

COVID-19 Update

Presented by

The Franklin Partnership, LLC

Policy Resolution Group at Bracewell

May 29, 2020



Your Team in Washington, D.C.



Lobbying Firm – The Franklin Partnership, LLC

- Bi-partisan Washington, D.C.-based government relations firm
- Representing manufacturing industry since 2002
- Clients include: manufacturing associations, defense contractors, hospitals, cities



Strategic Communications Firm – Policy Resolution Group at Bracewell

- Wash, D.C.-based public affairs & strategic communications consultants
- Promote NTMA and PMA in print, digital and other media
- Support Franklin Partnership government relations efforts by designing and implementing coordinated strategic communications strategy
- Representing metalworking industry since 2003

Nothing contained in here shall be deemed legal advice.

More Resources: www.onevoiceinfo.org

ONE VOICE COVID-19 RAPID RESPONSE WEBSITE

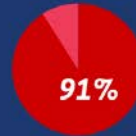
EMAIL:
ONEVOICE@POLICYRES.COM



ONE VOICE FOR MANUFACTURING COVID-19 SURVEY

MAY 12-15, 2020

1 91% received a PPP loan



2 83% used the PPP loan to retain employees they would have otherwise furloughed or let go

3 30% report the PPP loans will cover less than thirty more days of payroll

4 41% will, and another 30% might, furlough or let go of employees when the PPP runs out



5 65% expect customer disruptions to continue for the next 2-6 months

6 36% actively receiving new orders with 52% receiving some orders but well below normal levels

7 1 in 10 manufacturers have no new orders



8 53% of respondents report customers are requesting longer payment terms or extension of current terms



One Voice Survey Results Infographic

Agenda

- Chicago Reopening Manufacturing Guide
- Pennsylvania Guide
- Main Street Lending Facilities FAQ Issued
- PPP Interim Final Rule: Forgiveness Guidelines
- PPP Interim Final Rule: Forgiveness Procedures
- PPP Legislation
- COVID-19 Legislation
- Questions

All information presented as of May 28, 2020



Face covering required when entering/exiting buildings and when 6 ft. social distancing is not possible

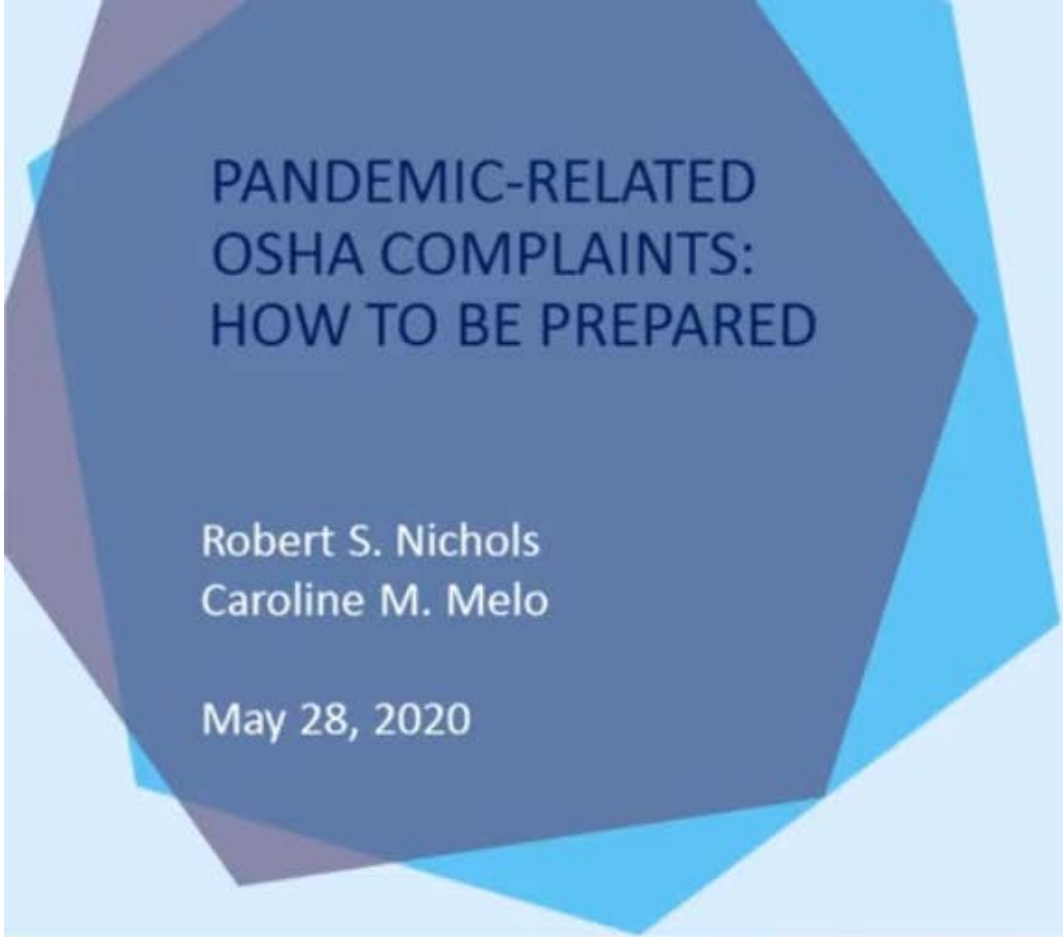
- In any outdoor and indoor common spaces, face coverings must be worn over nose and mouth (exceptions can be made for people with medical conditions or disabilities that prevent them from safely wearing a face covering or if hazardous based on work site conditions)
- Employees doing health checks must wear face shields over face coverings
- Equip first response teams with proper PPE, as appropriate for each worksite

