

**KANSAS DEPARTMENT OF COMMERCE
COVID-19 PANDEMIC UPDATE
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PREPARED FOR SENATE COMMERCE
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Over the past seven weeks the Department of Commerce has pivoted in a dramatic fashion in response to the economic crisis created by the COVID-19 pandemic. We've quickly changed not only much of what we do, but also how we do it. Our economy has been dramatically altered as a result of the pandemic. We continue to work with our businesses to help in any which way we can.

I. WHAT ARE WE SEEING?

II. CARES ACT

III. HOW THE DEPARTMENT OF DEPARTMENT OF
COMMERCE IS ASSISTING BUSINESSES



I. WHAT ARE WE SEEING?

Kansas, like nearly every state across the country, has seen an unprecedented slow down. Nationally, the GDP fell 4.8% in Q1. This is the biggest decline since the great recession and unfortunately, we are only at the beginning. Most estimates peg the Q2 decline to fall over 10%. It's important to understand that we are not alone during this difficult time.

In Kansas, our unemployment rate is similar to what we're seeing nationally, currently sitting above 14%.

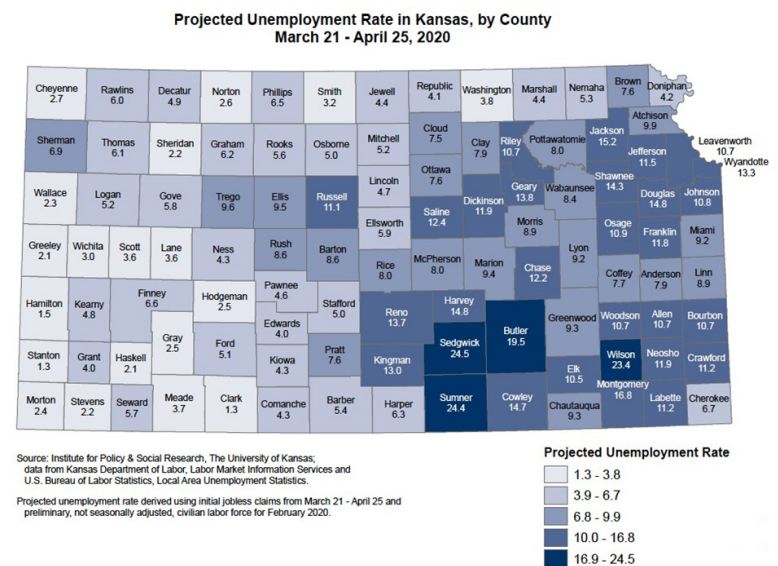
Initial Unemployment Claims by Industry

(Ranked by total share of employment)¹

Industry	Unemployment within industry
Government	0.75%
Health Care & Social Assistance	12.46%
Manufacturing	31.30%
Retail Trade	14.76%
Accommodation & Food Services	29.01%
Administrative & Waste Management	14.00%
Professional, Scientific & Technical Serv.	7.83%
Transportation & Warehousing	9.42%
Construction	13.14%
Finance & Insurance	2.69%
Wholesale Trade	6.72%
Other Services	28.31%
Management of Companies	0.80%
Educational Services	24.79%
Information	11.35%
Real Estate & Rental & Leasing	18.35%
Arts, Entertainment & Recreation	48.03%
Mining & Oil & Gas Extraction	16.21%
Utilities	0.77%

As expected, we see substantial unemployment in a variety of sectors. One of the hardest hit industries as been our restaurant and entertainment industry. According to the Kansas Restaurant & Hospitality Industry, 38% of operators temporarily closed their restaurants and 83% had furloughed or layoffs². Between March 1 and April 16, an estimated \$325 Million in sales were lost statewide as a result of the pandemic.

Jobless Claims by County



As we can see, Sedgwick County and the South Central region have proportionally been hit harder. This can be attributed to the challenges the aviation industry is facing, primarily problems which precede the pandemic.

¹ Prof. Donna Ginther; Kansas Institute for Policy & Social Research http://ipsr.ku.edu/covid19/images/Ginther_CoronaVirus_7.pdf

² https://restaurantsact.com/wp-content/uploads/2020/04/KS_COVID_19_Restaurant_Economic_Snapshot.pdf

II. CARES ACT



1. Paycheck Protection Program

The Coronavirus Aid, Relief and Economic Security (CARES) Act allocated \$350 billion to help private nonprofits and small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to eligible organizations. Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

- **Eligibility:** 501 (c)(3) organizations with fewer than 500 employees, in operation before Feb. 15, 2020.
- **Limit:** Loans can be up to 2.5x the borrower's average monthly payroll costs, not to exceed \$10 million.
- As of May 1, Kansas ranked 10th in loans per capita and 17th in loan dollars per capita, while also being 39th in average loan size³
- Total of 44,715 Loans made, which makes up over 17% of firms in the State of Kansas
- According to a survey done by the Greater Kansas City Chamber, 35% applied and were approved for PPP, 25% were awaiting a decision and 32% did not apply.

