Understanding the Coronavirus Aid, Relief, and Economic Security (CARES) Act and What it Means for Your Community
UNDERSTANDING THE CARES ACT

Introductions

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How Did We Get Here?
How did we get here?

DECEMBER 31
Chinese authorities treated dozens of cases of pneumonia of unknown cause.

JANUARY 11
China reported its first death.

JANUARY 20
Other countries, including the United States, confirmed cases.

JANUARY 30
The WHO declared a global health emergency.

FEBRUARY 11
The disease the virus causes got a new name: COVID-19

FEBRUARY 23
Italy sees major surge in coronavirus cases and officials lock down towns.
How did we get here?

**FEBRUARY 24**
The Trump administration asks Congress for $1.25 billion for coronavirus response.

**FEBRUARY 29**
The U.S. records its first coronavirus death and announces travel restrictions.

**MARCH 3**
U.S. officials approve widespread coronavirus testing.

**MARCH 13**
President Trump declares a national emergency.

**MARCH 15**
The CDC recommends no gatherings of 50 or more people in the U.S.

**MARCH 19**
For the first time, China reports zero local infections.
How did we get here?

**MARCH 23**
Prime Minister Boris Johnson locks Britain down.

**MARCH 24**
The Tokyo Olympics delayed until 2021.

**MARCH 24**
India, a country of 1.3 billion, announces a 21-day lockdown.

**MARCH 27**
President Trump signs a $2.2 trillion stimulus package act, the largest bill in U.S. history, to provide aid to millions of Americans, small businesses, educational institutions and industries that are being devastated by lack of foot traffic and commerce in the market.
How did we get here?

APRIL 9
The Federal Reserve announced $2.3 trillion in loans and other actions such as establishing the Paycheck Protection Program Liquidity Facility, the Main Street Lending Program, and the Municipal Liquidity Facility and expanding the Term Asset-Backed Securities Loan Facility (TALF.)

APRIL 24
President Trump signed a $484 billion bill that replenishes coronavirus aid program for small businesses and provides additional funds for hospitals and testing
3 Phases of Congressional Relief
UNDERSTANDING THE CARES ACT

3 Phases of Congressional Relief

March 6, 2020
Coronavirus Preparedness and Response Supplemental Appropriations Act

- $8.3 billion bill spurring coronavirus vaccine research and development

March 18, 2020
Families First Coronavirus Response Act

- $104 billion package largely focused on paid sick leave and unemployment benefits for workers and families

March 27, 2020
Coronavirus Aid, Relief & Economic Security (CARES) Act

- $2 trillion package providing thousands of dollars in direct payments to most Americans, a huge loan package designed to help keep small businesses afloat, and an industry bailout for airlines and others.
How Does the CARES Act Measure Up?
How Does the CARES Act Measure Up?

• Equals 10% of Gross Domestic Product (GDP)

• CARES Act is twice the size of the largest bill ever created, which was the American Recovery and Reinvestment Act of 2009 – 5.7% of GDP in 2009

• Package is $100 billion short of a request from the U.S. Conference of Mayors

• Moody’s, the ratings agency, warns that outright debt defaults and liquidations are still likely for many businesses, especially smaller firms and those with speculative grade credit ratings.

• The policy response is important to prevent a worst-case scenario, but everything hinges on containing the COVID-19 outbreak.
How Does the CARES Act Measure Up?

CARES Act Relief Amounts ($ Billions)

- Corporate Loans
- Small Business Loans
- Unemployment Insurance
- Aid to States
- Other
- Tax Defferals & Deadline Extns.
- Airlines & Cargo Grants
- Airlines & Cargo Loans
- Hospitals & Vets Care
- Public Transit

CARES Act Relief Amounts by Category
CARES Act
Economic Provisions
UNDERSTANDING THE CARES ACT


- Direct Payments to Everyday Americans
- Opportunities for Cities & States
- Small Business Relief
- Unemployment Benefits
Direct Payments to Everyday Americans
Direct Payments to Everyday Americans

Payments to Individuals

- U.S. residents with gross income up to $75,000 ($150,000 for married couples), who are not a dependent of another taxpayer and have social security number, are eligible for the full $1,200 ($2,400 married) rebate.

- Eligible for $500 per child. This is true even for those who have no income, as well as those whose income comes entirely from non-taxable means-tested benefit programs, such as SSI benefits.