Employee health screening prior to entering workplace (e.g., temperature checks, questionnaires, interviews)

- No visitors except for essential services (e.g., repair, construction), deliveries, and pickups
- Visitors required to wear face coverings, maintain distance, and are subject to any entry protocols
- Prior to leaving home, all individuals encouraged to self-identify symptoms and stay at home if symptomatic
- Prior to entering establishment, employees self-screen to ensure no symptoms of COVID-19 (e.g., questionnaire – see appendix)

No travel except for critical operations

- Report any travel for critical operations outside of defined travel zone; employers decide on any needed work adjustments to travel



PANDEMIC-RELATED OSHA COMPLAINTS: HOW TO BE PREPARED

Robert S. Nichols
Caroline M. Melo

May 28, 2020

BRACEWELL

Pennsylvania Guidelines

COVID-19 Safety Procedures for Businesses

PROTECTING CUSTOMERS AND EMPLOYEES WORKING IN THE COMMONWEALTH

Requirements for Businesses Authorized to Continue In-Person Operations:

Health and Cleaning

- Provide masks for employees to wear at all times.
- Clean and disinfect the building frequently, especially high-touch areas.
- Make sure employees have access to soap and water, hand sanitizer, and disinfectant wipes.
- Tell employees they should notify their supervisor if they are sick and stay home.

Social Distancing

- Prevent large groups from entering or leaving the building at the same time.
- Limit the number of employees in common areas.
- Conduct meetings virtually. For in-person meetings, limit the number of employees to 10 and maintain a distance of six feet.
- Don't allow non-essential visitors.

If there is a COVID-19 exposure in your building

- Establish a plan for employee COVID-19 exposure, that includes building cleaning and notifying affected employees. See COVID-19 Safety Guidance at [pa.gov](https://www.pa.gov) for more details.
 - Secure and clean the exposed areas.
 - Take each employee's temperature before they enter the building and send home those who have a temperature of 100.4°F or higher.
 - Employees should notify their supervisor if they have symptoms and go or stay home.
- Advise sick employees to follow CDC recommended guidance on home isolation.

Additional Safety Guidance for Any Retail Operations at Your Location

- Conduct business with the public by appointment only, when possible.
- Limit the number of people inside the building to no more than 50% of the total maximum occupancy.
- Modify business hours so there is enough time to clean and restock.
- Install shields at check-out areas to separate cashiers and customers.
- Provide delivery or pick-up options and encourage online ordering.
- Designate a specific time for people at high risk to use the business at least once a week.
- Require customers to wear masks or face coverings.
- Limit check-out lanes to every other register and rotate every hour to allow for disinfection.
- Schedule handwashing breaks for employees at least every hour.
- Assign an employee to wipe down carts and handbaskets before the customer uses it.

Questions or Concerns?

Businesses

Contact the Department of Health at 1-877-PA-HEALTH (1-877-724-3258).



