

Memorandum



CITY OF DALLAS

DATE January 14, 2021

TO Members of the Ad Hoc Committee on COVID-19 Recovery and Assistance

SUBJECT Update on COVID-19 Federal Relief Legislation

After months of negotiation, the House and Senate late last month approved a \$900 billion pandemic relief bill. President Trump signed the bill into law on December 27, 2020.

Congress enacted the pandemic relief measure as part of a 5,593-page bill that essentially combines a year of legislating into one massive year-end package. The package (HR 133), includes the \$900 billion pandemic relief measure, but also combines a wide array of other significant legislation, including the FY 2021 Omnibus Appropriations Act.

As expected, the pandemic relief measure does NOT include any direct, unencumbered assistance to states and local governments to deal with declining revenues brought on by COVID-19. However, this past weekend, President-elect Biden affirmed his commitment to quickly passing another pandemic relief bill and outlined his priorities, which include fiscal assistance to state and local governments.

The pandemic relief bill is nowhere near as extensive as the \$3 trillion "HEROES Act" approved by the House twice but not considered by the Senate. However, the pandemic relief measure and other portions of the bill include provisions that will provide direct funding to the City or are of interest to the City. They are all outlined below.

Additionally, management will brief the full City Council on the new pandemic relief legislation on February 3, 2021.

CRF Extension

The Coronavirus Relief Fund from the CARES Act provided direct funds to all states and localities with populations over 500,000 for pandemic relief activities, including Dallas, with a spending deadline of December 30, 2020. The bill enacted last month provides no additional funds, nor does it expand the potential uses of the funds. It does, however, provide a one-year extension on obligation of the funds, through December 31, 2021. However, since the President signed the bill only three days before the original deadline, Dallas and, most local governments had already obligated their funds, with states accounting for most of the laggard grantees.

Small Business Assistance – Paycheck Protection Program

One of the largest single pieces of the bill is \$285 billion for another round of the Small Business Administration (SBA) forgivable loan program known as the Paycheck Protection Program (PPP). The measure tightens the definition of a small business to those with fewer than 300 employees that can demonstrate a 25 percent reduction in revenue since the start of the pandemic. In addition, the program recognizes the unique plight of restaurants by allowing them to receive up to 14 weeks of payroll, as opposed to 10 for all others, and to apply for amounts based on 3.5 times payroll, as opposed to 2.5 for others. It also includes language specifically allowing "destination marketing organizations," such as convention and visitors bureaus, to apply for a

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PPP loan. The measure also sets-aside PPP funds for businesses with less than 10 employees, first-time borrowers, and lenders in minority and low-income communities.

Last week, SBA issued rules and guidance for the additional \$285 billion provided for PPP loans, which, as in previous rounds, can be converted to grants if loan recipients maintain payroll.

Please note that SBA intends to open the PPP loan portal as soon, maybe as soon as this week, so now is the time for small businesses, small non-profits, and lenders (especially CDFIs, community banks, small credit unions, and minority lending institutions) to start preparing for the program's launch.

Also, please note that in compliance with directives in the recently enacted pandemic relief act, SBA will take several steps to target PPP assistance to minority, underserved, veteran, and women-owned businesses, which critics argue were not fairly treated in the first round of PPP loans. Those steps are:

- Accepting loan applications only from community development financial institutions (CDFIs) for at least the first two days when the PPP loan portal reopens,
- Use the Lender Match system to reach out to small and underserved businesses and to small lenders that can aid traditionally underserved communities,
- Setting aside dedicated hours for SBA to assist the smallest PPP lenders, and
- Working with SBA partners to reach out to small lenders, CDFIs, and small and underserved businesses.

The pandemic relief act specifically sets aside portions of PPP loan funds for minority, underserved, veteran, and women-owned businesses as follows:

- \$15 billion for first- and second-draw PPP loans from CDFIs,
- \$15 billion for first- and second-draw PPP loans from banks and credit unions with consolidated assets of less than \$10 billion.
- \$35 billion for new first-draw PPP borrowers, and
- \$15 billion for first draw and \$25 billion for second-draw PPP loans for borrowers with 10 or fewer employees or for loans of less than \$250,000 to borrowers in low- and moderate-income neighborhoods.

Small Business Assistance – Save Our Stages Grants

The bill includes \$15 billion for SBA grants of up to \$20 million to small live venue operators and promoters, theatrical producers, live performing arts organizations operators, museum operators, motion picture theater operators, and talent representatives that have experienced a revenue loss of 25 percent or more. The language is modeled on the bipartisan Save Our Stages Act introduced earlier this year by Senator Cornyn and Senator Amy Klobuchar.

The Save Our Stages provision gives priority to businesses with fewer than 50 employees and businesses that have experienced revenue loss greater than 70 percent. Eligible Save Our Stages grant uses include payroll, rent, utilities and personal protective equipment.

Transportation

The measure includes \$45 billion for various transportation entities:

- \$2 billion for airports and airport concessionaires to be distributed to airports, including Love Field and Dallas Executive Airport, using the Airport Improvement Program formula;

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- \$14 billion for public transit, to be distributed to transit agencies, including DART, through existing formulas;
- \$10 billion for state departments of transportation, apportioned using existing formulas;
- \$15 billion for airline industry payroll support;
- \$1 billion for airline contractors;
- \$2 billion for the private motor coach and school bus industries; and
- \$1 billion for Amtrak.

