



NYSAC
NEW YORK STATE
ASSOCIATION OF COUNTIES

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Understanding Covid 19 Relief Programs: Weathering the Financial Challenges

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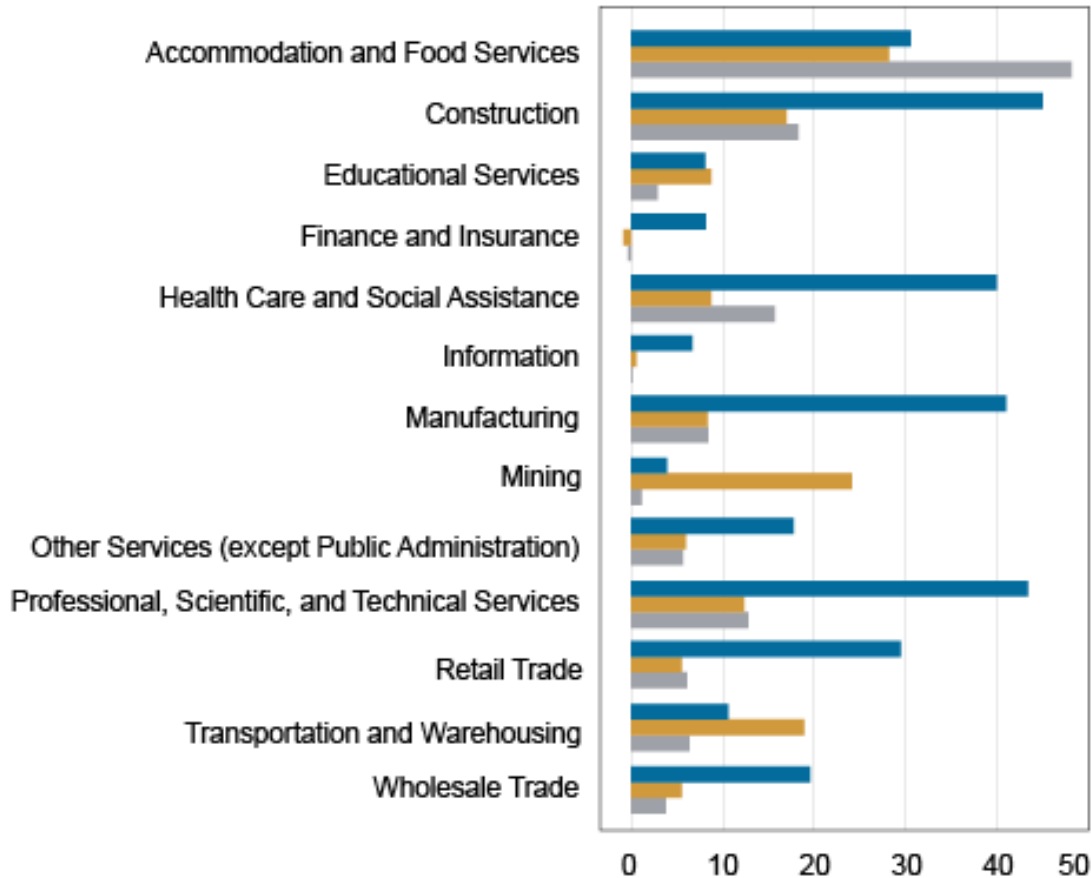


Federal Government Funding Initiatives

- CARES Act: Provided for SBA Paycheck Protection Program (PPP) administered by local banks and approved by SBA
 - In the program's first round, \$349 billion in forgivable government-guaranteed loans were extended
 - Lawmakers passed a new bill replenishing the fund with another \$310 billion and the Small Business Administration (SBA) started approving loans again on April 27

Hardest-Hit Industries Are Receiving More Funding

- Total amount lent (billions of dollars)
- Change in unemployment rate Jan to Mar (10 * percent change)
- Estimated number of layoffs by small businesses / 5,000





Federal Government Funding Initiatives

Who is eligible?

- In general, business concerns, 501(c)(3) non-profit organizations, veteran's organizations, or Tribal business if they employ not more than the greater of 500 employees are eligible

How much did they receive?

- The loan amount requests are based on annual 2019 payroll, and businesses generally received a principal balance equal to 2.5 months of payroll



Federal Government Funding Initiatives

- **The most significant benefit of PPP loan is debt forgiveness**
 - An employer can receive debt forgiveness on a PPP loan for eligible amounts equal to the costs incurred and payments made during the first 8 weeks after receiving funding
- **Eligible costs include**
 - Payroll costs.
 - Payments of interest on any covered mortgage obligation.
 - Payments on any covered rent obligation.
 - Payments for covered utility payments.



