



Essential information for nonprofits navigating COVID-19

pittsburghfoundation.org/covidwebinar



State Program Update - April 13, 2020



Buchanan
Ingersoll · Rooney





Agenda

- Overview of Pennsylvania's Response to COVID-19
- Status of Executive Orders and Actions
- Passed/Pending COVID-19 Related Legislation
- Looking Ahead to FY 2020 - 2021 PA State Budget
- Programs Available to PA's Non-Profit Community
- What's next?

Speakers



Jennifer Beer
*Vice President,
Government Affairs*



Randy Vulakovich
Sr. Principal



Matt Smith
President



Overview of Events in PA's Response to COVID-19

March 6th

First two COVID-19 cases in PA announced /
Governor Wolf signs an emergency disaster declaration

Overview of Events in PA's Response to COVID-19

March 13th

Governor Wolf announces
statewide closure of schools for
10 business days



March 16th

Secretary of Labor & Industry Jerry
Oleksiak announces workers
impacted by COVID-19 may be
eligible for Unemployment and
Workers' Compensation benefits



March 19th

Governor Wolf orders all non-life
sustaining businesses to close
physical operations

Overview of Events in PA's Response to COVID-19

March 31st

Governor Wolf announces approval of request to federal government for a major disaster declaration



April 1st

Governor Wolf and the Secretary of Health announce that all 67 counties in the Commonwealth will be under stay-at-home orders



April 9th

The Administration closes schools for the remainder of the school year

Status of Executive Orders and Actions

- The Pennsylvania Treasury took two measures in early April in response to the COVID-19 pandemic:
 1. Bond purchasing program to provide financial relief to non-profit and public healthcare systems
 2. \$2 billion short term line of credit to the General Fund, with a new expiration date of June 12, 2020
- The Department of Revenue (DOR) waived penalties and extended deadlines for tax collections:
 1. Extends the deadline to July 15, 2020 for personal income tax, Pennsylvania S-corps and partnerships (Form PA-20S/PA-65), and estates and trusts (Form PA-41).
 2. Extends the deadline to August 14, 2020 for Pennsylvania C-corps

Passed COVID-19 Related Legislation

- HB 68 – Unemployment Compensation Law – Act 9 of 2020
 - Amends the Unemployment Compensation (UC) Law to extend the time period for an employer to request relief from charges from 15 to 21 days
 - Makes changes to the law in response to the COVID-19 emergency in order to comply with Federal law which will allow Pennsylvania to be eligible for Federal UC administration funding as well as Federal emergency UC benefits
- HB 1232 – Fiscal Code – Act 10 of 2020
 - Establishes the Enhanced Revenue Collection Restricted Account
 - Provides up to \$50 million of additional funding to be made available for the Commonwealth's COVID-19 response efforts within the health care system
 - Other provisions around fund transfers, agency powers & medical marijuana regulations

Passed COVID-19 Related Legislation

- SB 422 – Election Code – Act 12 of 2020
 - Changes the date of the general primary election to June 2, 2020
 - Consolidates polling places, establishes the Pennsylvania Election Law Advisory Board and amends sections relating to absentee and mail-in ballots
- SB 751 – Public School Code – Act 13 of 2020
 - Waives the 180 days of instruction requirement
 - Requires school entities to make a good faith effort to develop an alternative education plan during the closure
 - Addresses many reimbursement, contract employee, staffing and compliance issues

Pending COVID-19 Related Legislation

- SB 327 – Party-line vote in the House, 108-93 on April 7, now pending in the Senate
 - Creates a 23-member Interbranch COVID 19 Cost and Recovery Task Force to identify immediate issues requiring government action and develop and submit a recovery plan
 - Directs the PA Treasury to consider financing options to reduce state debt & requires executive agencies to notify lawmakers of any actions to suspend, modify or waive a state regulation during the emergency
- SB 841 – Passed the Senate unanimously on April 7, now pending in the House
 - Sets new rules for local government agencies & notaries to work remotely and extends property tax collection and Educational Improvement Tax Credit program deadline
 - Reauthorizes the PA Healthcare Cost Containment Council and directs the PHC4 to issue a report on the pandemic's impact on healthcare facilities

Looking Ahead to FY 2020 - 2021 PA State Budget

- Pennsylvania Department of Revenue announced February's revenues provided an overall cushion of \$249.1 million, or 1.2 percent, above estimates.
- March collections were \$4.4 billion which was \$294.6 million, or 6.2 percent, below estimates.
- Overall, FY 2019-20 collections of \$25.3 billion were \$45.6 million, or 0.2 percent, below estimate.
- March is traditionally the largest revenue month of the fiscal year.
- April is the second largest month for revenues, with taxpayers filing final returns.
- 41.9% of revenues were projected to be collected from March to June 30.

