

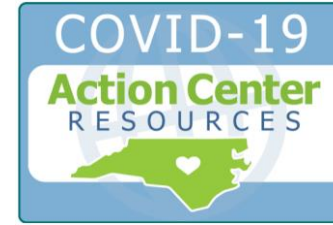
State and Federal Legislative Update

Nate McGaha

Arts North Carolina

Executive Director

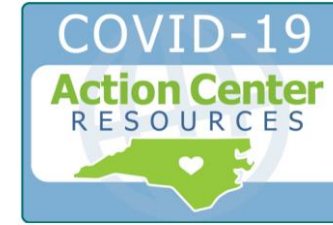
Wednesday, July 29, 2020



State and Federal Legislative Update

Some Housekeeping Notes:

- Please keep mics muted during presentation
- Type questions into chat space to be read by a facilitator
- If you are unable to type questions, unmute specifically during the "Questions" segment to ask your question
- Please keep video off to save bandwidth
- Slides are available at ArtsNC.org at Training Videos & Resource Center



State and Federal Legislative Update

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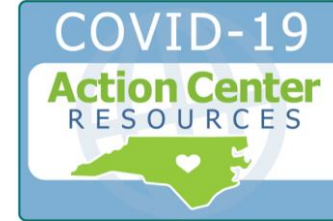


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State and Federal Legislative Update

- COVID-19 Impact on the Arts in NC**
- New NC Laws that Impact the Arts**
- Arts NC State Priorities**
- Federal COVID-19 Response Updates**
- Arts NC Federal Priorities**
- HEALS Act vs. HEROES Act**
- Other Arts Related Federal Legislation**

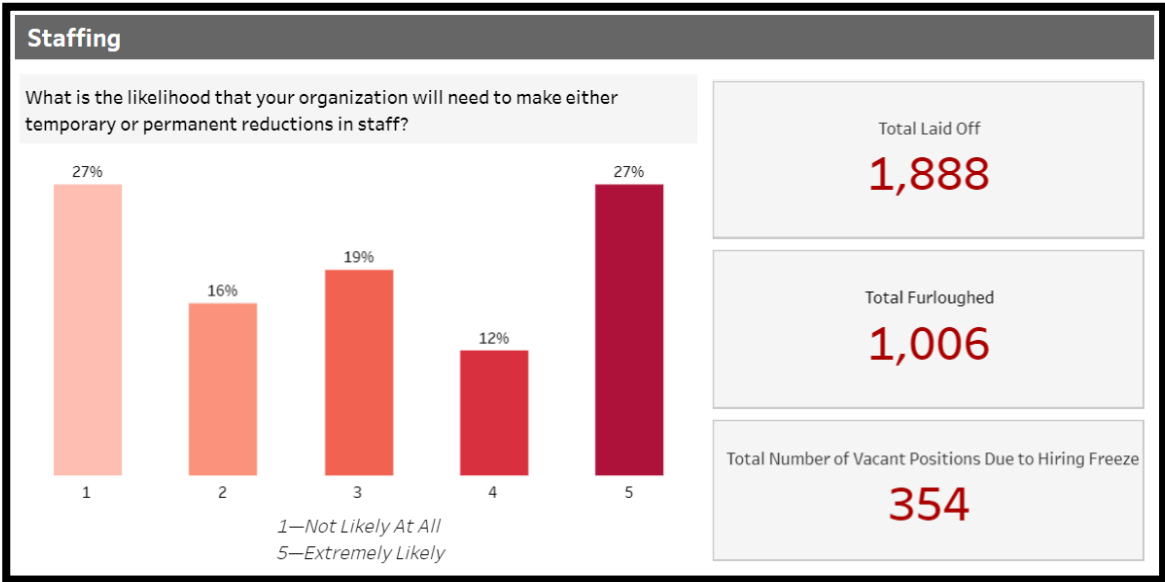


COVID-19 Impact on NC Arts Sector

Total Financial Impact to Date
-\$50,514,172

Percent of Organizations That Have Canceled Events
95%

Total Number of Lost Attendance
4,728,368
(Median of 1,063 per Organization)