2. Economic Industry Disaster Loan and Emergency Advance Program (EIDL)

This \$70 billion program, administered by the Small Business Administration, provides private nonprofits (including faith-based) and other applicants that meet the eligibility requirements

with working capital loans and emergency advances of up to \$10,000 within three days of application for the loan. The annual interest rate for nonprofit organizations is 2.75% with all payments deferred for up to one year.

- a. **Eligibility:** 501 (c)(3) organizations with fewer than 500 employees, several of the typical creditworthiness requirements for this program have been waived.
 - b. **Limit:** Loans available up to \$2 million and emergency advances of up to \$10,000 within three days of application for the loan. Emergency advances do not have to be repaid.
 - c. In total, 21,749 advances were made to Kansas businesses totaling over \$69 Million and 549 loans were approved totaling over \$73 Million⁴.
 - d. As of the writing of this testimony, applications are only being accepted for agricultural businesses
3. Tax credit for retaining employees, worth up to 50% of wages paid during the crisis, for businesses forced to suspend operations or that have seen gross receipts fall by 50% from the previous year. (Those taking out PPP's will not be eligible for this benefit).
 - a. The credit is based on qualified wages paid to the employee. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above.

³Small Business Administration Disaster Assistance Update

⁴Small Business Administration Disaster Assistance Update

- b. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order.
 - c. The credit is provided for the first \$10,000 of compensation, including health benefits, paid to an eligible employee.
 - d. The credit is provided for wages paid or incurred from March 13, 2020 through December 31, 2020.
4. Delay federal payroll tax for employers, requiring half of the deferred tax to be paid by the end of 2021 and the other half by the end of 2022 (Those taking out PPP's will not be eligible for this benefit).
 5. The provision waives the federal excise tax on any distilled spirits used for or contained in hand sanitizer that is produced and distributed in a manner consistent with guidance issued by the Food and Drug Administration and is effective for calendar year 2020.
 6. NEA allocated an additional \$450,000 to Kansas from the CARES Act. The money is intended to assist nonprofit arts organizations "to prevent, prepare for, and respond to coronavirus, domestically or internationally." The legislation allows funds to be used for general operating expenses, a departure from the Arts Endowment's requirement of supporting project-based funding and an acknowledgment of the dire situation facing the arts community. In addition, arts organizations do not have to provide matching funds to receive their grant.
 7. Provides that a Net Operating Loss arising in a tax year beginning in 2018, 2019, or 2020 can be carried back five years. The provision also temporarily removes the taxable income limitation to allow an NOL to fully offset income.
 8. Encourages Americans to contribute to churches and charitable organizations in 2020 by permitting them to deduct up to \$300 of

cash contributions, whether they itemize their deductions or not. The provision increases the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50-percent

Kansas City	\$1,355,838
Lawrence	\$446,184
Leavenworth	\$201,489
Lenexa	\$135,507
Manhattan City	\$328,976
Overland Park	\$466,120
Shawnee	\$168,955
Topeka	\$1,109,262
Wichita	\$1,725,897
Johnson County	\$631,737
Kansas Nonentitlement	\$9,029,815

of adjusted gross income limitation is suspended for 2020. For corporations, the 10-percent limitation is increased to 25 percent of taxable income. This provision also increases the limitation on deductions for contributions of food inventory from 15 percent to 25 percent.

9. Authorizes a \$5 billion additional allocation to the Community Development Block Grant (CDBG) to address COVID-19. In total Kansas received over \$15 Million. The breakdown is below:



III. HOW THE DEPARTMENT OF COMMERCE IS ASSISTING BUSINESSES



1. COVID-19 RESOURCE WEBPAGE

Commerce launched a webpage on March 17th focused on COVID-19 related information and resources. On our website, businesses can find information about loans and grants; Governor's executive orders; production of PPE; state resources related to COVID-19; and a variety of other resources. We continue to update this website regularly so businesses can have a one stop shop for all their needs.

<https://www.kansascommerce.gov/covid-19-response/>

2. HIRE FUND

On March 20th, as the full force of the crisis was hitting Kansas, one of the first actions we took was to launch the HIRE Fund to support the state's hospitality businesses. (HIRE stands for Hospitality Industry Relief Emergency Fund). We partnered with NetWork Kansas to provide \$5 million in short-term, zero-interest loans for Kansas' hospitality sector during the COVID-19 crisis.

The \$5 million in funding for HIRE came from the Job Creation Fund ("JCF"), which is the state's deal closing fund. Typically, JCF is used for recruiting outside businesses into the state, but retention of existing businesses is a permitted use under the statute.

We received almost 900 applications within the first 24 hours and have received 1,800 applications to date.

HIRE Funds were distributed in the following manner:

- 344 loans were allocated with an average loan amount of \$14,500.

- Douglas, Johnson, Shawnee and Wyandotte counties: \$2 million to 136 businesses
- Sedgwick County: \$1 million to 68 companies
- The remaining \$2 million was allocated to 140 businesses throughout the state.

