

Covid-19 Small Business Survey (14)

PPP, EIDL, the Economy, and the Vaccine

NFIB Research Center

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The NFIB Research Center has published a series of Covid-19 related surveys assessing the impact of the health crisis on small business operations, economic conditions, and utilization of the targeted small business loan programs. This publication marks NFIB's 14th Small Business Covid-19 survey. The first of the series was published in early March with subsequent publications every 2-4 weeks.

The vast majority of borrowers (91%) have spent their entire PPP loan. Borrowers can opt to spend their loan and have those dollars eligible for forgiveness by choosing the original 8-week covered period or extend their covered period to 24-weeks. However, borrowers who applied for a loan after June 5th are required to use the 24-week covered period. Over one-third of borrowers (36%) are using the 8-week covered period, 48% are using the expanded 24-weeks, and 16% are not yet sure which they are using. The percent of borrowers who are not sure whether they are using the 8-week or 24-week covered period has declined over the last four weeks as more are filling out their forgiveness application.

The PPP loan forgiveness application process is most often managed by the small business owners. Seventy-one percent of PPP loan forgiveness applications are managed by the owner with 16% of them managed by an employee. Thirteen percent are managed by a third party, likely a CPA.

The Department of Treasury and the Small Business Administration created three PPP loan forgiveness applications: the original, longer application form (3508), the shorter, EZ application form (3508EZ), and the "simple" form (3508S). The 3508S form is available to those PPP borrowers who have a loan of \$50,000 or less. Twenty-eight percent of borrowers have or plan to use the 3508EZ forgiveness application form and 17% are using the new 3508S application form. Fifteen percent report that they have or will use the original, longer 3508 application form. Forty percent are not sure which forgiveness application form they will use.

Significantly more borrowers have submitted their PPP loan forgiveness application over the last month. Forty-four percent have now submitted one, up from 26% a

month ago. Another 36% of PPP borrowers are not yet ready to submit their forgiveness application and 20% are ready, but their bank is not yet accepting them.

Almost half of those who have submitted their PPP loan forgiveness application have received final confirmation from the SBA. Over three-fourths of those who have received final confirmation had 100% of their loan forgiven. Another 16% had 99-91% of their loan forgiven with 6% receiving less.

Receiving an EIDL grant was the reason for 85% of those who did not receive 100% forgiveness on their PPP loan. The SBA is required to subtract the amount of the emergency advance grant from the approved PPP loan forgiveness amount when processing applications. The portion of the PPP loan that is not forgiven remains a loan at a 1% interest rate. Small business owners are not allowed to benefit from both the emergency advance grant and PPP loan forgiveness.

Of those who have not submitted their forgiveness application yet, 56% report that they plan to submit it by the end of the year. Another 22% plan to submit their application in January and another 6% in February. Eleven percent plan to submit their application after February and 6% are not sure.

The PPP forgiveness application process can be as easy as entering a few lines of basic information, or incredibly difficult navigating full-time equivalent calculations and “look back” windows. Twenty percent of PPP loan borrowers find that the forgiveness application was difficult or moderately difficult process. Another 20% found the process slightly difficult. The process was not at all difficult for 19% of borrowers. These numbers will likely shift in subsequent surveys as 32% of borrowers say it’s too early to tell.

After using the PPP loan, 22% of borrowers have or anticipate having to lay off employees in the next six months, a slight increase from one month ago when it was 19%. About half (53%) of borrowers anticipate needing additional financial support over the next 12 months, about the same as last month.

Congress and the Administration are currently negotiating additional support for those small businesses most negatively impacted by the crisis. If eligible, 45% of small business owners would apply or re-apply for second PPP loan and 33% would consider applying, nearly unchanged from last month. The percent of small business owners most negatively impacted by the health crisis has remained about the same over the last few months. This will likely continue as conditions related to

Covid-19 will not change significantly until the vaccine is widely distributed to the general population.

About one-third (34%) of small business owners have applied for an Economic Injury Disaster Loan (EIDL). The vast majority (82%) of applicants had their loan approved, 8% of applicants were denied.

In addition to the PPP and EIDL emergency advance programs, many states and local governments have their own small business targeted grant programs providing additional financial assistance. One-in-five small business owners have applied for a state or local grant and 53% of them received one.

Eight percent of small employers report that their current number of employees is more than they employed this time last year. Almost two-thirds (63%) of small employers report that their workforce numbers are about the same. Nineteen percent have fewer employees than they did this time last year and 11% have significantly less.

The health crisis severely impacted most small businesses at the onset, but the economic recovery has been less uniform since then. Sales levels are still 50% or less than they were pre-crisis for one-in-five (20%) small businesses with another 29% at sales levels of 51%-75% of pre-crisis. Over one-third (36%) are back or nearly back to where they were with sales between 76%-100% of pre-crisis levels with another 14% exceeding pre-crisis sales levels.