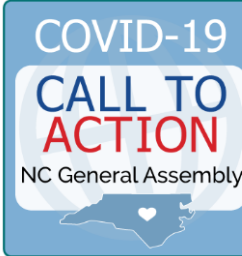
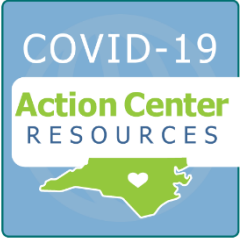
Total Laid Off
1,888

Total Furloughed
1,006

Total Number of Vacant Positions Due to Hiring Freeze
354

Percent of Organizations who Have Modified Their Operating Status
61%

Percent Confident Their Organization Will Survive the Impact of COVID-19
58%

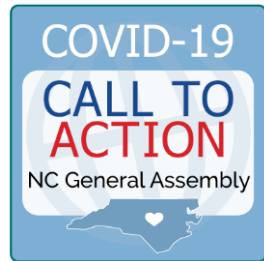
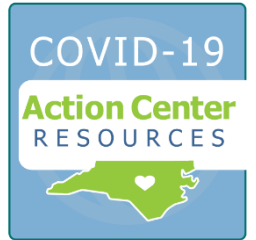




New NC State Law as of July 2020

Arts High School Graduation Requirement

- ❑ **ONE arts credit (music, visual art, theatre arts, dance) between Grade 6 and Grade 12 in order to graduate from high school, beginning with those students entering Grade 6 in 2022.**
- ❑ **The NC State Board of Education will define the standards of the arts credit and to plan for its phased-in implementation.**
- ❑ **The NC State Board of Education would report to the Joint Legislative Oversight Committee on or before December 15, 2022 about the implementation of this high school graduation requirement and of the three components of Comprehensive Arts Education (arts education, arts integration, and arts exposure)**

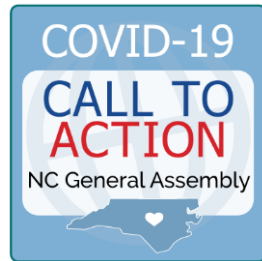
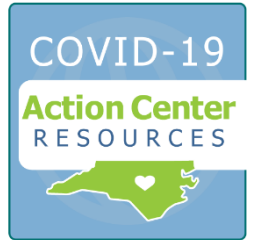




New NC State Law as of July 2020

COVID-19 Liability Protection for Businesses

- ❑ Provides immunity for nonprofits, businesses, and individuals from liability for alleged transmission of COVID-19, except in cases of gross negligence, willful or wanton conduct, or intentional wrongdoing.
- ❑ The immunity would extend to individuals, nonprofit board members and volunteers
- ❑ Must provide clear notice to people entering their facilities of actions they are taking to reduce the risk of COVID-19 transmission.
- ❑ Applicable for claims up to 180 days after the end of the COVID-19 state of emergency in North Carolina ([Executive Order No. 116](#))
- ❑ The bill would not limit the ability of workers to file workers' compensation claims if they contracted COVID-19 in the course of their employment

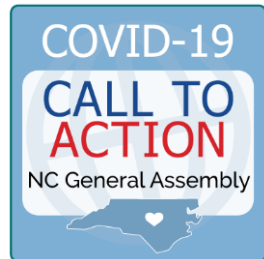
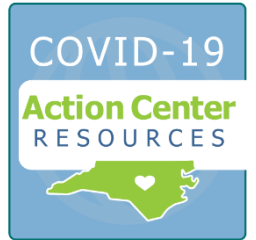




New NC State Law as of July 2020

New Grant Program for Businesses

- \$15 million Department of Commerce Grants Program**
- Provides grants equal to roughly 2.5 times and organizations monthly payroll, up to \$250,000.**
- ONLY if they have NOT received any financial assistance through the Paycheck Protection Program or the Main Street Lending Program.**
- AND ONLY available to businesses or nonprofits that maintained at least 90% of their employees from March 1st through May 31st.**

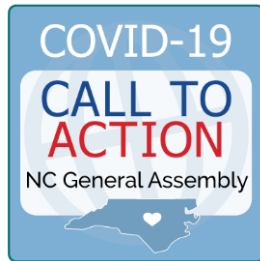
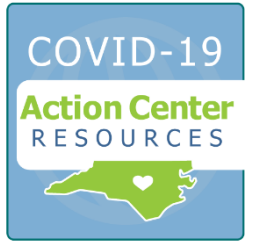