- For most individuals, no action will be required in order to receive a rebate check as IRS will use a taxpayer’s 2019 tax return if filed, or in the alternative their 2018 return. If the individual does not have banking information on file with the IRS or if they haven’t filed taxes recently, they can update their information on the IRS’s new portal https://www.irs.gov/coronavirus/economic-impact-payments

- The amount is completely phased-out for single filers with incomes exceeding $99,000, $146,500 for head of household filers with one child, and $198,000 for joint filers with no children.
Direct Payments to Everyday Americans

Who Doesn’t Qualify

- People with incomes above $99,000, or single parents with incomes above $136,500

- **Dependent Children Over 16** – Parents who have a Social Security number will receive $500 for each child ages 16 and younger. There is no limit on the number of children that qualify.

- **Dependent Adults** – Any person over the age of 18 who is claimed as a dependent on another person's tax return is not eligible for an individual or child stimulus payment.

- **Anyone Without a Social Security Number** – To get a stimulus payment, you need to have Social Security number. The Social Security Administration issues Social Security numbers to all citizens, permanent residents, and some noncitizens who are authorized to work in the US.

* If a couple files jointly, but only one person has a Social Security number, neither will be eligible for a stimulus payment, except in the case of military families.
Opportunities for Cities & States
Opportunities for Cities & States

- A $150 billion fund to provide direct assistance to states and localities to use for expenditures incurred due to the public health emergency with respect to COVID-19 in the face of revenue declines. Allocated by population proportions, with a minimum of $1.25 billion for States with relatively small populations. 55% to states; 45% to localities.

- The localities eligible for direct assistance include: a county, municipality, town, township, village, parish, borough, or other unit of general government below the State level with a population that exceeds 500,000.

- The language states that a State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that—"(1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); "(2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and "(3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020."
Opportunities for Cities & States

- Establishment of a **$500 billion dollar lending fund for** eligible businesses, states, and **municipalities** to mitigate losses incurred as the result of coronavirus.

- $45 billion for the FEMA Disaster Relief Fund.

- $4.3 billion for CDC-Wide Activities and Program Support, a portion of which must be used for grants and cooperative agreements with state and local governments for certain **preparedness and response activities**.

- $25 billion for **Transit Infrastructure Grants** distributed using fiscal year 2020 apportionment formulas.

- $400 million for **Election Security Grants** to prevent, prepare for, and respond to coronavirus for the 2020 federal election cycle.
Opportunities for Cities & States

- $850 million for state and local law enforcement assistance awarded pursuant to the formula allocation used in fiscal year 2019 for the Edward Byrne Memorial Justice Assistance Grant program.

- $10 billion for Grants-In-Aid for Airports

- $4 billion for Homeless Assistance Grants available through HUD Emergency Solutions Grant program.

- $5 billion for Community Development Block Grants.

- $1 billion for certain programs under the Community Services Block Grant Act.
Opportunities for Cities & States

Department of Commerce

- **Economic Development Administration (EDA)** – The bill provides $1.5 billion for economic adjustment assistance, which can be used to help rebuild impacted industries such as tourism or manufacturing supply chains, capitalize local funds to provide low-interest loans to businesses of all sizes, and support other locally-identified priorities for economic recovery.

- **Support for Manufacturing** – $50 million is provided for the Manufacturing Extension Partnership to help small- and medium-sized manufacturers recover.
Opportunities for Cities & States

Transit

• $25 billion for transit infrastructure to remain available until expended, to prevent, prepare for, and respond to coronavirus. Funds will be apportioned by the same ratio of FY 2020 appropriations through these Federal Transit Administration (FTA) formula programs:

  • $13.9 billion for Section 5307 Urbanized Area Formula Program Grants
  • $1.8 billion Section 5311 Formula Grants for Rural Areas
  • $7.6 billion for Section 5337 State of Good Repair
  • $1.7 billion for Section 5340 Fast Growth-High Density Grants

• Funding is “available for the operating expenses of transit agencies related to the response to a coronavirus public health emergency” ... “beginning on January 20, 2020, reimbursement for operating costs to maintain service and lost revenue due to the coronavirus public health emergency, including the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service.”
Opportunities for Cities & States

Department of Housing & Urban Development (HUD)

- Community Development Block Grant (CDBG) is a flexible program that provides communities and states with $5 billion in funding to provide a wide range of resources to address COVID-19, such as services for senior citizens, the homeless, and public health services.