Employees or Customers

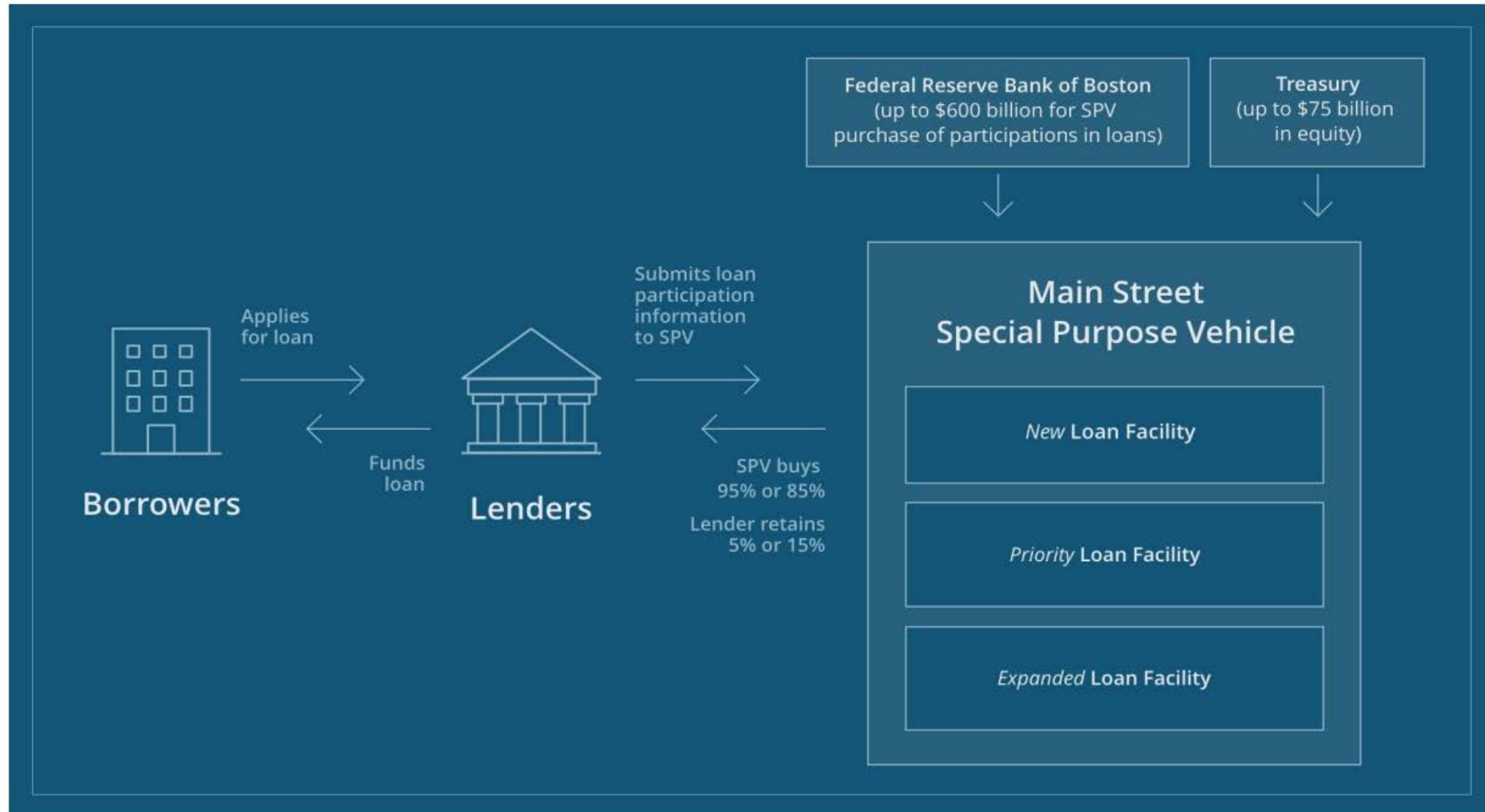
If you feel unsafe at your workplace relative to COVID-19 concerns, file a complaint with:

- A local health department or law enforcement agency.
- The Occupational Safety and Health Administration at [OSHA.gov](https://www.osha.gov).
- The PA Department of Health at [health.pa.gov](https://www.health.pa.gov).

<https://files.constantcontact.com/0646d3d8501/4f2c3ae9-b8f9-49d7-bd98-eb76e5d33706.pdf>

Main Street Lending Program May Launch Early June

The Main Street Lending Program is administered by the Federal Reserve Bank of Boston, which has established a special purpose vehicle to purchase loan participations from eligible lenders across the U.S.



