



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE


Marc Elrich
County Executive

Tiffany Ward, Director
Office of Racial Equity and Social Justice

MEMORANDUM

October 28, 2021

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Supplemental Appropriation: #22-18 Online Sales and Telework Grant

- I. **FINDING:** The Office of Racial Equity Social Justice finds that Supplemental Appropriation #22-18 is unlikely—as currently proposed—to advance racial equity and social justice in the Montgomery County. Providing grant funding to support small businesses' online sales and telework plans is a necessary step in the County's pandemic recovery, however ORESJ cannot conclude that such a program will advance racial equity as there is no evidence that specific approaches or strategies will be used to address the pandemic's disproportionate impact on business owners of color.
- II. **BACKGROUND:** Supplemental Appropriation #22-18 will authorize use of funds from the State of Maryland to provide grant funding to small businesses in the development of their online sales systems and teleworking options for employees. A key feature of this grant program includes the promotion of grantees' businesses on the Discover MoCo online sales platform. Application criteria for the grant program were established by the Maryland Department of Commerce and include:
- Have been established prior to March 9, 2020;
 - Be registered and in good standing with Maryland SDAT;
 - Applicants that have not received a COVID-19 Business Relief Grant or Loan from the Maryland Department of Commerce, or a grant from the Maryland Department of Labor for the purchase of equipment to assist in the expansion of opportunities for telework, will receive priority consideration;

- Currently be in operation; and
- Have a physical location within Grantee's jurisdiction.

Priority will be given to applicants who do not have more than 20 total employees (including part-time employees), excluding the owner. Available information indicates that county staff will administer the grant program, including reviewing applications and disbursing funds to qualifying applicants. Information about this grant opportunity will be available on MCG website, social media channels, and the Business Portal webpage. The Business Advancement Team will host an informational webinar about the grant (one in English and one in Spanish) to explain eligibility requirements and how to apply. The information will also be shared with community business partners, chambers of commerce (geographic and ethnicity specific), and economic development agencies. Available information did not indicate specific outreach targets, strategies, or tactics that would support the prioritization of businesses with fewer than 20 employees or businesses owners of color who have experienced disproportionate impacts from the pandemic.

Impacts of the pandemic on small business owners of color are well documented¹ and continue even as jurisdictions reopen and demand patterns shift. The pandemic has highlighted stark economic and health inequities that will persist and continue to disproportionately affect business owners and workers of color if they are not clearly identified and addressed. Current inequities in access to banking services and business development supports as well as histories of red-lining, employment discrimination, and wage inequality have contributed to few opportunities for and lower levels of wealth accumulation among people of color, an important precondition for business startup and survival. Analysis conducted by researchers at the JP Morgan Chase Institute, show that black and Hispanic-owned businesses face challenges of lower revenues, profit margins, and liquidity². Inequities in educational opportunities and histories of occupational segregation also shape the industries entrepreneurs of color enter. As explained by Farrell, et al., "Education, prior work experience, and personal financial resources—all of which may have been shaped by race—can affect whether individuals start a small business and the types of small businesses they found." As a result, businesses owned by people of color are often concentrated in sectors like retail, accommodations, and personal services, which were particularly vulnerable to the effects of pandemic related stay-at-home orders, social-distancing, and health and safety measures. These factors alone make clear the importance of affordable safe credit and financial products in enabling small businesses owned by people of color to survive and grow. The pandemic has created an environment of even greater financial precarity, thus generating demand for capital with greater flexibility and at low or no cost. In a Color of Change/Global Strategy Group survey covering the period April 30-

¹ <https://www.forbes.com/sites/rohitarora/2021/01/29/small-business-owners-of-color-continue-to-face-challenges/?sh=2a94d00e58aa>

² Farrell, Diana, Chris Wheat, and Chi Mac. 2020. "Small Business Owner Race, Liquidity, and Survival." JPMorgan Chase Institute. <https://www.jpmorganchase.com/corporate/institute/small-business/small-business-owner-race-liquidity-and-survival>.

May 12th, 2020, “receiving a grant from a local or state government relief or assistance program” was among the top three supports considered most helpful by business owners of color in the study.³

In addition to financial support, targeted technical assistance and coaching is often necessary to support business owners in maximizing financial resources and successfully pivoting operations in response to new market conditions—particularly those created by the pandemic, where demanded became more variable and new health and safety measures were necessary. Poll results published in January 2021 by the Small Business Majority indicate that 30% of Black and AAPI business owners and 29% of Latinx business owners reported changing their business model drastically because of the pandemic; 19% of White business owners reported drastically changing their business model⁴. This disparity highlights potential differences in business development needs among business owners. Overall business owners who responded to the survey, reported that help attracting new customers would be the most useful form of support, followed by building an online presence and improving health and safety⁵. Due to the above-described inequities, business owners of color are often less likely to have access to these and other necessary business supports. Lack of access to business development supports could hinder the potential impact of grant dollars or other investments, if the business owner is unable to quickly and strategically operationalize changes to their business.

Since the early stages of the recovery, there have been important lessons learned about the connection between racial inequities and efficacy of programs in reaching business owners of color and addressing their experiences during the pandemic. Research shows, for example, that the Paycheck Protection Program (PPP), the Federal Government’s most well-known small business relief programs consisting of forgivable loans intended to function like grant dollars, was not designed or implemented in a way that effectively reached smaller of firms or firms owned by people of color⁶. Even when business owners of color received PPP funding, they were less likely to report receiving the full amount requested⁷. In January 2021, the Small Business administration released a report that suggests the overwhelming majority of approved loans (among borrowers who reported their race/ethnicity) went to white business owners⁸. A recent article in Forbes explained how the SBA attempted to redress some shortcomings of the PPP program by providing Community Development Financial Institutions (CDFIs) access to the latest round of PPP funding a week prior to opening the window to all other approved PPP

³ Prepared by Global Strategy Group for Color of Change and Unidos US. *Federal Stimulus Survey Findings*” Slide 7: In order to survive, small business owners need grants and other forms of assistance from the federal government”

<https://theblackresponse.org/wp-content/uploads/2020/05/COC-UnidosUS-Abbreviated-Deck-F05.13.20.pdf>.

⁴ <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>

⁵ <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>

⁶ Policy Link. “10 Priorities for Advancing Racial Equity Through the American Rescue Plan A Guide for City and County Policymakers”. Accessed at: <https://www.policylink.org/resources-tools/american-rescue-plan-10-priorities>

⁷ <https://smallbusinessmajority.org/sites/default/files/research-reports/COVID-19-national-small-business-poll.pdf>

⁸ https://www.sba.gov/sites/default/files/2021-01/PPP_Report_2021_01_24-508.pdf

lenders⁹. By prioritizing access for CDFIs, it was envisioned that the program would be more likely to reach smaller businesses and businesses owned by people of color—the customer base of many CDFIs. This adjustment demonstrates how applying a racial equity lens to disparities in resource access can help to expand opportunity to those who have faced disproportionately negative impacts during the pandemic.

cc: Ken Hartman, Director, Strategic Partnerships, Office of the County Executive
Judith Costello, Special Projects Manager, Office of the County Executive
Nicole Gyapong, Administrative Coordinator, Office of the County Executive
Veronica Jaua, Analyst, Office of Management and Budget

⁹ <https://www.forbes.com/sites/rohitara/2021/01/29/small-business-owners-of-color-continue-to-face-challenges/?sh=2a94d00e58aa>