Department of Agriculture

- $9.5 billion total allocation with partial funding allocated specifically for specialty crops, producers who supply local food systems and farmers’ markets, restaurants and schools, livestock producers, i.e., cattlemen and women, and dairy farmers.
National Endowment for the Arts

- The Arts Endowment will award $75 million in funds to nonprofit arts organizations across the country to help these entities survive the forced closure of their operations in response to the spread of COVID-19.
Small Business Relief
The Federal government is supporting American small businesses through aid in the following ways:

- Following the declaration of a national emergency to combat the Coronavirus (COVID-19) pandemic, the Small Business Administration (SBA) launched the Economic Injury Disaster Loan Assistance (EIDL) program for small business owners in all US states, Washington D.C., and other US territories. EIDL loans are now available.

- The CARES Act provides for a new opportunity called the Paycheck Protection Program (PPP) which authorizes up to $349 billion of federally guaranteed loans to qualifying small businesses. This new loan program is based on the architecture of the SBA’s existing 7(a) loan program and will make forgivable loans of up to $10 million available to qualifying small businesses.

- The forgiven funds of the loan program can only be used for payroll expenses, such as employee salaries, paid sick or medical leave, insurance premiums, and mortgage, rent, and utility payments. The loan forgiveness option is structured to incent employers to keep their employees on the payroll. The amount of paycheck protection loans that will be forgiven will be reduced proportionally by any reduction in the employees or significant reduction in employee pay.
Economic Injury Disaster Loan (EIDL)

- Provides small businesses with working capital loans of up to $2 million
- 3.75% interest rate (nonprofits 2.75% interest rate)
- SBA loan approved based solely on an applicant’s credit score.
- Loans smaller than $200,000 can be approved without a personal guarantee.
- No early payment penalties
- 30-year loan

Economic Injury Disaster Loan (EIDL) Grant

- All those applying for an EIDL loan will be eligible for up to a $10,000 emergency grant to be issued within 3 days of the application being received
- Providing paid sick leave to employees unable to work due to the direct effect of the COVID-19
- Maintaining payroll to retain employees during business disruptions or substantial slowdowns
- Meeting increased costs to obtain materials unavailable from the applicant’s original source due to interrupted supply chains
- Making rent or mortgage payments
- Repaying obligations that cannot be met due to revenue losses
Small Business Relief

Who qualifies for a Paycheck Protection Program Loan (PPPL)?

- Businesses with less than 500 employees
- Independently-owned franchises with less than 500 employees
- “Accommodation and Food Services,” if each location has less than 500 employees
- Sole proprietors, independent contractors, self-employed individuals
- 501(c)(3) nonprofits

AND

Been in business since 2/15/2020 and paid taxes on your employees or independent contractors

How much can I borrow?

- 2.5x average monthly payroll for previous year, up to $10 million
- For seasonal employers, the average total employees shall be calculated for the period between 2/15/19 and 6/30/19
Small Business Relief

Payroll Protection Program Details:

- Loans will be fully guaranteed by the federal government
- The program applies to businesses with less than 500 employees
- Proceeds can only be used to cover payroll, rent, utilities and any interest expense
- The “covered period” is February 15, 2020 - June 30, 2020
- The standard fees imposed by the Small Business Act are waived and the business owner doesn’t have to provide a personal guarantee or collateral
- Loan amount equals the lesser of the average monthly payroll costs, rent, utilities, interest, and health insurance for the year (up to the date the loan was made) multiplied by 2.5, or $10 million
- Forgiveness is not taxable
- Forgiveness only applies to payroll costs (defined above) and is adjusted for tipped employees
Small Business Relief

Business owners will have to provide:

• 3 Years’ Financials
• Payroll List
• Rent Expense
• Utility Bills

Example of how to calculate the PPP loan:

<table>
<thead>
<tr>
<th>Monthly Payroll</th>
<th>+ Health Insurance</th>
<th>+ Rent</th>
<th>+ Utilities</th>
<th>+ Interest on Previous Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>= Total</td>
<td></td>
<td></td>
<td></td>
<td>Total x 2.5 = Total Loan Amount</td>
</tr>
</tbody>
</table>
Example business with 20 employees (PPPL):