Looking Ahead to FY 2020 - 2021 PA State Budget

- Factors impacting the FY 2020 – 2021 budget:
 - Uncertainty due to the delayed tax payments for personal income, S-corps, partnerships and estates and trusts tax to July 15 and C-corps being extended to August 14
 - Length of stay at home order and closing of non-life-sustaining businesses
 - Unemployment claims filed
 - Consumption tax
- Gov. Tom Wolf has taken action to cut spending, laying off more than 2,500 employees, halting paychecks for another 14,000 workers, and freezing all but essential hiring and department purchases.

Looking Ahead to FY 2020 - 2021 PA State Budget

- Recently published PA Independent Fiscal Office report modeled two scenarios:
 - Scenario 1 assumes a six-week closure that ends April 27
 - reduces FY 2019-20 revenues by \$3.1 billion and \$2.0 billion is shifted to next fiscal year. The economic impact of the business closures reduces revenues by \$1.3 billion.
 - Scenario 2 assumes a ten-week closure that ends May 25
 - reduces FY 2019-20 revenues by \$3.6 billion and \$2.0 billion is shifted to next fiscal year. The economic impact of business closures reduces revenues by \$1.8 billion.
- Overall, the IFO estimates that both the FY 2019-20 and FY 2020-21 budgets combined are expected to see a \$2.7 – \$3.9 billion deficit over the next 15 months
 - Estimate does NOT include anticipated federal stimulus money

Looking Ahead to FY 2020 - 2021 PA State Budget

- Pennsylvania's Constitution requires a balanced budget where proposed expenditures equal actual and estimated revenues.
- Options being considered by the legislature and Gov. Tom Wolf:
 - Line item cuts and reductions
 - Revenue enhancing measure (i.e. fee and tax increases)
 - Fund transfers
 - Public Private Partnerships
 - Significant bond issuance
- How will the federal money allocated to Pennsylvania impact the budget???

Programs Impacting PA's Non-Profit Community

■ Paycheck Protection Program Loans:

- Provides loans of up to \$10 million for eligible nonprofits and small businesses
- Permits covering costs of payroll, operations and debt service
- Forgiven in whole or in part under certain circumstances

■ Economic Injury Disaster Loans:

- Grants for eligible nonprofits and other applicants with 500 or fewer employees
- Enables eligible entities to receive checks for \$10,000 within three days

■ Self-Funded Nonprofits and Unemployment:

- Reimburses self-funded nonprofits for half of the costs of benefits provided to laid-off employees

Programs Impacting PA's Non-Profit Community

■ Charitable Giving Incentive:

- Creates a new above-the-line deduction for total charitable contributions of up to \$300
- Applies to cash contributions made in 2020 and can be claimed on next year tax forms
- Also lifts existing cap on annual contributions for those who itemize, from 60% of adjusted gross income to 100%
- For corporations, the annual limit is raised from 10% to 25%; food donations would be available to 25%

■ Delayed Payment of Payroll Taxes:

- Allows employers to delay payment of employer portion of payroll taxes in 2020
- Payable in equal halves at the end of 2021 and 2022

Programs Impacting PA's Non-Profit Community

■ Employee Retention Payroll Tax Credit:

- Creates a refundable payroll tax credit of up to \$5,000 for each employee on the payroll, when certain conditions are met
- Entity needed to be an ongoing concern at the beginning of 2020, experienced a whole or partial shutdown and had a drop in revenue of at least 50% in Q1 2020 in comparison to Q1 2019
- Availability of the credit continues each quarter until the entity's revenue exceeds 80% of the same quarter in 2019
- For tax-exempt organizations, the entity's whole operation must be taken into account when determining eligibility
- Notable, employers receiving Paycheck Protection Program loans would not be eligible for these credits