Federal Government Funding Initiatives

- SBA guidance was issued that at least 75% of PPP funding must be used towards payroll to maximize forgiveness
 - In addition, debt forgiveness can be further decreased
 - if there is a reduction in their Full Time Equivalents during the 8 weeks after the loan was received compared to pre-COVID 19 testing periods
 - if there is a reduction was a reduction of greater than 25% of salary paid to employees during the 8 weeks after the loan was received compared to pre-COVID 19 testing periods
 - **BOTH reductions can be ignored if FTE and salary are restored by June 30, 2020**

Federal Government Funding Initiatives

- Basic PPP Loan Example
 - Assumed they received a \$500,000 loan on April 22nd
 - They spend \$250,000 on payroll and \$100,000 on other eligible expenses between April 22nd and June 17th

Basic PPP Loan Example	
Payroll	\$250,000
Other Eligible Expenses	<u>\$100,000</u>
Total Expenses	\$350,000
Maximum Debt Forgiveness	\$333,333 (250,000/75%)

Federal Government Funding Initiatives

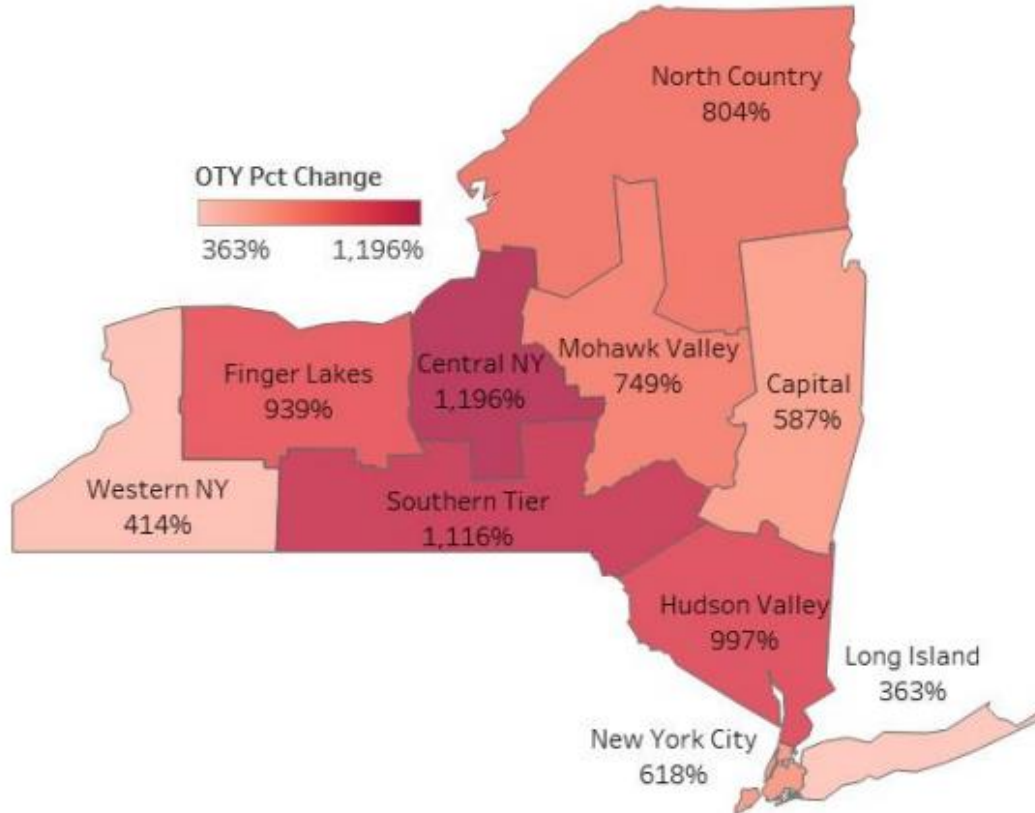
Basic PPP Loan Example	(Conti)
Total Eligible Expenses	\$350,000
Maximum Debt Forgiveness	\$333,333 (250,000/75%)

- Debt can be further reduced if full time employee decreased during 8 weeks after loan compared to pre COVID 19
 - Pre COVID FTE : 50
 - 8 Weeks After Loan: 40
- Debt Forgiveness will be reduced to \$266,667 (333,333 x 80%)
BUT...

If FTE is increased to 50 by June 30, 2020 the additional 20% reduction \$66,666 (333,333-266,667) can be ignored!!!

