

To the Mayor and Members of the City Council**April 3, 2020**

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**SUBJECT: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT –
“CARES ACT”**

On March 27, 2020, the president signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), a bill providing over \$2 trillion in emergency relief funds to help mitigate the financial harm caused by the coronavirus pandemic across the country.

While it is not clear exactly how much federal funding will be made available to Texas cities across the board. As part of the legislation, Congress directly allocated roughly \$11.24 billion through the Coronavirus Relief Fund to Texas for use by the state and local governments.

Congressional lawmakers are already planning another round of legislation aimed at keeping companies flush with capital and millions of workers on payrolls amid the coronavirus pandemic, even after passing the \$2 trillion relief bill a few weeks ago, the largest stimulus of its kind in U.S. history.

As you know, the federal firm of Corley Pipes Consulting, LLC closely monitored the federal stimulus negotiations during the current session of the 116th Congress in Washington and will continue to provide you updates as we move forward in the coming weeks.

We understand there will be questions from your constituents about this legislation as it takes effect and Corley Pipes Consulting, LLC will be available during the April 7th council meeting to discuss the CARES Act and answer questions.

Below are highlights from the “CARES Act” legislation:**SMALL BUSINESS LOANS AND ASSISTANCE**

The legislation aims to directly help small businesses in need. It provides some \$377 billion that will go directly to the Small Business Administration (SBA) Section 7(a) Loan Program. Interested parties can contact the SBA if interested in applying for assistance. In addition, the legislation also makes several important changes, including:

- Raises the government guarantee to 100% in the 7(a) loan program (this will last through the end of the year)
- Requires that any business applying for an SBA loan must employ fewer than 500 employees
- Allows sole-proprietors, independent contractors, and other self-employed individuals to be eligible for funding
- Creates the opportunity for up to \$10 million (maximum) in loan amount
- Allows the loan to cover several key areas of business expense, including salaries, paid sick or medical leave, insurance premiums, mortgage, rent and utilities
- Suspends any requirement for the borrower to pay lender fees or collateral
- Creates a maximum 4% interest rate for any 7(a) loan
- Grants a 6 to 12 month deferment of loan payments provides subsidies to help pay for six months of principal, interest and fees
- Offers the opportunity for the borrower to pursue loan forgiveness on payroll costs, mortgage interest payments

NATIONAL SECURITY AND TRANSPORTATION AID

The legislation includes a provision that authorizes the Treasury's Exchange Stabilization Fund to offer up to \$500 billion to provide loans, loan guarantees, and other investments to industries that are distressed, including:

- \$17 billion for businesses important to national security
- \$25 billion for the airlines

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The legislation offers \$454 billion to the Federal Reserve to be used in the Fed's 13 (3) lending facilities. This money will be used in direct lending, loan guarantees, and investments in support of the Federal Reserve's 13(3) lending facilities to eligible businesses, states, and municipalities:

- The funds must not be used must not be used for any stock buybacks or dividends for the length of the loan and an additional year after the loan has ended.
- Disallows any recipient of any direct lending or Federal Reserve facility recipients from raising the compensation of any employee whose total compensation exceeds \$425,000
- Requires the Treasury Department to specifically target nonprofit organizations and businesses between 500 and 10,000 employees
- All funds received must be used to retain at least 90% of the recipient's workforce, with full compensation and benefits, through September 30, 2020

TAX RELIEF FOR BUSINESSES

The legislation offers businesses a refundable payroll tax credit for 50% of wages paid by employers to employees during the COVID-19 crisis:

- Business employees -- and self-employed--can defer payment of the employer share of the Social Security tax
- Increases the amount of interest expense businesses can deduct by increasing the limitation to 50% of taxable income (with adjustments) for 2019 and 2020

ASSISTANCE AND AID TO INDIVIDUALS

The legislation offers additional resources for Unemployment insurance:

- Pandemic Unemployment Assistance program is created for those not typically eligible for unemployment benefits through December 31, 2020 (this would include the likes of the self-employed and other independent contractors)
- Increases by \$600 a week the payment to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months
- Adds another 13 weeks of unemployment benefits through December 31, 2020
- The legislation allows any U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married) to apply for the full \$1,200 (\$2,400 married) rebate plus an additional \$500 per child

MEDICAL AND HOSPITAL ASSISTANCE

The legislation lifts the Medicare sequester temporarily and offers a 2% payment reduction to providers until the end of the year:

- Increases by 20% the payment that would otherwise be made to a hospital for treating a patient admitted with COVID-19
- Delays reductions in disproportionate share hospital (DSH) reductions and community health centers (CHCs)

If you have any questions or concerns related to this summary, please contact Valerie Washington, Assistant City Manager.

David Cooke
City Manager