

# COVID-19 Update

Presented by  
The Franklin Partnership, LLC  
Policy Resolution Group at Bracewell  
April 10, 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

# Agenda

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- Current State of the States
- Governments Commandeering Private PPE
- New CDC Guidelines
- PPP Status Report
- New Federal Reserve Program
- Next Steps
- What We are Hearing
- Questions

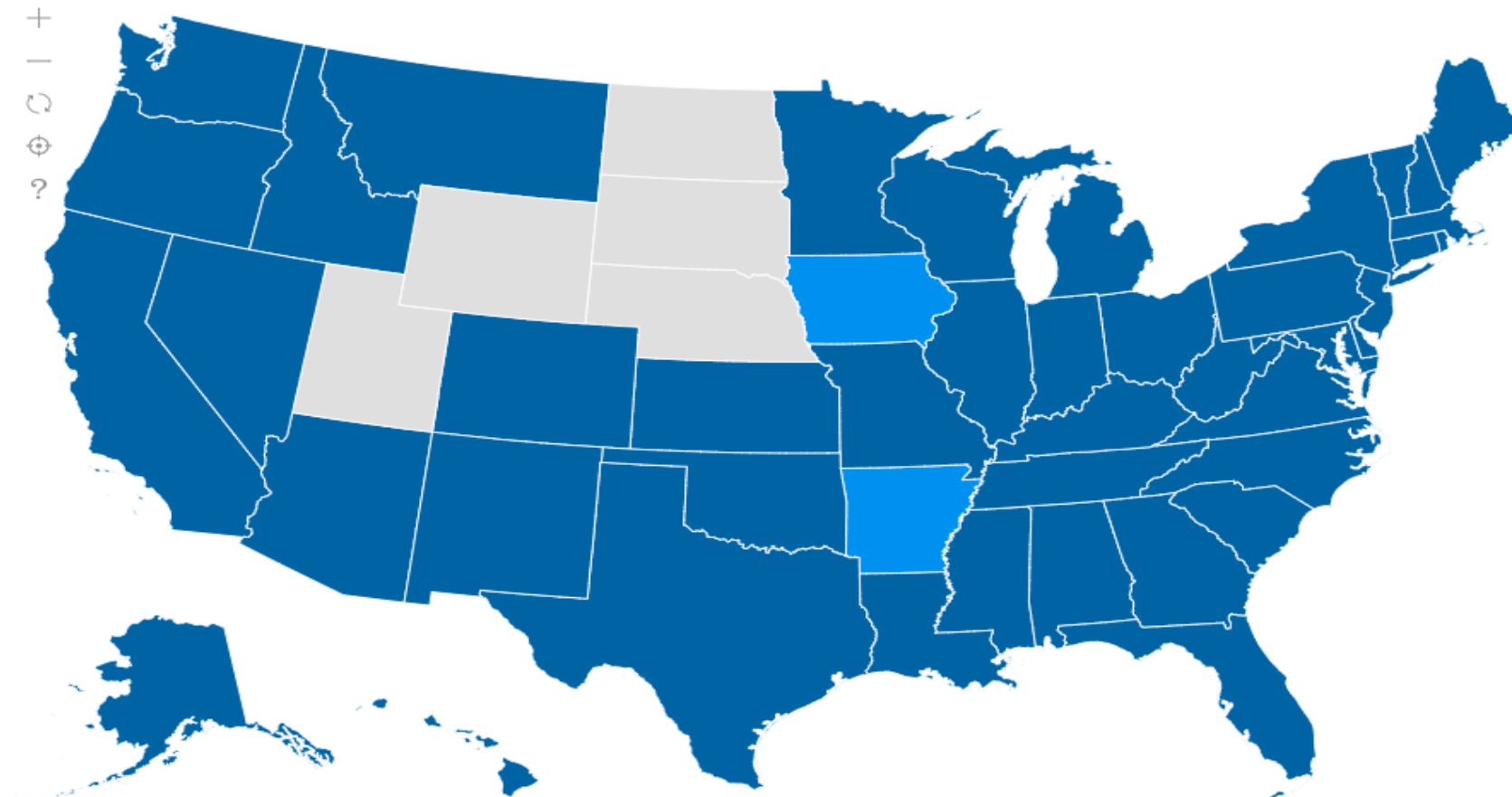
*All information presented as of April 9, 2020*

# Current State of the States

## STATE POLICIES IN RESPONSE TO COVID-19 PANDEMIC

**All 50 States and DC have declared a state of emergency.** To access a state declaration, click on the state. This map is continuously updated as new declarations and policies are issued across the country in response to COVID-19. If your state has issued a shelter-in-place and/or business closure policy not reflected in County Explorer, please contact us at [research@naco.org](mailto:research@naco.org).