Initial Claims Data

Over-the-Year Percent Change in Initial Claims by Region
Week Ending 5/2/2020

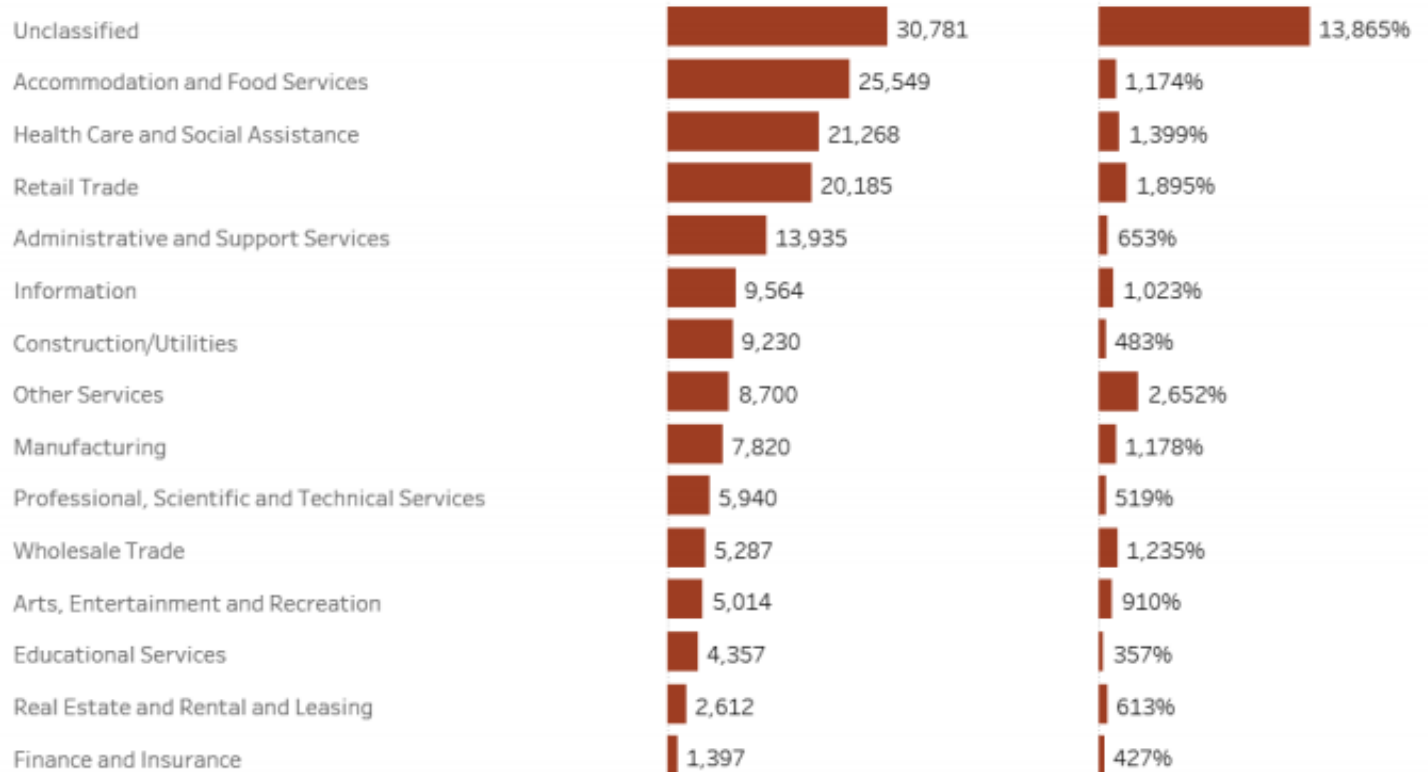


Over-the-Year Change in Initial Claims by Region Week Ending 5/2/2020

Region	Latest Week	Previous Week	Year Ago	OTY Net Change	OTY Pct Change
Capital	7,892	9,092	1,149	6,743	587%
Central NY	6,183	7,749	477	5,706	1,196%
Finger Lakes	8,458	9,786	814	7,644	939%
Hudson Valley	18,107	19,955	1,650	16,457	997%
Long Island	26,585	28,592	5,747	20,838	363%
Mohawk Valley	3,480	4,041	410	3,070	749%
New York City	97,794	109,028	13,625	84,169	618%
North Country	2,449	3,436	271	2,178	804%
Southern Tier	4,024	4,922	331	3,693	1,116%
Western NY	13,106	14,802	2,549	10,557	414%
Out-of-State Residents	9,529	10,637	1,225	8,304	678%
Total (Including Out-of-State Residents)	197,607	222,040	28,248	169,359	600%



