

Maine Economic Recovery Grant Program

MAINE'S PATH TO RECOVERY: In addition to the threat to public health, the COVID-19 pandemic has fundamentally changed the global business environment, causing severe supply-chain disruptions, reduced consumer spending, and unprecedented losses that are felt across all sectors. U.S. industries are no exception, with hospitality, tourism, retail, restaurants and bars, entertainment, manufacturing and countless others facing a host of new challenges and barriers that disrupt operations and impede growth. Here in Maine, the closure of the Canadian border, the stoppage of cruise ships, and reluctance of people to travel have impacted our economy, from agriculture to fisheries, to retail, recreation and hospitality sectors.

The State of Maine plans to use CARES Act relief funding to help our economy recover from the impacts of the global pandemic by supporting Maine-based businesses and non-profit organizations through an Economic Recovery Grant Program. The funding originates from the federal Coronavirus Relief Fund and will be awarded in the form of grants to directly alleviate the disruption of operations suffered by Maine's small businesses and non-profits as a result of the COVID-19 pandemic. The Maine Department of Economic & Community Development has been working closely with affected Maine organizations since the beginning of this crisis and has gathered feedback from all sectors on the current challenges.

Many Maine businesses and non-profits have not been able to access existing sources of relief funding and so have "fallen through the cracks" and need help in order to remain viable. Some of these businesses are from sectors hardest hit from the global pandemic, including those who remained closed for longer periods of time, businesses that have not yet re-opened, businesses that rely on seasonal cash flows, and businesses with decreased revenues due to declines in consumer spending or declining global markets. This program is not meant to be exclusive and acknowledges that nearly every industry sector in Maine has experienced a decrease in revenue.

The money available for these grants cannot wholly replace or repair the economic damage this pandemic has caused. Our narrow mission is to ensure that each dollar has at least a small, direct impact on supporting Maine businesses, Maine non-profit organizations, and Maine's economy.

PROGRAM GOALS: This program provides grants for businesses and non-profit organizations that demonstrate a need for financial relief based on lost revenues or expenses related to the disruption of business operations caused by the COVID-19 pandemic. Grants will be distributed

based on a business's/organization's demonstrated losses as a pro-rated percentage of the total losses reported by qualified applicants.

The program is not intended to replace lost profits but only to help businesses remain viable. This program is intended to assist in the stabilization of Maine's economy and accelerate the transition from short-term relief to regaining our state's focus on Maine's 10-year Economic Development Strategy, anchored in talent and innovation.

Enclosure 1:

Eligibility Criteria:

The Maine Economic Recovery Grant Program is intended to assist in covering losses incurred as a direct result of the COVID-19 pandemic and related public health response.

Businesses/organizations will be liable for any misuse of funds. The grants are taxable income and subject to audit.

- Suggested business/organization expenses may include but are not limited to:
 - Payroll costs and expenses;
 - Rent or mortgage payments for business facilities (unless otherwise waived by lessor/lender);
 - Utilities payments;
 - Purchase of personal protective equipment required by the business/organization;
 - Business related equipment;
 - Investments that will support your business's/organization's long-term sustainment;
 - Expenses incurred to replenish inventory or other necessary re-opening expenses; and
 - Necessary operating expenses.
- Examples of unallowable expenses include (list is not all-inclusive):
 - Depreciation expense
 - Entertainment
 - Lobbying
 - Goods and Services for Personal Use
 - Fines, Penalties, Damages and other Settlements
- Funds must be spent on operations that are strictly within Maine.

To qualify for a Maine Economic Recovery Grant your business/organization must:

- Demonstrate a need for financial relief based on lost revenues minus expenses incurred since March 1, 2020 due to COVID-19 impacts or related public health response;
- Be a for-profit business or non-profit organization, except:
 - Professional Services
 - 501(c)(4), 501(c)(6) organizations that lobby
 - K-12 schools, including charter, public and private
 - Municipalities, municipal subdivisions, and other government agencies
 - Assisted living and retirement communities

- Nursing homes
 - Foundations and charitable trusts
 - Trade associations
 - Credit unions
 - Insurance trusts
 - Scholarship funds and programs
 - Gambling
 - Adult Entertainment
 - Country clubs, golf clubs, other private clubs
 - Cemetery trusts and associations
 - Fraternal orders
 - Hospitals, Nursing facilities, Institutions of higher education, and Child care organizations¹
- Have significant operations in Maine (business/organization headquartered in Maine or have a minimum of 50% of employees and contract employees based in Maine);
 - Be current and in good standing with all Maine State payroll taxes, sales taxes, and state income taxes (as applicable) through July 31, 2020;
 - Have been in operation for at least one year before August 1, 2020;
 - Be in good standing with the Maine Department of Labor;
 - Not be in bankruptcy;
 - Not have permanently ceased all operations;
 - Be in consistent compliance and not be under any current or past enforcement action with COVID-19 Prevention Checklist Requirements (<https://www.maine.gov/decd/covid-19-prevention-checklists>); and
 - Employ a combined total of 50 or fewer employees and contract employees.