Contact Lender Now, If Took PPP Can Still Participate

F.1. How can I apply for a Program loan?

To obtain a loan under the Program, an Eligible Borrower must submit an application and any other documentation required by an Eligible Lender to such Eligible Lender. Eligible Borrowers should contact an Eligible Lender for more information on whether the Eligible Lender plans to participate in the Program and to request more information on the application process.

Updates regarding the Program, including the official launch date and the time and date at which the Main Street SPV will begin purchasing participations in MSNLF Loans, MSPLF Loans, and MSELF Upsized Tranches, will be made available on the Board's [Main Street page](#)

F.2. Is a Business eligible to borrow if it receives a PPP loan?

A Business that receives a loan through the SBA's PPP can be an Eligible Borrower under Main Street if it meets the Eligible Borrower criteria.

Why LIBOR? Interest Deferred

G.3. Why are Program loans based on LIBOR rather than SOFR?

The Federal Reserve received feedback from potential participants that quickly implementing new systems to issue loans based on SOFR would require diverting resources from challenges related to the pandemic. Although financial institutions are transitioning to more robust reference rates, LIBOR remains the most common base rate used in business lending, even though firms cannot rely on LIBOR being published after the end of 2021. Consistent with the recommendations of the Alternative Reference Rates Committee, Eligible Lenders and Eligible Borrowers should include fallback contract language to be used should LIBOR become unavailable during the term of the loan.

G.4. When do I need to start paying interest on my loan?

No payments of principal or interest will be required during the first 12 months of the loan. Principal and interest payments for all loans obtained under the Program (MSNLF, MSPLF, or MSELF) are deferred for one year. Unpaid interest will be capitalized.

PPP Round 2 Status

Summary of cumulative Paycheck Protection Program data as of 5:00 p.m. EDT, May 27, 2020.

Approved Loans	Approved Dollars	Average Loan Size	# of Participating Lenders
4,448,533	\$510,532,719,807	\$114,764	5512

In total, the SBA guaranteed 4,426,118 Paycheck Protection Program loans through May 23, 2020. For more information on loan activity, [click here](#).

In total, the SBA guaranteed 4,341,145 Paycheck Protection Program loans through May 16, 2020. For more information, [click here](#).

In Round Two of the Paycheck Protection Program (April 27 - May 8, 2020), the SBA has guaranteed 2,571,167 loans. For more information, [click here](#).

In Round Two of the Paycheck Protection Program (April 27 - May 1, 2020), the SBA has guaranteed 2,211,791 loans. For more information, [click here](#).

In Round One of the Paycheck Protection Program, (through April 16, 2020), the SBA guaranteed 1,661,367 loans. For more information, [click here](#).

PPP: Benefits Count as Compensation for Owners

c. Are there caps on the amount of loan forgiveness available for owner-employees and self-employed individuals' own payroll compensation?

Yes, the amount of loan forgiveness requested for owner-employees and self-employed individuals' payroll compensation can be no more than the lesser of 8/52 of 2019 compensation (i.e., approximately 15.38 percent of 2019 compensation) or \$15,385 per individual in total across all businesses. See 85 FR 21747, 21750.

In particular, owner-employees are capped by the amount of their 2019 employee cash compensation and employer retirement and health care contributions made on their behalf. Schedule C filers are capped by the amount of their owner compensation replacement, calculated based on 2019 net profit.³ General partners are capped by the amount of their 2019 net earnings from self-employment (reduced by claimed section 179 expense deduction, unreimbursed partnership expenses, and depletion from oil and gas properties) multiplied by 0.9235. No additional forgiveness is provided for retirement or health insurance contributions for self-employed individuals, including Schedule C filers and general partners, as such expenses are paid out of their net self-employment income.

PPP: Can Cover Bonuses, Hazard Pay, Furloughed Salaries

Are salary, wages, or commission payments to furloughed employees; bonuses; or hazard pay during the covered period eligible for loan forgiveness?