3. OUTREACH

As the COVID-19 situation started to unfold, it was clear that Commerce needed to be proactive in communicating regularly—and through different communication vehicles—with the public. In the last six weeks, I have conducted video and phone calls with 66 different groups (business and industry associations; chambers; cities and counties; legislative town halls; etc.) and have spoken with almost 2,000 people on these calls.

Commerce's Regional Project Managers have been leading webinars and online meetings helping communities and businesses understand what resources are available and how to access them. This particularly includes providing information about SBA loan and grant programs like PPP and EIDL.

Commerce has also launched an online chat feature on our website to help businesses navigate the application process for SBA loans. The chat feature is staffed by 12 staff that we rapidly trained to provide this assistance; training was provided by SBA, and by member banks of the Kansas Bankers Association. To date, more than 250 businesses have utilized the chat feature.

4. [KANSASWORKS.COM/CORONAVIRUS](https://kansasworks.com/coronavirus)

The COVID-19 crisis has driven demand and opportunity for some functions in critical industries such as food and grocery; shipping and logistics; and healthcare. On April 1st, we launched a jobs website solely focused on companies hiring during the pandemic, kansasworks.com/coronavirus.

The purpose of this site is to connect job seekers with Kansas businesses hiring to fill urgent needs during the COVID-19 pandemic. As of April 27th, there were almost 2,400 job postings on the site. With a large number of newly unemployed workers in the state we are working hard to communicate that there ARE job opportunities available. Please help us by encouraging employers and jobseekers to use this free service.

5. [CDBG LOANS & GRANTS](#)

In an effort to speed the flow of liquidity to small businesses in the face of the current public health emergency, Commerce has streamlined processes related to CDBG revolving loan funds in 37 communities. At the beginning of the COVID-19 pandemic we identified \$6.3 million that already existed in revolving loan funds in these 37 communities that could be loaned to small businesses as working capital loans. To encourage communities to move faster to make these loans I cut the environmental certification process from 30 days to 1 day, and the public notice requirement from 30 days to 1 day. Eliminating this red tape has led to dramatic increases in lending in rural communities, including 27 new loans in Fort Scott and 20 loans in Republic County.

As mentioned earlier, Kansas will receive an additional \$9 million for CDBG in CARES Act funding. The application pool was opened on May 12, and communities will receive funding on a first-come, first-served basis.

6. [MAIN STREET —INCENTIVES WITHOUT WALLS \(IWW\)](#)

In response to the COVID-19 outbreak, Commerce revised the Incentive Without Walls program requirements in 20 Kansas Main Street communities that already had IWW programs (new funding for this program ended in 2012, but existing revolving loan funds in those communities has been permitted to continue to be used). We issued direction to those communities that IWW funds can and should be used to provide working capital loans to small businesses located within the designated downtown districts. Eliminating ambiguity and uncertainty about what can and cannot be done has been helpful in speeding the flow of these funds to small businesses

7. [KANSAS ARTS SHORT-TERM OPERATIONAL SUPPORT \(SOS\) PROGRAM](#)

Industries across the state have been hit hard by COVID-19, and the arts is no exception. On May 4th, Commerce and the Kansas Creative Arts Industries Commission (KCAIC) announced the Kansas Arts SOS Program, which will award \$500,000 to Kansas arts organizations whose primary purpose is to produce, present, promote or serve the arts. Grants up to \$5,000 per organization can be used to finance working capital expenses such as payroll, rent and utilities, with the goal of keeping these organizations in business and their employees on the payroll through the crisis. Kansas Arts SOS is funded primarily through federal CARES Act dollars. More information can be found online at kansascommerce.gov/ArtsSOS.

8. [INVENTORY OF MANUFACTURERS](#)

The Department has been working with BioKansas and Kansas Manufacturing Solutions to compile an inventory of companies that either currently manufacture PPE and critical need items or are planning to produce these items. We encourage companies to visit biokansas.org and fill out the inventory of manufacturers form.

9. KDOL SUPPORT

The Department of Commerce has provided 12 employees to support the Department of Labor by staffing phone banks that are processing a historic number of unemployment claims. We have also trained our front-line staff at **KANSASWORKS** offices on frequently asked questions related to unemployment.

10. NONPROFIT ASSISTANCE

While much of the discussion has centered around our for-profit industry, we also remain engaged in assisting our many not-for-profit entities across the state. Nonprofits are just different types of small businesses with their own payroll and operating costs. We want to provide as much help to them as we can to minimize closures of these organizations. One important thing to note, the CARES Act left out assistance for many nonprofits including all 501 (c)(6) organizations. Commerce has put together a guide with resources targeted to Kansas nonprofits that are trying to continue operations during this period.

11. BUSINESS RECRUITMENT

The direction to the Commerce Business Recruitment Team (we have full-time recruiters in California; Chicago; Dallas; Kansas City; New York; and Springfield, MO) has been to work harder and faster than ever. They have stepped up. Our recruiters have opened 35 new projects (a "project" is a new business lead) since March 1; these potential projects total \$405 million in capital expenditures and 5763 potential new jobs. Though not every project will ultimately be a success, we feel very optimistic about our ability to capitalize on new business opportunities this year despite COVID-19.

