PROPOSAL: WMUK-FM COVID-19 Relief Paycheck Protection Program (PPP) Loan

Background

The Administration is requesting authority from the Board of Trustees to approve the University’s application for a forgivable Paycheck Protection Program (PPP) loan on behalf of WMUK-FM.

WMUK is the public radio service of Western Michigan University, providing NPR news, information and cultural programming to West Michigan and Northern Indiana. The Board of Trustees holds the FCC license to WMUK 102.1 FM. The Station operates its primary NPR service on 102.1 FM, and its new secondary classical music service on 89.9 FM as well as the secondary digital channel (HD-2) of 102.1 FM.

Since the outbreak of the COVID-19 pandemic caused large-scale disruptions to the regional economy, WMUK has experienced a severe contraction in the amount of underwriting (advertising) business sales revenue that is normally generated by the Station. Underwriting is paid on-air acknowledgement of support from a business or organization, and underwriting revenue constitutes approximately 10-15% of WMUK’s direct revenues.

Prior to the pandemic, WMUK would typically anticipate approximately $150,000 to $175,000 in business revenue for a given fiscal year. Due to the pandemic, many businesses and organizations across the nation were forced to significantly reduce and/or close operations due to COVID, creating a severe economic shock across the U.S. As a result, marketing budgets have been significantly reduced by those same underwriters. This has resulted in a sharp decline in revenue for WMUK.

Given the above factors, WMUK anticipates that it will fall approximately $108,000 short of its initial underwriting revenue projection of $175,000 for FY2021 (July 1, 2020 – June 30, 2021). This represents a major operating loss for WMUK. Further drops in underwriting revenue support are also anticipated for FY2022 and beyond, as the economy slowly recovers from the pandemic.

This loss of revenue, combined with an across the board 20-percent budget reduction in University support in 2020, has placed a significant strain on WMUK’s operating budget, requiring the Station to draw down all of its cash reserves to avoid further reductions to an already minimal staffing level.

The Station has requested, and the Administration supports, an effort to utilize one of the COVID-19 Relief Options passed by Congress in 2020, and recently extended through
May 31, 2021. Specifically, WMUK-FM seeks to apply for a forgivable Paycheck Protection Program (PPP) loan.

The PPP loan program is “designed to provide direct incentive for small businesses to keep their workforce on payroll.” The program is administered by the Small Business Administration (SBA) through financial lenders in the U.S. If approved, WMUK-FM will utilize any PPP funds to offset payroll costs, including benefits. This is in keeping with the intent of the program.

Use of the funds will be carefully monitored. By utilizing the funds for payroll costs, WMUK will meet all requirements for the loan repayments to be forgiven, per the terms of the PPP program as currently written. As a University-licensed public broadcast organization, WMUK meets the newly expanded definition of a small business as defined by Congress in recent legislation passed in January 2021. Therefore, WMUK’s application meets both the letter and spirit of Congress’ intent for the PPP loan program, particularly as it pertains to providing a vital lifeline to small businesses and the employees who rely on them for a livelihood.

An exact estimate of the potential PPP loan award is unknown, as this will be determined in partnership with a financial lender. However, based on the current approved methodology for calculating loan amounts, WMUK projects that the PPP award would be approximately $100,500. This would cover a substantial amount of the lost business revenue that WMUK continues to incur due to the pandemic. There is currently some ambiguity in how this program affects other federal programs to address the pandemic. In the event WMUK’s PPP request adversely impacts the University’s ability to receive other federal assistance, the request will be withdrawn.

Attached is a projection of WMUK’s underwriting and membership revenues, including projected revenue losses, as of March 23, 2021 (Attachment A). Also attached is an FAQ explaining in detail the SBA’s procedures for calculating PPP loan amounts, with relevant information highlighted as it pertains to WMUK’s application (Attachment B).

**Recommended Action**

It is recommended the Board of Trustees authorize the University’s application and use, on behalf of WMUK-FM (the Station), of any and all forgivable PPP Loan Funds as described above and as determined by the Treasurer, Assistant Treasurer or General Counsel to be in the best interests of WMU. This includes first, second and other subsequent draws approved by Congress – for which WMUK-FM is eligible – and for which the Administration deems the loan draws to be in the best interests of the University and the Station.