Programs Impacting PA's Non-Profit Community

■ Economic Stabilization Fund:

- Creates a loan and loan guarantee program to keep struggling industries solvent through the COVID-19 crisis
- Set aside \$454 billion for “eligible businesses” defined as “a United States business that has not otherwise received economic relief in the form of loans or loan guarantees provided under” the legislation
- Expected, yet unclear, whether charitable nonprofits would qualify under this definition for stabilization loans
- Mid-sized nonprofits and businesses with between 500 and 10,000 employees are expressly eligible for loans under this provision

Programs Impacting PA's Non-Profit Community

■ Economic Stabilization Fund (cont.):

- While there is no loan forgiveness provision, mid-size business loans would be charged an interest rate no higher than 2% and would not accrue interest or require payments for the first 6 months
- Nonprofits accepting the mid-size business loans must retain at least 90% of their staff at full compensation and benefits until September 30.

What's next?

- 100+ bills and co-sponsorship memos addressing the COVID-19 pandemic at the Pennsylvania state level
 - House will likely return to session on April 20.
 - Senate returns May 4, but it's likely they'll add days between now and then.
- The FY 2020 – 2021 budget may be done before June 30
- Commonwealth is eagerly awaiting direction on the federal stimulus monies
- State and local governments will begin promulgating strategies for federal funds distribution soon
- Additional federal funds in the works



Next State Update: **Date TBD**



Buchanan
Ingersoll • Rooney





Equity in Small Business Relief Programs



Matt Madia

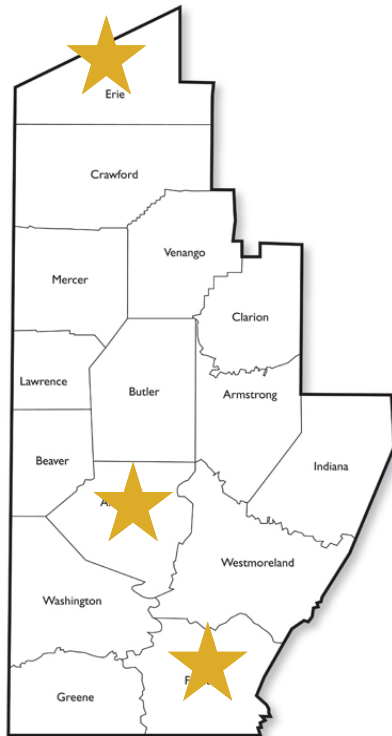
Chief Strategy and Development Officer

Bridgeway Capital

mmadia@bridgewaycapital.org



Bridgeway Capital History and Mission



Nonprofit Community Development
Financial Institution founded in 1990

Loans to small businesses, nonprofits,
and real estate developers

47% of small business loans to
entrepreneurs of color

82% of lending in LMI communities



Small Business Landscape in Underinvested Communities

Businesses in LMI communities lack equitable access to credit:¹

- Fewer banks
- Less personal wealth
- Smaller loan sizes

96% of Black-owned businesses have no employees²

1. Federal Reserve, "Access to Financial Services Matters to Small Businesses," November 2019.

2. Association for Enterprise Opportunity, "The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success."



Policy and Implementation – PPP, EIDL

- + Nonprofits eligible
- + PPP loans are forgivable
- EIDL loans may max out at \$15,000
- ✗ Programs are first come, first serve
- ✗ PPP authority given to banks and credit unions
- ✗ 1099, sole prop guidance rolled out late



Policy Outlook

House pushing Phase 4 of stimulus

\$185 billion more for PPP

CDFIs and other mission-driven lenders eligible

\$45 billion set aside for lenders < \$10 billion in assets



Local Solutions

Bridgeway Capital loans up to \$50,000

- 3 months no payment, 0% interest
- 12 months interest-only; 5-year term loan; 4% interest
- Technical assistance on applications

URA loans up to \$15,000

Hebrew Free Loan Association loans up to \$5,000

Neighborhood Allies and First Commonwealth PPP partnership

PAYCHECK PROTECTION PROGRAM

A Preferred SBA Lender's Point of View

Nicholas Spanakis
Executive Vice President

Specialty Business Banking

PNC Bank



PAYCHECK PROTECTION PROGRAM OVERVIEW

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was recently passed to provide emergency relief for small- to medium-sized businesses disrupted by COVID-19.

