



The Paycheck Protection Program (PPP) in the Kansas City Region

Brent Never, Ph.D.
Associate Professor
Henry W. Bloch School of Management
University of Missouri- Kansas City
neverb@umkc.edu
816-235-1413

The American population has been fixated on the public health and economic implications of the Covid-19 pandemic. Social distancing and isolation has been the core technique to lower the curve of individuals infected with the disease, those in turn requiring hospital-based care, and ultimately those who die. The extraordinary circumstances of the pandemic led to near unanimous bipartisan support for the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act signed by President Trump on March 27, 2020. A complicated piece of legislation, it broadly aimed to provide near-immediate support to businesses, large and small, as well as individuals in order to allow the American economy to operate as well as possible under current circumstances as well as prepare for the rapid re-ignition of an economy that is in unprecedented stasis.

One key pillar of the CARES Act is the Paycheck Protection Program (PPP) administered through the Small Business Administration (SBA). The PPP operates by:

- Deploying upwards of \$350 billion to small businesses or 501(c)(3) public charities up to 500 employees;
- Loans of up to \$10 million for organizations to cover payroll, rent, mortgage interest, or utilities;
- Delivering these loans through an existing SBA lender (called a '7(a) lender') or any FDIC or NCUA-covered bank or credit union;

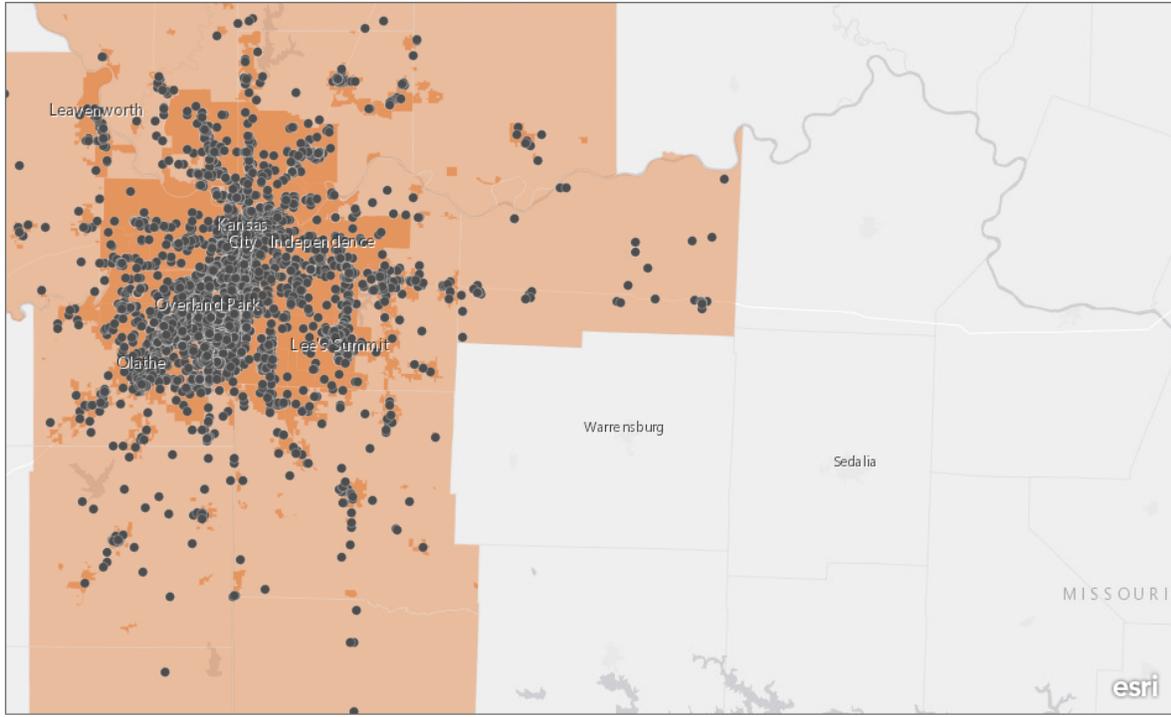
The loan terms are as follows:

- 1% interest rate;
- A 2-year maturity;
- Loan forgiveness for all recipients that 'maintain or quickly rehire employees and maintain salary levels' (SBA PPP, 2020).

