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WATCHDOG

PPP LOANS ON LI

- Analysis: Law, CPA firms got more than other business sectors
- LI OTBs awarded millions in program

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ISAIAS LASHES BAHAMAS AS FLORIDA BATTENS DOWN **A8**

DATA: LAW, CPA FIRMS GOT

On LI, restaurants, hotels got lesser virus relief help

BY JAMES T. MADORE
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WATCHDOG

Law offices, accounting firms and other similar professional offices received more than twice as many coronavirus-relief loans on Long Island as did hard-hit restaurants and hotels, according to a Newsday analysis of federal loan data.

The professional, scientific and technical services industry, which includes lawyers and accountants, topped the list of Paycheck Protection Program loans made in Nassau and Suffolk counties as of June 30, the latest data available, with 9,515 loans. The sector accounted for nearly 15% of the 65,426 loans in the four congressional districts that encompass most of the Island.

In contrast, the accommodation and food services industry, which includes hotels, motels, restaurants, bars and delis, received 4,078 loans, or 6%, the analysis shows.

Newsday analyzed the data from the U.S. Small Business Administration and Department of the Treasury using the industry codes reported by banks and other private lenders for each borrower under the North American Industry Classification System, or NAICS, which is how the federal government classifies businesses.

Business and financial experts said the distribution of loans was largely determined by borrowers' awareness of the PPP — and who they knew.

"Attorneys, CPAs and other service providers understood the PPP rules because they were looking out for their clients to make sure they got loans," said Neil Seiden, managing director of the financial advisory firm Asset Enhancement Solutions LLC in Uniondale. The company has helped to secure PPP loans for 500 companies and nonprofits in 30 states, he said.

"Accountants and attorneys network with each other and

with bankers. . . . So, they shepherded their clients to the banks, which were primarily interested in helping their existing customers," Seiden said. "If you didn't have a relationship with an attorney, CPA or banker it was more difficult. That has a significant amount to do with why some groups got many PPP loans and other groups did not."

In addition, cash-only businesses that lack proof of their sales — for example, if they haven't been reporting all of their revenue on their tax returns — were generally out of luck.

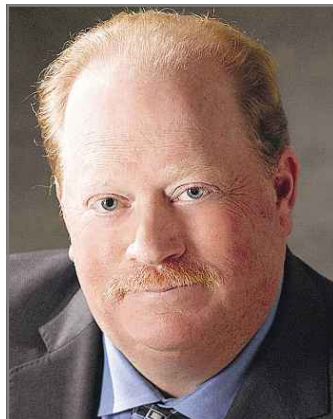
Eric Alexander, founder of the downtown advocacy group LI Main Street Alliance, said, "You have the cash-business problem, which is a lot of our Main Street businesses and restaurants. They don't have the paperwork that they need to apply for a PPP loan."

The PPP consists of federally guaranteed loans of up to \$10 million at 1% interest with a five-year term. Borrowers generally must have 500 or fewer employees, and loans may be forgiven completely if at least 60% of the money is used for payroll expenses.

Program ending

The loan program ends Saturday unless a third extension is granted by Congress and President Donald Trump. They've authorized more than \$650 billion in loan guarantees; about \$100 billion is still available, according to SBA and the Treasury, which oversee the PPP.

The loans are meant to encourage employers to keep employees on the payroll even if there's no work, and to rehire laid-off or furloughed workers. However, the number of preserved jobs remains uncer-



Evan Krinick, managing partner at Rivkin Radler LLP

tain because the SBA/Treasury loan database only shows the size of a borrower's workforce at the time they applied for the loan.

More than 575,370 jobs are attributed to PPP borrowers on Long Island, though 14,074 borrowers, or nearly 22%, either didn't disclose their head count or said it was zero, based on responses put into the SBA/Treasury database by lenders.

Some PPP recipients said the loan funds stopped them from issuing pink slips.

"With the PPP loan, we were able to retain staff and put them to work supporting our community and clients in their efforts to secure a PPP loan so that they too could survive," said Ronald J. Eagar, chief operating officer and partner at Grassi & Co. accountants, which has 325 employees.

He said more than 10,000 people attended the Jericho firm's free webinars on how to apply for a PPP loan and changes to the program's regulations. Grassi received a loan of between \$5 million and \$10 million, according to the database; Eagar declined to reveal the exact amount.

SBA and the Treasury chose not to disclose the specific loan amounts for bigger borrowers, which are identified by name and address in the database. The agencies did the opposite for small borrowers, releasing the exact loan amounts but withholding the names of firms that received under \$150,000. The size of a loan is generally determined by the size of a



Neil Seiden heads Asset Enhancement Solutions LLC.

company's workforce.

The Grassi firm applied for a loan after "we saw our clients' businesses being dramatically affected by COVID-19 and knew it ultimately would lead to a direct impact on our business," Eagar said. "With cash flow in jeopardy our first concern was our staff and their families. . . . The PPP funds gave us and our clients a lifeline to continue forward," he said.

Businesses with fewer than 100 employees cut their payrolls more deeply than big employers as the economy shut down for more than three months to slow the coronavirus' spread, according to the payroll service Gusto in San Francisco, which serves more than 100,000 small businesses nationwide, including about 1,000 on Long Island.

Hiring rates

A survey of Gusto customers nationwide found the hiring and rehiring rates in late April through early June were nearly twice as high among those with PPP loans as those who didn't get them, 34% vs. 18%.

"The PPP helped small businesses in New York State with their April and May hiring efforts but not enough to make up for the deep cuts they made in March," said Gusto data science executive Daniel Sternberg. "Our customers in the state were the hardest hit in the country, with around a 12% decline in head count in March. They're still down six points from pre-COVID levels."

