COVID-19: CARES Act - A Closer Look with IEDC
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Road Map

- A brief overview of the law
- Economic Development deeper dives
- What else is in here?
- Looking ahead to a fourth bill
The CARES Act

- **$2.3 Trillion**
  - In direct spending, grants, loans and loan guarantees
- **$376 Billion**
  - In SBA loans, grants and guarantees
- **$150 Billion**
  - In direct funding to states for COVID-19 response
- **$5 Billion**
  - For CDBG
The CARES Act

$2.3 Trillion
In direct spending, grants, loans and loan guarantees

$150 Million
For the National Endowments for the Arts and the Humanities

$50 Million
For the Manufacturing Extension Partnership (MEP)

$500 Billion
For Treasury and Federal Reserve

$1.5 Billion
For EDA
A Deeper Dive – SBA

- Creates the Paycheck Protection Program (PPP) – run through the SBA 7(a) loan program
- Businesses and some non-profits under 500 people are eligible – includes independent contractors, sole proprietors and the self-employed
- Can be used for payroll, insurance, rent, mortgage and utilities
- Includes very favorable terms – waives fees, waves credit elsewhere requirements, waives collateral or personal guarantees
- Payments are deferred for 6-12 months
- Potential loan forgiveness for up 2.5x eligible expenses paid for with PPP for first 8 weeks
A Deeper Dive – SBA

Emergency Injury Disaster Loan (EIDL)

• program was expanded to include more categories – tribal businesses, cooperatives, ESOP’s, individual contractors, sole proprietors and some non-profits

• Similar broad waivers as seen in the PPP

• $10,000 emergency grant available to all eligible entities applying for EIDL
A Deeper Dive – SBA

Who should you talk to:

- For PPP: 7(a) lenders
- For PPP: local lenders that are not currently 7(a) lenders, but could become one for PPP
- For EIDL: SBA has a streamlined application on their website

What can the money be used for:

- Payroll
- Insurance
- Rent
- Mortgage
- Utilities
A Deeper Dive – SBA

Existing Loan Relief

• SBA will cover all loan payments – principal, interest and fees
• Lasts for 6 months
• Includes existing 7(a), 504, and microloans
• Business receiving loan relief may still apply for PPP loans
• Fees are permanently waived for veterans and their spouses in the 7(a) Express Loan Program
A Deeper Dive – SBA

Support for Entrepreneurs

- $265 million in grants for entrepreneurial development programs
- $10 million for education and training of minority businesses
- Match requirements for Women-owned Business Centers waived for 3 months
- STEP program funds from FY’s ‘19 and ‘18 available through 2021
A Deeper Dive – CDBG

$5 billion in total supplemental funding:

- $2 billion directed to 2020 allocation formulas – within 30 days
- $1 billion given to states and directed to combat COVID-19 – within 45 days
  - Formula will include public health needs, risk of transmission, number of cases, economic and housing disruptions, and other factors determined by HUD
- $2 billion directed to a TBD formula for economic and housing impacts of COVID-19
A Deeper Dive – CDBG

Who should you talk to:

• State and local authorities involved in existing formula grants
• Coordinate immediate requests with local officials and stakeholders

What will the money be used for:

• $3 billion being pushed out now via existing grant formulas
• Includes CDBG, EMS grants, and HOPWA
• CDBG funding can be used for economic development purposes
• HUD still determining formulas for additional fund distribution
A Deeper Dive – CDBG

• Grantees are able to prepare or modify their statement of activities using an expedited process
  • May include public notice and comment periods of not less than 5 days

• Virtual public hearings are allowed for all grants of CDBG funds so long as national or local health authorities recommend social distancing and limiting public gatherings

• Broad waiver authority given to HUD Secretary regarding CARES Act as well as 2020 and 2019 CDBG appropriations. Cannot involve waivers for fair housing, nondiscrimination, labor standards, or environmental requirements

• Suspends 15% cap on public services
A Deeper Dive – EDA

- $1.5 billion in funding directed to the Economic Adjustment Assistance account
- 2% carve-out for salaries & expenses associated with increased work
- Surge hiring authority also authorized to expedite staff increases