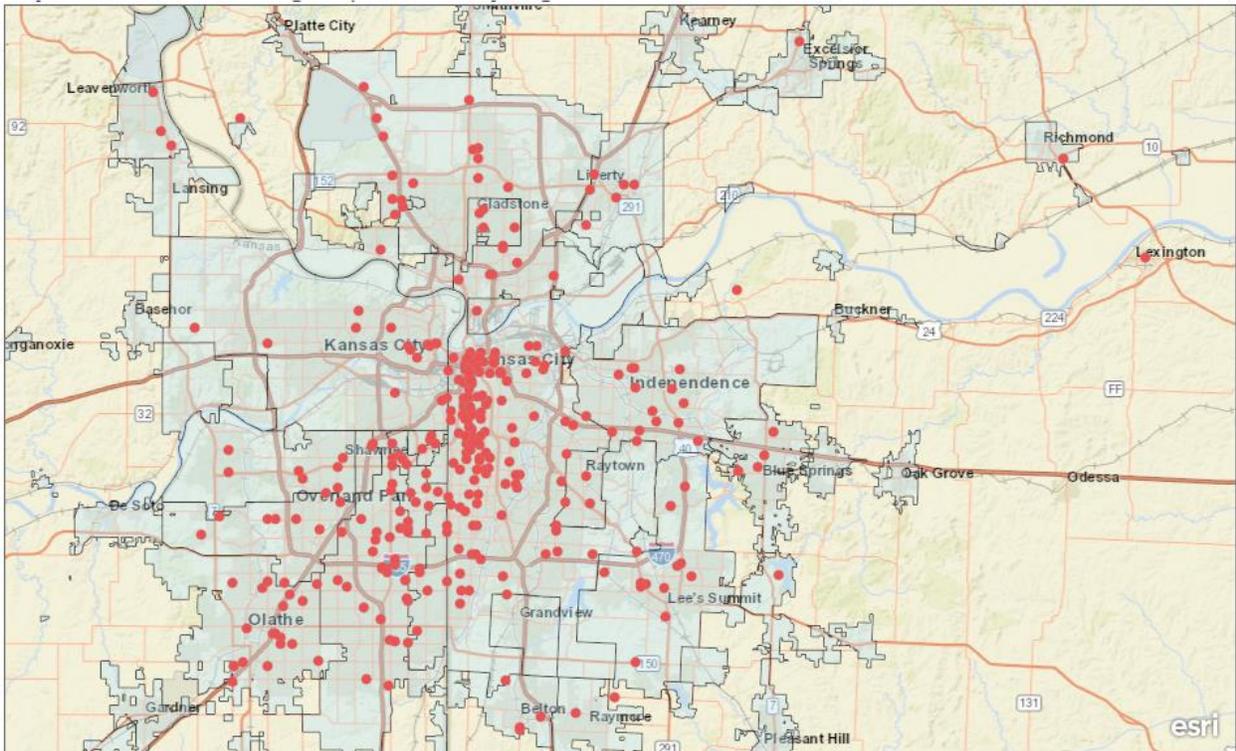
On July 7 the Small Business Administration released data on 660,000 firms that had received PPP loans of \$150,000 or more. We were able to analyze the distribution of these loans in the Kansas City region. Here is a baseline analysis:

Overall location of PPP Loan recipients:

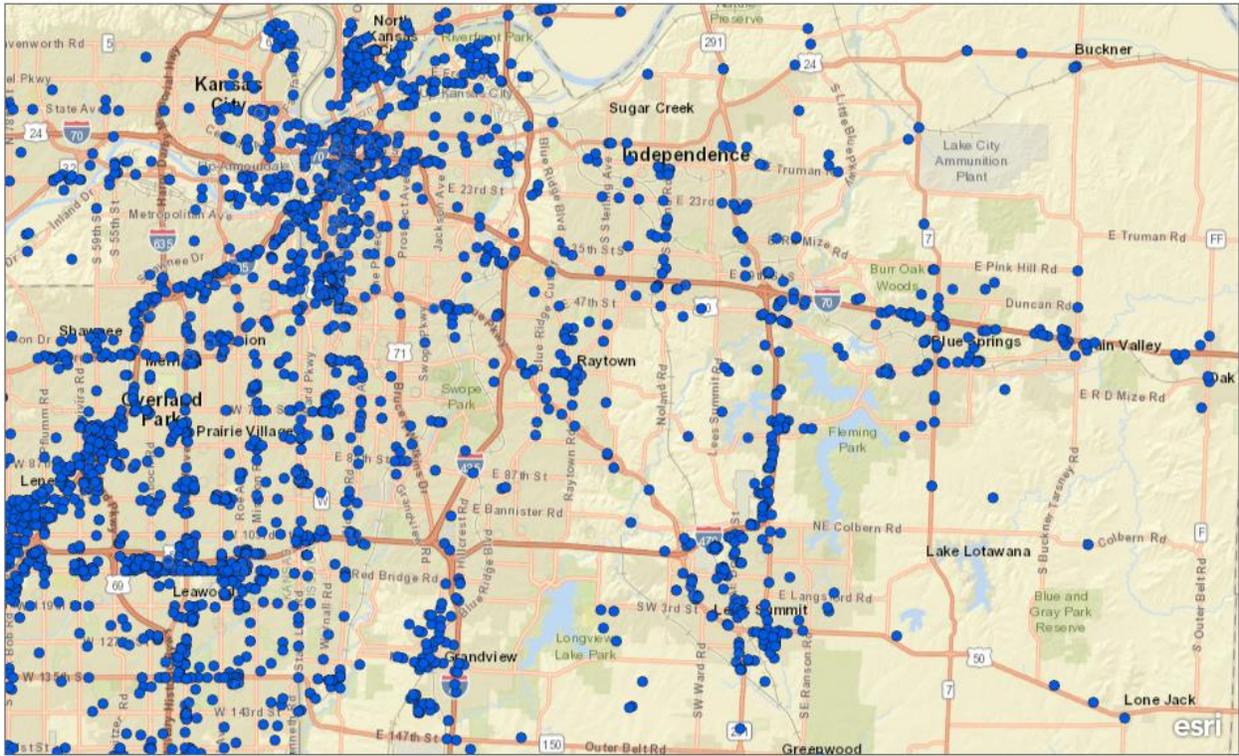
Paycheck Protection Program, Kansas City Region



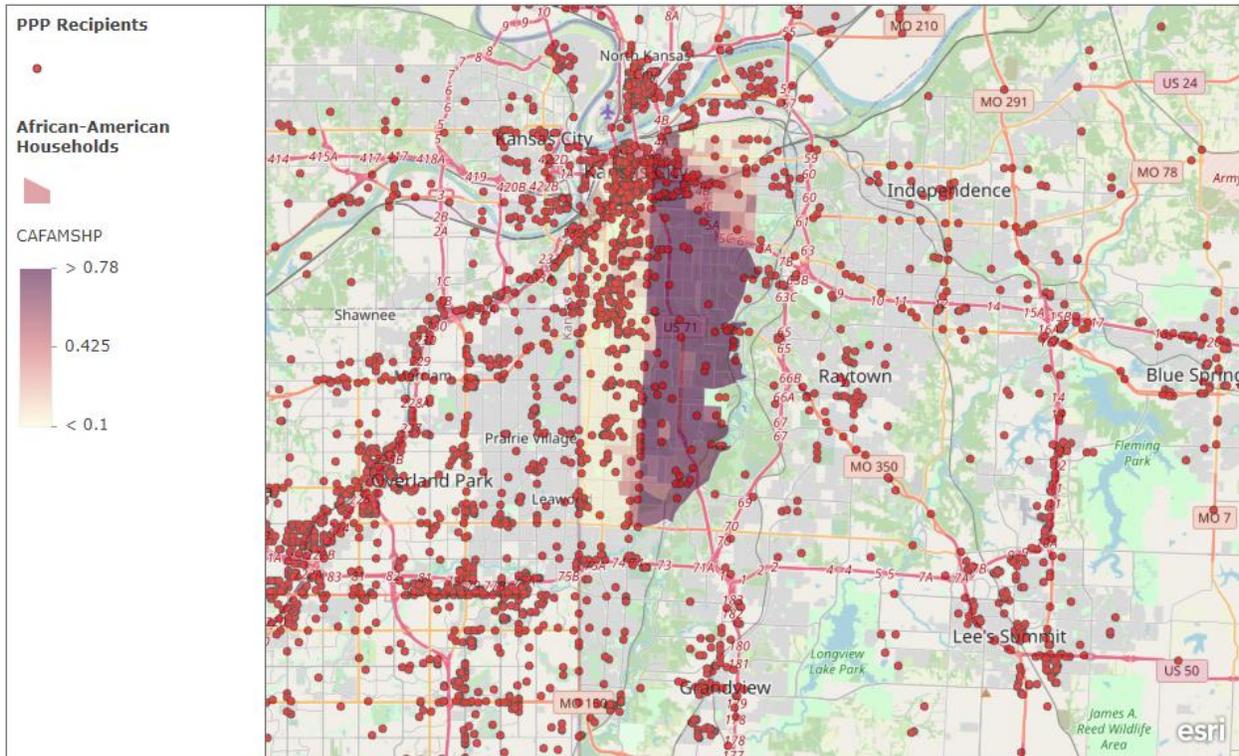
Location of nonprofit recipients (n = 378):