The Act created the Paycheck Protection Program, which will serve as an extension of the Small Business Administration (SBA) 7(a) loan program, allowing financial institutions to provide federally-backed, forgivable loans to eligible businesses.

Although we may receive additional guidance from the SBA, PNC Bank's current understanding of the program is periodically updated. The most current information can be found at www.pnc.com/paycheckprotectionprogram.

PAYCHECK PROTECTION PROGRAM PROVISIONS

- Available to small- and medium-sized businesses with fewer than 500 employees (subject to limited exceptions), including 501(c)(3) nonprofit organizations, 501(c)(19) veterans organizations and/or Tribal businesses.
- Loan proceeds may only be used for specific expenses, such as payroll costs, utilities, mortgage interest, rent/lease payments, group healthcare benefits, interest on existing debt, and other approved efforts to retain employees.
- Maximum loan size is up to 2.5 times average monthly payroll costs over the prior 12 months for most businesses, or over a more targeted period for seasonal businesses, but may not exceed \$10 million.
- Paycheck Protection Program loans do not require a personal guarantee or collateral.
- All or a portion of the loan and accrued interest may be forgiven.

PAYCHECK PROTECTION PROGRAM PROVISIONS

- The amount of forgiveness is calculated as the sum of amounts paid in the eight weeks following loan origination for payroll, mortgage interest, rent, and utilities. The portion of forgiveness that can come from non-payroll expenses is limited to 25% of the total forgiven amount.
- Borrowers will not be charged any participation fees or pre-payment fees.
- Balances remaining after loan forgiveness will have a maximum maturity of 2 years.
- Loan and interest payments are deferred for 6 months.
- Impacted businesses may only receive one Paycheck Protection Program loan.
- Loans will be available through June 30, 2020, although program funding limitations may impact loan availability for those businesses applying later in the availability timeframe.
- This information is based on currently available information and is subject to change. We are committed to keeping you informed as we receive additional guidance.

FREQUENTLY ASKED QUESTIONS

Below and on the following slides, you will find an overview of some of the more frequently asked questions, with information current as of April 6, 2020. The most current information from PNC can be found at this website: www.pnc.com/paycheckprotectionprogram

How do I apply for a PPP loan?

- This loan will be packaged as an SBA 7(a) loan program. Businesses can apply through PNC Bank, a preferred SBA lender (or another qualified SBA lender). SBA and PNC Bank application fees will be waived for all borrowers. Lenders will have delegated authority to make and approve loans without requiring SBA review or approval – this streamlined process is designed to get capital in the hands of businesses quickly. If you are a current PNC customer, your Business Banker or Relationship Manager can show you how to apply.

FREQUENTLY ASKED QUESTIONS

What is your maximum loan amount?

- Calculate your maximum loan amount by multiplying your business's average monthly payroll costs by 2.5. For most businesses, average monthly payroll costs will be based on the full 2019 calendar year or another consecutive period of twelve months ending in January, February, or March 2020. Your monthly payroll includes wages, tips, group health, retirement benefits and employer-paid taxes, but excludes the amount of compensation to individuals in excess of \$100,000 and compensation paid to independent contractors. The maximum loan amount is the lesser of that value or \$10,000,000.
- Seasonal businesses may use average monthly payroll costs for the period between February 15, 2019, or March 1, 2019, and June 30, 2019. Recently established businesses may use average monthly payroll costs for the period from January 1, 2020 through February 29, 2020 if they were not in operation for a full twelve months.

FREQUENTLY ASKED QUESTIONS

What documentation does a business need to provide for the application?

- In order to submit your application online, you will need to print application materials, sign, scan, and upload documents.
- Based on current guidance, you should gather the following documents to apply for a Paycheck Protection Program loan:
 - IRS payroll tax filings (e.g., 940, 941, 944; full year where for entities > 1 year)
 - 2019 1099-MISCs (for applicants filing as independent contractors)
 - Payroll processor records
 - Health insurance premium expenses (required if group healthcare costs are included in payroll calculations)
 - Retirement plan expenses (required if payments into retirement accounts are included in payroll calculations)
 - Other supporting documentation for the relevant time period (e.g., income and expense statements)

FREQUENTLY ASKED QUESTIONS

How long will it take to get my loan proceeds?

