

DEBRIEF: Coronavirus Aid, Relief and Economic Security Act

(a.k.a. CARES Act / COVID III)

Last Updated: March 27, 2020 | 9:00pm (EST)

Market Stabilization Efforts (Section 4003 Facilities)

The bill provides \$454 billion to the Economic Stabilization Fund that the US Treasury will be able to use to authorize Federal Reserve facilities designed to provide a number of targeted market relief programs. Specifically, the Federal Reserve would be able to begin purchasing obligations that are issued by States, local governments, their instrumentalities and political subdivisions. The Federal Reserve could make these purchases from either the secondary market or as direct purchases. These appropriations will serve as a credit risk backstop for the Federal Reserve and can be leveraged.

- Funds will also be used for facilities to purchase securities from and lend to businesses.
- Treasury and Federal Reserve will have 10 days post-enactment to create facilities for lending to passenger companies, cargo companies and other businesses of importance to national security. The legislation has no clear timeline for creation of the facilities relating to other businesses or to states and municipalities.
- NAST will continue working with our partners at the Federal Reserve and Treasury to ensure these facilities are built in a manner that provides the temporary and immediate relief needed by our states and markets.

All direct lending must meet the following criteria:

1. Alternative financing is not reasonably available to the business;
2. The loan is sufficiently secured or made at an interest rate that reflects the risk of the loan and, if possible, not less than an interest rate based on market conditions for comparable obligations before the coronavirus outbreak;
3. The duration of the loan shall be as short as possible and shall not exceed 5 years;
4. Borrowers and their affiliates cannot engage in stock buybacks, unless contractually obligated, or pay dividends until the loan is no longer outstanding or one year after the date of the loan;

5. Borrowers must, until September 30, 2020, maintain its employment levels as of March 24, 2020, to the extent practicable, and retain no less than 90 percent of its employees as of that date;
6. A borrower must certify that it is a U.S.-domiciled business and its employees are predominantly located in the U.S.;
7. The loan cannot be forgiven; and
8. In the case of borrowers critical to national security, their operations are jeopardized by losses related to the coronavirus pandemic.

Direct Money to States for COVID-19 Response Related Expenses

The bill also makes \$150 billion available for direct aid to cover COVID-19 related expenses to states, tribal governments, territories and local governments over the population of 500,000 people. There is no direct language on aid to local governments under that population. The inspector general of Treasury is charged with conducting oversight of receipt and distribution.

Unemployment Insurance Expansion

Unemployment insurance recipients will receive an additional \$600 per week payment for up to four months. The bill also expands benefits to self-employed workers, independent contractors, and those with limited work history. The federal government will temporarily pay for the first week of regular unemployment for states with no waiting period.

Recovery Rebates

All U.S. residents with adjusted gross income up to \$75,000 (\$150,000 married), who are not a dependent of another taxpayer and have a work eligible social security number, are eligible for the full \$1,200 (\$2,400 married) rebate. In addition, they are eligible for an additional \$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 the vast majority of Americans, no action on their part 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. This includes many low-income individuals who file a tax return in order to take advantage of the refundable Earned Income Tax Credit and Child Tax Credit. The rebate amount is reduced by \$5 for each \$100 that a taxpayer's income exceeds the phase-out threshold. 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.

Other Direct Aid

- \$130 billion in grants to health care providers to provide reimbursements and to supplement lost revenue to hospitals.

- \$30.9 billion includes \$13.5 billion for elementary and secondary education formula funding directly to states, to help schools respond to coronavirus and related school closures. Higher Education would receive \$14.3 billion
- \$45 billion for FEMA. The funds are intended to help state and local efforts, including medical response and purchasing protective equipment. The breakdown includes: \$200 million for shelter, food and services; \$100 million in grants to firefighters for protective equipment, supplies and reimbursements; \$100 million for enhanced sanitation at airport security checkpoints and other airport costs.
- \$100 million will go to correctional officer overtime, personal protective equipment and supplies, and inmate medical care and supplies. Another \$850 million is designated for state and local law enforcement and jails through a grant program.
- \$30.9 billion includes \$13.5 billion for elementary and secondary education formula funding directly to states, to help schools respond to coronavirus and related school closures. Higher education would receive \$14.3 billion
- \$25 billion for transit providers through Federal Transit Administration (FTA) Transit Infrastructure Grants. Including states and local governments across the country, for operating and capital expenses. Funding will be distributed using existing FTA formulas.
- \$10 billion to maintain operations at our nation's airports that are facing a record drop in passengers. Airport Improvement Program funds will be distributed by formula according to the Federal Aviation Administration.