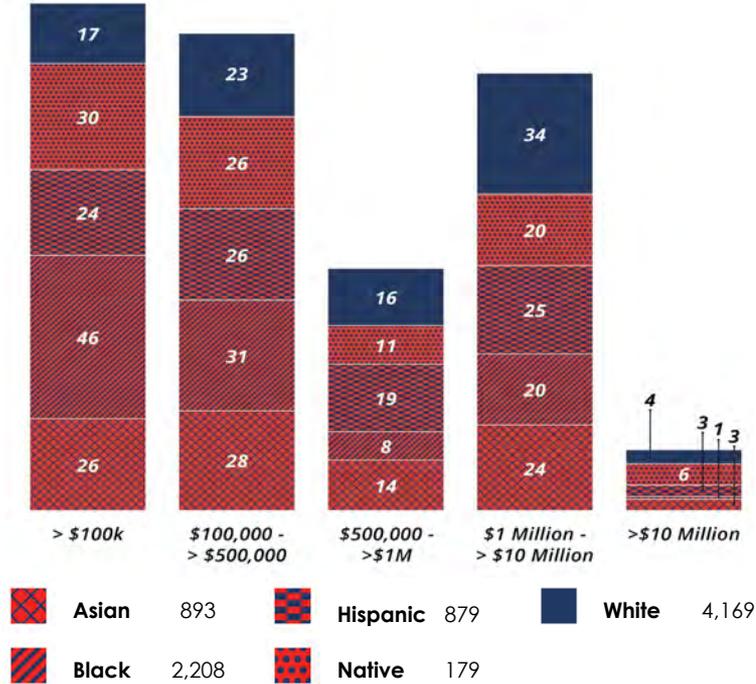


	Asian	893
	Black	2,208
	Hispanic	879
	Native	179
	White	4,169

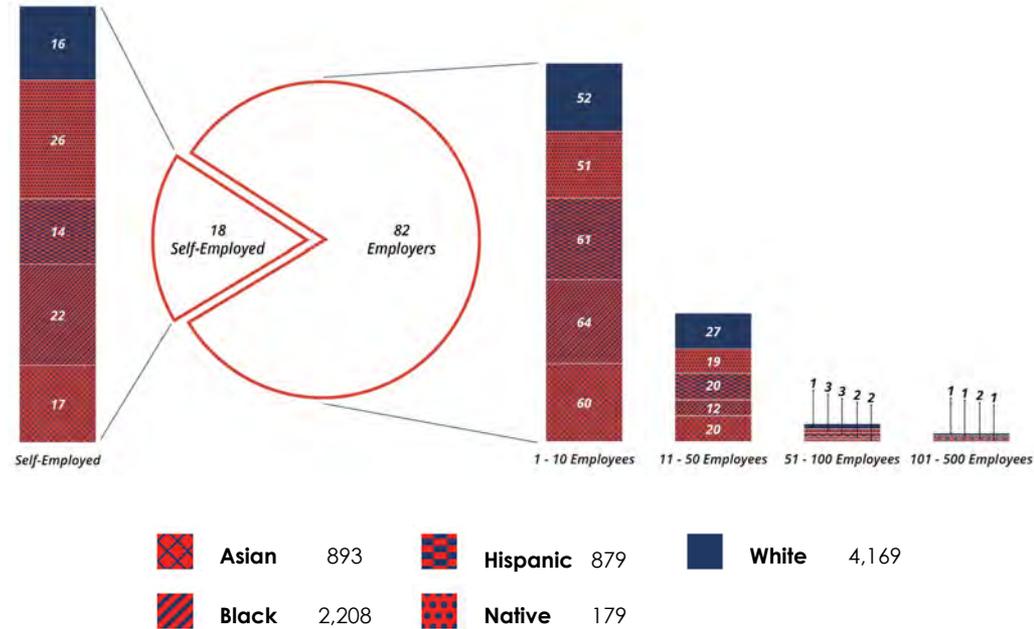
 = 20 Small Business Owners

Robust Mix of Micro and Small Businesses

2019 Revenue
% of respondents

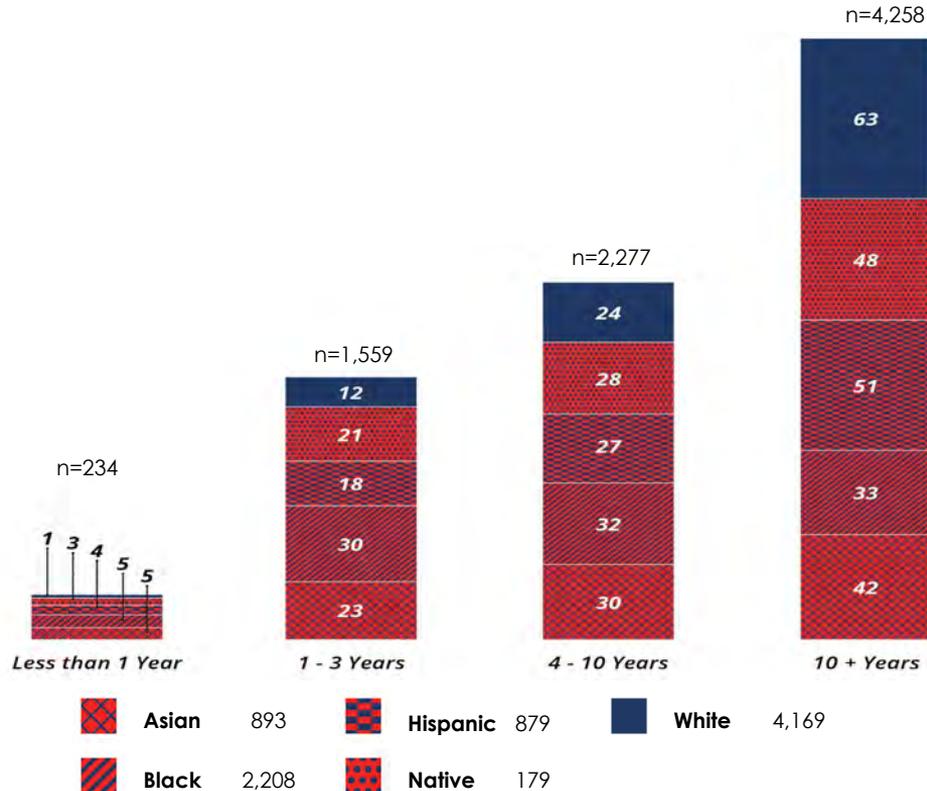


Distribution by Number of Employees
% of respondents



Skews Toward Established Businesses

Time in Business
% of respondents

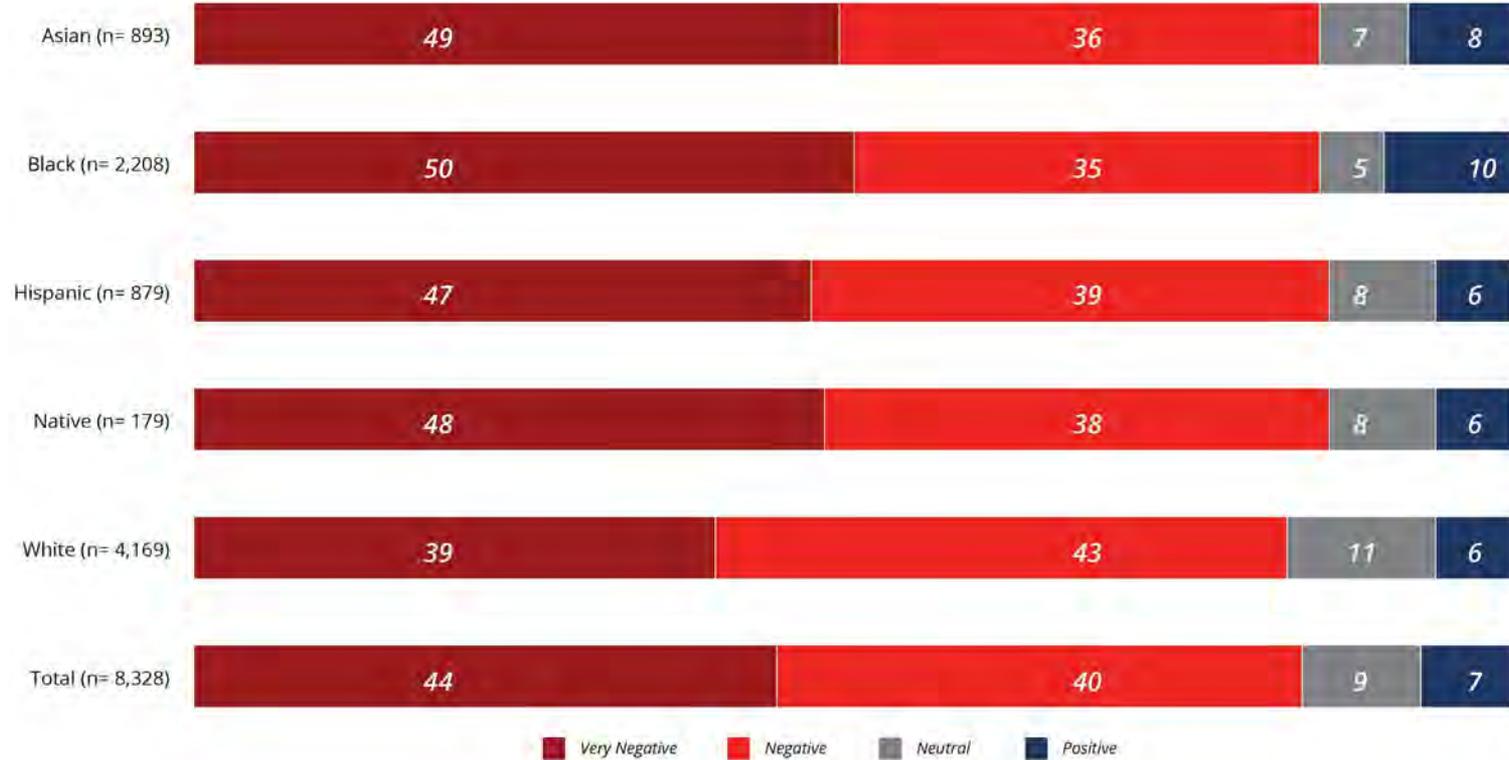


Takeaways

- **Small businesses have been hard hit to date:** 8 in 10 small business owners surveyed reported negative effects from the pandemic, more than half of respondents have experienced revenue declines of more than 25%, and 37% are not operating at full capacity, with an average of almost 10% closed.
- **It's going to get worse for business owners and their employees:** ~10% of small business respondents expect to close permanently in next 6 months. 44% of employer businesses that responded have already shed jobs and 45% expect more job losses to come.
- **Small businesses need cash:** As expected, most respondents want relief in the form of grants or another PPP loan. More than one-third of small businesses in the survey expect to borrow to address COVID-induced cash flow constraints, making it imperative to ensure liquidity in credit markets, especially for relatively small-dollar loans.

