NAST Debrief: “COVID-19 Emergency Relief Package”

On Monday, December 21, Congressional leadership released text on bipartisan deals to fund the government through September 30, 2021 and provide additional needed COVID-19 relief. Details on provisions of importance to state finance officers follow. We will continue to analyze the text.

This is not an exhaustive list of provisions included in the bill. We will continue to update this document as information becomes available.

Contents / Resources:

- Complete Bill Text
- Summary of Divisions A – L: FY2021 Appropriations
- Summary of Division M and N: COVID-19 Relief Measures
- Summary of Divisions O – FF: Authorization of Other Matters

Topline

- The package includes 12 appropriations bills (Consolidated appropriations Act, 2021 located in Divisions A – L), a supplemental appropriations package for coronavirus response and relief (Divisions M – N), and additional matters (Divisions O – FF).

- Provides nearly $900 billion in economic stimulus to respond to the COVID-19 pandemic.

- The proposal did NOT include the proposed $160 billion in state, local and tribal aid that was originally proposed by the bipartisan “908” group. It is expected that this issue as well as business liability protections will be discussed in the next year.

- The bill does, however, extend the availability by one year (until Dec. 31, 2021) for funds provided to states and localities by the Coronavirus Relief Fund (CRF) in the CARES Act.

- The bill also includes a host of provisions for targeted funding to states. See other sections.

- Rescinds approximately $429 billion from the Exchange Stabilization Fund (ESF) that was appropriated under the CARES Act to be used to capitalize Federal Reserve and U.S.
Treasury lending facilities, including the Main Street Lending Facility and the Municipal Liquidity Facility (MLF).

- Bars the Federal Reserve from recreating facilities in the future that are identical to those created and capitalized with ESF funding from section 4029 of the CARES Act without congressional approval.

## COVID Provisions

### Economic Impact (“Direct”) Payments ($166 billion)

- Provides a second round of Economic Impact Payments (EIPs) at $600 for most individuals.
  - $600 for individuals making up to $75,000 and $1,200 for couples making up to $150,000
  - Additional $600 for dependents.

### Unemployment Compensation ($120 billion)

- $120 billion in federal funding to extend unemployment compensation support.
  - **Federal Pandemic Unemployment Compensation (FPUC):** Provides an additional $300 per week to supplement all state and federal unemployment benefits between December 26, 2020 and March 14, 2021.
  - **Pandemic Unemployment Assistance (PUA):** Extends program, which provides continued unemployment assistance to the self-employed, freelancers, gig workers, part-time workers and other individuals in non-traditional employment. Increases the number of weeks of PUA benefits an individual may claim, from 39 to 50.
  - **Pandemic Emergency Unemployment Compensation (PEUC):** Extends program, which provides additional weeks of federally funded benefits to workers who have exhausted their regular state unemployment benefits. Increases the weeks of PEUC benefits an individual may claim, from 13 to 24.
  - **Shared Work:** Provides federal funding for state programs, which allow employers to avoid layoffs during the downturn by connecting their employees who are working reduced hours with partial unemployment compensation, through March 14, 2021.

## Paycheck Protection Program ($284 billion)

NAST Debrief: “COVID-19 Emergency Relief Package December 2020”
– Extends the **Paycheck Protection Program (PPP)** and adds deductibility for PPP expenses
  
  o Gives businesses experiencing severe revenue reductions an opportunity to apply for a **second draw PPP loan**.
  
  o Includes **501(c)(6)** organizations but excludes unions from eligibility.
  
  o **$15 billion** in funding for entertainment venues, movie theaters, and museums that are experiencing significant revenue loss.
  
  o Codifies federal rules that ensure churches and faith-based organizations are eligible for PPP loans.

**Vaccine Distribution ($69 billion)**

– Provides needed funding to aid in the **procurement and distribution of vaccines**.

  o **$8.75 billion** to Centers for Disease Control (CDC) to aid in vaccine distribution, of which, **$4.5 billion goes to states, local governments and territories**.

  o **$22 billion** to states for testing, tracing and COVID mitigation programs. Of this total, **$2.5 billion** will be sent out as grants specifically targeted at needs in underserved areas, including both communities of color and rural communities.

