Slides and Replay for WEBINAR: Devil in the (CARES) Detail with Sarah Bianchi and Ernie Tedeschi (12:45PM ET, Fri, Mar 27, 60MIN)

60-min webinar unpacking the fiscal legislation on COVID-19 with:

- **Sarah Bianchi**, Head of U.S. Policy and Political Strategy
- **Ernie Tedeschi**, Head of Fiscal Policy

Evercore ISI’s US Fiscal and Policy Strategists explain what we know, what we don’t and what is still needed in the next round of congressional action following the CARES Act passage.

The replay link for this webinar is HERE.

Please see below for the slides.
Devils in the Details in Third COVID-19 Package

Sarah Bianchi, Krishna Guha, and Ernie Tedeschi
March 27, 2020
OVERVIEW

**Households**
- Tax Rebates: $300bn
- Unemployment Insurance: $250bn

**Other**
- Aid to state & local: $150bn
- Public health: $150bn

**Small Businesses**
- SBA loans: $377bn
- Modification of loss limits: $140bn

**All Businesses**
- Delay of payroll taxes: $350bn
- NOL modification: $90bn
- Employee retention credit: $50bn

**Industry Specific**
- Airlines: $50bn
- Nat’l Security: $17bn
- Cargo: $8bn

Federal Reserve Facilities: $450bn
1. **$529 billion: Industry relief**
   - $50 billion for passenger airlines split between grants and loan.
   - $8 billion for cargo also split.
   - $17 billion for national security firms, just loans.
   - $454 for other impacted industries.
   - Includes limitations on stock buybacks, executive compensation, and employee layoffs.

2. **$377 billion: Small business loans**
   - Loans used for payrolls, mortgage/rent, or utilities can be forgiven.
   - Reduction in employment leads to decreases in the amount that is eligible to be forgiven.

3. **Individual Relief**
   - The final bill includes $1,200 checks for individuals with $500 per child. This is phased out above incomes of $75,000 ($150,000 per couple).
   - Unemployment insurance – massive expansion.
1) **Specifically identified industries:** Airlines, national security  
   - Grants and loans, employment guarantees, no dividends and buybacks.

2) **Other large business:** $454 billion Fed facility  
   - Through 13(3) lending facilities.  
   - Any **direct loan** programs require no dividends or buybacks, comp limits  
     - Likely applies to PMCCF, more ambiguous about CPFF

3) **Medium business:** 500-10,000 employees (from the $454 billion)  
   - Through 13(3) Federal Reserve emergency authority  
   - No buybacks or dividends, comp limits, layoff limits, no outsourcing/offshoring

**Questions**  
- *How quick up and running*  
- *How much will the conditions limit the program.*  
- *Will this complicate other Federal Reserve Lending programs.*
$377 Billion for Small Business Relief + Additional small business

**Intent**
- Loans up to $10 million or 2.5x monthly payroll
- Ability for hotels and restaurants to use based on location.
- Forgiveness of up to 8 weeks of payroll, mortgage, rent / lease, utility expenses
- Forgiveness cut depending on employment / payroll cuts

**Issues:** Implementation, timing.

**Questions**
- How can franchisees use
- $10 million limit – is it per location.
INDIVIDUAL RELIEF

**Unemployment Insurance:** Will be used by many businesses even for reduced payroll.

50 state programs
- Each has different amounts of aid, weeks (most offer 26 weeks, automatic extension of additional 13 weeks if state unemployment rate > 6.5% for 3 months, or if continuing claims rise > 20%.

Federal government add on of $600 per week for four months.
- Can be used for workers still affiliated with employment.
- Can be used in almost half states for reduced hours.

**Individual Tax relief**
The final bill includes $1,200 checks for individuals with $500 per child. This is phased out above incomes of $75,000 ($150,000 per couple).

**Questions**
- Overrun
- Federal money is mandatory but state fiscal constraints
The Senate bill alone is roughly on par with the size of the three main fiscal responses to 2008/09 taken together.

Fiscal cost, percent of GDP

2008 Stimulus
2009 Recovery Act
2011/12 Payroll Tax Holiday
2008/09 Response
2020 CARES Act
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