

## Electric Cooperatives and the Paycheck Protection Program

### Key Facts:

- The \$349 billion ‘**Paycheck Protection Program**’ (PPP) was established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and is being administered by the U.S. Small Business Administration (SBA) and Department of Treasury.
- The PPP provides loans (under the SBA 7(a) loan program) to eligible small businesses for up to 2.5 times average monthly payroll expenses, not to exceed **\$10 million**. Loan forgiveness will be provided for up to eight weeks of qualified **utility bills (including electric, telephone, and internet)**, mortgage interest and rent, and payroll costs.
- **SBA and Treasury should ensure** – and **Congress should make explicitly clear** – that small rural electric cooperatives, as private corporate business concerns operating on a cooperative basis, will be considered eligible recipients under the PPP.
- Not all co-ops will need to utilize this program. But for some, the economic uncertainty may make the assistance provided under the PPP necessary to support ongoing operations as they are being asked to keep the lights on for families and businesses, many of whom now cannot pay their bills.

### Background on the Paycheck Protection Program

The PPP provides 100% federally guaranteed loans to eligible small businesses, with loan forgiveness built-in for certain eligible expenses if payrolls are maintained during or restored after the coronavirus pandemic. The program is being administered under a modified and expanded SBA 7(a) loan program.

Borrowers can obtain loans of up to 2.5 times their average monthly payroll expenses, not to exceed \$10 million. If borrowers maintain their payrolls during the pandemic or restore their payrolls afterward, loan forgiveness is available for up to eight weeks for qualified payroll costs, utilities (electricity, gas, water, transportation, telephone, or internet), interest on mortgage, and rent.

Loans will be available through SBA-certified banks, credit unions, and nonbank lenders, including newly eligible financial institutions under the CARES Act. Additionally, the CARES Act waives certain collateral and personal guarantee requirements and a requirement that the applicant be unable to obtain credit elsewhere.

### Electric Cooperative Eligibility for the Paycheck Protection Program

Nearly all of America’s electric cooperatives are classified as “small” under the SBA size standards. Unfortunately, SBA program guidance has traditionally limited eligibility for loan programs to only businesses that are “organized for profit”, even though they removed “consumer and marketing cooperatives” from the list of entities *ineligible* for SBA loans in 2017. The CARES Act, however, casts a

wider net on newly eligible entities for the PPP and emphasizes that “any business concern” of not more than 500 employees or meeting the applicable SBA size standards should be eligible.

As small business entities, electric co-ops face many of the same challenges as other small businesses in their communities. Electric co-ops continue to receive mixed messages from local lenders on eligibility for the PPP, however, with some applications being denied and many being held in abeyance until lenders receive clarification from SBA and Treasury.

**SBA and Treasury should ensure that America’s electric cooperatives are deemed as qualifying business concerns** in any guidance, regulations, and application forms implementing the Paycheck Protection Program and are able to fully participate and benefit as small businesses serving their local communities. Additionally, **Congress should include language in any subsequent legislative package to explicitly ensure electric cooperative eligibility.**

Not all co-ops will need to utilize this program. But for some, the economic uncertainty may make this program necessary to support ongoing operations as they are being asked to keep the lights on for families and businesses, many of whom now cannot pay their bills. And for those electric co-ops that are providing internet service to their communities, their work will be critical to providing telehealth services and closing the homework gap during this pandemic.

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