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COVID-19 Update: First glance at the stimulus bill

A deal was reached early this morning on the third and largest COVID-19 aid bill, a stimulus package designed to help the ailing economy and ease the burden on families and workers. At over $2 trillion dollars, there is simply nothing in our past to compare it to as we move further into uncharted territory.

For economic developers, the bill contains many items of interest. Below, we offer a first glance breakdown by agency or program. The situation remains fluid as the Senate continues to debate a few remaining sticking points, but we believe this to be fairly close to what their final bill will look like in terms of scope. After the Senate concludes their business on the bill, the House must also act before it can be sent to the president and made law. The Senate and the administration have been collaborating closely with House leadership over the previous weeks in a bid to ensure smooth, quick adoption of the Senate bill once it clears that chamber. Of course, we cannot be certain that will be the case, so please take all of that into consideration when reading the information below.

Economic Development Administration (EDA)

EDA receives $1.5 billion in supplemental funding, directed to the Economic Adjustment Assistance account. The agency also receives surge hiring authority, to allow EDA to properly staff the agency during this crisis; a 2% carve out of the supplemental funds is directed toward 'salaries and expenses' to support the surge.

Community Development Fund (CDBG)

CDBG receives $5 billion in supplemental funding. $2 billion will be distributed according to the 2020 allocation formulas within 30 days. $1 billion will be distributed to states to combat the spread of COVID-19 within 45 days, in amounts determined by the Secretary of HUD based on best available data and need. The balance of the supplemental funding will be distributed to states based on a formula determined by the Secretary of HUD using best available data on COVID-19 and associated economic and housing disruptions.

USDA Rural Development (USDA-RD)

USDA-RD receives $145.5 million in funding; $20.5 million for the Rural Business-Cooperative Service that will make $1 billion in lending authority available, $100 million in grants for rural broadband service, $25 million in grants for distance learning and telemedicine.

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Hollings Manufacturing Extension Partnership (MEP)

MEP receives $50 million to support MEP centers and waives the statutory cost-match requirement.

Minority Business Development Agency (MBDA)

MBDA receives $10 million in grant funding to support technical assistance to minority business development centers and minority chambers of commerce for counseling for minority business on available COVID-19 related resources.

Federal Emergency Management Agency (FEMA)

FEMA receives $45.4 billion for response and recovery, including $400 million for grants for fire/ems, emergency management, and food & shelter providers.

Department of the Interior (Interior)

Bureau of Indian Affairs receives $453 million, Bureau of Indian Education receives $69 million, Indian Health Services receives $1.032 billion, Office of Insular Affairs receives $55 million.

National Endowment for the Arts & Humanities (NEA)

NEA receives $150 million in total; $75 million for the National Endowment for the Arts and $75 million for the National Endowment for the Humanities; money will be used to assist state arts and humanities agencies and partners.

Small Business Administration

The Small Business Administration is receiving an enormous amount of funding and significant program adjustments to help small businesses weather and survive the crisis. A sample of the numbers includes:

- $349 billion for loan guarantees,
- $675 million for Small Business Administration salaries and expenses,
- $240 million for small business development centers and women's business centers for technical assistance for businesses,
- $10 billion for emergency EIDL grants,
- $17 billion for loan subsidies,
- $100 billion for secondary market guarantee sales

Programmatic changes appear to be primarily channeled through the 7(a) loan program. Key provisions include:

Paycheck Protection Program

- Creation of the Paycheck Protection Program (PPP)
- Helps small businesses, 501(c)(3)'s, 501(c)(19)'s, and 31(b)(2)(c)
- Limited to under 500 employees
- Includes independent contractors, sole proprietors and the self-employed
- Entities must have been operational by 2/15/20; had payroll, paid taxes
- Covered loan period is 2/25/20 through 6/30/20
- Maximum loan amount via 7(a) set to $10 million through 12/31/20
- 100% loan guarantee through 12/31/20
- Eligible expenses include payroll, insurance, rent, mortgage and utilities
- Borrower cannot apply/carry both PPP and Economic Injury Disaster Loan (EIDL) for COVID-19, but can carry previous, non-COVID-19 EIDL and participate in PPP
- Borrow must good-faith certify that funds are needed for COVID-19 related purposes, the funds will be used to retain workers, and that their request is not duplicative with other SBA funds for the same purpose
- Waives borrower and lender fees
- Waives credit elsewhere requirements
- Waives collateral and personal guarantees
- Sets maximum interest rate of 4%
- No prepayment fees
- Defers payments on PPP loan for 6-12 months
- Delegates authority to all existing 7(a) lenders to expedite approvals/distributions
- Authorizes bank and non-bank lenders to participate in PPP program
- New lenders in program can only participate in PPP and not other 7(a) loans
- Amount spent by borrower in the first 8 weeks from loan origination may be forgiven; amount reduced proportionate to reductions in workforce as compared to previous year; if rehires made during 8 week period, no penalty in reflection of possible layoffs early in the 8 week period
- Allows inclusion of additional money paid to tipped workers
- Anything not forgiven or repaid by 12/31/20 will convert to a max 10 year loan at a max 4% interest rate; loan will remain 100% guaranteed