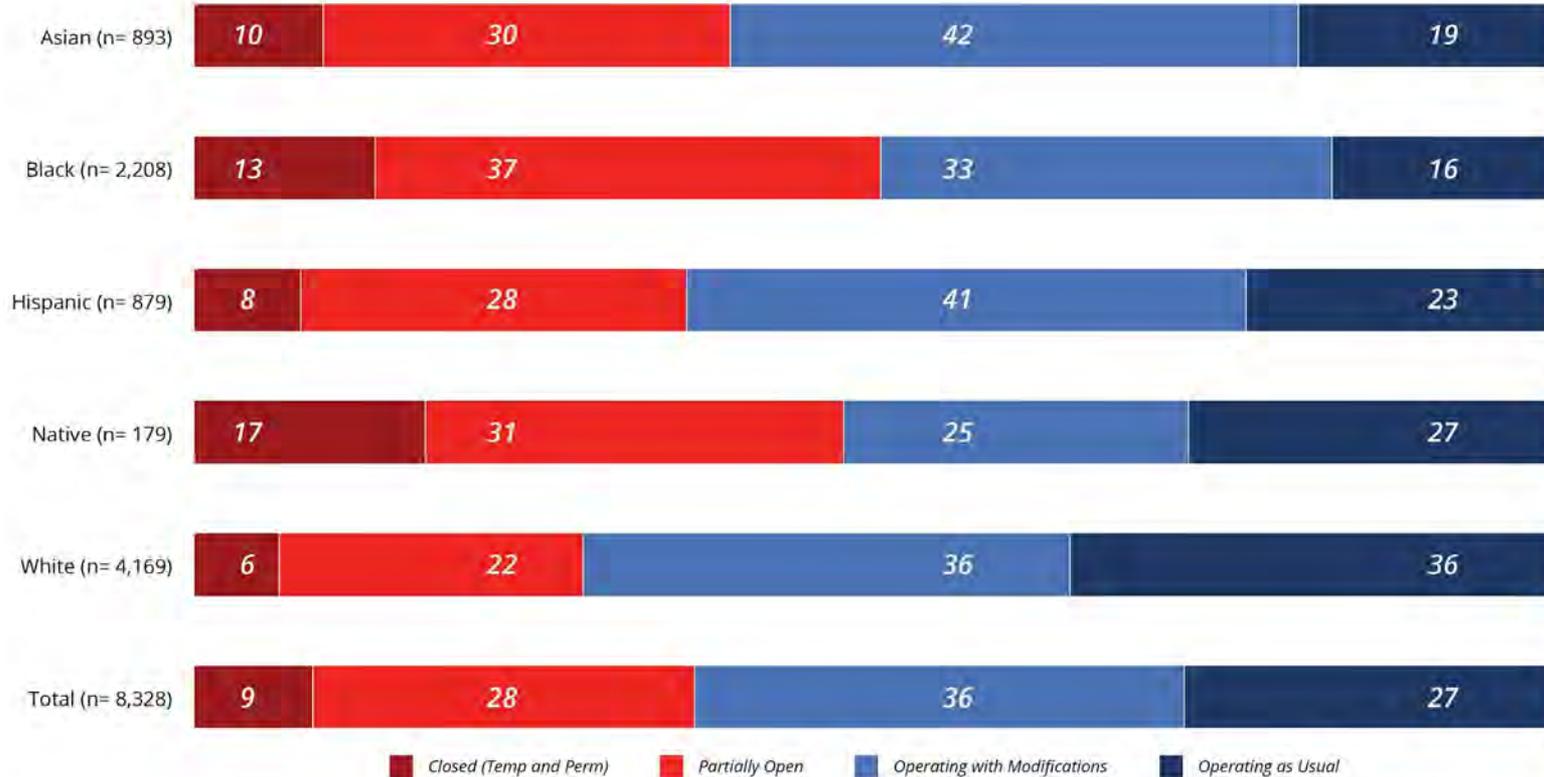
Small Businesses Hard Hit by Pandemic

Effect of COVID-19 Pandemic
% of respondents



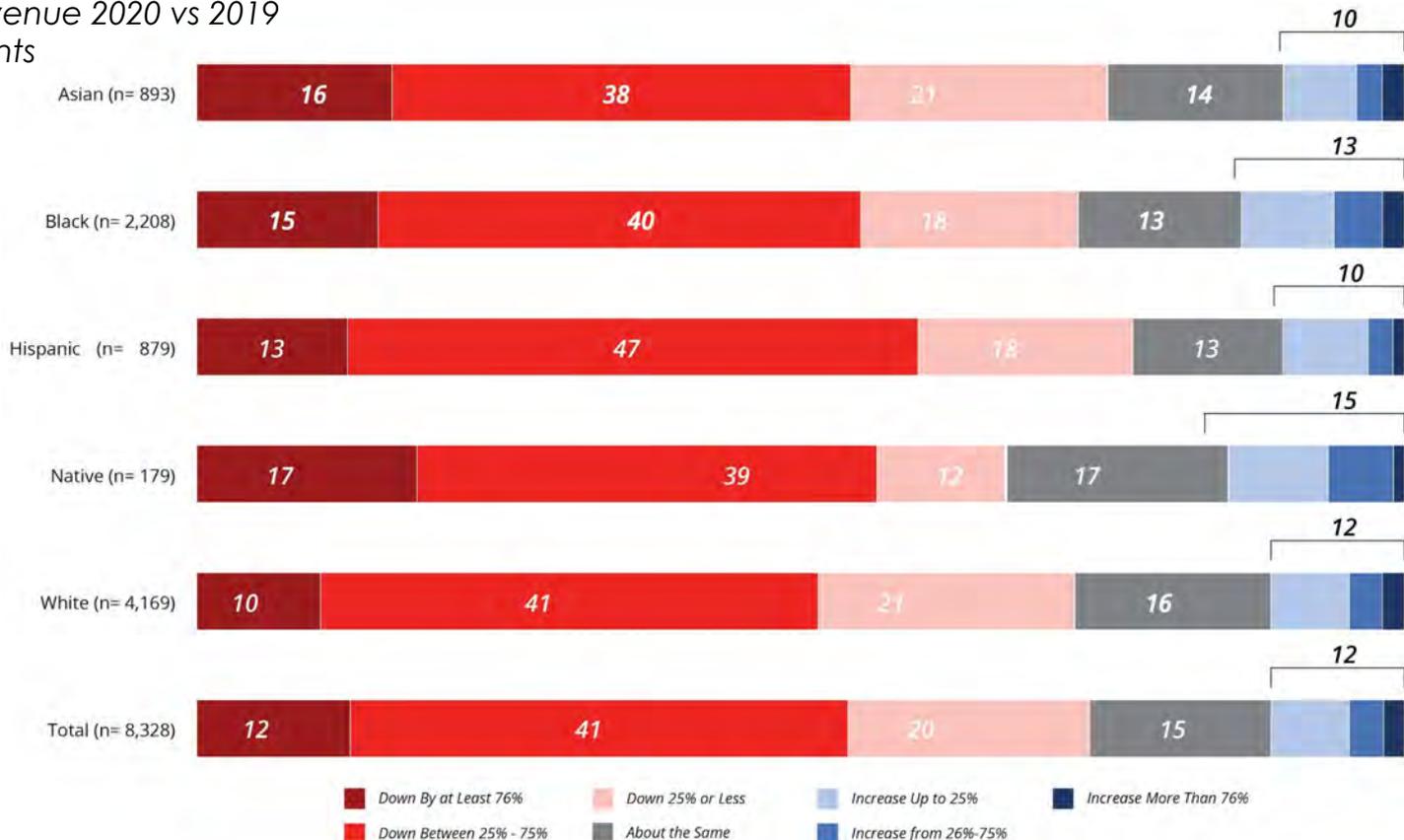
It's Not Business as Usual for the Majority of Respondents

