AN ACT

CONCERNING MODIFICATIONS TO PROGRAMS ENACTED TO PROVIDE RELIEF TO CERTAIN BUSINESSES IMPACTED BY SEVERE CAPACITY RESTRICTIONS DUE TO THE COVID-19 PANDEMIC.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, add with amended and relocated provisions 24-48.5-127 as follows:


(1) Legislative declaration. The general assembly finds that:

(a) SMALL BUSINESSES ARE A VITAL COMPONENT OF THE STATE'S AND THE NATION'S ECONOMY AND, AS DETAILED IN THE "2020 SMALL BUSINESSES OF COLOR RECOVERY GUIDE FOR CITY LEADERS AND COMMUNITY GROUPS", REFERRED TO IN THIS SECTION AS THE SBOC RECOVERY GUIDE, PREPARED BY THE FEDERAL RESERVE BANKS OF KANSAS CITY AND ATLANTA, SMALL BUSINESSES ACCOUNT FOR FORTY-FOUR PERCENT OF THE COUNTRY'S ECONOMIC ACTIVITY, CREATE TWO OF EVERY THREE NEW JOBS, AND EMPLOY NEARLY FIFTY PERCENT OF PRIVATE SECTOR WORKERS;

(b) THE SBOC RECOVERY GUIDE ALSO NOTES THAT MICROBUSINESSES, WHICH ARE BUSINESSES WITH FEWER THAN FIVE EMPLOYEES, MAKE UP OVER NINETY PERCENT OF ALL SMALL BUSINESSES IN THE COUNTRY AND MAKE UP THIRTY-ONE PERCENT OF ALL PRIVATE-SECTOR EMPLOYMENT IN THE COUNTRY;

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.
(c) According to the SBOC Recovery Guide, SBOCs make up an increasing proportion of the nation’s economy, showing an eleven percent growth in numbers between 2014 and 2016, as compared to a one percent growth rate during that period for non-SBOCs, and accounting for just under twenty percent of all small businesses nationwide and, based on data from the Colorado minority business office and census estimates, comprise eighteen percent of small businesses in Colorado;

(d) The SBOC Recovery Guide further states that SBOCs have been demonstrated to reduce the racial wealth gap and the unemployment rate of people of color and tend to hire from the community in which they are located;

(e) The COVID-19 pandemic has had a devastating impact on small businesses in Colorado and throughout the country, resulting in a twenty-two percent decline in the number of small businesses operating in the country from February to April 2020, according to a May 2020 working paper by economist and professor Robert Fairlie entitled “The Impact of COVID-19 on Small Business Owners: Evidence of Early-stage Losses from the April 2020 Current Population Survey”, published by the Stanford Institute for Economic Policy Research;

(f) While small businesses have been dramatically affected by the COVID-19 pandemic, Professor Fairlie notes in his working paper that SBOCs have suffered an unprecedented and disproportionate drop in the number of active businesses from February to April 2020, with a forty-one percent decline in African-American-owned businesses, a thirty-two percent decline in Hispanic-American-owned businesses, and a twenty-six percent decline in Asian-American-owned businesses, as compared to a seventeen-percent decline for White-owned businesses, and with a twenty-five percent decline in female-owned businesses, as compared to a twenty-percent decline in male-owned businesses;

(g) Professor Fairlie’s simulations indicate that industry compositions are partially the cause for placing SBOCs at higher risk for losses during the COVID-19 pandemic, given that many industries that have been hardest hit by the pandemic, like restaurants, hotels, and transportation, have a higher concentration of African-American-, Hispanic-American-, Asian-American-, and female-owned businesses;

(h) The following broad range of entities, including federal government agencies, research universities, and policy think tanks, have released empirical research concluding that small businesses owned by women and certain racial minorities have suffered disproportionately from the economic harm caused by the COVID-19 pandemic and have had a harder time accessing capital to help them recover from that harm, as compared to male-owned and White-owned businesses;

"Effects in Black Communities" concluded that many Black business owners have weaker bank relationships, making it harder to get loans and more likely that their businesses are undercapitalized, and could not gain access to the federal government’s major pandemic relief program for small businesses known as the "Paycheck Protection Program";

(II) A September 2020 article issued by the Brookings Institution’s Metropolitan Policy Program entitled "New Data Shows Small Businesses in Communities of Color Had Unequal Access to Federal COVID-19 Relief" concluded that the Paycheck Protection Program initially relied on traditional banks to deliver loans, thus favoring existing customers at large banks and disfavoring Black- and Hispanic-American-owned businesses, which tend to be unbanked or underbanked, and that a matched-pair test conducted in April 2020 found that Black business owners were more likely to be denied such loans compared to White business owners with similar application profiles due to outright lending discrimination;

(III) The "Annual Report for Fiscal Year 2020" issued by the United States Securities and Exchange Commission’s Office of the Advocate for Small Business Capital Formation concluded that women-owned and minority-owned business owners and their workforces are more likely to be negatively impacted by COVID-19 because of their industry sector, company resources, and scale of business, as evidenced by the following:

(A) Forty percent of revenues for Black-owned businesses are derived from vulnerable sectors as compared to twenty-five percent for all businesses; and

(B) Only twenty-eight percent of scaled Hispanic-American-owned businesses have a majority of employees that can work from home as compared to forty-four percent of White-owned businesses;

(IV) The September 2019 report issued by JPMorgan Chase & Co. Institute entitled "Place Matters: Small Business Financial Health in Urban Communities" found that the racial composition of urban communities, where most small businesses had fewer than fourteen cash buffer days in the period before the COVID-19 pandemic occurred, was ninety-four percent for majority Black and eighty-nine percent for majority Hispanic as compared to thirty-five percent for majority White;

(V) The July 2020 article issued by the Center for Public Integrity, entitled "Coronavirus and Inequality", reported that of the fourteen percent of Paycheck Protection Program loans over one hundred fifty thousand for which information about business owners’ race and ethnicity was reported, more than eighty-three percent were received by White-owned businesses as compared to two percent by Black-owned businesses and less than seven percent by Hispanic-American-owned businesses;
(VI) An August 2020 article issued by McKinsey & Company, entitled "COVID-19 and Advancing Asian American Recovery", found that Asian-American-owned businesses are overrepresented in some of the industry sectors hit hardest by the COVID-19 pandemic, with such businesses making up twenty-six percent of accommodations and food service, seventeen percent of retail trade, and eleven percent of education services, and Asian-American unemployment rates increased by more than four hundred fifty percent from February to June 2020, revealing a greater rate of increase than that of other racial groups; and

(VII) The August 2020 research brief issued by the Stanford Graduate School of Business, entitled "The Ongoing Impact of COVID-19 on Latino-Owned Businesses", compared the period of March 2020 to June 2020 and found that nearly twice as many Latino-owned businesses reported revenue decline and that the proportion of such businesses experiencing project delays had tripled;

(i) As further noted in the SBOC Recovery Guide, people of color face persistent structural barriers to acquiring capital, knowledge, and market access to start and grow their businesses, and SBOCs experience higher loan denials and interest rates and lower profit margins than non-SBOCs; have limited opportunities to develop and grow thriving businesses; and have an average business value that is only one-third the average business value of White-owned businesses;

(j) All of these factors make SBOCs less equipped to survive economic downturns, and the economic crisis resulting from the COVID-19 pandemic and restrictions on businesses imposed to help suppress the spread of the COVID-19 virus have further threatened the ability of SBOCs to survive, contribute to the economy, and provide employment opportunities; and

(k) While the state is providing support to small businesses that have been affected by the COVID-19 pandemic by targeting thirty-seven million dollars in direct relief payments to small businesses, it is critical to allocate an additional four million dollars in relief payments, loans, grants, and other technical support to those small businesses in Colorado that are suffering disproportionate impacts from the COVID-19 pandemic.

(+)(2) Definitions. As used in this section, unless the context otherwise requires:


(b) "COVID-19" means the coronavirus disease caused by the severe acute respiratory syndrome coronavirus 2, also known as SARS-CoV-2.

(c) "Minority-owned business" means a business that is at least fifty-one percent owned, operated, and controlled by an individual who is a member of a minority
"Disproportionately impacted business" means a business that has been disproportionately impacted by the COVID-19 pandemic and that meets any of the following criteria:

(I) Has five or fewer employees, including the business owner;

(II) Is a minority-owned business;

(III) Is located in an economically distressed area;

(IV) The business owner lives in an economically distressed area;

(V) The business owner has low or moderate income, as determined by the office based on the United States Department of Housing and Urban Development's low- and moderate-income data used in the Community Development Block Grant Program;

(VI) The business owner has low or moderate personal wealth, based on household net worth as determined by the office, applying relevant federal or state data; or

(VII) The business owner has had diminished opportunities to access capital or credit.

(d) "Economically distressed area" includes a state opportunity zone, an enterprise zone, or an historically underutilized business zone.

(e) "Enterprise zone" means an area designated as an enterprise zone pursuant to section 39-30-103.

(f) "Historically underutilized business zone" means an area designated by the United States Small Business Administration as an historically underutilized business zone under the United States Small Business Administration's HUBZone program.

(g) "Minority-owned business" means a business that is at least fifty-one percent owned, operated, and controlled by an individual who is a member of a minority group, including an individual who is African American, Hispanic American, or Asian American.

(h) "Office" means the Colorado Office of Economic Development created in section 24-48.5-101.

(i) "State opportunity zone" means a census tract designated by the office as an opportunity zone.

(2) (3) Relief payments, grants, and loans to disproportionately impacted businesses. (a) (I) The office shall use a portion of the money appropriated pursuant to subsection (4) subsection (5) of this section, including a portion
annually for administrative costs, to administer a program to provide:

(A) Relief payments to minority-owned DISPROPORTIONATELY IMPACTED businesses that have been most impacted by COVID-19 and have lacked meaningful access to federal loans and grants under the CARES Act; and

(B) Grants and loans to minority-owned DISPROPORTIONATELY IMPACTED businesses for start-up and growth capital.