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$40,000</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>$10,000</td>
</tr>
<tr>
<td>Rent</td>
<td>$5,000/mt</td>
</tr>
<tr>
<td>Utilities</td>
<td>$5,000/mt</td>
</tr>
<tr>
<td>Interest on Previous Debt</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total</td>
<td>$65,000</td>
</tr>
</tbody>
</table>

Total Loan Amount: $65,000 \times 2.5 = $162,500

Costs NOT considered to be a component of Payroll Costs include:

- The compensation of any individual employee with an annual salary more than $100,000
- Any compensation of an employee whose principal place of residence is outside the United States
- Any qualified sick or family medical leave where credit has already been used under the Coronavirus Relief Act
Forgiveness

- If the business *doesn’t lay anyone off for four months*, their loan will be forgiven.
- Loan amounts that are not forgiven will be payable over 10 years at no more than a 4% interest rate.

Where can I apply for the loan?

- Any lending institution that is approved to participate in the program *through the existing SBA 7(a) lending program*
- Additional lenders approved by the Department of Treasury
Small Business Relief

Current Status of PPP

- $350 billion appropriated via CARES Act was claimed in 14 days.
- $320 billion was added to replenish the fund and became available yesterday (4/28.)
- The nation’s five largest banks had more than 1 million applications for over $100 billion ready to go by 10:30 a.m. EST yesterday, when the program opened up, all backlog from previous applications.

- Of first phase, big corporations secured nearly $600 million of total allotment
- Treasury has asked publicly traded companies to return any funding they secured, which includes $20 million to Ruth’s Chris, $10 million to Shake Shack, $50 billion to hotelier Monty Bennett, and others.
Unemployment Benefits
Unemployment Benefits

- Creates a temporary Pandemic Unemployment Assistance program beginning January 27, 2020 through December 31, 2020, to provide payment to those not traditionally eligible for unemployment benefits (self-employed, independent contractors, seeking part-time employment, gig economy workers, those with limited work history, and others) who are unable to work as a direct result of the coronavirus public health emergency.

- A covered individual is one who is not eligible for regular compensation or extended benefits under state or federal law, and self-certifies that he or she is otherwise able to work but is unable to do so for reasons related to the impacts of COVID-19 on the individual, the individual’s family, the individual’s place of work, movement restrictions, and more.

- Provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.

- Provides an additional $600 per week payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance recipient for up to four months.
Unemployment Benefits

- Provides funding to pay the cost of the first week of unemployment benefits through December 31, 2020 for states that choose to pay recipients as soon as they become unemployed instead of waiting one week before the individual is eligible to receive unemployment benefits.

- Provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after weeks of state unemployment are no longer available.

- Provides funding to support “short-time compensation” programs, where employers reduce employee’s hours instead of laying off workers and the employees with reduced hours receive a pro-rated unemployment benefit. This provision would pay 100 percent of the costs they incur in providing short-time compensation through December 31, 2020.
Unemployment Benefits

- Temporarily eliminates the 7-day waiting period for railroad unemployment insurance benefits through December 31, 2020 (to make this program consistent with the change made for states through the same period in an earlier section of this title.)

- Gives the Secretary of Labor the ability to issue operating instructions or other guidance as necessary in order to implement this subtitle, as well as allows the Department of Labor to waive Paperwork Reduction Act requirements, speeding up their ability to gather necessary information from states.
What’s Next?
What’s Next?

• Cities, EDAs and property owners need to plan NOW for their recovery and rebuild

• **Support Downtowns**

• **Be a connector** for small businesses and other eligible entities to funding

• Recognize that *opportunities are typically born out of crisis*

• Consumers will **shift their habits and patterns**, but they’ll still require access to goods and services

• Start NOW developing a robust **digital presence**

• Monitor Congress as **further aid will likely be forthcoming**
What’s Next for Congress?

More Legislative Relief Planned

• Members of Congress are very contested on what will be included and if there will be a 4\textsuperscript{th} phase, although overwhelmingly, many believe there will be.

• Republicans are very concerned with the amount of national debt being incurred, and Democrats feel pressure to deliver aid to municipalities and states that are hurting, such as New York.

• Infrastructure, elections, and further direct aid to those in poverty have been discussed, in addition.

• Broadly speaking, CARES Act is a relief package. We know much more is needed.
Questions