**Transportation ($45 billion)**

– **$45 billion** in transportation funding to provide relief to transit agencies, airlines and airline contractors, state transportation agencies, airports, Amtrak, and private motorcoaches, school buses, and ferries, which have all been significantly impacted by coronavirus as travelers are urged to stay home and demand is down.

  o **$14 billion to Transit Agencies** via Transit Infrastructure Grants to provide operational aid due to COVID-related revenue shortfalls.

  o **$2 billion to Airports** to continue operating and disinfect locations for the safety of passengers.

  o **$10 billion in highway**, bridge, walking, and biking funding to continue building critical projects that connect residents and put employees back to work.

  o **National Highway Traffic Safety Administration (NHTSA)** — This bill extends the CARES Act provision that allowed NHTSA to waive or postpone some requirements for states receiving highway safety grants if needed due to COVID.
DOT has taken the position that the language only applied to FY 2020, and they need this extension to be able to grant similar relief to states in FY 2021.

**Education ($82 billion)**

- $81.9 billion for the Education Stabilization Fund
  - $4.1 billion for the Governors Emergency Education Relief (GEER) Fund
  - $54.3 billion for the Elementary and Secondary School Emergency Relief (ESSER) Fund
  - $22.7 billion for the Higher Education Emergency Relief (HEER) Fund

**Rental Assistance ($25 billion)**

- $25 billion to provide emergency rental assistance to Americans in need across the country.
  - Creates emergency federal rental assistance program ran through the U.S. Treasury to provide emergency aid to states and localities, while leveraging the existing local housing agencies that can best distribute these funds on behalf of tenants.
    - Families will be able to utilize this assistance for past due rent, future rent payments, as well as utility and energy expenses.
    - Extends the CDC’s rental eviction moratorium through January 31st, 2021.

**Childcare ($10 billion)**

- **Child Care and Development Block Grant** - $10 billion for childcare, including direct support for childcare providers for fixed costs and operating expenses.
- **Head Start** - $250 million to help Head Start programs address additional costs related to COVID-19.

**Other Provisions of Note**

**Matured and Unredeemed Savings Bonds at U.S. Treasury**

- Appropriations language for the U.S. Department of Treasury provides for $25 million to remain available until expended for expenses associated with digitization and distribution of the Department’s records of matured savings bonds that have not been redeemed.
FAFSA Simplification

- Title VII of Division FF would make amendments to the Higher Education Act (HEA) and order the Secretary of the Department of Education to carry out steps to simplify the FAFSA application process.

- The language appears to exclude a family’s income/assets for families earning less than $60,000 per year for purposes of determining Pell Grant eligibility, effectively eliminating 529 plans from consideration for those families. Other provisions in the bill may also reduce or eliminate noncustodial parent and grandparent owned 529 accounts from consideration once the provisions are fully implemented.

- Transition from deduction for qualified tuition and related expenses to increased income limitation for lifetime learning credit. The qualified tuition deduction is capped at $4,000 for an individual whose AGI does not exceed $65,000 ($130,000 for joint filers) or $2,000 for an individual whose AGI does not exceed $80,000 ($160,000 for joint filers). After 2020, the provision repeals the qualified tuition deduction and replaces it by increasing the phase-out limits on the Lifetime Learning credit from $58,000 ($116,000 for joint filers) to $80,000 ($160,000 for joint filers). In the vast majority of circumstances, these increased phase-out limits hold harmless those taxpayers who would have otherwise benefited from this deduction.

Extension of and Modifications to Employee Retention Tax Credit (ERTC) for Certain Governmental Employers

- Section 206-207 of Title II of Division EE modifies the Employee Retention Tax Credit (ERTC), which is a refundable tax credit created by the CARES Act to apply against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees. Specifically, the legislation allows certain governmental employers to claim the credit if they are a University or are substantially dedicated to providing medical or hospital care.

Access to Death Information Furnished to or Maintained by the Social Security Administration

- Title VIII of Division FF reduces improper payments by allowing the Social Security Administration (SSA) to share state death records with the federal Do Not Pay system; ensures that SSA and the states are appropriately reimbursed by users of the state data; requires an independent study on sources and access to death data.