



April 4, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

Re: Urgent SMB Relief During the COVID-19 Pandemic

Dear Governor Newsom:

We applaud your swift action in the last weeks to address the unprecedented COVID-19 pandemic and provide relief to millions of Californians. We particularly appreciate your leadership in negotiating with five large banks and 200 state-chartered banks, credit unions, and servicers to protect impacted individuals from foreclosure and evictions.¹ We also appreciate the resources available for small businesses through the California Infrastructure and Economic Development Bank, California Capital Access Program, and the Small Business Administration.

We believe these options will help small businesses pay their employees, enable their employees to individuals feel secure in taking paid sick leave, and cover expenses as a result of the recent disruptions to their businesses. These unprecedented actions will be critical in rebuilding and reinvigorating small business in the years to come.

We are writing to you today to urge you to take additional specific, immediate action to support small businesses in California and the families that depend on them. As a platform that represents more than 100,000 small businesses, Gusto believes that the crisis represents an existential threat for businesses across the country and we need your help to ensure the survival of the important small businesses that keep this country running.

Gusto is a people platform that is focused on creating a world where work empowers a better life. Gusto enables SMB owners and managers to easily pay employees and contractors, remit taxes to state and federal authorities, stay compliant with ongoing employment law obligations, and keep accurate records of these activities. Gusto provides payroll, human resources, health insurance benefits, and financial health benefits for more than one million employees of small businesses across the country. We are uniquely positioned to understand the needs and pain points of small businesses, and to provide our – and our customers’ - perspective on how best to serve them during this challenging time. Our SMBs are the lifeblood of this country: 99.9% of the businesses in this country are small businesses and they employ 59 million people.²

We have the following **suggestions on how you can help SMBs survive this crisis:**

¹ <https://www.gov.ca.gov/2020/03/25/governor-gavin-newsom-announces-major-financial-relief-package-90-day-mortgage-payment-relief-during-covid-19-crisis/>

² <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>



1. Provide more direct funding to small businesses and require that state-chartered financial institutions provide loans and grants to small businesses, with particular focus on minority and women-owned businesses.

We appreciate that you have acted rapidly to ensure additional funding from the Small Business Administration (SBA) to provide loans in California as soon as possible. While we are encouraged by the SBA’s expansion of economic injury disaster loans (EIDL), we think that the recent passage of the federal CARES Act with additional funding for SBA small business loans provides opportunity for California-based financial institutions to pay a key role in helping small businesses survive this pandemic. We encourage you to direct financial institutions to participate in the Paycheck Protection Program under CARES and increase their focus on small business relief using both SBA funds and the additional capital that the Federal Reserve has recently made available.

While the federal and state actions to unlock small business funding are welcome, we are concerned that the speed with which these actions will flow to individual businesses may be too slow and too late to help save many businesses from being able to pay their rent, pay their employees, or manage unused inventory, particularly in light of the increasing shelter-in-place mandates across the country, which disproportionately affect SMBs. We ask that you consider requiring financial institutions to provide small business grants, bridge loans before SBA funding clears, or additional small business loan funds, consistent with maintaining a safe and sound financial system and consumer protection. As stated by the Federal Deposit Insurance Corporation, “[t]he survival and growth of small businesses depends on access to credit, and banks are the most common source of external credit for small firms.”³

We encourage you to permit non-bank financial institutions, including fintechs, to participate in distributing grants and loans to small businesses. We also ask that you particularly consider the needs of women- and minority-owned small businesses when you design additional relief for small businesses. You are uniquely positioned to ensure the resilience of the many important small businesses in the country – and the livelihoods of those that work at those businesses.

2. Require financial institutions to waive discretionary consumer and SMB banking fees, such as those for overdraft, customer service, monthly account maintenance, and late payments.

We applaud your strong action in obtaining agreement from the private sector to pause foreclosures and evictions, pause negative credit reporting, and provide relief from fees and charges for mortgages. We also tremendously appreciate the additional protections you implemented this week to ensure rental and utility security.⁴ SMBs are struggling to determine

³ <https://www.fdic.gov/bank/historical/sbls/full-survey.pdf>

⁴ <https://www.gov.ca.gov/2020/04/02/governor-newsom-issues-executive-order-protecting-homes-small-businesses-from-water-shutoffs/>; <https://www.gov.ca.gov/2020/03/27/governor-newsom-takes-executive-action-to-establish-a-statewide-moratorium-on-evictions/>



whether they can keep all of their service providers on staff and whether they can continue to pay business expenses like rent, utilities, and most importantly – people. Your forward-thinking actions and public-private partnerships are emblematic of the decisive and swift collaboration we need to battle this pandemic.