Status of Operations
% of respondents



Revenue Down by > 25% for Most Respondents

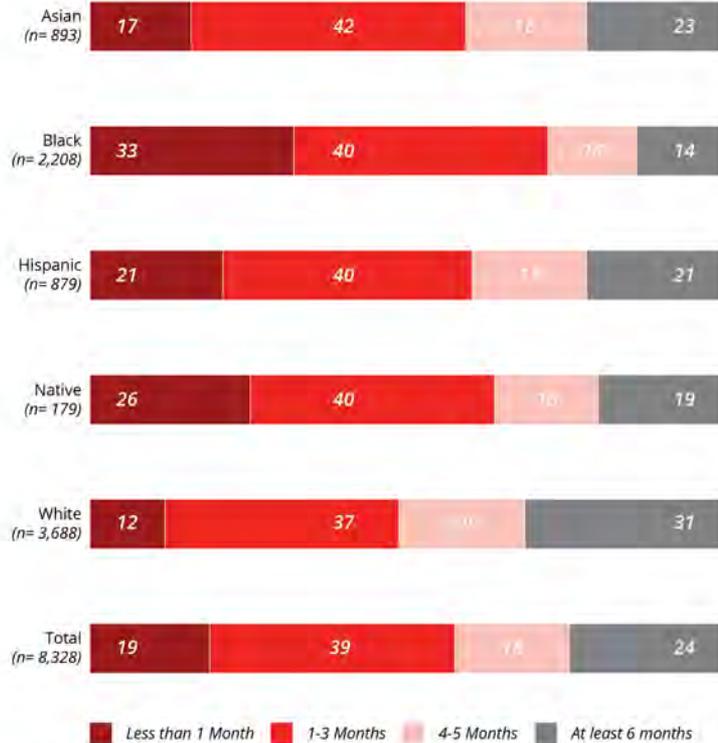
Change in Revenue 2020 vs 2019
% of respondents



