Illinois Legislative News

Small-business grant program ends, paying out more than $275 million

By SARAH MANSUR
Capitol News Illinois

SPRINGFIELD — The grant program for small-businesses owners in Illinois who suffered losses during the pandemic has run out of money.

Illinois' Business Interruption Grant program was the largest state program of its kind, but only about 20 percent, or 8,974 applicants, received a grant.

The Illinois General Assembly created the program using federal Coronavirus Aid, Relief and Economic Security Act, or CARES Act, money. The Illinois Department of Commerce and Economic Opportunity helped administer the program, and awarded more than $275 million since the first round of grants were issued in August.

DCEO Director Erin Guthrie said this particular set of federal dollars has been exhausted, but the department continues to look for ways to help businesses statewide.

"We know that businesses are hurting and we wish that Congress would provide more relief," Guthrie said in an interview. "This virus has shut down so much of our economy, and that is a struggle for every person and business across our state. The other thing I would say is, we're constantly working with our federal counterparts, with other sources in ways that we can creatively provide relief to those businesses."

She said government money is still available for business owners through the second round of the federal Paycheck Protection Program, which awards forgivable loans, as well as existing state loan programs dedicated to small businesses, such as Advantage Illinois.

More than a third of BIG funds went to businesses downstate, 40 percent of grants were made to minority-owned businesses statewide, and more than 80 percent were made to businesses with $1 million or less in annual revenues, according a DCEO press release.

"(Gov. JB Pritzker's) decision to respond quickly to the virus, and also support, economically, our workers and our businesses has been key in getting this all done. That's the big picture. It's really coming down from the top. It's really coming from his vision and carrying it out in an equitable way," Guthrie said.

Although the supply of funds could not match the demand, Guthrie said the agency continued to solicit for new applications because "we knew that we would continue to get those smallest, very smallest businesses to apply who were in the hardest hit industries, and that's exactly what happened."

The average grant size was $30,000, and grants ranged from $5,000 to $150,000.

Robert Gomez, owner of Subterranean music venue in Chicago, received funding through the BIG Grant program in mid-November after shuttering his doors in March.

Gomez said Subterranean was in a dire situation before it received a $30,000 program grant, as he weighed the possibilities of refinancing his home, or tapping into his kids' college funds.

Subterranean, which is in its 27th year, received federal PPP money but Gomez said he hasn't touched the funds because his workers are not on his payroll, which is a required for loan forgiveness eligibility.

"We've had to rely on donations from individuals, and a gift certificate program that we put in place where people can redeem it later," he said.

"It's like, no, we can't go down like this. You work so hard to build something for almost 30 years, and then get wiped out because of the pandemic. It's so hard to wrap my mind around that. But our only alternative, my only alternative, was to fight, to get creative, to push," Gomez said.

Having spent his BIG funds, Gomez said he plans to apply for grant money that was allocated for venue operators in the second round of federal COVID-19 stimulus funding, which was passed by Congress in December.

"Thankfully, there seems to be a federal program that is specific for venues that would be the lifeline we need. But without the BIG grant, we wouldn't have been able to sustain ourselves without some major financial overhaul," Gomez said.

Nearly half of all BIG funds, or more than $133 million dollars, went to restaurants and bars, according to the DCEO release.

A recent survey from the National Restaurant Association, along with the Illinois Restaurant Association, found 58 percent of Illinois operators say it is unlikely their restaurant will be open in six months without additional relief packages from the federal government.

Pritzker's executive order that imposed an indoor dining ban on bars and restaurants, starting Nov. 18 and still in effect for some parts of the state in late January, has been especially painful for the industry.

Pat Doerr, managing director of the Hospitality Business Association of Chicago, said the fact that the agency awarded some grants to restaurants that never stopped serving customers indoors, in violation of the program's eligibility rules, is one of his top grievances.

Guthrie said the majority of grant recipients have followed the rules.

"If they aren't, we really try to work with grantees to get them back in compliance. And then the very last line of defense would be to potentially claw back funds," she said.

Guthrie said the department hasn't clawed back any grant funds so far but one grant recipient that was not in compliance voluntarily returned their funds.

Doerr said the agency also failed to communicate an applicant's realistic chance of getting money.

"They massively oversold the program," he said. "The ship went down, and only one in five businesses got a lifeboat. Everybody's happy for the one in five small businesses who made it in the lifeboat."

Matt Strauss applied for BIG funds to help his Chicago restaurant — Table, Donkey and Stick — and Danke, a Chicago sandwich shop, where he is a managing member, but was denied funds for both businesses.

He said his businesses have remained afloat with PPP funds, and expects they will receive a second round of federal PPP money in the coming weeks.