Emergency Injury Disaster Loan (EIDL)

- Eligibility expanded to include tribal businesses, cooperatives, ESOP's, individual contractors, sole proprietors, and private non-profits with less than 500 employees
- Waives credit elsewhere requirement for advances and loans below $200,000
- Waives personal guarantee for advances and loans below $200,000
- Waives 1-year-in-business requirement for advances and loans below $200,000
- SBA has greater flexibility in determining borrower eligibility
- Entities eligible to apply for EIDL may request an advance in the form of an emergency grant of up to $10,000
- SBA must distribute EIDL emergency grant within 3 days
- Applicants are not required to repay emergency grant, even if they are ultimately denied EIDL

Other provisions

- Additional funding provided to Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs)
- Match requirements for WBCs are waived for 3 months
- State Trade Expansion Program funds from FY '18 and FY '19 will be made available through FY '21
- Requires SBA to subsidize 6 months of payments on existing 7(a), 504, or microloans beginning with the next payment.

Unemployment Insurance

The stimulus bill offers considerable resources related to unemployment insurance. At present, this section includes final sticking points that are delaying passage of the bill.

- Creates a temporary Pandemic Unemployment Assistance (PUA) program for those not traditionally covered by unemployment insurance (UI), including the self-employed, independent contractors, or those with limited work history
- Provides an additional $600 per week in recipients of UI and PUA for up to 4 months
- Provides an additional 13 weeks of UI after state UI expires
- Federal government will cover 100% of the cost of the first week of UI if states waive the 1 week waiting period to begin benefits
- Federal government will reimburse states for 50% of the costs incurred through 12/31/20 of unemployment benefits for state agencies and non-profits

- Federal government will pay 100% for 'short-time' programs in states with exiting programs in law and 50% of costs for states that begin 'short-time' programs during the covered period

For Businesses

A series of tax credits to ease the burden of keeping staff on payroll.

- Employee retention benefit: 50% refundable payroll tax credit during COVID-19 crisis for businesses that either fully or partially shut down OR have a 50% decrease in receipts versus the same quarter in the previous year and continue to pay employees.
- Based on qualified wages paid to employees during crisis, tied to number of employees (100+ full time employees = wages paid when they are not providing services due to COVID-19 and less than 100 full time employees = wages paid regardless of business closure status)
- Covers up to $10,000 paid per employee, including benefits, for the period 3/13/20-12/31/20
- Payroll tax deferred, payments to be spread over 2 years
- Net operating losses (NOLs) modification: NOLs arising in FY's '18, '19, and '20 can be carried back 5 years
- AMT credits available as refundable credits through 2021 can be claimed as a refund now
- Allowable deductible interest expenses are increased from 30% to 50% for 2019 and 2020.

Economic Stabilization

The bill provides massive resources for economic stabilization primarily through the Department of the Treasury and the Federal Reserve.

- $500 billion for the Treasury Exchange Stabilization fund for loans, loan guarantees and other investments, including: $25 billion for air passenger carriers, $4 billion for air cargo; $17 billion for business important to national security; $454 billion for the Federal Reserve's lending facilities to eligible businesses, states and municipalities
- Eligible entities must: have no alternative financing available, loans must be secured, loan terms must be less than 5 years, loan cannot be forgiven, no buy backs or dividend payments until the loan is repaid or 1 year from loan origination; must maintain 90% of 3/24/20 workforce until 9/30/20
- Any Federal Reserve lending must be broad-based, verification borrow is not insolvent, no other financing available, and loans cannot be forgiven.

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Coronavirus Relief Fund

An injection of funding for states, tribes and local governments to combat the spread and aftermath of COVID-19

- Provides a $150 billion grant fund for states, to be distributed proportional to population size, with a minimum of $1.25 billion for states with the smallest populations.
- Funding is for state, local and tribal governments to use in response to COVID-19 crisis.

Rebates

Cash payments to U.S. residents

- All U.S. residents with an adjusted gross income of up to $75,000 for individuals and $150,000 for couples will receive a cash rebate of $1,200 (ind) or $2,400 (couples)
- Includes all taxpayers with work-eligible SSN, including those with low or no income
- Rebate amount decreases by $5 with for every $100 over the threshold, with individuals AGI over $99,000 completely phased out, $146,000 for head of household with at least 1 child phased out, and $198,000 for couples phased out.
- An additional $500 will be given for each child per household.

As you can see, this bill is massive in both funding and scope. A fourth aid bill is all but certain to come in the weeks ahead, with additional funding and program fixes and adjustments. IEDC will continue to engage Congress and the administration throughout this crisis. Please continue to engage your elected officials on the importance of a swift, substantial and sustained federal response to this crisis.

We will be hosting a second free webinar this Monday, March 30th at 3:00pm ET on financial resources and programs offered by the federal government. Please join us if you can.

Please contact Matt Mullin at mmullin@iedconline.org if you have any questions.

Stay healthy and stay safe!