Rental Assistance & Housing

There is \$25 billion for rental assistance, which will be allocated to all states and local governments with populations over 200,000, including Dallas, using a formula primarily based on population. As opposed to using existing programs at agencies such as HUD or HHS, the legislation uses the Treasury Department to distribute the funds, using the Coronavirus Relief Fund process from the CARES Act. Treasury must allocate the funds within 30 days of the bill becoming law. We submitted our certification to Treasury on January 11, ahead of the January 12 deadline. We expect to receive notification of our allocation on January 13, and the funds shortly thereafter.

Grantees must give priority to households with an income at or below 50 percent of area median income, with an individual who has been unemployed for 90 days or more or include someone who has not been able to work because of a public health order issued in response to the pandemic. Up to three months assistance may be provided.

The legislation also extends the CDC eviction moratorium by one month, through January 31, 2021. In addition to rental assistance, the funding may be used for utility assistance for qualifying households.

In addition, the tax extenders portion the broader bill includes a provision setting a 4 percent minimum rate for the Low-Income Housing Tax Credit, which is designed to encourage development of affordable housing.

HHS Low-Income Household Drinking Water and Wastewater Emergency Assistance Program

The funding for this program, \$638 million, is technically not part of the pandemic relief bill; it is emergency funding included in the regular FY 2021 appropriations bill for HHS. It is a completely new program, so HHS will have to come up with guidance and a mechanism for allocating the funds to the states. However, the legislation directs HHS to “as appropriate and to the extent practicable, use existing processes, procedures, policies, and systems in place to provide assistance to low-income households, including by using existing programs and program announcements, application and approval processes.”

Staff is preparing a letter to send to HHS urging the quickest and most efficient allocation of these funds to water and wastewater utilities.

Child Care

The bill provides \$10 billion through the Child Care Development Block Grant at HHS, which provides block grants to states for childcare activities. Grantees are encouraged to aid “front-line” workers in areas such as health care, emergency responders, sanitation workers, and farmworkers.

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The funds are likely to be distributed in similar fashion to the CARES Act. In Texas, the Department of Child Care and Early Learning of the Texas Workforce Commission administers these funds.

Stimulus/Unemployment

The measure provides one-time “stimulus” payments of \$600 to individuals earning up to \$75,000 per year, or \$600 for each adult to households earning up to \$150,000, plus \$600 per child. Treasury Secretary Steven Mnuchin said that those checks would start going out this month.

It also includes an additional \$300 per week in unemployment benefits through March 14, 2021 (with no prohibition on receiving both a stimulus check and the enhanced unemployment benefit).

The measure also extends, through March 14, 2021, the Pandemic Unemployment Insurance Program for people such as “gig workers” and self-employed workers who are generally not eligible for regular unemployment benefits. It also increases the number of weeks a person can receive Pandemic Unemployment Insurance Program from 39 weeks to 50 weeks.

Schools

A total of \$82 billion is provided for various educational entities, to be distributed by formula in similar fashion to the CARES Act education funds, including:

- \$54.3 billion for K-12;
- \$22.7 billion for public and private non-profit higher education; and
- \$4 billion for the Governors Emergency Education Relief Fund.

Broadband

The bill includes \$7 billion for broadband activities. \$3.2 billion of the funding is reserved for a \$50 per month emergency benefit to low-income households administered through the FCC under the Lifeline Program.

It also includes \$285 million for broadband grants to historically black colleges and universities, tribal colleges and universities, and other minority-serving institutions, and \$250 million for FCC telehealth grants.

Most of the remainder of the funding is targeted to helping communications providers pay for the cost of removing equipment manufactured in China from their networks.

Mental Health

There is \$4.25 billion for mental health services in the bill, including \$1.65 billion each for the Substance Abuse Prevention and Treatment Block Grant and the Community Mental Health Services Block Grant, both of which provides block grant funding to states.

Food Security

The measure provides \$13 billion for the Supplemental Nutrition Assistance program (SNAP, formerly known as food stamps) that is designed to provide a 15 percent increase in benefits for those eligible.

In addition, the Emergency Food Assistance Program at the Department of Agriculture that assists food banks will receive \$400 million and the “Meals on Wheels” program will receive an additional \$175 million. The bill also expands SNAP eligibility to college students. The Texas Department of Agriculture administers these programs.

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Emergency Paid Leave

The Families First Coronavirus Response Act enacted earlier this year mandated extended paid sick and family leave for many employers was NOT extended in the bill and expired at the end of last year. However, employers who choose to continue providing extended paid leave will be eligible for tax credits through March 21, 2021. Congress excluded state and local governments from eligibility for those tax credits.

The City of Dallas will extend paid leave eligibility for employees that may need time off to take care of themselves due to COVID-19 illness, 112 hours for uniform and up to 80 hours for non-uniformed employees utilizing existing departmental appropriations.

Again, management will provide an update on federal pandemic relief legislation at the February 3, 2021 City Council Briefing. In the meantime, if you have any questions, please contact Brett Wilkinson, Director of the Office of Government Affairs, at 469/271-0399 or brett.wilkinson@dallascityhall.com.



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