"The bottom line is (DCEO) should have taken applications, determined eligibility, and then distributed funds across the pool — the full universe of eligible applicants. It's the only way to do it equitably," he said.

"Obviously, everyone wants free money. And I wouldn't say no, but I just know that there are thousands and thousands of businesses that are owned by people who have less than I have, and are probably going to struggle significantly because they didn't get any funding."

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Vote by mail, remote voting, 'decoupling' bills fail in session

By SARAH MANSUR
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SPRINGFIELD — The 101st Illinois General Assembly took historic action by passing legislation to end cash bail prior to electing a Black House Speaker for the first time in the 102nd General Assembly.

But lawmakers ran out of time on several consequential measures — including bills that would have expanded vote-by-mail, allowed lawmakers to conduct business remotely during the pandemic and eliminated newly expanded income tax deductions for business owners. Another bill relating to the state's rollout of legalization of adult-use marijuana also failed to pass, as did a measure that was part of the Illinois Legislative Black Caucus' health-care agenda.

House Democrats fell 10 votes short of passing a bill, endorsed by Gov. JB Pritzker, that would have eliminated certain tax deductions for Illinois business owners that were created under the federal CARES Act. Pritzker has argued this change by the legislature is needed to prevent revenues from shrinking by more than $500 million during the current fiscal year, thus enlarging the state's $3.9 billion budget deficit.

Specifically, the bill would end the CARES Act amendments that expanded income deductions business owners can claim as net operating losses, carryback losses or excess business losses.

Pritzker encouraged the General Assembly to "decouple" Illinois' tax law from the federal tax amendments under the CARES Act, an action that would have kept the state tax code consistent with previous years.

Pritzker claimed those changes would have preserved $500 million in state tax revenue from noncorporate taxpayers and owners of pass-through entities, such as limited liability companies and partnerships.

During House floor debate, lawmakers on both sides of the aisle described the bill as preserving up to $1 billion in state revenue.

Democratic Rep. Michael Zalewski, the bill's sponsor, said the proposed changes would impact about 440,000 taxpayers statewide.

Zalewski, of Riverside, tried to appeal to his caucus, but 10 House Democrats voted present while another eight did not vote on the bill, including former House Speaker Michael Madigan, of Chicago, and the newly elected Speaker Emanuel "Chris" Welch, of Hillside.

At least a dozen Republicans condemned the proposal as a last minute "tax hike" on small-business owners already crushed by the pandemic.

During the House floor debate, Rep. Tim Butler, R-Springfield, said the bill amounts to the tax increase that Republican lawmakers anticipated would come up during the lame duck session.

"This is the textbook definition of a late night, no one is watching, lame duck, back door tax increase. This is exactly what people hate," he said.

Zalewski characterized the proposal as an effort to prevent loss of revenue, rather than an effort to raise new revenue.

House Republicans were also critical that the Pritzker administration and the Illinois Department of Revenue did not notify taxpayers or the legislature sooner of the state's plans to decouple from the federal changes that were made in March.

Pritzker said he expects the legislature will bring the proposal back in the 102nd General Assembly.

Remote voting, more

The remote voting bill, which passed the Senate unanimously, would have permitted the House and Senate to convene remotely and cast votes during a public health emergency where "in-person participation poses a significant risk to the health and safety," of lawmakers, their staff or the public.

It would have required both chambers to create rules for remote participation in session and committees, and it would have applied to the boards of the Joint Committee on Administrative Rules, Commission on Government Forecasting and Accountability and Legislative Audit Commission.

The Senate changed its rules during the brief May session to allow for remote hearings but the House failed to pass similar changes. Two lawmakers voted remotely in the lame duck session.

Both chambers released tentative calendars last week showing they are scheduled to meet in-person several days each month through May.

Since the pandemic hit Illinois in March of 2020, members of the House met briefly the following May and earlier this month at the Bank of Springfield Center, while the Senate continued at the Capitol for those brief sessions.

The vote-by-mail bill, which passed the Senate by a vote of 40-18, would have made permanent some changes that were implemented in response to the pandemic for the 2020 general election. This would have included the use of drop-box sites to collect ballots without postage and curbside voting during early voting or on Election Day.

It also would have required the State Board of Elections to provide guidance, rather than rules, for securing collection sites. Neither bill was taken up for a vote by the full House on Wednesday.

Meanwhile, House Bill 122, which would have added another round of 75 marijuana dispensary licenses among other actions, passed the Senate but did not receive a vote in the House as well.

Senate Bill 558, which was a wide-ranging bill consisting of several health care reforms backed by the Black Caucus, passed the House but did not receive a vote in the Senate.