COUNTY DECLARATIONS & POLICIES STATE DECLARATIONS & POLICIES FEMA DECLARATIONS



Source: NACo-collected data, as of April 8, 2020. In the event of a discrepancy between NACo data and data reported by state and local public health officials, data reported by state and local public health officials should be considered the most up to date.

2 44  
State with a business closure policy State with a safer-at-home and business closure policy  
Numbers within each color box represent the distribution of counties.

# Essential Business Definition – No Change



U.S. Department of Homeland Security

Cybersecurity & Infrastructure Security Agency (CISA) list:

## Critical Manufacturing Definition:

“Workers necessary for the manufacturing of metals (including steel and aluminum), industrial minerals, semiconductors, materials and products needed for medical supply chains, and for supply chains associated with transportation, energy, communications, information technology, food and agriculture, chemical manufacturing, nuclear facilities, wood products, commodities used as fuel for power generation facilities, the operation of dams, water and wastewater treatment, processing and reprocessing of solid waste, emergency services, and the defense industrial base. Additionally, workers needed to maintain the continuity of these manufacturing functions and associated supply chains, and workers necessary to maintain a manufacturing operation in warm standby.”

## Transportation and Logistics Definition:

“Automotive repair, maintenance, and transportation equipment manufacturing and distribution facilities”

# States Set Their Own Guidelines

State	Essential Business Definition	Waiver?	Effective Date	Expiration Date	State	Essential Business Definition	Waiver?	Effective Date	Expiration Date
AL	CISA & Own	No	4/4/2020	4/30/2020	MI	CISA & Suppliers	No	3/24/2020	4/13/2020
AZ	Own	No	3/31/2020	4/30/2020	MN	Own Incorporating CISA	<a href="#">Yes</a>	3/27/2020	4/10/2020
CA	CISA Modified	No	3/19/2020	Indefinitely	MO	CISA	<a href="#">Yes</a>	4/6/2020	4/24/2020
CO	Own	No	3/26/2020	4/11/2020	NC	CISA & Own	<a href="#">Yes</a>	3/30/2020	4/29/2020
CT	CISA & Own	<a href="#">Yes</a>	3/23/2020	4/22/2020	NJ	Own	No	3/21/2020	Indefinitely
FL	CISA & Own	No	4/3/2020	4/30/2020	NY	Own	<a href="#">Yes</a>	3/22/2020	4/29/2020
GA	CISA & Own	<a href="#">Yes</a>	4/3/2020	4/13/2020	OH	CISA & Own	No	3/24/2020	5/1/2020
IL	Own	No	3/21/2020	4/30/2020	OR	N/A	N/A	3/23/2020	Indefinitely
IN	CISA & Own	No	3/25/2020	4/20/2020	PA	Own	<a href="#">Yes</a>	3/19/2020	Indefinitely
KS	CISA Modified	<a href="#">Yes</a>	3/30/2020	4/19/2020	TN	CISA & Own	No	3/31/2020	4/14/2020
KY	CISA & Own	No	3/26/2020	Indefinitely	TX	CISA & Own	<a href="#">Yes</a>	4/2/2020	4/30/2020
MA	CISA modified	<a href="#">Yes</a>	3/24/2020	5/4/2020	WI	CISA & Own	<a href="#">Yes</a>	3/25/2020	4/24/2020

# FEMA, States Commandeering Private PPE



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

***ORDER OF THE GOVERNOR OF THE COMMONWEALTH OF PENNSYLVANIA  
TO ENSURE THE EFFICIENT ALLOCATION AND EFFECTIVE USE  
OF CRITICAL MEDICAL RESOURCES***