For non-profit organizations: Only Fiscal Sponsors (organization that files Form 990 or Form 990-EZ) are eligible to apply.

A group of affiliated entities should only submit one grant application. Please coordinate with other affiliated entities prior to submitting an application.

For purposes of the Maine Economic Recovery Grant, your business/organization is considered affiliated with any other business/organization that:

1. Has the same Federal Taxpayer Identification Number (including Social Security Number)

¹ Alternate funding available through the Department of Education and Department of Health and Human Services for hospitals, nursing facilities, child care organizations, and institutions of higher education.

2. Has the same corporate parent or grandparent
3. Is majority owned (more than 50%) by the same owner or group of owners
4. For Non-profits: Is a subsidiary of a “parent” organization

Enclosure 2:

What you will need to complete this application:

You will need the following information about your business/organization (and all affiliated businesses/organizations) before you begin your Maine Economic Recovery Grant application:

- Federal Employer Identification Number or Social Security Number
- Type of business/organization (non-profit or for-profit)
- Data Universal Number System (DUNS) number. To set-up or verify a DUNS number, visit <https://www.grants.gov/applicants/organization-registration/step-1-obtain-duns-number.html>.
- Principal office address
- “Doing business as” (DBA) name
- Applicant address and other contact information
- For businesses: Ownership percentage of each individual owner with greater than 25% equity
- For sole proprietors: Total amount of unemployment compensation benefits received March 1, 2020 – June 30, 2020
- Documentation of any other monies awarded through federal grants or loans by the CARES Act
- 2017, 2018, and 2019 Federal income tax returns (as applicable)
- 2017, 2018, and 2019 revenue and expenses (as applicable)
- 2020 anticipated revenue and expenses, taking into account the impact of the COVID-19 pandemic on revenue and expenses
- An estimate and justification of the percent (%) of 2020 loss in income directly connected to a disruption of operations due to the COVID-19 pandemic or related public health response
- A prepared, electronic W-9 in the event your business/organization is selected for a grant (<https://www.irs.gov/pub/irs-pdf/fw9.pdf>)

Enclosure 3:

Distribution Criteria and Formula

Maine Economic Recovery Grants will be distributed based on a business's/organization's demonstrated January – June 2020 losses due to COVID-19 as a pro-rated percentage of the total losses due to COVID-19 reported by all qualified applicants for the same time period. All grant amounts are subject to review and adjustment pending applicant volume and magnitude of reported losses. Depreciation is excluded from expenses.

The process and an example are demonstrated below:

1. Calculate the business's/organization's Three Year Average 6mo. Total revenue by adding 2017, 2018, 2019 gross receipts (revenue) and dividing by 6 (or the number of full years available X 2):

$$\text{Avg 6mo. Receipts} = \frac{2017 \text{ Gross Receipts} + 2018 \text{ Gross Receipts} + 2019 \text{ Gross Receipts}}{6}$$

2. Calculate the business's/organization's Three Year Average 6mo. expenses by adding 2017, 2018, 2019 expenses and dividing by 6 (or the number of full years available X 2):

$$\text{Avg 6mo. Expenses} = \frac{2017 \text{ Expenses} + 2018 \text{ Expenses} + 2019 \text{ Expenses}}{6}$$

3. Subtract the Avg. 6mo. Expenses from the Avg. 6mo. Receipts to get an Average 6mo. Income

$$\text{Avg 6mo. Income} = \text{Avg. 6mo. Receipts} - \text{Avg. 6mo. Expenses}$$

4. Determine the business's/organization's income for the first 6 months of 2020 by subtracting expenses from gross receipts:
 - a. For Businesses

$$\text{JanJun Income} = \text{Gross Receipts} - \text{Expenses}$$

- b. For Non-Profits

$$\text{JanJun Income} = \frac{2020 \text{ Expected Revenue} - 2020 \text{ Expected Functional Expenses}}{2}$$

5. Calculate the business's/organization's anticipated gross loss, by subtracting the Average 6-month Income from Jan – Jun Income and then multiplying by % loss due to COVID-19. (Your JanJun Income may be negative, your AGL should be negative).

$$\text{Anticipated Gross Loss (AGL)} = \% \text{COVID Loss} * (\text{JanJun Income} - \text{Avg 6mo. Income})$$

6. Reduce the anticipated gross loss by any unaccounted (unexpended) Paycheck Protection Program (UPPP) received amount, unexpended amount of all other federal funds received, and, for sole-proprietors, total unemployment compensation received from March 1, 2020 – June 30, 2020 (“qualified loss”).