Over-the-Year Change in Initial Claims by Industry Week Ending 5/2/2020





Payroll Credit Incentives

- Federal government is also allowing employers to defer 6.2% that normally would be paid between March 27, 2020 through December 31, 2020 to
 - 50% being paid on December 31, 2021
 - 50% being paid on December 31, 2022
- This is available to governmental agencies
- Can no longer defer OASDI once a business receives PPP debt forgiveness



Payroll Credit Incentives

- FFCRA extended sick and FMLA payroll tax credits
- Employee Retention payroll tax credits (not available to anyone who received a PPP loan)
 - Neither the FFCRA or employer retention payroll tax credit are available to governmental entities



Healthcare and NFP

- Additional sources of funds for some healthcare and NFP organizations:
 - FEMA Disaster Aid Grants
 - HHS Medicare grants
 - EIDL Grants/ Loans
 - Federal payroll tax credits
 - Federal payroll tax deferrals
 - Foundations
 - Corporate gift programs
 - Others/ industry specific



What does all this mean to you?

Let's talk about the Double Dip.



NFP Orgs and the Double Dip

- Many NFPs have funding contracts with Counties or NYS that fund specific positions/ FTEs.
- For the 8 week PPP forgiveness period, the NFP is eligible for all of its payroll dollars, including those related to those same positions funded under the County contract, paid for through the PPP program.
- Getting reimbursed for those payroll costs through more than one channel is referred to as “the double dip.”
- Generally speaking, double dipping is assumed to be forbidden.



Why the Double Dip Matters

- There has been very little actual guidance from NYS or Counties about the double dip.
- Most NFPs assume that if they are reimbursed for payroll costs from PPP, they will not be able to “claim” those costs under the terms of their existing County/ NYS funding contracts.
- Most NFPs also assume that next year’s contract amount is based, at least in part, on the total amount claimed under this year’s contract.
- Taking the reimbursement from PPP reduces this year’s expenses claimed under the County or NYS contract by basically 8 weeks’ worth of expenses.



Why the Double Dip Matters

- Therefore, NFPs are assuming that taking the PPP reimbursement will negatively impact future years' County contract amounts.
- **This leads many NFPs to the conclusion that it is better to turn down the reimbursement from the PPP program and instead claim those costs against the County/ NYS contract.**
- You literally have employers in your County turning down free federal money so they can instead keep their claims under their recurring contracts with you consistent with the contract budget and past years' claims.



Effect of the Double Dip Situation

- How many millions of dollars of free federal money is being turned away by NFP employers in your County?
- Would your County be better off if these NFP employers accepted the maximum amount of federal PPP money they were entitled to?
- How much federal PPP money is being turned away because of the double dip situation on a State-wide level?



Can the Double Dip be Addressed?

- Did you notice how many times the word “assume” appears on the previous four slides?
- Is it possible to legitimately communicate with NFPs, in a convincing manner, that taking the federal PPP money will not jeopardize future years’ funding contracts that NFP has with your County?
- Is it possible to provide the same assurances about NYS contracts?
- The final decisions on whether to claim payroll costs under PPP will be made starting mid-June, so there isn’t much time.



Main Street Lending Facilities

- The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the CARES Act, will make a \$75 billion equity investment in the single common SPV in connection with the MSNLF and the MSELF. The combined size of these facilities will be up to \$600 billion.
- Eligible Borrowers:
 - Eligible Borrowers are businesses with up to 15,000 employees or up to \$5 billion in 2019 annual revenues.
 - Each Eligible Borrower must be a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.

PPP vs. Main Street Loans

	PPP	Main Street New Loan (Stand Alone Facility)	Main Street Expanded (Adding to Add'l Debt)	Main Street Priority (Lender retains more risk (15%))
Launch Date	April	May (expected)	May (expected)	May (expected)
Interest Rate	1%	Variable – LIBOR plus 300 basis points	Variable – LIBOR plus 300 basis points	Variable – LIBOR plus 300 basis points
Repayment Period	2 years	4 years evenly amortized	4 years with balloon	4 years with balloon
Minimum Loan Amount	N/A	\$500,000	\$10 million	\$500,000

PPP vs. Main Street Loans

	PPP	Main Street New Loan (Stand Alone Facility)	Main Street Expanded (Adding to Add'l Debt)	Main Street Priority (Lender retains more risk (15%))
Maximum Loan Amount	\$10 million	\$25M or based on 2019 income	\$200M or based on 2019 income	\$25M or based on 2019 income
Payment deferral	6 months	12 months	12 months	12 months
Forgiveness	Yes up to 100%	No	No	No
Other	Payroll focused	Main Street Loans include restrictions on executive pay, dividends, stock buy-backs, and other elements.		

Summary based on proposed term sheets provided on the [Federal Reserve website](#).

Questions and Discussion



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