



COVID-19 & CARES ACT: SPECIAL REPORT FOR COASTAL STATE AND LOCAL GOVERNMENTS

April 1, 2020

Summary

The COVID-19 crisis will have greater impacts on the economy than our nation has endured since the Great Depression. For local governments and businesses that derive significant revenues from tourism and recreation, the impacts will be especially hard. This Special Report summarizes what the Federal government has—and has not—done that may be of help to both government officials and businesses.

*Note: If you want to stay up to date on Federal water resources policies and programs, insider news on the Corps of Engineers and more, subscribe to our **free** e-newsletter WaterLog at www.waterlog.net.*

Local Governments

The president recently signed into law a \$2.2 trillion relief package that is generally referred to as the CARES Act. State and local governments have been bearing the brunt of the responsibility of responding to the COVID-19 crisis. Here are the provisions that impact them.

- CARES provides \$150 billion to states, territories, local and tribal governments 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. 45 percent of a state's allocations are set aside for local governments with populations that exceed 500,000. They must meet certain Treasury Department requirements to receive funding. State allocations are based on population.
- Individuals receive checks up to \$1200 starting April 6th with amounts based on income.
- CARES expands unemployment insurance from three to four months and provides temporary unemployment compensation of \$600 per week in addition to and at the same time as regular state and federal unemployment benefits.

- CARES authorizes the Treasury Department to make \$500 billion of loans, loan guarantees and other investments in support of eligible businesses, states and municipalities.
- FEMA is given \$45 billion of additional funding to help states and local governments pay the costs of responding to COVID-19. Also, CARES provides \$100 million for Emergency Management Performance Grants.
- \$30.75 billion for an Education Stabilization Fund for states, school districts, and institutions of higher education for costs related to the coronavirus. Each state will receive a share of a \$3 billion fund set aside for allocation to governors for discretionary grants to school districts and institutions of higher education.
- Enables the US Department of Transportation to require airlines to continue service to destinations served as of March 1, 2020. Also, at least \$100 million of grants are available to general aviation airports.
- \$850 million in additional funding for [Byrne/JAG formula grants](#) for continuation of criminal justice programs.
- CARES does *not* include assistance that had been sought for local utilities, some owned by municipal or regional government entities. At least one trade association had asked for inclusion of funds to help low-income consumers pay their utility bills.
- CARES does *not* give local governments access to the payroll
- CARES does *not* include the type of direct funding to local governments that groups such as the National Association of Counties had requested.

Small Businesses

While a great deal of the media attention has been on the assistance it provides to airlines and other large corporations, it also has provisions to help those small businesses that are often the first to feel the impacts of any disaster and the ones with the least cash or credit to weather a loss of business. According to the law firm Kilpatrick Townsend¹, the legislation expanded both the Small Business Administration's Section 7(a) Loan Program and its EIDL (Economic Injury Disaster Loan) disaster loan program.

- SBA has been given a big increase in money for its 7(a) loan program. The loans must be used for the broad purposes of paying payroll, rent, employee benefits, utilities and interest on pre-existing debt. They have a \$10 million maximum and will cover up to 2 ½ times a business' monthly payroll for up to one year. Interest of 4 percent or less is deferred for the first year of the 10-year loan repayment period. Note that these loans come via banks and other lenders. Since there are many other details about eligibility, loan forgiveness, etc., please contact your financial advisor or attorney.
- Certain small businesses that previously applied for an EIDL loan may be eligible to receive a \$10,000 grant even if their application was denied. For EIDL loans, application requirements have been eased substantially. For more information about these loans go to <https://www.benefits.gov/benefit/1504>

- CARES provides \$10 billion for Small Business Administration (SBA) emergency grants of up to \$10,000 to provide immediate relief for operating costs.
- For businesses of all sizes, the CARES Act provides for a deferral of payment by (i) certain employers of both the employee and employer portion of Social Security (“FICA”) taxes due, and (ii) self-employed individuals for 50% of the self-employment taxes (“SECA”) due for the period beginning after the date of enactment of the CARES Act through December 31, 2020. See your financial advisor for the details, however, before you stop paying payroll taxes.
- Outside of any legislation, on March 23rd, the Federal Reserve announced “extensive new measures to support the economy.” While most of this effort was directed at large businesses, the Fed said it “expects to announce soon the establishment of a Main Street Lending Program” for small- and medium-sized businesses that complements SBA’s loan programs. For more see <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm>
- Also, the Fed and several other federal financial institutions have jointly urged banks and other lending institutions to “offer responsible small-dollar loans to consumers and small businesses in response to COVID-19.” In a March 27th announcement, they also encouraged those entities to consider working out strategies designed to help borrowers experiencing difficulties repaying existing debts due to “unexpected circumstances.” For more on this, see <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200326a.htm>
- The CARES Act makes ticket agents eligible to apply for some of the \$25 billion in loans and loan guarantees provided to airlines.

Other

- The CARES Act includes a provision to unlock the Harbor Maintenance Trust Fund so that already-collected fees can be used by the Army Corps of Engineers to maintain ports, harbors and other federal navigation channels.

ⁱ <https://www.kilpatricktownsend.com/en/Insights/Alert/2020/3/Look-Here-First-for-Financing-Coronavirus-Aid-Relief-and-Economic-Security-CARES-Act> (accessed 3/29/20)