

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2561 Rayburn House Office Building  
Washington, DC 20515-6515

**MEMORANDUM**

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**TO:** Members, Subcommittee on Oversight, Investigations, and Regulations  
**FROM:** Dean Phillips, Chairman  
**DATE:** May 27, 2021  
**RE:** Subcommittee Hearing: “A Review of the SBA’s Grant Programs”

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The Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations will meet for a remote hearing entitled “A Review of the SBA’s Grant Programs.” **This hearing will begin at 1:00 P.M. on Thursday, May 27, 2021 via the Zoom platform.** In response to a surge in COVID-19 cases, Congress provided direct economic relief to help small businesses that are particularly hard hit and struggling to survive the pandemic. The hearing will give members an opportunity to hear from small business owners and advocates about the implementation and effectiveness of the SBA’s pandemic related grant programs, the Shuttered Venue Operators Grant (SVOG) and the Restaurant Revitalization Fund (RRF).

**Panel:**

- Ms. Cheetie Kumar, Chef and Owner of Garland Restaurant, Raleigh, NC.
- Ms. Esther Baruh, Director of Government Relations, National Association of Theatre Owners, Washington, DC.
- Mr. Chris Montana, Owner and CEO of Du Nord Craft Spirits, Minneapolis, MN.
- Mr. Mark Maguire, Owner of Maguire’s Kitchen & Catering, Dallas, TX.

**Background**

The Economic Aid to Hard-Hit Small Businesses, Non-Profits and Venues Act (Economic Aid Act) was enacted as part of the Consolidated Appropriations Act of 2021 on December 27, 2020.<sup>1</sup> It was the second major package to aid Americans struggling amid the pandemic and provided much needed relief for small businesses that were particularly hard-hit. The bill reopened the Paycheck Protection Program (PPP) and created a second round of PPP funding for hard-hit industries, created a Targeted EIDL Advance grant, established the Shuttered Venue Operating Grant (SVOG), and made much needed improvements to SBA’s economic relief programs.

The American Rescue Plan, the third major pandemic aid package, was signed into law on March 11, 2021.<sup>2</sup> This comprehensive \$1.9 trillion package provided addition relief to address the continued impacts of COVID-19 and established the Restaurant Revitalization Fund (RRF).

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<sup>1</sup> P.L. 116-260.

<sup>2</sup> P.L. 117-2.

### **Shuttered Venue Operator Grant Program**

The Shuttered Venue Operators Grant (SVOG) Program provided SBA with \$15 billion for grants to eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators, or talent representatives who demonstrate revenue loss.<sup>3</sup> The American Rescue Plan provided an additional \$1.25 billion for SVOG and allowed entities to apply for both a second-draw PPP and SVOG, which was previously prohibited by the Economic Aid Act.<sup>4</sup>

Unlike many other grant programs, the SBA had to determine how to create an effective program for both for-profit and non-profit eligible entities that often have different revenue generation and accounting systems. The SVOG program has three different priority periods for applicants, depending on the amount of lost revenue. In the first 14-day priority period of the program, funds are available to eligible entities that suffered at least 90 percent revenue loss in 2020. The second 14-day priority period is for eligible entities that suffered at least 70 percent revenue loss in 2020.<sup>5</sup> After these initial 28 days, the program will be open to eligible entities that had at least 25 percent earned revenue loss in 2020.

Through this program the SBA can award an initial grant up to 45 percent of gross earned revenue, capped at \$10 million, as well as a supplemental grant if remaining funds are available.<sup>6</sup> Eligible entities that receive both a PPP loan and SVOG after December 27, 2020, will have the amount of the PPP loan deducted from the total SVOG award.

### **Current Issues**

- **Timing:** Passed into law in December 2020, the SVOG program was initially set to open on April 8, 2021. Shortly after launching the program, SBA had to suspend the SVOG application portal due to technical difficulties related to the uploading of documents. Due to the prioritization requirements for SVOG funding disbursement, all applicants were required to start over in order to ensure no applicant had any additional advantages when the program re-opened on April 26, 2021. Applicants have not yet received SVOG funds, and many continue to struggle with the uncertainty amidst pandemic.
- **Calculations for Priority Periods:** The SBA determined that it would take all financial resources into consideration when the Agency is examining an eligible entity's gross revenue. There is concern over the SBA's use of gross revenue for determining eligibility for first two SVOG priority periods, while the third period uses earned revenue. Some entities with access to capital funds and restricted grants, such as non-profit organizations, have raised concerns that this will exclude them from the first two SVOG priority periods.