Expect More Small Businesses to Shut Down

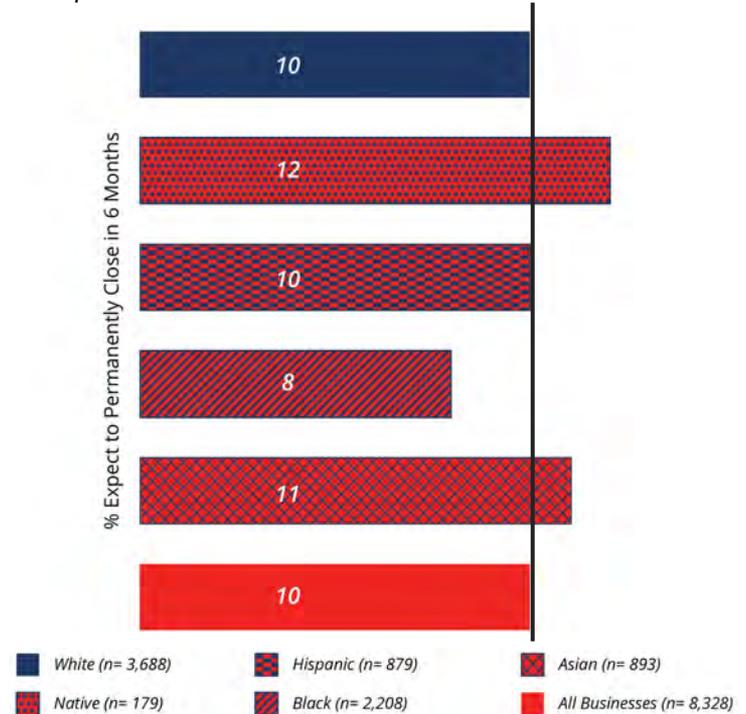
Cash Crisis without Relief

Months of Cash
% of respondents



~10% of Small Business Respondents Expect to Close Permanently in Next 6 Months

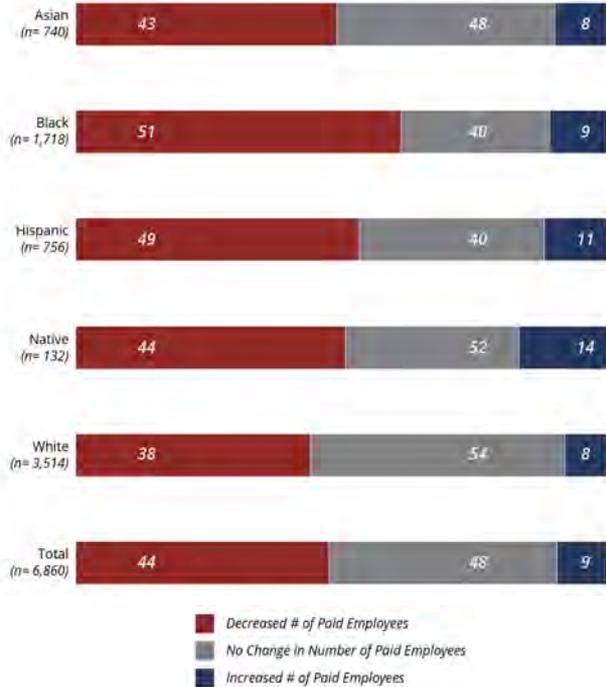
% of Respondents



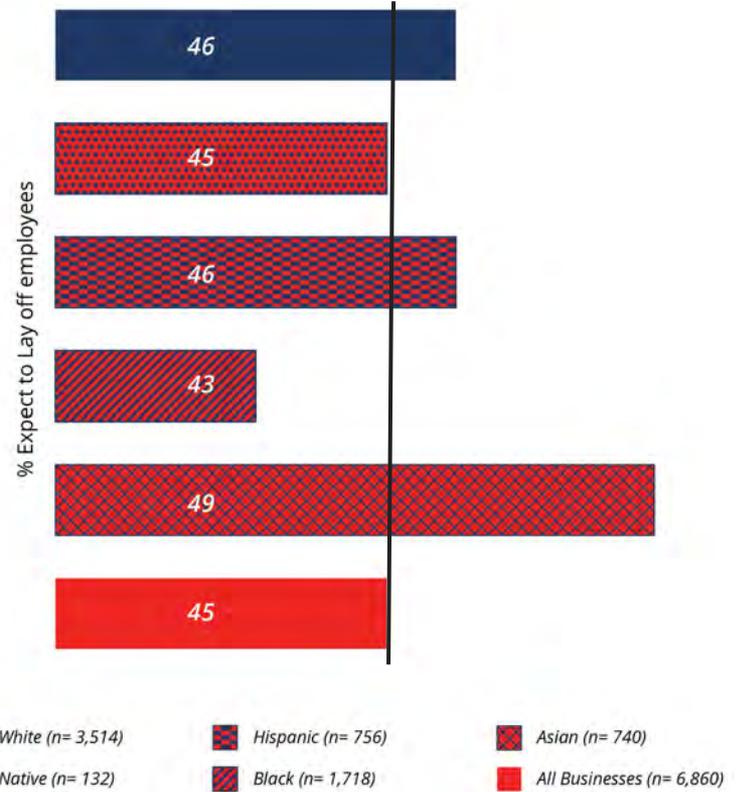
More Job Shedding Likely

~4 in 10 Small Employers Surveyed Have Already Shed Jobs

Change in Number of Paid Employees
% of Employer Firms



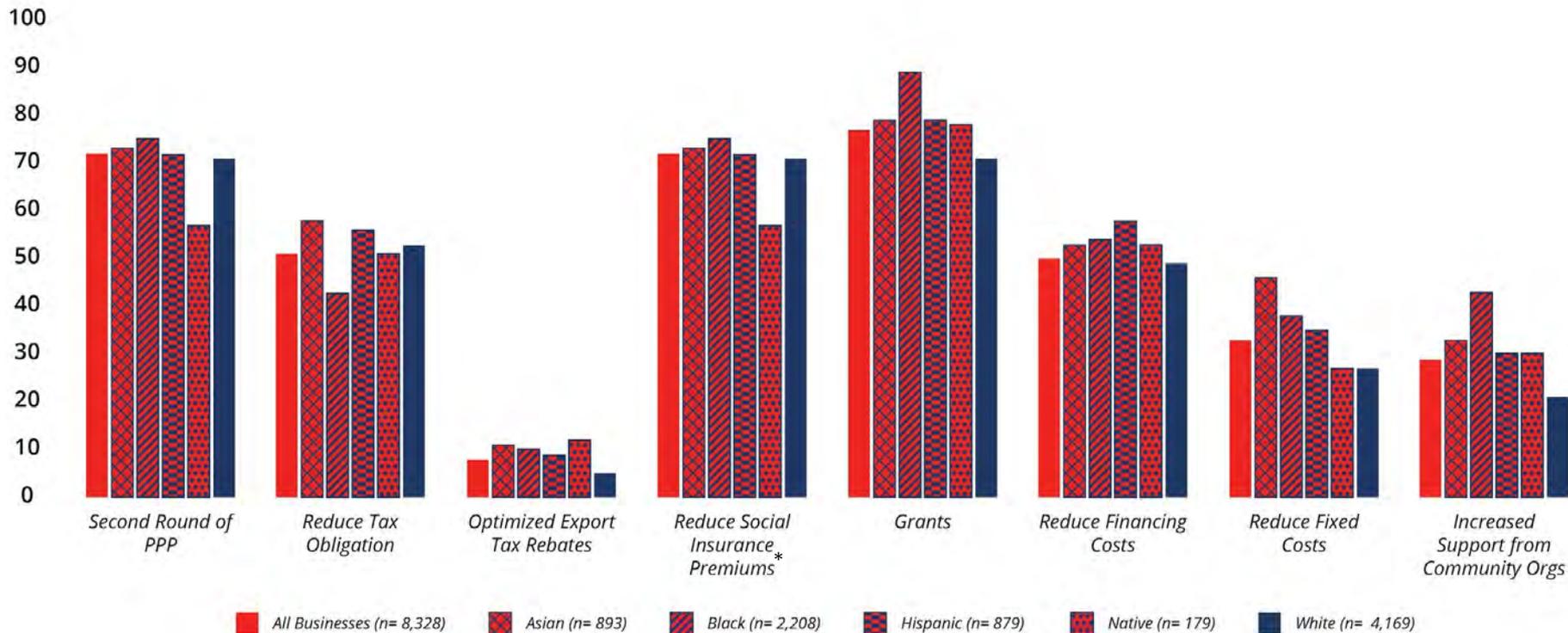
Nearly Half of Respondents Expect More Layoffs



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