***In accordance with sections 7304(f)(4) and 7313(10) of the Emergency Management Services Code, the Pennsylvania Emergency Management Agency, in coordination with Commonwealth agencies engaged in the procurement of PPE and other medical resources, is hereby authorized to commandeer and utilize all PPE, pharmaceuticals, and other medical resources required to respond to, provide care for those afflicted by, or otherwise prevent the spread of COVID-19 from all private, public, and quasi-public health care providers and facilities, as well as manufacturers and suppliers of PPE, pharmaceuticals, and other medical resources located within the Commonwealth of Pennsylvania. 35 Pa. C.S. §§ 7304(f)(4), 7313(10).***



# CDC Releases New Workplace Guidelines

## CDC Interim Guidance for Essential Workers Who May Have Had Exposure

- The employee should wear a face mask at all times while in the workplace for 14 days after last exposure.
- Information on persons who had contact with the ill employee during the time the employee had symptoms and 2 days prior to symptoms should be compiled.
- Others at facility with close contact within 6 feet of employee during this time would be considered exposed.

## CDC How to Disinfect the Workplace

- Close off areas visited by the ill persons. Open outside doors and windows and use ventilating fans to increase air circulation in the area. Wait 24 hours or as long as practical before beginning cleaning and disinfection.
- Cleaning staff should clean and disinfect all areas such as offices, bathrooms, common areas, shared electronic equipment like tablets, touch screens, keyboards, remote controls, and ATM machines used by the ill persons, focusing especially on frequently touched surfaces.
- If it has been more than 7 days since the person with suspected/confirmed COVID-19 visited or used the facility, additional cleaning and disinfection is not necessary.

## Check the EPA List of “Disinfectants for Use” Against COVID-19



# COVID-19 Laws and Legislation

- **Phase 1:** \$8.3 billion “Coronavirus Supplemental” for vaccines, test kits
- **Phase 2:** \$100 billion Families First Coronavirus Response Act signed into law
  - Paid Sick Leave, FMLA Expansion
  - Tax credits for employers
- **Phase 3:** \$2 trillion economic stabilization law
  - Direct funds to individuals, states, loans to small businesses
  - Support for larger companies, tax provisions to support industry
- **Phase 4:** Multitrillion dollar continuation of stabilization (early May)
  - Additional funding for Small Business loans; Funding for FEMA; additional support for hospitals
  - More direct payments to individuals, payroll tax holiday possible, extension of expiring/expired tax credits
- **Phase 5:** Multitrillion dollar stimulus (Likely late June or mid-July)
  - If entering recovery stage, Congress will move an economic stimulus package
  - Transportation infrastructure? Tax incentives

# Phase 3: Economic Stimulus Bill – Loan Program

- Companies 500 employees or fewer or size standards SBA sets based on NAICS
- Loan applications April 3-June 30, 2020
- Loan due in 2 years at 1.00% fixed rate with payments deferred 6 months
- Capped at \$10 million with formula based on avg. total monthly payments of previous 2019 average payroll, mortgage, rent, payments on other debt (2.5 months of payroll)
- 1<sup>st</sup> 8 weeks of payroll, rent, mortgage interest, utilities under loan is forgiven if do not reduce payroll (full principal plus interest forgiven, payroll must be 75% of forgiven)
- Loan uses: Working capital, and specifically, payroll support, including paid sick, medical or family leave and costs related to continuation of group health care benefits, salaries, mortgage interest payments, rent, utilities and interest on other existing debt
- Personal guarantee and collateral requirements eliminated

*Contact your lender NOW and ask if they are SBA approved*

# Loan Forgiveness: 8 weeks of Principal and Interest

- Will owe money if loan used for anything other than payroll costs, mortgage interest, rent, and utilities payments over the 8 weeks after getting the loan
- Not more than 25% of the forgiven amount may be for non-payroll costs (mortgage interest, rent, utilities)
- The 8-week period begins on the date lender makes first disbursement to borrower
- You will also owe money if you do not maintain your staff and payroll.
  - Number of Staff: Loan forgiveness will be reduced if you decrease your full-time employee headcount.
  - Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
  - Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
- Borrower submits request to lender for loan forgiveness
- Request will include documents verifying the number of FTE and pay rates, as well as the payments on eligible mortgage, lease, and utility obligations. You must certify that you used the forgiveness amount to keep employees and make eligible mortgage interest, rent, and utility payments.
- The lender must make a decision on the forgiveness within 60 days