We urge you to continue working with financial institutions to provide additional relief to impacted SMBs and their employees. Every dollar that we can save them counts. We urge you to encourage financial institutions to waive fees where possible, including but not limited to: (i) overdraft fees, (ii) late fees related to SMB loan repayment, (iii) and other fees that directly relate to an SMBs ability to continue to employ their service workers, insure their workers' families, and abide by relevant labor laws. We also ask that you require a pause in debt collection and negative credit reporting, similar to what you have achieved in mortgage relief.

3. Open up APIs to allow third-party businesses to facilitate CA SMB funding and explicitly permit direct state funding to certain custodial third parties.

We are working as quickly as we can to provide information about the various California state funds for SMB relief, as well as SBA disaster loan availability, to our small businesses. We appreciate that both the SBA and California's GO-Biz and IBank have been working around the clock to provide relief to SMBs. However, the only way to access the Disaster Relief Loan Guarantee Program and the Jump Start Loan Program is through partner Financial Development Corporations (FDCs). Similarly, the primary ways to access SBA funding are either through the SBA directly or approved SBA lenders. As a technology company, we are equipped to build new technology using application programming interfaces (APIs) connected to external portals to facilitate ease of use for consumers and SMBs. Our goal is to ensure that local communities remain intact and the highest number of eligible SMBs apply for these programs in time to save them. We ask that you consider opening an API immediately to enable private companies to facilitate moving funding into the hands of hurting small businesses as soon as possible.

We believe that opening up an API for us to help SMBs apply for state funding more quickly will be beneficial for SMBs and ask that you consider working with us – and other technology companies – to open up access portals to make funding more seamless and more available for worthy applicants. To best make use of an open API, we ask that you explicitly allow technology and API-enabled custodians and powers of attorney – such as Gusto – to apply for state loans on behalf and in the name of eligible SMBs *and require companies to do this with no fee*. During times of crisis like we are currently facing, no company should take a fee for connecting SMBs with the resources that are intended for them and their communities.

4. Require state-chartered financial institutions to provide immediate forbearance for at least 180 days on existing SMB loans and consider longer-term modifications

We applaud your swift action to stem provide relief for homeowners and renters from eviction and foreclosure. We believe you should take similar actions to keep SMB owners from being evicted from their spaces and allow for SMBs to restructure their loans for long-term stability. According to the Federal Reserve, approximately 43% of small businesses use credit to keep



their businesses operating.⁵ And prior to the COVID-19 crisis, SMBs were taking out loans at an unprecedented level – with small banks, financial technology companies, and large banks approving more small business loans than ever before.⁶ This means our state’s small businesses are particularly vulnerable to an economic downturn, and that you have unique levers to offer relief from these small business loans during this crisis. We believe that temporary relief from the billions of dollars in debt that small business owners struggle with will make a meaningful impact on their survival.

5. Enable payroll companies to administer and distribute grants and loans directly to small businesses and to distribute unemployment and stimulus funds directly from the government to individuals and small businesses

The payroll industry plays a unique role in managing the distribution of paychecks for millions of SMBs. Tax and payroll are two of the most outsourced functions at U.S. companies, with nearly half of all companies using a payroll provider for these services.⁷ We can help the government get money into the hands of SMBs, and the families that rely on them, quickly and efficiently. We offer our services to you as a company that has direct ability to quickly distribute funds to individuals and small businesses, validate information you may need on a company’s longevity and history of payroll expenses, and whether the employer has laid anyone off or reduced hours. We also believe we can assist with the Employment Development Department (EDD)’s needs to validate reduced hours for shared work programs or validate layoffs.

We propose these measures as immediate action that can support SMBs as the backbone of our economy during this time. While this letter is urged at actions that will immediately relieve SMB on the financial front, we are equally committed to additional measures by you that will improve continued access to health care plans for SMBs during this time, and relief for payroll and other leave costs that SMBs may incur due to widespread outages of employees’ abilities to work.

As you have proven in your recent actions, coordination among the public and private sector is key during this time. We stand ready as a resource aligned with SMBs that can advise on these matters during this difficult time, and we appreciate your partnership and consideration of our recommendations.

Sincerely,

Joshua Reeves
Chief Executive Officer

⁵ <https://www.fedsmallbusiness.org/medialibrary/fedsmallbusiness/files/2019/sbcs-employer-firms-report.pdf>

⁶ <https://markets.businessinsider.com/news/stocks/banks-small-business-loan-approval-rates-hit-record-high-in-december-2019-biz2credit-small-business-lending-index-1028816509>

⁷ https://www.roberthalf.com/sites/default/files/Media_Root/images/rh-pdfs/accounting_finance_benchmarking_report_2016.pdf