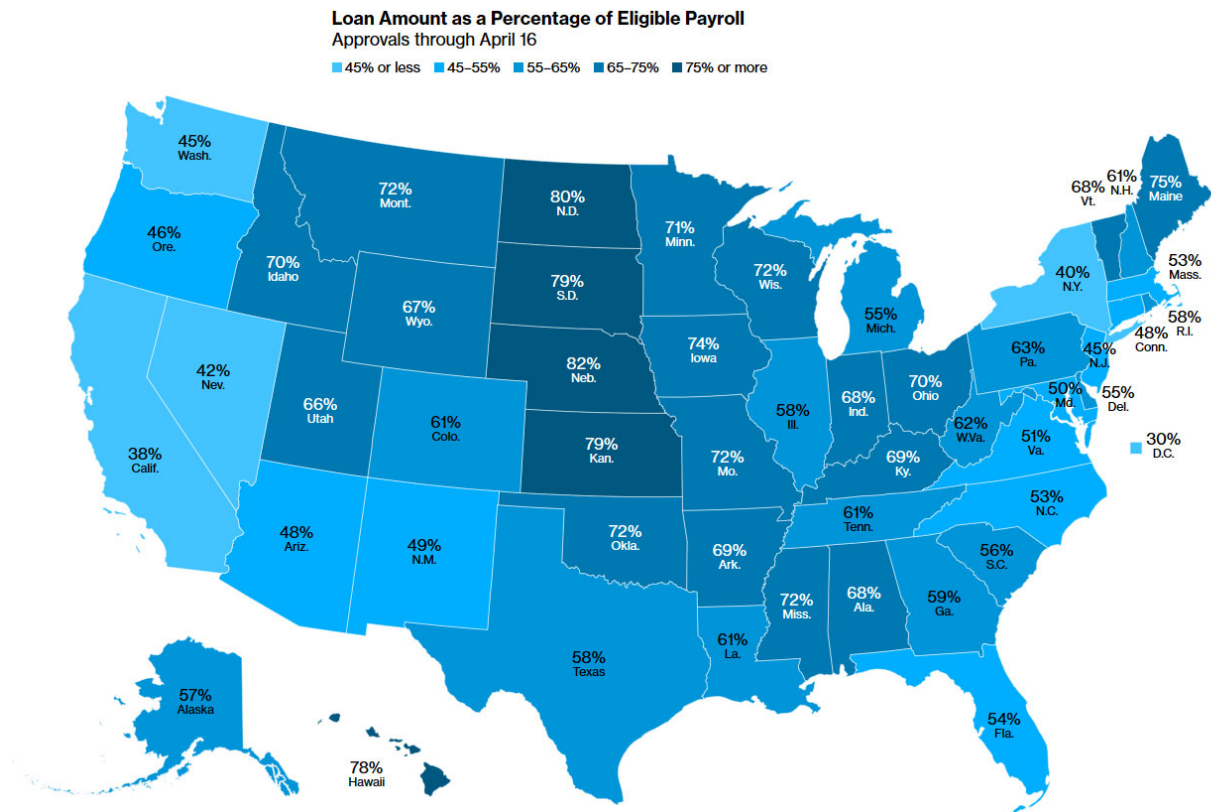




Small-Business Rescue Shows Not All States Are Created Equal

By Zachary Mider and Cedric Sam
Updated: April 17, 2020, 4:00 PM CDT

During the first 13 days of the federal government’s small-business rescue program, the spigot was wide open in Nebraska. Firms there got enough money to cover 82% of the state’s eligible payrolls. It was a different picture in New York and California, where companies did only half as well.



Note: Eligible payroll is based on calculations by Evercore of the average monthly 2019 payroll of businesses with fewer than 500 employees in each state, multiplied by 2.5. Businesses can apply for SBA loans worth as much as 2.5 times the past year’s average monthly payroll.
Source: SBA, Evercore ISI, based on Census Bureau data

Those findings, based on Evercore ISI estimates of eligible payrolls in each state, show the uneven distribution of the first \$342 billion of Small Business Administration coronavirus-relief loans, through April 16. Under the Paycheck Protection Program, Congress authorized forgivable loans equal to 2 ½ times monthly payroll for businesses with fewer than 500 employees. The SBA is using thousands of banks to process applications and distribute the money Congress appropriated. The fund was depleted on Thursday, and while both parties support expanding the program, Congress hasn't yet voted to do so.

The disparity between states has narrowed since April 13, when the SBA released the first detailed information on loans. As a share of eligible payroll, New York's loans jumped to 40% from 23% in those three days. California's share also increased.

Ernie Tedeschi, the Evercore analyst who calculated the eligible payroll figures, offered a few theories about why the imbalance arose in an April 15 note. One was that regions hit harder by the virus, or that had the earliest lockdowns, may have had more trouble getting lending started. Another was that more businesses in hard-hit states may not have applied because the program isn't enough to make a difference for them. Tedeschi also floated the possibility that businesses in some states had better pre-existing relationships with community banks that were able to get applications submitted quickly.

Whatever the reason, it's inevitable that the results will be politicized, since coastal states tend to favor Democrats, and Republicans dominate the country's center. "I'm hard-pressed not to think that this is political," said Jackie Speier, a Democratic congresswoman from California, in an April 16 tweet shared more than 10,000 times. "Blue states like California got a pathetic number of loans." At a press briefing, California Governor Gavin Newsom, also a Democrat, said, "We're trying to understand exactly why."