*Should not be construed as financial advice, consult your CPA, lender*

# SBA Loan – Prepare at Least the Following Info

- Payroll costs – consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of tips);
- Payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees;
- Utilities, Rent, Mortgage Interest payments
- Payroll Processor records, Form 1099-MISC
- 2019 IRS Quarterly 940, 941, or 944 payroll tax reports

# SBA Loan FAQ – Consult Your Lender (4/10/2020)

- Lender must make first disbursement in ten calendar days from loan approval
- Business affiliation rules apply for 500 employee count
- Borrowers can calculate their aggregate payroll costs and employee count using data either from the previous 12 months or from calendar year 2019
- Businesses count employees contracted through PEO as their own
- Temporary employees count towards your employee calculation
- Do not count independent contractors in payroll or employee count
- Lender can accept a single signature on behalf of other owners
- Employer payroll tax not eligible under PPP but employee withholding is sent to federal government still out of the loan for salary:
  - Example: Employee earns \$4,000/month gross wages (\$500 federal taxes withheld); counts as \$4,000 in payroll costs, employee receives \$3,500, and \$500 paid to the federal government.

*Should not be construed as financial advice, consult your CPA, lender*

# SBA Loan FAQ – Consult Your Lender (4/3/2020)

- Waives Credit Elsewhere requirement
- Number of Jobs count – “Employed on a full, part time, or other basis”
- Payroll costs include salary, wage, commission, or similar compensation; paid vacation, leave; health insurance, retirement, state, local payroll taxes
- Salary capped at \$100,000 per employee (can cover first 100k of \$120,000)
- *If employee over 100k, can still use loan for their benefits, health, retirement*
- Can use for mortgage interest but not prepayments or principal
- Loan deferral includes principal, interest, and fees
- Cannot use loan for equipment, other expenses not specified
- If use Employee Retention Credit cannot have loan forgiven
- Cannot use the loan to cover pay during EPSL/EFMLA as credit is offered

*Should not be construed as financial advice, consult your CPA, lender*



# PPP Loan – A Bank’s Sample Workbook Sheet

Company Name

**Total Payroll Costs  
For the Year  
2019**

a. Gross salaries, wages and tips for each employee, including the officer(s) if paid W-2 wages;

\$0.00

b. Payment for vacation, parental, family, medical or sick leave;

\$0.00

c. Payment of any retirement benefit;

\$0.00

d. Payment of required provisions of group health care benefits, including insurance premiums;

\$0.00

e. Payment of state and local taxes assessed on the compensation of employees;

\$0.00

Add: the sum of payments of any compensation to or income of an independent contractor or sole proprietor that is a wage, commission, net earnings from self-employment that is not more than \$100,000

\$0.00

Less: compensation of any individual employee in excess of salary of \$100,000 on an annualized basis

\$0.00

Total Payroll Costs \$0.00

Average Monthly Payroll Costs \$0.00

Multiplied by 2.5 X 2.5

Loan Amount \$0.00

# PPP Loan Example

## Treasury Department Example 2 –

- Annual payroll: \$1,500,000
- Some employees make more than \$100,000
- Subtract compensation amounts over annual salary of \$100,000 = \$1,200,000
- Average monthly qualifying payroll -  $\$1.2\text{m} \div 12 \text{ months} = \$100,000$
- Multiply avg. monthly qualifying payroll by 2.5 = \$250,000

Maximum loan amount is \$250,000

# PPP Loan Application



## Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

**Check One:** ☐ Sole proprietor ☐ Partnership ☐ C-Corp ☐ S-Corp ☐ LLC  
☐ Independent contractor ☐ Eligible self-employed individual  
☐ 501(c)(3) nonprofit ☐ 501(c)(19) veterans organization  
☐ Tribal business (sec. 31(b)(2)(C) of Small Business Act) ☐ Other

**DBA or Tradename if Applicable**

**Business Legal Name**

**Business Address**

**Business TIN (EIN, SSN)**

**Business Phone**

( ) -

**Primary Contact**

**Email Address**

Average Monthly Payroll:

\$

x 2.5 + EIDL, Net of  
Advance (if Applicable)  
Equals Loan Request:

\$

Number of Employees:

Purpose of the loan

(select more than one):

☐ Payroll ☐ Lease / Mortgage Interest ☐ Utilities ☐ Other (explain):

# Federal Reserve Creates 9 Programs at \$2.3 Trillion

- Congress, Treasury extended \$450b to cover Fed losses in its lending programs
- Fed will finance PPP loans banks make and allow banks to exclude those loans from required capital ratios, freeing the banks to make more of those SBA guaranteed loans
- Fed rule clarifies that a zero percent risk weight applies to PPP loans for capital purposes
- Main Street Lending Program
  - Fed will create two facilities to encourage banks to lend to small, midsize businesses – fewer than 10,000 employees or less than \$2.5 billion in revenues last year.
  - Will enable up to \$600 billion in lending
  - Firms can apply for those loans on top of the forgivable SBA PPP loans
  - Banks will be able to sell 95% of the debt to the Fed
  - For new loans – Minimum: \$1 million / Maximum: \$25 million
  - 4- year maturity; Fed's SOFR of 0.01% plus 25-400 basis points; principal and interest deferred one year
  - Cannot reasonably obtain “Credit Elsewhere” provision included
  - 90% employee retention provision applies
  - Must be organized in U.S., majority of employees in U.S. but no foreign ownership limitation as of now

# Next Steps

- Congress debating COVID-19 Phase 3.5 legislation
  - PPP program expected to run out of money – Rubio says needs \$250b more
  - Democrats want \$500b with setasides for minority, women lending, small banks
  - Pelosi says House likely not coming back in April
- Phase 4 bill likely another economic *stabilization* bill
- Phase 5 bill hopefully will be an economic *stimulus* bill
- What do manufacturers need in next round of legislation?
  - Additional funding for PPP?
  - Direct payments to businesses to cover payroll each month?
  - Payroll Tax holiday? Tax incentives? Employee support?
  - Employer liability protection?

# 8 of 10 One Voice Recommendations Secured



## 10 Recommendations for COVID-19 Phase 3

1. Provide a payroll tax holiday to improve cash on hand ✓
2. Offer 24-month small business loans, personal guarantee provision ✓
3. Lift 163(j) interest limit Government Guaranteed Accounts Receivable Insurance, Loans ✓
4. Temporarily relax Dodd-Frank bank lending rules for existing lines of credit ✓
5. Require prompt payment to suppliers by Federal Aid Recipients
6. Allow net operating loss (NOL) 5-year carrybacks ✓
7. Allow estimated tax deferral ✓
8. Include a temporary overtime tax credit
9. Offer programs to encourage employee retention including part time status ✓
10. Provide an e-Learning training expenses subsidy or tax credit for employer expenses ✓



# What We're Hearing

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- Banks have different rules, many requiring a commercial account first
- Smallest banks struggling, largest banks held back, mid-size regionals very active
- Few new orders, businesses working through couple weeks of backlog now
- Companies cleaning daily/between shifts
- Some businesses providing essential business bonus pay (hazard pay)
- Increased concern over employees being stopped to/from work

# Tell your story: Media Opportunities

- Receiving requests from major media regarding essential business designation and other issues
- Going through the associations to find members willing to speak to press
- Promoting member success stories online



# More Resources: [www.onevoiceinfo.org](http://www.onevoiceinfo.org)

Follow State Actions and Essential Business Definitions

**ONE VOICE COVID-19 RAPID RESPONSE WEBSITE**

**CALL: (202) 828-7637**



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# Questions?

The Franklin Partnership, LLC

Omar S. Nashashibi

[Omar@franklinpartnership.com](mailto:Omar@franklinpartnership.com)

John Guzik

[jguzik@franklinpartnership.com](mailto:jguzik@franklinpartnership.com)

Policy Resolution Group

Caitlin Sickles

[Caitlin.sickles@bracewell.com](mailto:Caitlin.sickles@bracewell.com)

Paul Nathanson

[Paul.nathanson@bracewell.com](mailto:Paul.nathanson@bracewell.com)