 Q8: Since the Covid-19 pandemic, did your business have a change in the number of paid employees?
 Q22: How are you considering managing current or potential cash flow issues? (Select all that apply)
 Among respondents that employ others

Business Owners Want Relief, With Varying Priorities

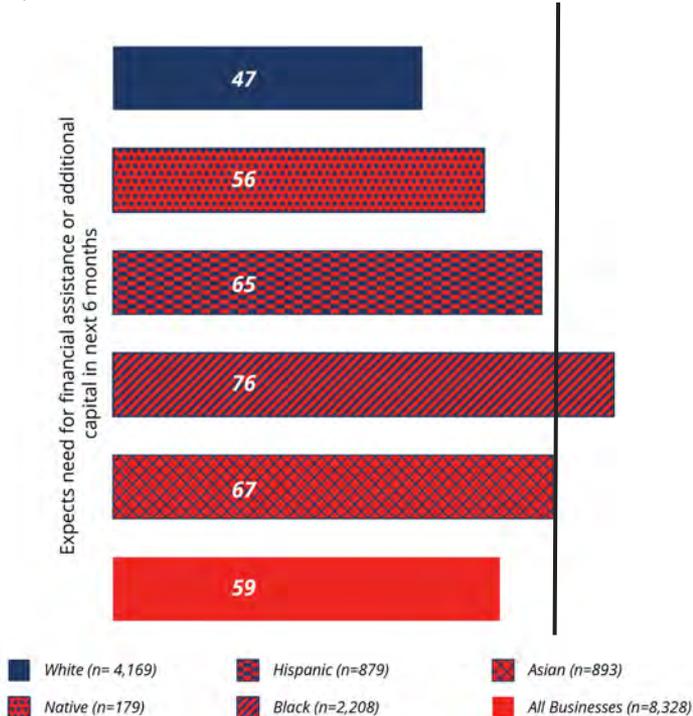
Preferences Among Relief Options Presented
% of respondents



Imperative to Maintain Liquidity in Credit Markets

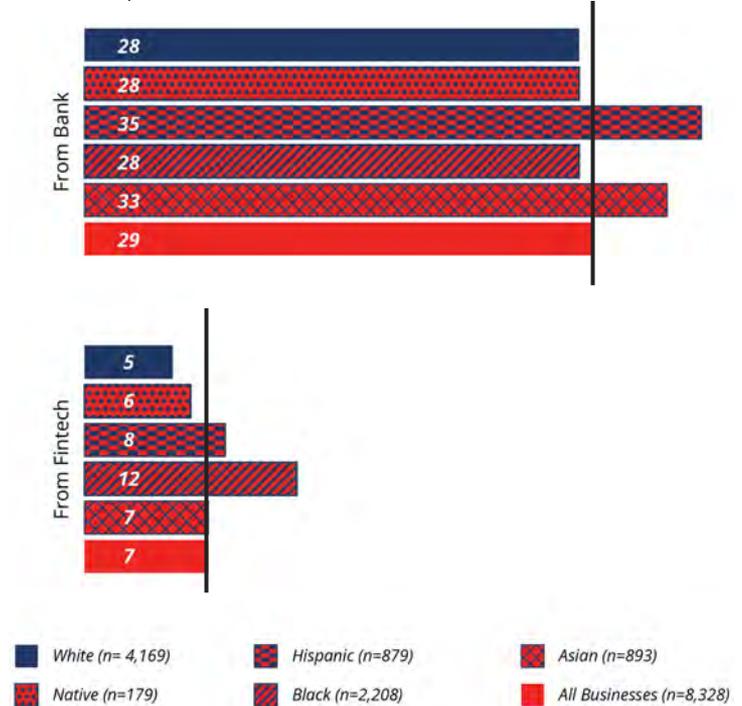
More than half of respondents say they will need financial assistance or additional capital in next 6 months