Yes. The CARES Act defines the term “payroll costs” broadly to include compensation in the form of salary, wages, commissions, or similar compensation. If a borrower pays furloughed employees their salary, wages, or commissions during the covered period, those payments are eligible for forgiveness as long as they do not exceed an annual salary of \$100,000, as prorated for the covered period. The Administrator, in consultation with the Secretary, has determined that this interpretation is consistent with the text of the statute and advances the paycheck protection purposes of the statute by enabling borrowers to continue paying their employees even if those employees are not able to perform their day-to-day duties, whether due to lack of economic demand or public health considerations. This intent is reflected throughout the statute, including in section 1106(d)(4) of the Act, which provides that additional wages paid to tipped employees are eligible for forgiveness. The Administrator, in consultation with the Secretary, has also determined that, if an employee’s total compensation does not exceed \$100,000 on an annualized basis, the employee’s hazard pay and bonuses are eligible for loan forgiveness because they constitute a supplement to salary or wages, and are thus a similar form of compensation.

PPP: Include Billing Period Costs After 8 Week Ends

a. When must nonpayroll costs be incurred and/or paid to be eligible for forgiveness?

A nonpayroll cost is eligible for forgiveness if it was:

- i. paid during the covered period; or
- ii. incurred during the covered period and paid on or before the next regular billing date, even if the billing date is after the covered period.

Example: A borrower's covered period begins on June 1 and ends on July 26. The borrower pays its May and June electricity bill during the covered period and pays its July electricity bill on August 10, which is the next regular billing date. The borrower may seek loan forgiveness for its May and June electricity bills, because they were paid during the covered period. In addition, the borrower may seek loan forgiveness for the portion of its July electricity bill through July 26 (the end of the covered period), because it was incurred during the covered period and paid on the next regular billing date.

PPP: Employee Does Not Return & Unemployment

- i. the borrower made a good faith, written offer to rehire such employee (or, if applicable, restore the reduced hours of such employee) during the covered period or the alternative payroll covered period;
- ii. the offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours;
- iii. the offer was rejected by such employee;
- iv. the borrower has maintained records documenting the offer and its rejection; and
- v. the borrower informed the applicable state unemployment insurance office of such employee's rejected offer of reemployment within 30 days of the employee's rejection of the offer.⁴

PPP: Forgiveness Reduced if FTEs Reduced

In general, a reduction in FTE employees during the covered period or the alternative payroll covered period reduces the loan forgiveness amount by the same percentage as the percentage reduction in FTE employees. The borrower must first select a reference period: (i) February 15, 2019 through June 30, 2019; (ii) January 1, 2020 through February 29, 2020; or (iii) in the case of a seasonal employer, either of the two preceding methods or a consecutive 12-week period between May 1, 2019 and September 15, 2019.⁷ If the average number of FTE employees during the covered period or the alternative payroll covered period is less than during the reference period, the total eligible expenses available for forgiveness is reduced proportionally by the percentage reduction in FTE employees. For example, if a borrower had 10.0 FTE employees during the reference period and this declined to 8.0 FTE employees during the covered period, the percentage of FTE employees declined by 20 percent and thus only 80 percent of otherwise eligible expenses are available for forgiveness.

PPP: Forgiveness Reduced if Wages Lowered by >25%

e. What effect does a borrower's reduction in employees' salary or wages have on the loan forgiveness amount?

Under section 1106(d)(3) of the CARES Act, a reduction in an employee's salary or wages in excess of 25 percent will generally result in a reduction in the loan forgiveness amount, unless an exception applies. Specifically, for each new employee in 2020 and each existing employee who was not paid more than the annualized equivalent of \$100,000 in any pay period in 2019, the borrower must reduce the total forgiveness amount by the total dollar amount of the salary or wage reductions that are in excess of 25 percent of base salary or wages between January 1, 2020 and March 31, 2020 (the reference period), subject to exceptions for borrowers who restore reduced wages or salaries (see g. below). This reduction calculation is performed on a per employee basis, not in the aggregate.

PPP: Have Until June 30, *or earlier* to Return to Full FTE

g. If a borrower restores reductions made to employee salaries and wages or FTE employees by not later than June 30, 2020, can the borrower avoid a reduction in its loan forgiveness amount?

Yes. Section 1106(d)(5) of the CARES Act provides that if certain employee salaries and wages were reduced between February 15, 2020 and April 26, 2020 (the safe harbor period) but the borrower eliminates those reductions by June 30, 2020 or earlier, the borrower is exempt from any reduction in loan forgiveness amount that would otherwise be required due to reductions in salaries and wages under section 1106(d)(3) of the CARES Act. Similarly, if a borrower eliminates any reductions in FTE employees occurring during the safe harbor period by June 30, 2020 or earlier, the borrower is exempt from any reduction in loan forgiveness amount that would otherwise be required due to reductions in FTE employees.⁸

This provision implements section 1106(d)(5) of the CARES Act, which gives borrowers an opportunity to cure reductions in FTEs, salary/wage reductions in excess of 25 percent, or both, using the applicable methodology set forth in section 1106(d)(5). The Act provides that the reduction in FTEs or the reduction in salary/hourly wages must be eliminated “not later than June 30, 2020.”

