



Date: April 27, 2020

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

**Subject: COVID-19 Federal Interim Spending Package**

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On April 24, 2020, following two weeks of congressional negotiations, the federal government enacted additional appropriations totaling more than \$480 billion to support existing programs for small businesses, hospitals, and nationwide testing during the COVID-19 pandemic. Commonly referred to as an “interim spending package,” the latest round of funding augments the more than \$2 trillion that has already been appropriated for COVID-19 response through three previous phases of federal relief legislation. Discussions about another—and potentially larger—legislative package are ongoing. This memorandum details the interim spending package and contextualizes these appropriations within the broader federal relief legislation for COVID-19 response.

## **Background**

Prior to the interim spending package enacted on April 23 (H.R. 266), the federal government passed three major pieces of COVID-19 relief legislation. The Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074) was enacted on March 6, allocating more than \$8 billion for the COVID-19 public health response. The Families First Coronavirus Response Act (H.R. 6201), enacted on March 18, instituted requirements for emergency paid leave for private sector employers with fewer than 500 workers and for government employers, in addition to allocating \$2 billion in public health resources. The third phase of legislative relief—the Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748)—was enacted on March 27, appropriating a historic \$2 trillion for COVID-19 response.

Earlier memorandums provide detailed summaries of these federal legislative relief measures. Federal departments continue to provide guidelines regarding the eligible uses of the funds appropriated for COVID-19 response. To date, the City is expecting to receive the following allocations to support emergency actions in response to COVID-19:

- Community Development Block Grant: \$3,618,830
- Emergency Solutions Grant: \$1,846,866
- Airport Improvement Program: \$18,403,630
- FEMA Public Assistance Grant: 75% reimbursement of emergency operations costs, total amount dependent on eligible expenditures

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In addition to these allocations to the City, a number of important community resources have been provided through relief legislation to expand support for residents, business owners, and public health service providers. We are tracking all emergency relief legislation and funding opportunities available to the City, and will provide a comprehensive update regarding the City's allocations when the information is available.

### **COVID-19 Interim Spending Package**

Shortly after passage of the CARES Act, congressional leaders began discussions to increase funding for small businesses, hospitals, and testing efforts. The CARES Act provided an unprecedented \$349 billion for the Small Business Administration's (SBA) Paycheck Protection Program, offering loans to businesses with fewer than 500 employees for staffing and operational expenses during COVID-19. However, in the span of nearly two weeks, almost 1.7 million loans were approved nationwide, and the emergency funding ran out. Additionally, while the CARES Act allocated \$100 billion directly to hospitals, many health providers that have been impacted by temporary cancellations and revenue losses due to COVID-19 were ineligible for these funds.

Given the urgent need to replenish these funding streams, the interim spending package allocates \$310 billion for the SBA's Paycheck Protection Program (PPP), with \$60 billion reserved for smaller banks and community development financial institutions (CDFIs) to service loans. A notable shortcoming of the initial PPP roll-out was that most participating financial institutions restricted loans to clients with existing credit history and banking relationships, limiting access to SBA loans for many minority- and women-owned businesses. By setting aside \$60 billion for PPP loans serviced through smaller financial institutions, underbanked entrepreneurs will be able to access loans more effectively to pay for essential staffing and operating costs. The interim package also expands the SBA's Economic Injury Disaster Loan (EIDL) program by \$60 billion, providing relief for businesses facing revenue losses during the emergency.

Furthermore, congressional leaders appropriated \$75 billion to hospitals and \$25 billion for testing through the interim spending package. These funds will help eligible healthcare providers recover expenditures and lost revenues incurred due to the impacts of the COVID-19 pandemic and will support the development of a comprehensive, nationwide testing program to monitor, track, and prevent the spread of COVID-19. Almost half of the funds for testing will go to states, local governments, and other territories to develop COVID-19 tests, expand laboratory and contact tracing capacities, and support employer testing. This will be critical as the country looks ahead to developing strategies for economic recovery and ensuring businesses can open safely.

The table below provides an overview of the main appropriations enacted through each phase of federal COVID-19 relief legislation.

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Phases I & II	Phase III (CARES Act)	Interim Spending Package
<ul style="list-style-type: none"> <li>• <b>\$6.5 billion</b> – public health response and testing</li> <li>• <b>\$1.25 billion</b> – global health programs and humanitarian assistance</li> <li>• <b>Emergency Paid Leave requirements</b></li> <li>• <b>\$1 billion</b> – SNAP, WIC, food banks</li> <li>• <b>\$1 billion</b> – unemployment benefits</li> </ul>	<ul style="list-style-type: none"> <li>• <b>\$349 billion</b> – SBA Paycheck Protection Program</li> <li>• <b>\$10.5 billion</b> – SBA EIDL Loans</li> <li>• <b>\$510 billion</b> – direct payments and unemployment insurance</li> <li>• <b>\$500 billion</b> – loans to industry sectors</li> <li>• <b>\$150 billion</b> – state and local govt. (over 500,000 population)</li> <li>• <b>\$340 billion</b> – public health resources and social services</li> </ul>	<ul style="list-style-type: none"> <li>• <b>\$310 billion</b> – SBA Paycheck Protection Program                             <ul style="list-style-type: none"> <li>○ \$60 billion of these funds are set aside for smaller financial institutions and CDFIs</li> </ul> </li> <li>• <b>\$60 billion</b> – SBA EIDL Loans</li> <li>• <b>\$75 billion</b> – hospitals</li> <li>• <b>\$25 billion</b> – testing and contact tracing resources</li> </ul>

**Next Steps**

During negotiations on the interim spending package, there were considerable efforts to include funding for state and local governments below the 500,000-population threshold outlined in the CARES Act. While this was not ultimately part of the spending package, congressional leaders and the Trump administration have indicated the need to provide federal assistance to state and local governments in a fourth phase of legislative relief. Treasury Secretary Mnuchin has also committed to future legislation that will offer additional relief funding and flexibility to offset revenue losses for states, counties, and cities. These advocacy efforts are critical for our city and others to recover emergency expenditures and lost revenues due to the COVID-19 pandemic.

As details of another federal relief package develop, we will continue to provide updates. If you have questions or comments, please contact Tyler Bonanno-Curley, Manager of Government Affairs, at [Tyler.Curley@longbeach.gov](mailto:Tyler.Curley@longbeach.gov) or (562) 570-5715.

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