- Timing is dependent on your accurate completion and submission of information to PNC Bank and volume of requests. Once PNC Bank approves your loan, the SBA registers it and an executed promissory note is delivered to PNC Bank, funds can be disbursed as fast as possible by wire transfer or ACH payment directly into your PNC business deposit account.

What is the deadline to apply?

- The program is administered by SBA lenders and loans may be originated through June 30, 2020 contingent upon the availability of program funds.

What if the allocated funds run out prior to my application/funding?

- There may be more applicants and requests for loans than available funds from the SBA. If that occurs, not every qualified applicant will receive loan proceeds under the Paycheck Protection Program.

FREQUENTLY ASKED QUESTIONS

If I take this loan now, can I get additional SBA funds in the future?

- The Paycheck Protection Program loan will not affect your future SBA loan funding or total dollars allowed from the SBA.

If my loan is not forgiven, how much is my monthly payment?

- Any amount not forgiven will have an interest rate of 1.00% fixed for a period of 2 years. Payments will be deferred for 6 months following origination.

If I already have a loan with PNC bank, can I use these funds to pay that loan?

- Yes, customers can use the Paycheck Protection Program loan proceeds to pay PNC Bank interest. However, any amount applied to non-mortgage debt or principal payments will not qualify for loan forgiveness.

FREQUENTLY ASKED QUESTIONS

I would like to speak with someone to better understand my options. Where can I get help?

- If you are a current PNC Bank customer, reach out to your Business Banker or Relationship Manager. If you are not a PNC customer, we encourage you to research your options on our website and determine which program is the best fit for your business.

Can I apply for more than one PPP loan?

- No. The Government limits each eligible borrower to only one PPP loan. This means that if you apply for a PPP loan you should consider applying for the maximum amount that you are eligible to receive.

MORE HELPFUL INFORMATION

- SBA website
 - Extensive information from the CDC and from the SBA
 - A highly recommended site for small business insights and support
 - URL: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>
- US Department Of The Treasury
 - Assistance for American Workers and Family
 - Assistance for Small Business (includes Paycheck Protection Program
 - Preserving Jobs for American Industry
 - And more.
 - URL: <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses>

PNC BANK LEGAL DISCLOSURES & INFORMATION

- The Small Business Administration (SBA) has indicated that loans under the PPP will be made available on a “first come first served” basis. So once the SBA has expended the full \$349 billion of authorized funding, additional loans will no longer be available (unless additional funding is authorized by the Government). In addition, the PPP is scheduled to close on June 30, 2020.
- It is very important that you complete the application accurately and provide all requested information. Once you submit the application and supporting documents, it may not be possible to revise or supplement them. PNC will notify you if the application is incomplete or PNC cannot otherwise complete its processing of the application. Once the application is complete and is determined to meet PNC and PPP requirements, PNC will electronically submit the application to the SBA. Given the strong expected demand for loans under the PPP, there may be delays in processing your application.
- If your application is approved by the SBA, PNC will contact you and provide you with a promissory note for execution. That promissory note must be signed and returned to PNC for you to receive the proceeds of the loan.
- PNC will review and approve PPP loan applications in accordance with applicable legal and regulatory requirements.
- For customer verification purposes due to applicable rules, companies with revenues less than \$5 million must have a PNC Business Deposit or Checking Relationship and be registered for online banking in order to submit a PPP application through PNC's online application portal. For information on how to establish a PNC deposit account and register for online banking, please visit pnc.com/smallbusiness.
- PNC will not pay Agents for assistance they may provide an applicant in obtaining a PPP loan.
- For seasonal firms, 2.5x the average monthly payroll for 12-week period starting either February 15th, 2019 or March 1st, 2019 (at the election of the borrower). For businesses without a full year of payroll history, 2.5x the average monthly payroll from January 1st, 2020 to February 29th, 2020.
- The Paycheck Protection Program (PPP) is authorized under the CARES Act and makes available up to \$349 billion of Federal funding for loans to support, among other things, the payment by small businesses, sole proprietorships and non-profits of payroll expenses and certain other expenses as described in the Act, the implementing rules and the PPP application materials. Applicants can separately apply to have all or a portion of the loan amount forgiven.



Get agenda updates here:

pittsburghfoundation.org/covidwebinar