PPP: Forgiveness Timeline

- Within 60 days of receiving complete forgiveness application from borrower, lender must send to SBA a decision of approval (in whole or in part) denial, or denial pending SBA review
- SBA will, subject to any SBA review of the loan or loan application, remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment, not later than 90 days after the lender issues its decision to SBA
Lobbying for changes to Paycheck Protection Program Loans
- If denied forgiveness by lender, borrower has 30 days to request an SBA review
- SBA can review any loan and provide notice to lender who must notify borrower within 5 days their forgiveness application is under review

Survey Results – PPP Legislative Priorities

PPP Loan Changes

- Expand 8 weeks to 16 or 24 weeks for the period of loan forgiven
- Extend the June 30 deadline to rehire employees under forgiveness to September 30
- Allow the deductibility of wages, rent, utilities as expenses under IRC 265
- Lower 75% requirement to spend on payroll costs
- Extend loan term to ten years as intended by Congress instead of 2 years
- Enhance the Employee Retention Credit and permit PPP recipients to claim the credit
- Permit 501(c)(6) business trade associations to apply for PPP loans

Survey Results – COVID Phase 4 Bill Priorities

Restarting U.S. Manufacturing

- Make permanent 100% bonus depreciation expensing for qualified property
- 10-year government guaranteed long term low interest loans: uses include equipment, tools, materials, R&D, facility improvements/expansions.
- Create a new tax credit to support the onshoring of manufacturing activities, such as moving operations to the U.S. or investing in capital equipment, to support the purchase of property, facilities and more.
- Provide tax incentives to help companies recruit and train the skilled workforce needed to expand modern manufacturing in the U.S.
- 6.2% payroll tax holiday for March-December 2020
- Make General Business Credits Refundable (General Business Credits include: R&D, investment, work opportunity, renewable, new markets, etc.)
- Establish business liability protection for employers who follow OSHA/CDC guidelines specific to their industry

Next Steps on COVID Legislation – PPP Changes

- Lobbying for changes to Paycheck Protection Program Loans
- Concerns over forgiveness terms, uses of loan funds
- House passed their PPP bill Thursday, May 28
 - Pelosi promised members vote on PPP bill in exchange for vote on \$3 trillion HEROES Act
 - Extends 8 week forgiveness period to 24 weeks
 - Changes requirement that borrower spend 75% on payroll costs for full forgiveness to 60%
 - Change loan terms to 5 years instead of 2 years as written in CARES Act
 - Extend loan period from June 30 to December 31, 2020
 - Permit PPP recipients to defer payroll taxes under CARES Act
- Senate could move week of June 2
 - Extends forgiveness term from 8 weeks to 16 weeks
 - Does not address 75% payroll costs threshold; Rubio said will not lower beyond 50% level

Next Steps on COVID Legislation – Phase 4 Bill

- Negotiations likely begin week of June 2 between
- Senate will not vote on House-passed \$3 trillion HEROES Act
- House Democrats wants funding for state, local governments
- Senate GOP wants business liability protections
- Lobbying to support Onshoring/Reshoring initiatives underway
 - House GOP creates China Task Force (initially was bipartisan)
 - Discussion of how to reduce costs of mfg in U.S. vs China
 - Temporary tax credit for hiring Americans, purchasing equipment, and installing machinery in U.S.
 - White House close to finalizing domestic drug supply chain initiative
- Senate GOP Drafting industry-supported Liability Protection Bill
 - Focusing on Gross Negligence or Wrongful Conduct
 - Treats employees and customers equally
 - Attempts to push cases to federal court

Take Action. Your Work Matters.



NTMA and PMA members are:

- Producing gallons of hand and surface sanitizer.
- Manufacturing face shields, masks, personal space guards and other forms of PPE.
- Making medical equipment including parts for respirators, ventilators, laryngoscopes (used during intubation) and hospital beds.
- Collecting and distributing cards for frontline workers and others.

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TALKING WITH
ONE VOICE

A MANUFACTURING INDUSTRY ADVOCACY PODCAST

Questions?

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