LI's PPP PORTFOLIO

Total loans:
65,426 as of June 30

Industry sectors with the most loans

- 1 Professional, scientific and technical services (includes lawyers, accountants): **9,515** loans
- 2 Health care and social services (includes doctors, dentists, hospitals): **6,791**
- 3 Construction: **6,759**
- 4 Retailers: **6,124**
- 5 Personal services (includes wedding planners, fitness trainers): **5,916**
- 6 Accommodation and food services (includes hotels, motels, restaurants, bars, delis): **4,078**
- 7 Administrative support and waste remediation services (includes job recruiters, telemarketers, landfills): **3,561**
- 8 Wholesalers: **3,064**
- 9 Real estate: **2,711**
- 10 Manufacturing: **2,635**

— Compiled by James T. Madore
SOURCE: Newsday analysis of Paycheck Protection Program loan data from the U.S. Small Business Administration and Department of Treasury

At the Island's largest law firm, Rivkin Radler LLP in Uniondale, none of the 314 employees have gone without a salary thanks to a \$5 million-plus loan.

"This money enabled us to avoid any furloughs of any employees, all of whom received a paycheck whether they were able to work or not," said managing partner Evan Krinick. The firm declined to reveal the precise amount of its loan.

Rivkin Radler's loan was among 11 approved by lenders in Nassau and Suffolk on April 3, the PPP's first day, the database shows. The borrowers, like Rivkin Radler, are well known: the law firm of Certiman Balin Adler & Hyman in East Meadow, the Peterbilt trucking company in Ronkonkoma and Baiting Hollow Golf Club, among others.

LION'S SHARE OF PPP LOANS



Ben Jackson, president of Ben's General Contracting Corp., says one- and two-person businesses were put off by the PPP paperwork.

In the loan program's first two weeks, its beneficiaries were long-established businesses and nonprofits, the Newsday analysis shows. The program exhausted its initial \$349 billion in loan guarantees on April 16 and was on hold until an additional \$310 billion worth of federal loan guarantees was authorized in late April.

Big loans approved

Many of the largest loans were made from April 3-16. More than 50 of the 70 local loans valued at between \$5 million and \$10 million were approved in that period, according to the analysis. Newsday's \$10 million loan was OK'd on April 10.

"The first wave of PPP took care of big businesses," said Alexander of the LI Main Street Alliance. "I was very critical back in late April. But to their credit, the banks did a lot of outreach and the second wave of

PPP [April 27 to June 30] took care of small businesses that are plugged in to networking groups and business organizations," he said.

The program's third phase, which is being defined as July 1 through next Saturday, "needs to take care of minority-owned businesses and the smallest small businesses who may not have an accountant or lawyer to help them apply for a PPP loan," Alexander said.

Less than 2% of PPP recipients disclosed their ethnicity on the loan application, the analysis shows. An SBA spokesman said the agency didn't require the information.

Among the Long Island borrowers who disclosed their background, 1% are Asian, 0.5% are Hispanic, 0.1% are Black and 0.02% are Native American, out of 65,426 loans.

An investigation of 17 Washington, D.C.-area lenders, conducted April 27-May 29, found white applicants for PPP loans

NOW ONLINE
See what businesses
got Paycheck
Protection Program
loans on
Long Island.
[newsday.com/data](https://www.newsday.com/data)

were treated better than Black applicants 43% of the time, according to the advocacy group National Community Reinvestment Coalition. Using Black and white matched-pair testers with equivalent qualifications, the group found white customers were told more frequently that they would qualify for a loan and not one Black woman was told she would qualify.

Total value unknown

It's also impossible to know the total value of PPP loans on Long Island or elsewhere because SBA and the Treasury

only disclosed the exact amounts on loans of under \$150,000. There was some double counting of loans as well and incorrect or missing industry classification codes for about 2,000 borrowers.

The maximum loan amount allowed for a one-person business is \$20,833, but 1,155 borrowers in Nassau and Suffolk with one job listed have higher amounts — including 16 with loans of more than \$100,000, the Newsday analysis shows.

When asked about the discrepancies, SBA pointed to the lenders that made the loans. "All information made available in the public data was transferred to the SBA electronically from PPP-participating lenders," said Matt Coleman, spokesman for the agency's Region II, which includes New York State. "This data is reflective of borrowers who have been approved for PPP loans; it does not indicate . . . the final amount disbursed."



U.S. SMALL BUSINESS ADMINISTRATION

Hannibal Ware is seeking to "increase the transparency."

An independent watchdog is looking into complaints about the database from Congress, small-business groups and the media. SBA Inspector General Hannibal "Mike" Ware is examining how to "increase the transparency and identify root causes that would result in recommendations for corrective action," his spokesman said.

In the meantime, small-business owners on Long Island and their supporters are working to increase participation in the PPP.

Ben Jackson, president of home remodeler Ben's General Contracting Corp. in Freeport, said one- and two-person businesses were put off by the PPP paperwork and frequent rule changes. They also were leery about taking on more debt if their loan wasn't forgiven completely.

"There's so much disparity between who got a loan and who didn't," he said. "I have no idea why people wouldn't just apply. There's a chance the loan will be forgiven; then it's free money."

Jackson said his PPP loan for under \$150,000 allowed him to call back six employees, bringing his workforce to nearly full strength of 15 people. He declined to disclose the exact loan amount.

"We're like a lot of people, we're not putting a ton of money in the bank," he said. "The PPP loan really made a tremendous difference in keeping my company alive."

BARRY SLOAN