% of respondents



More than one-third of small businesses expects to borrow to address COVID-induced cash flow constraints

% of respondents



Federal Support to Date Not Distributed Equally

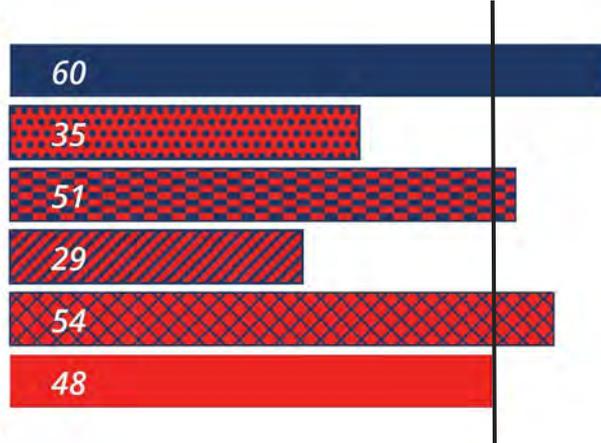
Success Rate

% Applied x % Received Relief

Paycheck Protection Program

- \$484 Billion
- Distributed via private lenders

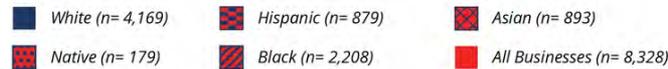
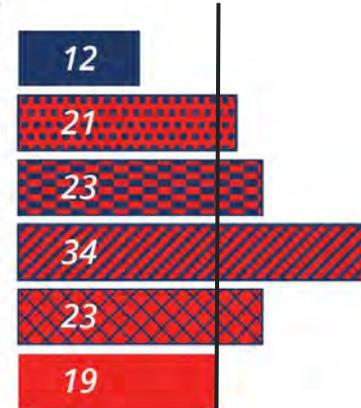
Success Rate for PPP Funding



Economic Injury Disaster Loan

- \$20 Billion
- Distributed by the SBA

Success Rate for EIDL Funding

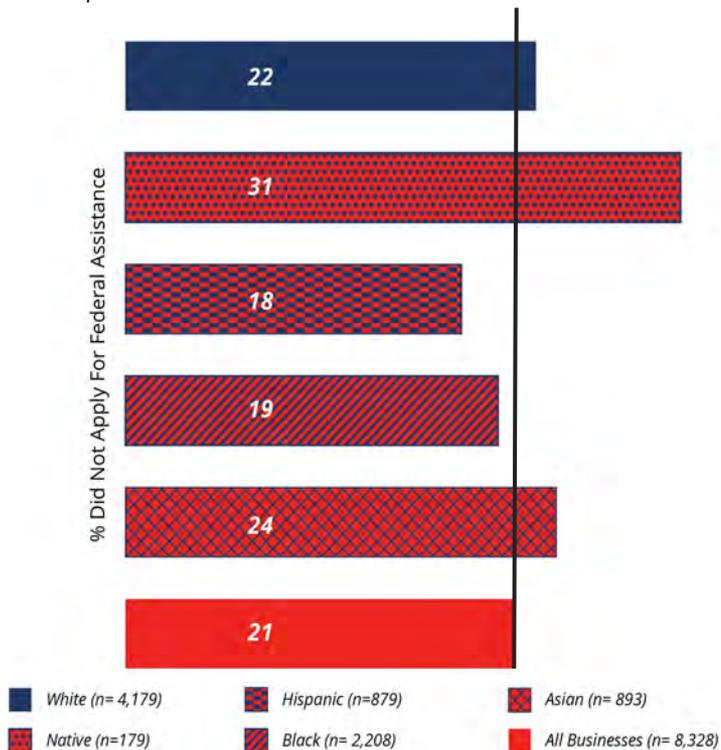


Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October -November 2020)
 Q6: Have you applied for any federal financial assistance from any of the following sources? (Select all that apply)
 Q11: Has your business received financial assistance from any of these programs from the Federal government? (Select all that apply)

Expectations & Needs for Federal Assistance Vary

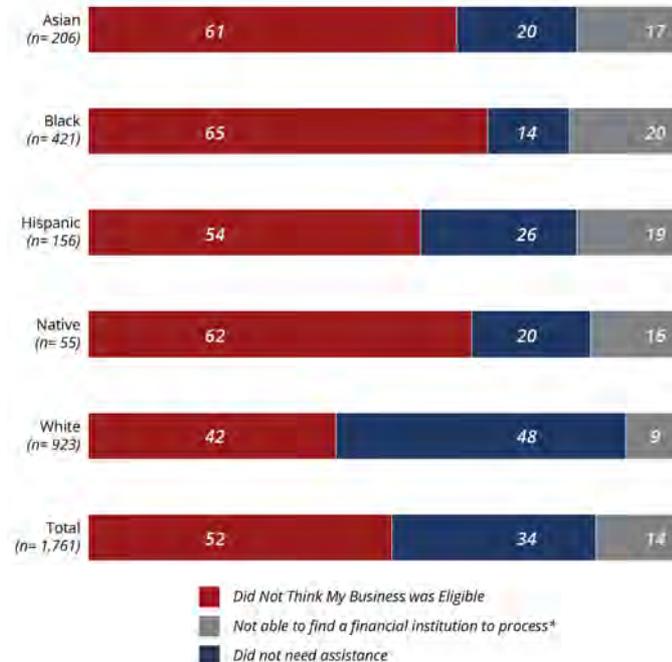
Roughly 1 in 5 Small Businesses Did Not Apply for Federal Assistance

% of respondents



Majority of Asian, Black, Hispanic and Native Owners Did Not Think They Were Eligible vs Almost Half of White Business Owners Who Did Not Need Assistance

% of respondents



Source: PPS Small Business Survey in partnership with National ACE, US Black Chambers, and US Hispanic Chamber of Commerce (October - November 2020)
 Q6: Have you applied for any federal financial assistance from any of the following sources? (Select all that apply)
 Q9: Why haven't you applied for federal financial assistance?

What Do We Think Needs to Happen?

