COVID-19 Assistance for State Feds, CLCs and ALFs

SBA Emergency Economic Injury Loans & Grants

The CARES Act expands the Small Business Administration’s Economic Injury Disaster Loan (EIDL) program. Although these SBA loans are normally only available to small businesses, the CARES Act allows nonprofits like AFL-CIO State Federations, Central Labor Councils, and Area Labor Federations to apply. The new law also makes $10,000 emergency grants available, even to applicants that are ultimately denied the loans. The CARES Act made some other, forgivable loans available to 501(c)(3) nonprofit organizations that are NOT available to labor unions. Organizations that are not AFL-CIO central labor bodies should NOT refer to this memo for information about CARES Act relief.

What can AFL-CIO central labor bodies borrow under this program?
AFL-CIO central labor bodies, as a type of private nonprofit, are temporarily eligible to apply for loans available through the SBA’s Economic Injury Disaster Loan program. These loans can be for amounts up to $2 million and can be used to cover bills that cannot be paid due to the COVID-19 crisis, like payroll and mortgage or rent payments. Except for the emergency grant assistance described below, the loans must be repaid at an interest rate of 2.75%. Other terms are determined on a case-by-case basis, including the possibility to defer repayment for up to four years.

What grant assistance is available to AFL-CIO central labor bodies?
Applicants for an EIDL can also request up to $10,000 in immediate assistance in the form of an emergency grant. The emergency grant does not need to be repaid, even if the loan application is ultimately denied. The SBA will rely on the applicant’s self-certification (made under penalty of perjury by submitting the online loan application) that it is eligible to receive the funds.

What AFL-CIO central labor bodies are eligible to receive funds?
The CARES Act makes the EIDL program loans and grants available to all private nonprofit organizations—including AFL-CIO central labor bodies—that have a current tax-exempt status with the IRS and that meet certain other requirements.

- Current tax exemption: All AFL-CIO central labor bodies are exempt from taxation under the AFL-CIO’s group exemption. However, the central labor body’s exemption must also be current—meaning not revoked—which can happen if it failed to file its annual IRS Form 990 for three consecutive years.
- No size requirement: Unlike businesses, labor organizations are eligible for the program regardless of their size or number of employees.
- Lobbying: The central labor organization will have to certify that it is not “in the business of lobbying” when completing the application. The SBA regulations that apply to the EIDL program generally make businesses ineligible for assistance if they are “primarily engaged in political or lobbying activities.” The AFL-CIO can provide additional information to your counsel regarding this certification.

How does a central labor body apply and when are applications due?
The SBA has created an online application that is available at https://covid19relief.sba.gov. Central labor bodies that are eligible and want to apply should do so as soon as possible. A limited total amount of funds are available to all applicants.

Where can I get more information about eligibility or the application process?
The SBA has a 24-hour hotline for questions, but because many of the general rules about these loans were written with only small businesses in mind and not nonprofits or unions, it is strongly recommended that labor applicants contact their attorneys with questions.