### **Restaurant Revitalization Fund**

The American Rescue Plan created a Restaurant Revitalization Fund (RRF) and provided SBA with \$28.6 billion for grants to qualifying food and beverage establishments, \$5 billion of which

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<sup>3</sup> P.L. 116-260.

<sup>4</sup> P.L. 117-2.

<sup>5</sup> P.L. 116-260.

<sup>6</sup> P.L. 116-260.

is set aside for businesses with less than \$500,000 in gross receipts in 2019.<sup>7</sup> It included an initial 21-day priority period where SBA prioritizes grants to women, veterans, and other socially or economically disadvantaged small business concerns. After the 21-day priority period, applications were expected to be processed on a first-come, first-serve basis. However, after launching on May 3, 2021, the program received more than 147,000 applications from women, veterans, and socially and economically disadvantaged business owners requesting a total of \$29 billion in relief funds, potentially exhausting funds.<sup>8</sup> As of May 18, 2021 the RRF disbursed more than \$6 billion in relief funds to nearly 38,000 applicants.

### Current Issues

- Funding: On May 18, 2021 the SBA announced that the RRF has received more than 303,000 applications, with a total demand of more than \$69 billion. This includes: 12,000 applications from businesses with less than \$50,000 in pre-pandemic revenue, requesting \$290 million in funds; more than 73,000 applications from businesses with less than \$500,000 in pre-pandemic revenue, requesting \$6.1 billion in funds; and more than 34,000 applications from businesses with more than \$500,000 but less than \$1.5 million in pre-pandemic revenue, requesting \$8.4 billion in funds.<sup>9</sup> Given this demand, the SBA announced that they will close the RRF application on May 24, 2021.<sup>10</sup>
- Priority Period: The SBA is required to award grants to women, veteran, and other socially or economically disadvantaged small businesses during the priority period. SBA is having applicants self-certify their status within these priority groups. Of the current RRF applications, 57 percent are from women, veterans, and socially and economically disadvantaged business owners, requesting over \$29 billion in relief funds.<sup>11</sup> The hearing will provide the opportunity for SBA to update the Committee on how it is ensuring that this program is operating as Congress directed with fairness and equity across the program, with appropriate guardrails in place.
- Point of Sale Vendors: Eligible businesses can apply for RRF directly through SBA's online application portal, or through an SBA-recognized Point of Sale (POS) vendors such as Square, Toast, Clover, NCR Corporation (Aloha), and Oracle. Given the volume of applications and demand for RRF, this hearing will provide an opportunity for SBA to update the Committee on the use of both government and third-party application platforms.

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<sup>7</sup> P.L. 117-2.

<sup>8</sup> U.S. Small Bus. Admin., *Recovery for the Smallest Restaurants and Bars: Administrator Guzman Announce Latest Application Data Results for the Restaurant Revitalization Fund*, May 12, 2021, <https://www.sba.gov/article/2021/may/12/recovery-smallest-restaurants-bars-administrator-guzman-announces-latest-application-data-results>

<sup>9</sup> U.S. Small Bus. Admin., *Last Call: Administrator Guzman Announce Final Push for Restaurant Revitalization Fund Applications*, May 18, 2021, <https://www.sba.gov/article/2021/may/18/last-call-administrator-guzman-announces-final-push-restaurant-revitalization-fund-applications>

<sup>10</sup> U.S. Small Bus. Admin., *Last Call: Administrator Guzman Announce Final Push for Restaurant Revitalization Fund Applications*, May 18, 2021, <https://www.sba.gov/article/2021/may/18/last-call-administrator-guzman-announces-final-push-restaurant-revitalization-fund-applications>

<sup>11</sup> *Id.*

## **Conclusion**

Throughout the COVID-19 pandemic Congress has made improvements to the SBA's economic relief programs, created new support programs, and provided an influx of loans and grants to help small businesses across the country. The task of implementing the legislation and new SBA grant programs like SVOG and RRF have expanded the role of SBA. This hearing will provide members with an opportunity to hear from stakeholders who have been impacted by SBA's COVID-19 relief grant programs as enacted by Congress.