New NC State Law as of July 2020

Coronavirus Relief Funding to Local Government

- ❑ **\$300 million of Federal CARES Act funding distributed to 97 counties**
 - ❑ **\$250,000 base allocation, then population based allocation**
 - ❑ **Counties must allocate 25% of funding to cities**
 - ❑ **\$150M from May NCGA Session, \$150M from June NCGA Session**
- ❑ **Counties with larger populations received funding directly from US Treasury (Guilford: \$94M, Mecklenburg: \$194M, Wake: \$194M)**
- ❑ **Funding CANNOT be used to replaced lost Government Revenue**
- ❑ **Funding CAN be used for COVID-19 Related Expenses and Programs including Business Interruption Grants**
- ❑ **Arts NC working to clarify issues with NC Constitution and access for Nonprofit Arts Organizations**





Arts NC Priorities at NCGA in September

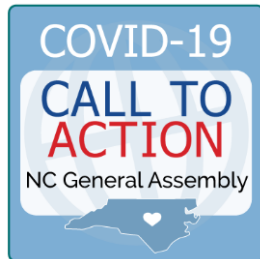
- Emergency Funding for Arts Organizations through NC Arts Council**
 - [H1068](#) and [S738](#) to access \$3M of CARES Act Funding**
 - \$3M ask request in April, evaluating larger ask for September**
 - Positive feedback from Legislators**

- Level or Increased Funding for NC Arts Council in FY 2020-2021**
 - Budget Cuts may be required, pending Federal Relief**
 - Administration would likely make spending adjustment**

- Inclusion of Nonprofits in all COVID-19 Legislation**
 - Other Possible Grant and Loan programs being considered**
 - Federal Funding will Determine Possible Programs**

- Unemployment Reform**
 - Immediate Needs, Long-Term Changes**
 - Federal Programs will Inform Priorities**

- Incentivize Charitable Giving through Tax Policy**



COVID-19 Federal Relief Legislation

Phase I: Coronavirus Preparedness and Response Supplemental Appropriations

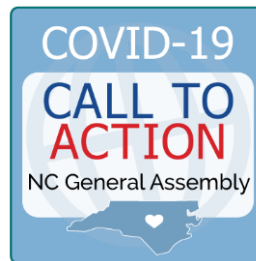
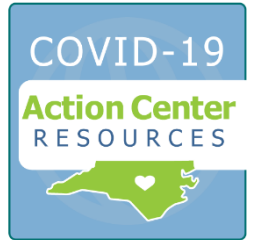
- ❑ Provided additional funding for **health agencies and medical supplies**
- ❑ Provided some **initial funding for Small Business Administration (SBA) Disaster Loans**

Phase II: Families First Coronavirus Response Act (FFCRA)

- ❑ Provided additional funding for **COVID-19 testing**
- ❑ Provided some initial funding for **existing Unemployment Insurance Programs**
- ❑ Made COVID-19 related changes to **Sick Leave and Family Medical Leave Act (FMLA)**

Phase III: Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- ❑ Provided additional funding for **Direct Payments to US Citizens**
 - ❑ \$1200 indiv./\$2400 joint + \$500 per child, less for income over \$75K/\$150K
- ❑ **Provided Emergency Funding** to some industries (like airlines) and agencies
 - ❑ **\$75 million** to Arts organizations through **NEA grants**, no match required
 - ❑ 40% to State Arts Agencies (**NC Arts Council \$507K**), 60% directly to organizations
 - ❑ Also funded: NEH, IMLS, CPB, Smithsonian, Kennedy Center, Block Grants
- ❑ **Substantially Expanded Loan/Grant Programs of Small Business Administration**
 - ❑ **Payroll Protection Program:** forgivable loans to businesses, including nonprofits
 - ❑ Borrow 2.5 times payroll through lender, 100% forgivable if spent correctly
 - ❑ Also funds **Economic Injury Disaster Loans** which are not forgivable
- ❑ **Created Federal Unemployment Assistance (FPUC, PEUC, & PUA)**
 - ❑ **\$600 for ALL unemployed** through July 31, on top of benefits they qualify for now (**FPUC**)
 - ❑ **Extends length of benefits by 13 weeks**/no waiting week/ pays employer costs (**PEUC**)
 - ❑ **ALL NC Unemployed** should receive **between \$600 and \$950 (PUA)**
- ❑ **Temporary universal tax deduction for total charitable contributions, capped at \$300.**



