

April 23, 2020

ISSUE BRIEF

Paycheck Protection Program Increase Act of 2020

Summary

The COVID-19 pandemic continues to have strong impacts on the civil engineering industry – especially on small businesses. On Friday, March 27th, the Coronavirus Aid, Relief, and Economic Security (CARES) Act had been signed into law and included \$2 trillion to provide economic relief to industries most impacted by the pandemic. Under the CARES Act, the Paycheck Protection Program (PPP) was created and allocated \$349 billion for low-interest loans that can be forgiven in full if used for qualified expenses, such as wages and salaries. The CARES Act also expanded the Economic Injury Disaster Loans (EIDL) Program. Due to high demand the program was quickly oversubscribed and on April 16th the Small Business Administration announced that funding for the program was exhausted.

As a result, Congress passed a \$484 billion supplemental on April 23rd, the 4th piece of legislation in response to the COVID-19 pandemic. The bill includes \$321 billion for the depleted Paycheck Protection Program, with \$250 billion open to all lenders, \$60 billion reserved specifically for smaller lenders, and \$10 billion reserved for emergency grants. The bill also includes \$60 billion in loans and grants for economic disaster assistance, \$75 billion for hospitals, and \$25 billion for coronavirus testing.

Background

The legislation provides new funding for the Paycheck Protection Program, as well as funding for Economic Injury Disaster Loans and Emergency Grants.

Paycheck Protection Program (PPP). The program is designed to provide a direct incentive for small businesses to keep employees. All business types are eligible, including nonprofits, sole proprietors and other self-employed individuals, provided that they employ up to 500 people and meet other Small Business Administration eligibility requirements. Small businesses that receive a loan will have that loan fully forgiven if the money is used to keep employees on the payroll for eight weeks. The money can also be used for rent, mortgage interest, or utilities. The program was so popular that the initial \$349 billion allocated on March 27th was quickly oversubscribed. **The new legislation provides an additional \$321 billion for the program, with \$250 billion open to all lenders, \$60 billion reserved specifically for smaller lenders, and \$10 billion reserved for emergency grants. The maximum benefit for any small business is 250% of the employer’s average monthly payroll, excluding salaries greater than \$100,000, for a maximum benefit of \$10 million.**

Small business owners can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, or the Farm Credit System. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. Applicants should consult with a local lender as to whether it is participating in the program. The PPP is intended to be available through June 30, 2020, however the new round of funding is also expected to be quickly utilized.

For those interested in the program:

- The application is available online, and once completed, can be submitted to your lender: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>.
- You can use this resource to find a local lender: <https://www.sba.gov/local-assistance/find/>.

Economic Injury Disaster Loans (EIDL) The CARES Act authorized the Small Business Administration (SBA) to designate states and territories low-interest federal disaster loans to small businesses suffering substantial economic injury as a result of the COVID-19 pandemic. Upon a request received from a state or territory's Governor, the SBA will issue an Economic Injury Disaster Loan (EIDL) declaration. EIDL assistance declarations issued by the SBA would make loans available statewide to small businesses and private, nonprofit organizations and will apply to current and future disaster assistance declarations related to COVID-19. EIDL may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%. The SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

The most recent legislation provides an additional \$10 billion for EIDL grants and maximum relief is up to \$2 million per small business.

For those interested in the program:

- You can apply at <https://covid19relief.sba.gov/#/>.
- Note: This program can be combined with the employee retention tax credit.

For questions, please contact the ASCE Government Relations team.

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