(II) The director of the office shall establish a process for minority-owned DISPROPORTIONATELY IMPACTED businesses to apply for a relief payment, grant, or loan under the program, including the deadline for applying, the information and documentation required to be submitted to the office to demonstrate eligibility for a relief payment, grant, or loan, and any other requirements specified by the director.

(b) The office shall establish policies setting forth the parameters and eligibility for the program, including:

(I) The terms of and eligibility for a relief payment, grant, or loan, WITH PREFERENCE GIVEN TO DISPROPORTIONATELY IMPACTED BUSINESSES THAT MEET THE CRITERION LISTED IN SUBSECTION (2)(c)(II) OF THIS SECTION AND AT LEAST ONE OTHER CRITERION LISTED IN SUBSECTION (2)(c) OF THIS SECTION;

(II) Caps on the amount of a relief payment, grant, or loan;

(III) Deadlines for applying for a relief payment, grant, or loan;

(IV) Grant requirements and loan repayment terms; and

(V) Any other policies necessary to operate the program.

(c) The office shall collect sufficient information from minority-owned DISPROPORTIONATELY IMPACTED businesses applying for a relief payment or grant pursuant to this subsection (2) SUBSECTION (3) to enable the division office to issue an internal revenue service form 1099 to a minority-owned DISPROPORTIONATELY IMPACTED business that receives a relief payment or grant. When issuing a relief payment or grant to a minority-owned DISPROPORTIONATELY IMPACTED business, the division office shall provide the internal revenue service form 1099 to the relief payment or grant recipient.

(4) Technical support. The office shall use a portion of the money appropriated pursuant to subsection (4) SUBSECTION (5) of this section, including a portion annually for staff and administrative support, to increase the office's ability to provide technical assistance and consulting support to minority-owned DISPROPORTIONATELY IMPACTED businesses across the state. The technical assistance and consulting support may include:

(a) Providing minority-owned DISPROPORTIONATELY IMPACTED business leaders with expanded professional development and networking opportunities;
(b) Increasing the availability of the office's existing programming and technical support, including through the small business development center;

(c) Designing statewide certification opportunities; and

(d) Conducting statewide and local outreach campaigns to educate business owners and entrepreneurs of programming and technical support.

(4) **Funding.** The general assembly shall appropriate four million dollars from the general fund to the Colorado economic development fund created in section 24-46-105 for use in accordance with this section in the 2020-21 and 2021-22 state fiscal years.

(5) **Report.** By November 1, 2021, and November 1, 2022, the office shall submit a report to the governor, the business, labor, and technology committee of the senate or its successor committee, and the business affairs and labor committee of the house of representatives or its successor committee, detailing how the office is expending the money appropriated for the purposes of this section.

(6) **Repeal.** This section is repealed, effective December 31, 2022.

**SECTION 2. Repeal of relocated provision in this act.** In Colorado Revised Statutes, repeal 24-49.5-106.

**SECTION 3.** In Colorado Revised Statutes, 24-46-105, amend (6)(a) as follows:

24-46-105. Colorado economic development fund - creation - repeal.

(6) (a) Notwithstanding any provision of this section to the contrary, the commission shall allocate money appropriated to the fund pursuant to section 24-49.5-106 (4) to the minority business office created in section 24-49.5-102 for use in accordance with section 24-49.5-106 TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT CREATED IN SECTION 24-48.5-101 FOR USE IN ACCORDANCE WITH SECTION 24-48.5-127.

**SECTION 4.** In Colorado Revised Statutes, 24-32-129, amend (2)(a)(I)(B) and (2)(c)(IV) as follows:


(2) Small business relief program.

(a) (I) (B) An eligible local government that chooses to apply to participate in the relief program must submit an application to the division by January 8, 2021, and by January 22, 2021, the division shall allocate the money appropriated pursuant to subsection (3) of this section to eligible local governments. Except as provided in subsections (2)(a)(II) and (2)(a)(III) of this section, the division shall allocate money to eligible local governments based on the population of the eligible local governments, as determined pursuant to the most recently published population estimates from the state demographer appointed by the executive director of the department of local affairs.

(c) (IV) Eligible local governments shall determine the relief payment amount for
each eligible small business within the geographical boundaries of the eligible local government based on the payment amounts specified in subsection (2)(b)(II) of this section, reduced as necessary based on the total amount allocated to the eligible local government pursuant to subsection (2)(a) of this section, and shall make the distribution of relief payments as soon as practicable after receiving the money from the division, but no later than February 12, 2021; except that, if an eligible local government is unable to distribute the relief payments by that date, the eligible local government shall submit to the division a written, proposed alternative timeline for distributing the relief payments and shall submit an updated timeline as necessary, but in no event may an eligible local government distribute relief payments later than April 1, 2021. An eligible local government shall provide an internal revenue service form 1099 to each eligible small business to which it distributes a relief payment pursuant to this section in accordance with requirements prescribed by the federal internal revenue service.

SECTION 5. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, or safety.

Approved: January 21, 2021