- Get the virus under control so that demand returns
- In the meantime, provide flexible and sufficient Federal relief for small businesses and support for credit markets to ensure capital available for Main Street recovery
- Improve data driven insights into segments of small businesses and their workers
- Mobilize effective support for small businesses, the people who work for them and the communities that they serve
- Support innovation of financial products and distribution channels to reach small businesses in communities of color at scale

Questions? Contact Us

Chris Landrigan

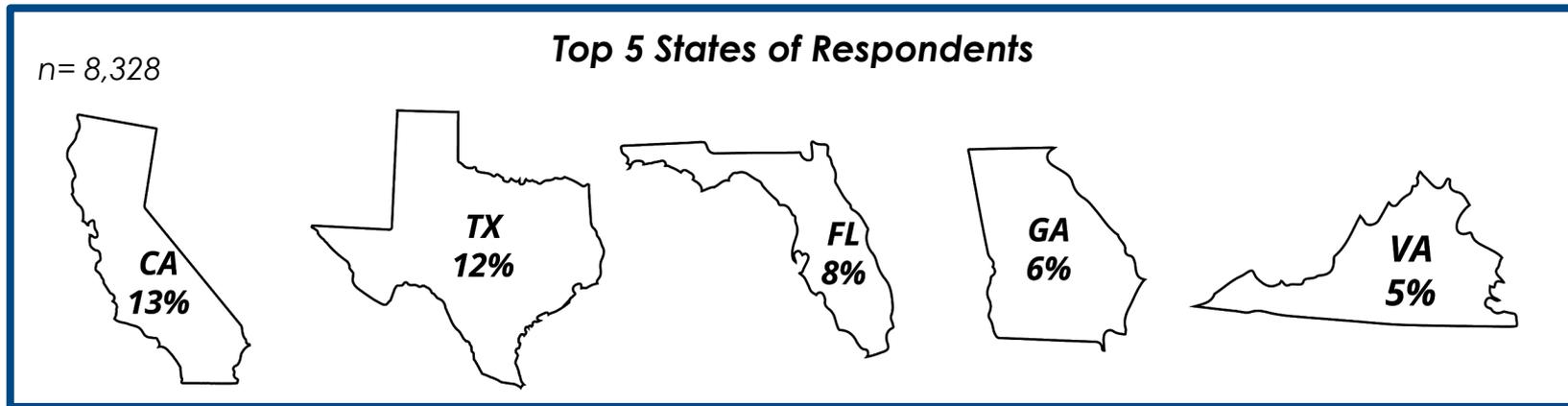
chris@publicprivatestrategies.com



Appendix: About the Sample

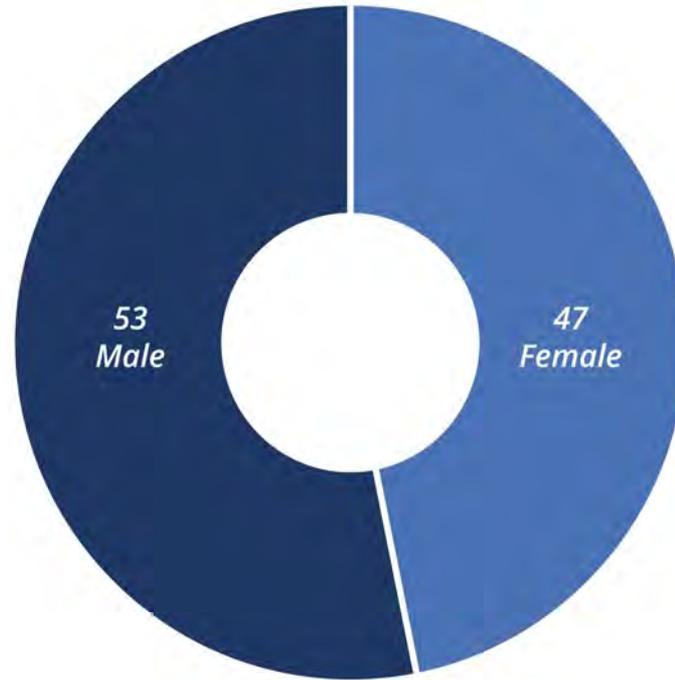
Broad Geographic Coverage

- Survey **respondents represent all 50 states** and three territories (Puerto Rico, Guam and the Northern Mariana Islands)
- **>1,000** respondents in **California, Texas**
- **>500** respondents in **Florida, Georgia**
- At least **300 respondents** in **Maryland, North Carolina, Illinois, Michigan, Pennsylvania and Ohio**



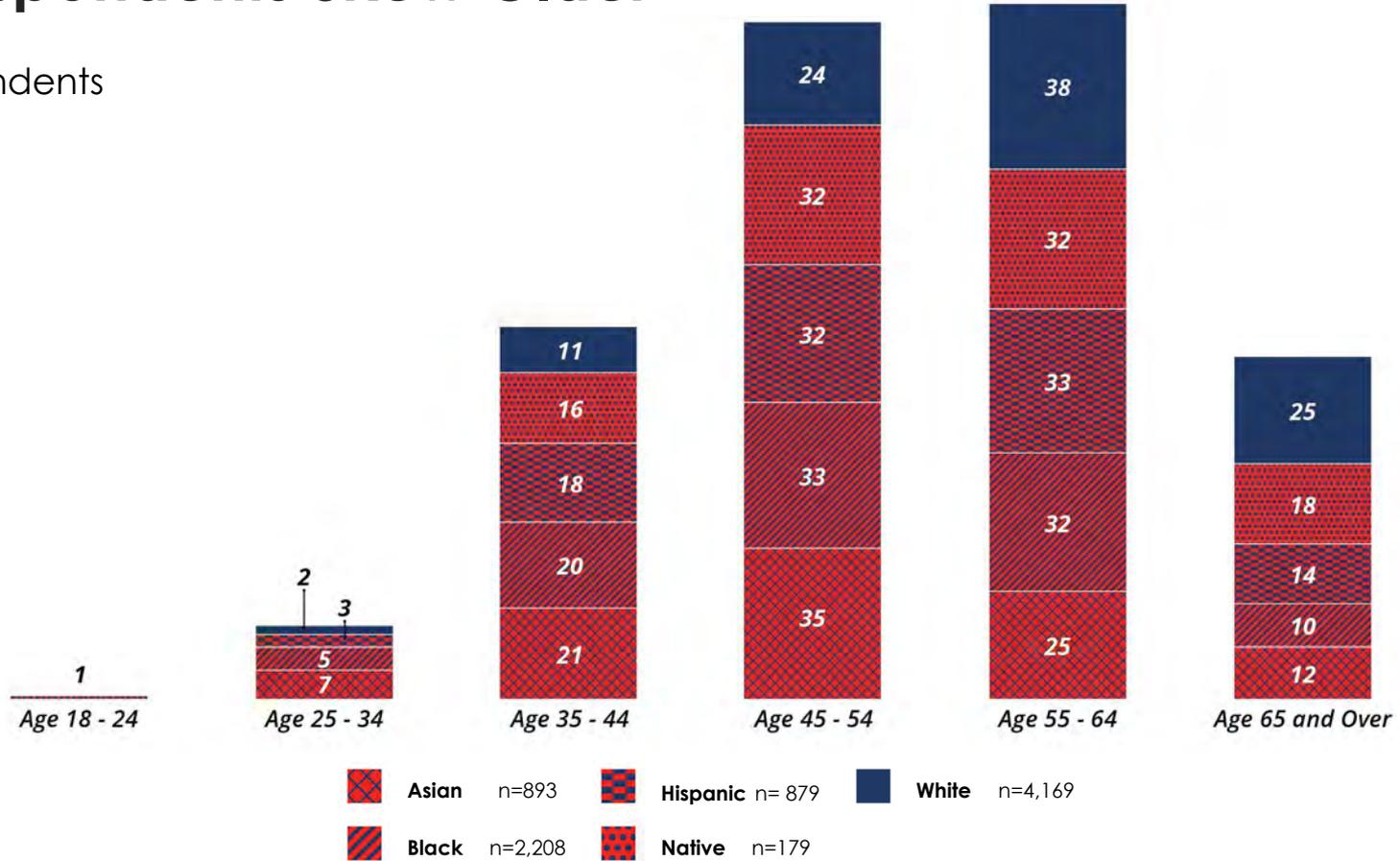
Rough Parity Between Male and Female Respondents

