



## CDFA Circular 2020-06

**Related to:** Microenterprise Technical Assistance Program, including CDBG COVID-19 (CDBG-CV) funds allocated to CDFA through the CARES Act of 2020.

**Subject:** Guidance for Microenterprise Technical Assistance Program, including Direct Grants to Microenterprises using CDBG-CV Funds

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### **Summary**

This CDFA Circular outlines a process by which grantees and sub recipients may apply for and deploy CDBG-CV funds to provide direct grants to qualifying microenterprises, and provides further clarity about the Microenterprise Technical Assistance Program.

### **Background**

Starting in early March 2020, there has been a growing body of evidence that COVID-19 is causing significant limitations of business activity, layoffs, job losses, business closures, and other economic disruption of an unprecedented nature. In response, there were numerous government actions at both the Federal and State level, including:

- Federal State of Emergency declaration and CDC guidance to prevent the spread of COVID-19 <https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html>
- State economic disaster declaration (which required numerous businesses to document direct impacts from COVID-19)
- Numerous Gubernatorial Executive Orders requiring closure of schools, closure of restaurants and hospitality enterprises, remote work/social distancing, extended unemployment benefits, etc. <https://businesshelp.nheconomy.com/hc/en-us/categories/360003398073-GOVERNOR-S-EXECUTIVE-ORDERS>
- Passage of the Federal CARES Act and other legislation, which targets aid to small businesses, municipalities, states, etc.

As a result of these extraordinary circumstances, the economic landscape of New Hampshire has changed significantly, with many businesses struggling to retain their workers and/or remain in business.

In April 2020, pursuant to passage of the CARES Act, HUD allocated additional CDBG funds (“CDBG-CV”) to New Hampshire to address issues related to the impacts of COVID-19. CDFA has allocated a portion of CDBG-CV funds to augment the existing Microenterprise Technical Assistance Program to support microenterprises across the state in response to COVID-19.

Since March 2020, CDFA has sought information and input from a variety of sources on how to support microenterprises, including data from existing microenterprise technical assistance providers in New Hampshire, national articles and research, and examples of CARES Act deployment approaches from other states. Existing microenterprise TA providers documented additional demand for services; other federal resources (PPP, EIDL, NH Main Street Fund) were not meeting micro needs; and a \$100,000 grant from Citizens Bank (CB) enabled successful small grants to existing micro program clients. (CB provided this grant to CDFA in Spring 2020 in response to the COVID-19 pandemic, with the intention that the funding would be used to support microenterprises across the state. As part of its NH Nonprofit Response Fund, CDFA requested proposals from existing microenterprise technical assistance providers to distribute the CB funds to their micro clients.) CDFA determined that small grants to microenterprises represented the most effective strategy.

In June 2020, CDFA issued a Funding Opportunity (FO) for 2020 CDBG-CV-Microenterprise funds (attached) *‘to cover costs associated with preparing for, responding to, or recovering from the COVID-19 pandemic’* (italicized text is excerpted from the CARES Act). On June 30, 2020, CDFA hosted a webinar with representatives of potential applicants and sub recipients to review and gather feedback on the FO and proposed program design. As a result of that feedback and further analysis, CDFA developed the following program guidance.

### **Decision**

CDFA is inviting current Microenterprise Technical Assistance Program awardees and subrecipients to submit a new application for CDBG-CV funds to ‘cover costs associated with preparing for, responding to, or recovering from the COVID-19 pandemic.’ Application information is contained within the attached FO. Additional guidance follows. (For the purpose of this Circular, the terms ‘sub recipient’ and ‘microenterprise technical assistance provider’ are used interchangeably.)