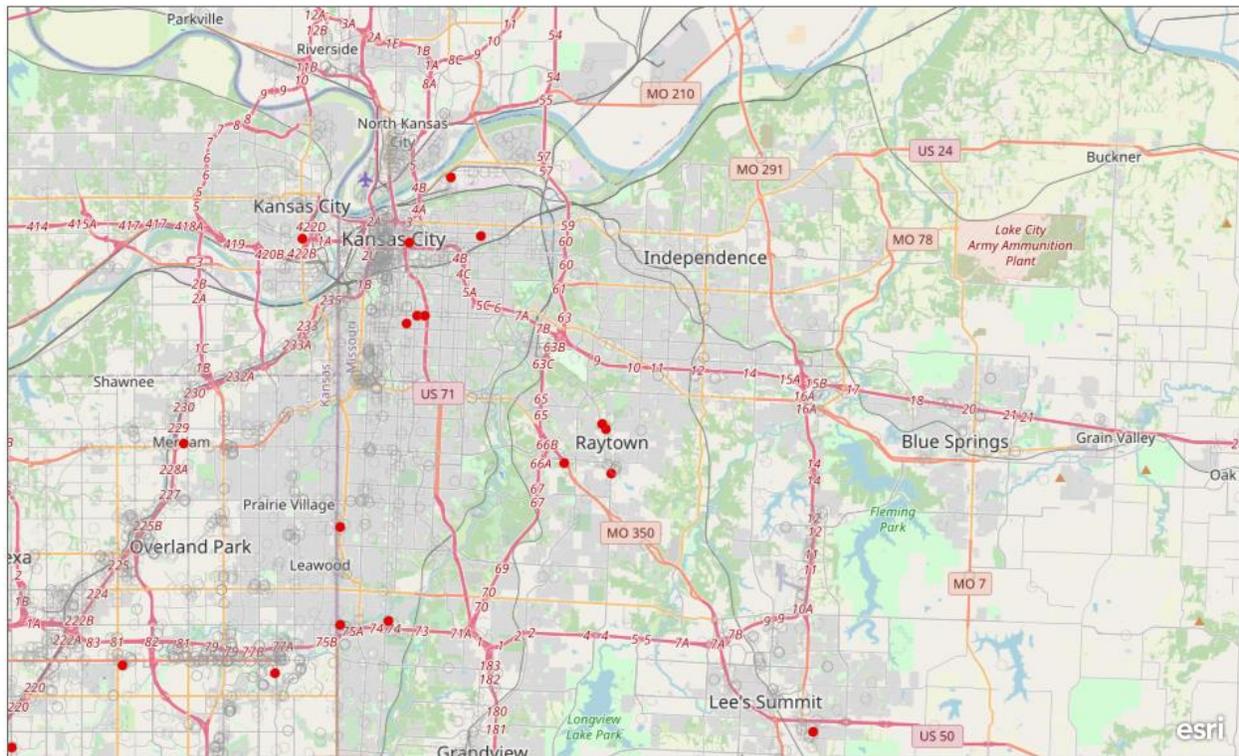
Location of for-profit recipients (n = 4300):



Loan Recipients and Percent of African-American Households in Kansas City, MO:



Location of African-American/Black-Owned Firms (N = 24):



Key points of Interest:

A very small amount of PPP loans went to minority-owned firms. Out of 4,677 PPP loans in the region, only:

- 24 went to African-American/Black-owned firms;
- 34 went to Hispanic-owned firms;
- 33 went to Asian owned firms;
- 250 went to women-owned firms.

Geographically, few loans were extended to firms in communities with high percentages of minority households.

There remains questions about the ability of firms, particularly smaller firms, to successfully complete the terms associated with having their PPP loans forgiven.