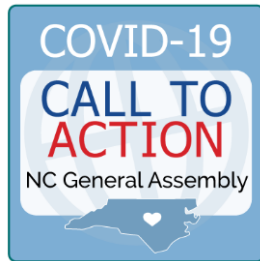
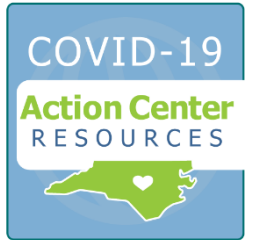


House Democrats Phase IV

Health & Economic Recovery Omnibus Emergency Solutions (HEROES) Act- Passed US House on May 15th

- ❑ **\$875 billion in funding to state and local governments** to offset revenue shortfalls
- ❑ Second round of **individual stimulus checks** from the IRS (\$1,200/\$2,400)
- ❑ Extension of **weekly \$600 Federal Pandemic Unemployment Compensation** to Jan. 31.
- ❑ Changes to **Payroll Protection Program (PPP)**, repealing the 75% payroll/25% overhead requirement for forgiveness and carving out a dedicated fund for nonprofit organization PPP loans with existing funds.
- ❑ **\$10 billion added** to the SBA's **Emergency Injury Disaster Loan (EIDL)** program.
- ❑ **\$10 million** added each to the **National Endowment for the Arts (NEA)** and **National Endowment for the Humanities (NEH)** and **\$5 million** to the **Institute of Museum and Library Services (IMLS)**.
- ❑ **\$5 billion** added to the **Community Development Block Grant (CDBG)** program.
- ❑ Federal Reserve's **Main Street Lending Program** would now include specific eligibility to nonprofit organizations for low cost loans. Those **nonprofits ineligible for PPP can have these Main Street Loans forgiven**.
- ❑ Nonprofits who are **Unemployment Self-Insured Employers** would no longer have to pay 100% of the UI compensation and wait for 50% CARES Act reimbursement.

Health, Economic Assistance, Liability protection, and Schools (HEALS) Act- Proposed in US Senate on July 27th





New Federal Laws & Programs

Payroll Protection Flexibility Act

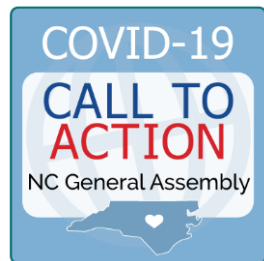
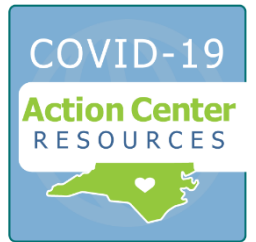
- PPP Loan forgivable expense period now 8 OR 24 weeks
- Do not need to wait for entire 24 weeks to file for forgiveness
- 40% of forgivable expenses can be non-payroll (up from 25%)

Protecting Nonprofits from Catastrophic Cash Flow Strain Act

- CARES Act reimbursed 50% self-insured Unemployment costs
- Nonprofits had to pay 100%, then be reimbursed by government
- Now they only have to pay 50% of the costs
- NC covers the other 50% for COVID-19 claims (not in every state)

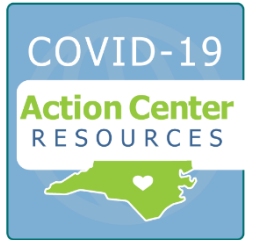
Federal Reserve Main Street Lending Program for Nonprofits

- Non-forgivable loans equal to average Quarter from 2019
- Minimum: \$250,000, Maximum: \$35 Million (LIBOR +3%)
- At least 10 employees and 5 years in business
- Not ideal for most all arts nonprofits





Federal Unemployment & Arts Priorities



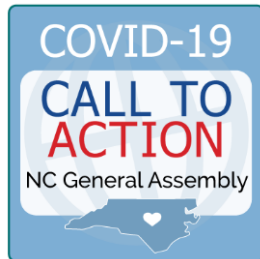
Federal Unemployment Programs

- PEUC: Adds 13 weeks to State UI Benefits (NC: \$350 max. x 12 wks.)
- PUA: 1099 & Gig workers get State Level UI until Dec. 26, 2020
- FPUC: Adds \$600/wk. to ALL UI Benefits- ENDS July 31, 2020