Qualified Loss (QL) = (AGL) + UPPP + All other federal funds received + Unemployment

7. Sum the qualified losses of all businesses/organizations that applied and meet the eligibility criteria (“total qualified loss”).

Total Qualified Loss (TQL) = Σ QL (For each qualified business or organization)

8. Divide the total fund of \$200M by the total qualified loss (“pro rata percentage”).

$$\text{Pro Rata Percentage (PRP)} = \frac{\text{Total Fund Balance (USD)}}{\text{Total Qualified Loss (USD)}}$$

9. Multiply the pro rata percentage by a business's/organization's qualified loss.²

$$\text{Grant Amount} = \text{PRP} * \text{QL}$$

² The maximum grant amount an applicant can receive under this program is \$100,000. A minimum grant amount will be determined upon conclusion of the application period. Therefore, if the amount calculated at Step 9 is above \$100,000, an applicant will only receive a maximum of \$100,000. If the amount calculated at Step 9 is less than the minimum grant amount, an applicant will not receive any funds. In all other cases, an applicant will receive the amount calculated in Step 9.

EXAMPLE:

The Wicked Good Diner is a small restaurant and bar that had a Gross Revenue of \$650,000 in 2019, \$600,000 in 2018, and \$580,000. The Wicked Good Diner reported expenses of \$560,000 in 2019, \$540,000 in 2018, and \$505,000 in 2017. The owner received a Paycheck Protection Loan of \$30,000 dollars to help in the early stages of the pandemic, of which they have \$12,500 left to expend. Through June 30, 2020, The Wicked Good Diner is down 28% in Gross Revenue from last year, with gross receipts of \$234,000. The Wicked Good Diner's expenses through June 2020 are \$248,000. The owner estimates that 95% of the loss is due to the COVID-19 Pandemic. How will the equation work for The Wicked Good Diner?

$$1. \text{ Avg 6mo. Receipts} = \frac{2017 \text{ Gross Receipts} + 2018 \text{ Gross Receipts} + 2019 \text{ Gross Receipts}}{6}$$

$$\text{Avg 6mo. Receipts} = \frac{\$580,000 + \$600,000 + \$650,000}{6}$$

$$\text{Avg 6mo. Receipts} = \$305,000$$

$$2. \text{ Avg 6mo. Expenses} = \frac{2017 \text{ Expenses} + 2018 \text{ Expenses} + 2019 \text{ Expenses}}{6}$$

$$\text{Avg 6mo. Expenses} = \frac{\$505,000 + \$540,000 + \$560,000}{6}$$

$$\text{Avg 6mo. Expenses} = \$267,500$$

$$3. \text{ Avg 6mo. Income} = \text{Avg. 6mo. Receipts} - \text{Avg. 6mo. Expenses}$$

$$\text{Avg Operating Income} = \$305,000 - \$267,500$$

$$\text{Avg Operating Income} = \$37,500$$

$$4. \text{ Jan - Jun Income} = \text{Gross Receipts} - \text{Expenses}$$

$$\text{Jan - Jun Operating Income} = \$234,000 - \$248,000$$

$$\text{Jan - Jun Operating Income} = -\$14,000$$

$$5. \text{ Anticipated Gross Loss (AGL)} = \% \text{COVID Loss} * (\text{JanJun Income} - \text{Avg 6mo. Income})$$

$$\text{Anticipated Gross Loss (AGL)} = 0.95 * ((-\$14,000) - \$37,500)$$

$$\text{Anticipated Gross Loss (AGL)} = -\$48,925$$

$$6. \text{ Qualified Loss (QL)} = (\text{AGL}) + \text{UPPP} + \text{All other federal funds received}$$

$$\text{Qualified Loss (QL)} = (-\$48,925) + \$12,500$$

$$\text{Qualified Loss (QL)} = (\$36,425)$$

$$7. \text{ Total Qualified Loss (TQL)} = \Sigma \text{QL (For each qualified business or organization)}$$

$$\text{Total Qualified Loss (TQL)} = 15,000 \text{ Businesses} * \$75,000 \text{ Average Loss}$$

$$\text{Total Qualified Loss (TQL)} = \$1,125,000,000$$

$$8. \text{ Pro Rata Percentage (PRP)} = \frac{\text{Total Fund Balance (USD)}}{\text{Total Qualified Loss (USD)}}$$

$$\text{Pro Rata Percentage (PRP)} = \frac{\$200,000,000(\text{USD})}{\$1,125,000,000(\text{USD})}$$

$$\text{Pro Rata Percentage (PRP)} = 0.18$$

9. Grant Amount = PRP * QL
Grant Amount = .18 * (\$36,425)
Grant Amount = \$6,557