- For comparison: EDA received $1.2 billion total for previous 2 disaster supplementals
- For comparison: EDA receives just over $300 million per year in total annual funding
A Deeper Dive – EDA

Who should you talk to:
- Your regional office
- Your Economic Development Representative (EDR)
- Your local RLF

How will the money be used:
- Revolving Loan Funds
- Technical assistance
- Some shovel-ready infrastructure project
A Deeper Dive – USDA-RD

USDA-Rural Development receives $145.5 million
- $20.5 million for the Rural Business-Cooperative Service
- $100 million for rural broadband service
- $25 million for distance learning and telemedicine

What can the money be used for:
- Loan guarantees and some grant
- Expected to make $1 billion in lending authority available
- Emphasis on broadband expansion
What else is in here? – States & Localities

Provides $150 billion in grant funding for states, tribes and local governments

- Funding is for response to COVID-19
- To be distributed proportional to population size
- Minimum payment of $1.25 billion for states with the smallest populations
What else is in here? – Unemployment Insurance (UI)

• A new, temporary Pandemic Unemployment Assistance (PUA) program was created
  • For those not traditionally covered by UI – ‘gig’ economy, self-employed, independent contractors, limited work history

• $600 per week in supplemental funding for all UI recipients, including PUA
  • Available for up to 4 months

• Provides additional 13 weeks of benefits after state UI expires

• Additional provisions for state and non-profit UI expenses, 100% first-week costs, and ‘short-time’ program costs
Highlights of the CARES Act
Congress’s $2T COVID-19 relief stimulus package

Unemployment Benefits
- The bill expands unemployment benefits by $600 per person.
- Qualifying Californians will receive an extra $600 on top of state unemployment benefits.

One-Time Payment

How Much?
- Most adults will receive $1200.
- Those with dependents will receive an extra $500 per person under 16 years old.
- College students who are claimed as dependents by their parents or guardians do not qualify for the $1200.

Who’s Eligible?
- Undocumented people are excluded.
- Legal permanent residents qualify.
- The amount someone receives depends on level of income.
- Individuals earning more than $99,000 do not qualify for the stimulus.

Other items in the bill
- The CARES Act defers federal student loan payments until Sept. 30.
- It also includes $13 billion in funding for K-12 schools.
- $15.5 billion is allocated to support those who qualify for the Supplemental Nutrition Assistance Program.

Jazmine Solorzano | Staff
Source: H.R. 748, the CARES Act
What else is in here? – Tax Provisions for Business

• Payroll taxes deferred, payments to be spread over 2 years
• Allowable deductible interest expenses are increased from 30% to 50% for 2019 and 2020
• 50% refundable payroll tax credit during COVID-19
  • For business that either fully or partially shutdown OR have 50% decrease in receipts versus the same quarter in the previous year
  • Covers up to $10,000 paid per employee, including benefits, for the period 3/13/20 to 12/21/20
Community Services Block Grant (CSBG)

- $1 billion for CSBG to help communities address the consequences of increasing unemployment and economic disruption.
$500 billion for loan funding
- $25 billion for air passenger carriers
- $4 billion for air cargo carriers
- $17 billion for businesses important to national security
- $454 billion for the Federal Reserve

**About that $454 billion for the Fed...**
- Available for businesses and state and local governments
- Could leverage as much as $4 trillion in activity – Fed uses 10:1 ratio; for every dollar they spend, it leverages another $10
- Everyone awaiting guidance on how it will be executed
Looking Ahead

CARES Act – an imperfect bill

- Rebates – some bumps in the road
- Excluding 501(c)(6)’s from most provisions – from most aid
- Other industries hurting – hospitality, for starters
- Was it enough money?
Looking Ahead

A fourth bill is coming

• Perhaps sooner than we thought
• Will include “fixes”
• Will include more money - though maybe not as much
Resources

- 7(a) directory: https://www.sba.gov/category/lender-navigation/sba-loan-programs/7a-loan-programs
- Economic Development Administration: https://www.eda.gov/funding-opportunities/
- SBA Economic Injury Disaster Loans (EIDL): https://covid19relief.sba.gov/#/
- USDA: https://www.usda.gov/coronavirus
- CDBG: https://www.hudexchange.info/programs/cdbg/