One-in-four (25%) of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months, up from 20% a month ago. Economic conditions have deteriorated for many small business owners operating in areas experiencing increases in Covid-19 cases and increased business restriction. Others are impacted by weather changes that limit their use outdoor spaces. Another 22% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions. Fifty-two percent are better situated and do not anticipate any near-term problems.

Consistently throughout the NFIB Covid-19 surveys, most small business owners do not expect business conditions to improve to normal levels until next year at the earliest. Just 4% of owners report that conditions are back to normal now. About half (47%) of owners anticipate it taking until sometime in 2021 and 36% anticipate sometime in 2022, which is likely the timeframe most are expecting an approved vaccine or improved therapies to become available to the general population.

Thirteen percent are less optimistic and expect conditions not to fully improve until after 2022. Over the last few months, small business owners are pushing back the time frame that they anticipate business conditions returning to normal. Vaccine developments and distribution timelines are now more certain to when the general population might be able to receive the vaccine and resume normal activities.

About one-in-four (27%) small employers have had an employee take Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA), up from 21% in the September 30th survey. Only 37% of them have claimed the tax credit or an advance refund for reimbursement of those costs, however this is up from 29% a few months ago.

Small employers are also managing the health and safety of their employees, customers, and themselves while operating their business. About one-in-five (19%) small employers are very concerned about their employees contracting Covid-19, with another 30% moderately concerned. The recent spike in Covid-19 cases, resulting in worker absenteeism has added additional stress to an already tight labor market. Many small businesses are understaffed and unexpected sick leave can cause major disruptions. Thirty-one percent of owners are “very” or “moderately” concerned about contracting Covid-19 themselves while operating their business. Another 35% are somewhat concerned.

Shipments of the Covid-19 vaccine are starting to move to distribution centers across the country. The recommended vaccination schedule places those on the front lines of our health care system and those in long-term care facilities first in getting vaccinated. As more of the general population are eligible to get the vaccine, 36% of small employers will encourage their workers to get vaccinated and 28% report that they might encourage them to do so. Over half (56%) of small business owners plan to get vaccinated, 28% say as soon as it’s available to them, and 28% report that they will also get vaccinated, but not right away. A Gallup survey of the general population found nearly identical numbers for those saying they will get vaccinated. The percent of the general population reporting that they will take the vaccine has steadily increased in the Gallup survey over the past few months as more is known about the efficacy and safety of approved vaccines.

The adverse economic impact of the health crisis on small businesses continues. Many small businesses are also facing additional challenges related to changing weather conditions and renewed business restriction to curb recent spikes in Covid-19 cases. It has been about nine months from the onset of the health crisis

and many small businesses are still struggling to survive, trying to reduce costs and adjust business operations accordingly. The next few months might prove to be the most difficult for some since the initial shutdown orders last spring. Depressed sales and profits will likely continue for these firms until the health crisis is resolved. Others have emerged in better shape with some exceeding pre-crisis sales levels due to increased consumer spending. The K-shaped recovery seems to be most accurate in illustrating the small businesses sector. The health crisis is not impacting small businesses equally and the abrupt shifts in consumer spending, adjusting to slower sales or spending spikes, managing consumer and employees' health and safety, and complying with new government mandates, are creating added stress for most small business owners.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on December 6-11, 2020. NFIB collected 598 responses.

Questionnaire

Did you receive a Paycheck Protection Program (PPP) loan?

73% 1. Yes

27% 2. No

Did you keep (or are you keeping) your original 8-week covered period or extend your covered period to 24-weeks?

36% 1. 8-weeks

48% 2. 24-weeks

16% 3. I don't know

Have you spent all of your loan funds yet?

91% 1. Yes

8% 2. No

2% 3. I don't know

Who is primarily responsible for managing your PPP loan forgiveness application process?

71% 1. Owner

16% 2. Employee

13% 3. Outside help (non-employee)

Did you or do you plan to use the original (3508), the EZ (3508EZ), or the new simple (3508S) PPP forgiveness application form?

15% 1. Original 3508

28% 2. EZ form 3508EZ

17% 3. Simple form 3508S (for borrowers with loan of \$50,000 or less)

40% 4. I don't know

Have you submitted an application for PPP loan forgiveness yet?

44% 1. Yes

36% 2. No, I'm not ready to submit an application yet.

20% 3. No, my bank is not accepting applications yet but I'm ready.

If yes, have you received final confirmation on your approved loan forgiveness amount?

48% 1. Yes

52% 2. No

What percent of your PPP loan was forgiven?

