

CREATING A COVID-19 RECOVERY FUND:

Executive Summary:

There are currently two legislative initiatives – the COVID-19 Business and Employee Continuity and Recovery Fund and the Workplace Recovery Act - to create a federal direct assistance fund to provide rapid liquidity to businesses significantly impaired by the COVID-19 national emergency. The fund is designed to help businesses maintain ongoing capital obligations during the prolonged crisis and the next months of economic healing, putting businesses in a position to reopen, retain and rehire employees, maintain worker benefits, and get workplaces back on their feet and out of the program as soon as practical. It includes a verifiable application form designed for easy access and auditing, and strong transparency measures, including a Special Inspector General and a Congressional Oversight Board.

Purpose:

- Offset operating expenses (but not profits) for businesses imperiled as a result of COVID-19, provide resources to help them reopen, and support their ability to restart when the economy reopens.
- Empower and encourage businesses to retain and rehire their workers, with benefits, and to protect their ill or workplace-exposed employees.
- Ensure that all businesses have an equal opportunity to secure critical funding through an easily navigable form in English and Spanish.
- Enable the Special Administrator to prioritize support for small and mid-sized businesses, as well as women or minority-owned businesses and those that operate in rural and underserved areas impacted by the national emergency.
- Complement the small business provisions in the CARES Act with a design that is more efficient, effective, and prevents fraud.

Program Administration:

- Establishes within the Treasury Department a **streamlined grant** run by a Special Federal Administrator appointed by the Secretary of the Treasury. Funds come through advanced authorization of appropriations and the creation of an obligation of the federal government.
- Designed to provide **mid-term relief to impacted businesses**, with administrative flexibility, it terminates by early 2021 unless extended by the Secretary of the Treasury.
- Seeks to avoid delays by allowing the Special Administrator to leverage the private sector and contract with third parties that agree to assist with filings, compensation determination, payments, and auditing.
- Oversight by the Secretary of the Treasury, the Special Inspector General for Pandemic Recovery, and a Congressional Oversight Board.

Recovery Compensation:

- Simple-to-file verifiable electronic forms to enable quick liquidity and business continuity.
 - Requires easy-access and auditable forms where applicants list information on impairment, on-going revenue, and known collateral sources.
 - Provides support for key costs impacting continued business viability, including compensation for payroll and benefits, and operating expenses (such as utilities, rent and interest expense on pre-crisis debt).
 - Replaces lost revenue (but not lost profits) and caps recoveries at 90% of prior year revenue.

- Provides interim expedited assistance for needs dating to the start of the national emergency, less PPP recoveries, and provides monthly prospective funding for on-going impairment.
- Provides the Special Administrator flexibility to prioritize those businesses most impacted, including women and minority-owned firms, and those critical to rural and underserved communities.

Eligibility:

- Viable businesses of any size which can demonstrate impairment by COVID-19, with limited exceptions. Businesses in chapter 7 bankruptcy are not eligible.
- Sole proprietorships, individual contractors and eligible self-employed individuals can participate. Veterans organizations, Tribal enterprises, and non-profits, with limits, are also allowed to participate.
- Designed to support businesses located in and with substantial operations in the US and to help cover losses related to US operations.
- Bars recipients of compensation from stock buybacks, dividends or other capital distributions for one year except for in specifically defined areas.

Timeline:

- Expedited regulatory formation.
- 15-day turnaround for expedited initial compensation.
- Monthly prospective compensation after the initial award for up to a year.
- Strict timetables for reports to Congress.
- Terminates on February 28, 2021, unless extended by the Secretary of the Treasury.