% of respondents
n=8,328



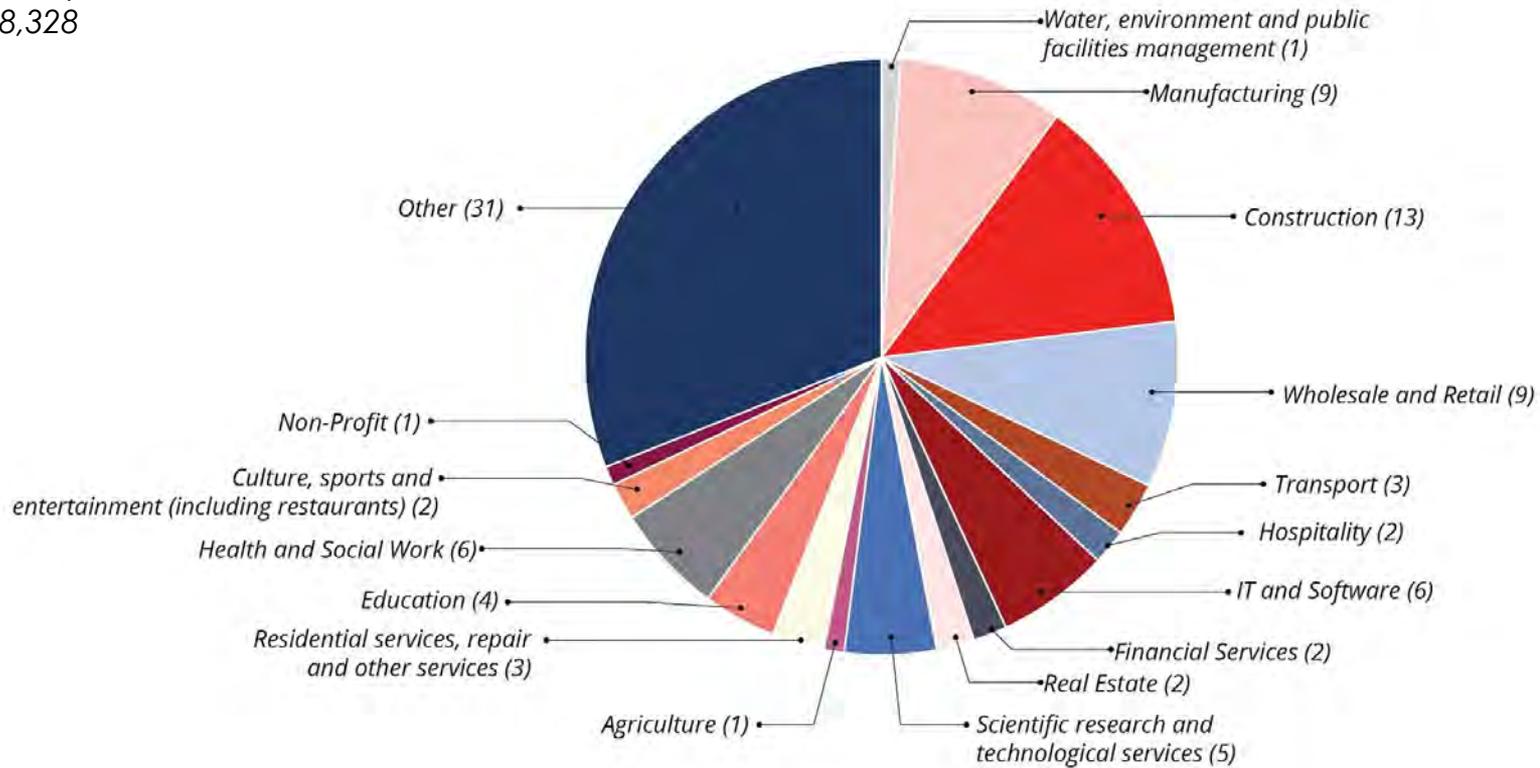
Respondents Skew Older

% of Respondents
n=8,328



Broad Range of Industries Represented in Sample

% of respondents
n= 8,328



Top 5 Industries by Race/Ethnicity of the Respondent

Asian	Black	Hispanic	Native	White	Total
IT & Tech Services (12%)	Construction (10%)	Construction (21%)	Construction (24%)	Construction (14%)	Construction (13%)
Wholesale & Retail (10%)	Health and Social (9%)	Wholesale & Retail (7%)	Manufacturing - (10%)	Manufacturing (13%)	Wholesale & Retail (9%)
Scientific research and technological services (9%)	Wholesale & Retail (8%)	Manufacturing (7%)	Wholesale & Retail (8%)	Wholesale & Retail (10%)	Manufacturing (9%)
Construction (8%)	IT & Tech Services (8%)	IT & Tech Services (5%)	Health and Social (7%)	IT & Tech Services 4%	IT & Tech Services (6%)
Manufacturing (7%)	Transport & Logistics (6%)	Health and Social 4%	IT & Tech Services (4%)	Health and Social (4%)	Health and Social (6%)