- 1) The Program Year for CDBG-CV Micro funds will run from October 1, 2020 to September 30, 2021. (The CARES Act stipulates that all CDBG-CV funds must be expended by September 30, 2021.)
  - 2) Funds may support any qualifying microenterprise that has passed through a sub recipient’s intake and qualification process on or after January 1, 2018.
  - 3) Each qualifying microenterprise may receive a total of up to \$2,500 in direct grant assistance from only ONE microenterprise technical assistance provider.
  - 4) Funds may be used ONLY ‘to cover costs associated with preparing for, responding to, or recovering from the COVID-19 pandemic,’ including the following eligible activities:
    - a. Working capital
    - b. Equipment purchase
    - c. Operating expenses
    - d. Minor construction/modification, with a total cost of not more than \$1,999. (The total cost must include both CDBG-CV *and* all other funds.)
- [See 24 CFR 58.35(b)]

Questions regarding other eligible activities should be directed to CDFA *before* the activity is undertaken or supported with CDBG-CV funds.

- 5) Sub recipients may apply for funds to cover 'program activity costs' of up to 20% of the total program cost (\$2,500 x number of proposed microenterprise beneficiaries).  
Example: Sub recipient A requests \$25,000 to support 10 microenterprise beneficiaries. Sub recipient A may include up to \$5,000 in 'program delivery costs' as part of the overall program budget. Thus the total programmatic budget request would be \$30,000.
  - 6) Eligible 'Program Delivery Costs' are outlined on the attached document, "Cost Categories – General Administration Costs and Program Activity Costs." Subrecipients may not submit any "General Administration" costs for reimbursement by CDBG funds.
  - 7) Subrecipients must have adequate financial management in place to clearly account for the different elements of the Microenterprise program.
  - 8) The following documentation is required for each microenterprise beneficiary:
    - a. Intake form and Income Verification Form
    - b. Business Tracking Report (same as used for the Microenterprise TA program)
    - c. DUNS #
    - d. Environmental review form
    - e. Statement from the microenterprise confirming no duplication of benefits with other Federal funds
- CDFA will provide detailed guidance on documentation as part of a Compliance Plan for each applicant/sub recipient.
- 9) Business underwriting is not required for microenterprises receiving direct grants under this program (per HUD NE Region guidance, July 2020).
  - 10) Program Beneficiary Limits
    - a. Each qualifying microenterprise is eligible to receive up to \$2,500 in technical assistance from a sub recipient within a program year.
    - b. A qualifying microenterprise may receive technical assistance from two different microenterprise technical assistance providers in one program year, PROVIDED that the services from each provider are separate and distinct (e.g. marketing support from Provider A and business planning/financial management from Provider B) and there is clear documentation maintained by both providers.
    - c. In addition, each qualifying microenterprise is eligible to receive up to \$2,500 in loan-application support from one provider.
    - d. Microenterprise clients may receive services for up to three program years.
    - e. The maximum amount of support that any qualifying microenterprise may receive (including CDBG-CV funds) is \$20,000 over a three-year period, broken down as follows:
      - i. \$5,000 in technical assistance per year from two different providers (\$2,500 per provider per year, as noted above) X three years = \$15,000
      - ii. \$2,500 in loan support within a program year
      - iii. \$2,500 in CDBG-CV direct grants
  - 11) Each sub recipient must affirmatively document that there is no overlap in benefits for an individual microenterprise, i.e. that no other microenterprise technical assistance provider is providing or has provided similar services. The client Intake Form must capture the following information:
    - a. Have you received assistance from any other technical-assistance provider at any time over the past three (3) years? Y/N
    - b. If yes,
      - i. Name of provider
      - ii. Type of services provided
      - iii. Time frame that services were provided

All microenterprise technical assistance providers are encouraged to share information with other program partners in order to prevent duplication of services to any particular micro client.

**Process**

CDFA will follow the standard CDBG-Microenterprise pre-application, application, review, approval and contracting process for new applications to CDBG-CV funds allocated to the Microenterprise program.

**Justification**

HCDCA Section 105(a)(22)

**Effective Date**

July 7, 2020

**Waiver authority**

None