Arts NC Federal Priorities

- State and Local Relief Funding that can replace lost revenue
- 2nd Round of PPP for Most in Need Industries or Businesses
- Extend FPUC through Dec. 31, 2020 (possibly less than \$600)
- Mixed Earner Pandemic Unemployment Assistance Act
 - Mixed Earner Benefits calculated with W-2 & 1099 earnings
- Incentivize Charitable Giving through Tax Policy
 - Expand \$300 CARES Act Deduction to \$4,000
- Support for Cultural Agencies
 - National Endowment for the Arts & National Endowment for the Humanities (US House passed \$7.5 M increases to \$170M each)
 - Institute of Museum and Library Sciences, CPB, etc.





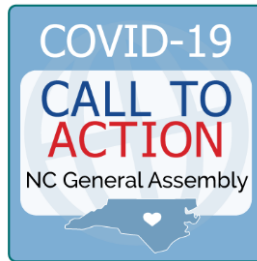
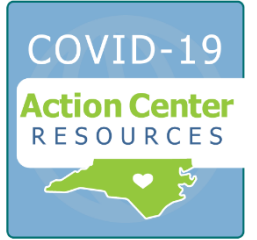
HEROES Act vs. HEALS Act

Arts NC Priorities

HEROES Act

HEALS Act

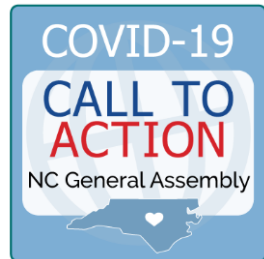
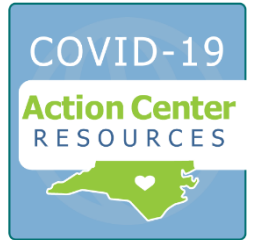
<p><u>State and Local Funding</u></p>	<ul style="list-style-type: none"> ▪ \$875 Billion ▪ \$500B State, \$375B Local ▪ Can be used for gov. lost revenue 	<ul style="list-style-type: none"> ▪ No Funding ▪ 25% of CRF for gov. lost revenue ▪ If 25% of CRF allocated to smaller gov.
<p><u>2nd Round of Payroll Protection Program</u></p>	<ul style="list-style-type: none"> ▪ Not included ▪ Not priority when bill passed in May ▪ Bipartisan support in late July 	<ul style="list-style-type: none"> ▪ Must show a 50% loss for a Quarter: 2019 vs. 2020, less than 300 employees ▪ Loan equal to 2.5 months payroll ▪ Forgivable expenses incurred over period of the 8 weeks borrower prefers ▪ Up to 40% of forgivable expenses can be non-payroll costs (rent, utilities, etc.)
<p><u>Extend Federal Unemployment</u></p>	<p>Extends FPUC (\$600) thru Jan. 31, 2021 \$600 + State \$350 = \$950 in NC (if made \$700, you get \$950)</p>	<p>Cuts FPUC to \$200 until October 1st when States pay 70% of avg. wages up to \$500. Up to \$500 + State \$350=up to \$850 in NC (if made \$700, you get \$550 then \$490)</p>
<p><u>Unemployment Self-Insured</u></p>	<p>50% of self-insured nonprofit costs covered (not reimbursed)</p>	<p>75% of self-insured nonprofit costs covered</p>
<p>National Endowment for the Arts and Other Agencies</p>	<p>NEA: \$10 Million, NEH: \$10 Million, IMLS: \$5 Million</p>	<p>CPB: \$175 Million</p>
<p><u>Liability Protection</u></p>	<p>None- Dems want OSHA to regulate</p>	<ul style="list-style-type: none"> ▪ Protects businesses, nonprofits, schools, etc. if guidelines reasonably followed ▪ Protects health care and manufacturing ▪ Protects employers from worker claims
<p><u>Individual Stimulus</u></p>	<p>\$1,200 individual, \$2,400 file jointly, \$1,200 per dependent, up to \$6,000 per household</p>	<p>\$1,200 individual, \$2,400 file jointly, \$500 per dependent</p>





Reviving the Economy Sustainably Towards A Recovery in Twenty-twenty (**RESTART**) Act