- 78% 1. 100%
- 16% 2. 99-91%
- 3% 3. 90-81%
- 1% 4. 80-71%
- 0% 5. 70-61%
- 0% 6. 60-51%
- 2% 7. 50% or less

If not 100%, was the reduction in forgiveness due to the EIDL advance?

- 85% 1. Yes
- 10% 2. No
- 5% 3. I don't know

If you have not submitted a PPP loan forgiveness application yet, when do you plan to submit your application?

- 56% 1. By the end of the year
- 22% 2. January
- 6% 3. February
- 4% 4. March
- 7% 5. April or later
- 0% 6. I do not intend to apply for forgiveness
- 6% 7. I don't know

How was or is your experience with the PPP loan forgiveness application process?

- 7% 1. Difficult
- 13% 2. Moderately difficult
- 20% 3. Slightly difficult
- 19% 4. Not at all difficult
- 32% 5. Too early to tell
- 10% 6. Does not apply

After using your PPP loan, have you laid off any employees or do you anticipate having to lay off any employees in the next 6 months?

- 22% 1. Yes
- 78% 2. No

Do you anticipate needing additional financial support over the next 12 months because of negative impacts due to Covid-19?

53% 1. Yes

48% 2. No

If Congress extends PPP to allow eligible borrowers a second PPP loan (or new first time borrowers), would you re-apply / apply?

45% 1. Yes

23% 2. No

33% 3. Maybe

Have you submitted an application for an SBA Economic Injury Disaster Loan (EIDL)?

34% 1. Yes

66% 2. No

If yes, when did you apply?

27% 1. January – March

63% 2. April – June

6% 3. July – September

4% 4. October – December

Was your EIDL application approved, denied, or have you not heard yet either way?

82% 1. Approved

8% 2. Denied

10% 3. Have not heard

Has the EIDL loan been deposited to your bank account yet?

86% 1. Yes

14% 2. No

Have you applied for any state or local sponsored small business financial grants?

20% 1. Yes

80% 2. No

If so, did you receive the state or local small business financial grant?

53% 1. Yes

47% 2. No

Have any of your employees taken Covid-19 related paid sick leave or family leave as mandated and offered through the Families First Coronavirus Response Act (FFCRA)?

27% 1. Yes

73% 2. No

If yes, have you claimed the tax credit (or an advance refund) for reimbursement of those costs?

37% 1. Yes

64% 2. No

How does your current sales volume compare to pre-crisis levels?

14% 1. More than 100% of pre-crisis level

36% 2. 76%-100% of pre-crisis level

29% 3. 51%-75% of pre-crisis level

14% 4. 26%-50% of pre-crisis level

6% 5. 1%-25% of pre-crisis level

1% 6. My business is currently closed.

How long do you think it will take before your local community is back to a pre-crisis level of economic activity?

4% 1. It is now

47% 2. Sometime in 2021

36% 3. Sometime in 2022

13% 4. 2023 or later

How long will you be able to operate your business under current economic conditions?

2% 1. Less than 1 month

4% 2. 1-2 months

19% 3. 3-6 months

22% 4. 7-12 months

52% 5. More than 12 months

How does your current number of employees compare to the number of employees you had this time last year?

1% 1. Significantly more

7% 2. More

63% 3. About the same

19% 4. Less
11% 5. Significantly less

How concerned are you about contracting Covid-19 yourself while operating your business?

12% 1. Very concerned
19% 2. Moderately concerned
35% 3. Somewhat concerned
34% 4. Not at all concerned

How concerned are you about your employees contracting Covid-19?

19% 1. Very concerned
30% 2. Moderately concerned
35% 3. Somewhat concerned
17% 4. Not at all concerned

Do you plan to get vaccinated from Covid-19?

28% 1. Yes, as soon as it's available to me
28% 2. Yes, but not right away
44% 3. No, I don't plan to get vaccinated

Will you encourage your employees to get the Covid-19 vaccine?

36% 1. Yes
33% 2. No
28% 3. Maybe
4% 4. Does not apply

Please classify your major business activity, using one of the categories of examples below.

16% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)
12% 2. Manufacturing and mining
5% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)
3% 4. Wholesale
19% 5. Retail and Restaurant
6% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)
6% 7. Financial, insurance, real estate
13% 8. Services (auto repair, house cleaning, salon, etc.)

8% 9. Professional services (attorney, physician, skilled nursing, etc.)
13% 10. Other

Number of Employees

10% 1. No employees
13% 2. 1-2 employees
25% 3. 3-5 employees
18% 4. 6-9 employees
16% 5. 10-19 employees
12% 6. 20-49 employees
5% 7. 50-199 employees
1% 8. 200 or more employees