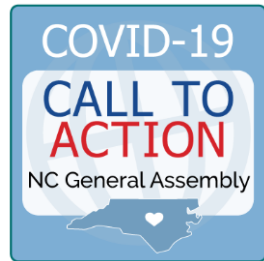
- ❑ 7-year LOANS, capped at 45% of 2019 gross receipts up to \$12M
- ❑ Employment cap of 5,000, streamlined for less than 500 employees
- ❑ Allows up to 90% loan forgiveness for businesses with fewer than 500 Full Time Equivalent Employees (FTEs) and high revenue loss.
- ❑ Loans are forgivable based on formula of losses vs. expenses.
- ❑ Favorable interest rates (Year 1-2: 2%-4%, Year 3-7: AFR based)
- ❑ Nonprofits loans up to 10 years; lower rate OR partial forgiveness
- ❑ Use of Funds: Total payroll (up to \$100k per employee), benefits, rent, utilities, mortgage, personal protective equipment
- ❑ No requirement to increase staffing beyond what businesses need
- ❑ Forgiveness formula penalizes nonprofits for donations





Save Our Stages (SOS) Act

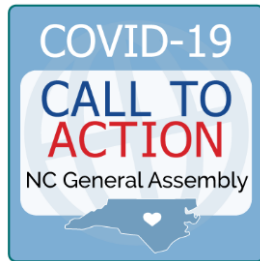
- ❑ Specifically designed for Independent Performance Venues (\$10B)
- ❑ National Independent Venue Association (NIVA) #SaveOurStages
- ❑ Must have fewer than 500 FTEs, not be publicly traded companies, and not own or operate venues in more than 1 country or 10 states.
- ❑ GRANTS capped at 45% of 2019 gross receipts up to \$12 million
- ❑ Grant funding may be used for expenses incurred between March 1, 2020 and ending on December 31, 2020.
- ❑ Use of Funds: Payroll, benefits, rent, utilities, mortgages, PPE, maintenance, administrative costs, taxes, and meeting guidelines.
- ❑ A recipient is eligible for a supplemental grant equal to 50% of the initial grant if the entity is still experiencing 80% or greater revenue loss on December 1, 2020.





Culture Arts Libraries Museums Emergency Relief (CALMER) Act

- ❑ Provides additional emergency relief funding for NEA, NEH, and IMLS grant programs created in CARES Act:
 - ❑ \$4 billion in relief funds through National Endowment for the Arts
 - ❑ \$4 billion in relief funds through National Endowment for the Humanities
 - ❑ \$6 billion in relief funds through Institute of Museum & Library Sciences
- ❑ Expands NEA and NEH grant eligibility to ALL arts nonprofit organizations.
- ❑ Removes the \$300 charitable deduction cap implemented in CARES and allows taxpayers to claim the deduction on 2019, 2020, and 2021 taxes.
- ❑ Extends the suspension of the 50%-of-adjusted-gross-income (AGI) limitation for individuals and the 25% AGI limitation for corporations through 2021.
- ❑ Gives 501(c)(3) nonprofits a payroll tax holiday for 2020.
- ❑ Adjusts Main Street Lending Program (MSLP) for nonprofits to give loan forgiveness to 501(c)(3) nonprofits with fewer than 500 employees and eliminate the minimum loan size for nonprofits so nonprofits don't have to borrow more than they need.





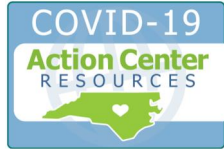
Questions?

- NC Arts High School Graduation Requirement**
- NC Liability Protection**
- NC Grants for Businesses with no Federal Assistance**
- NC CARES Act Funding to Local Governments**
- Arts NC State Priorities**
- Federal Updates to CARES Act**
- HEALS Act vs. HEROES Act**
- RESTART Act**
- Save Our Stages Act**
- CALMER Act**
- Other Questions**





COVID-19 Arts NC Online Resources



[Arts NC COVID-19 Action & Resource Center](#)



[Arts NC Open Arts Resources](#)



[Americans for the Arts COVID-19 Artist and Arts Organization Impact Surveys](#)



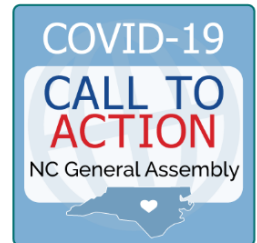
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