

Research Memo: COVID-19 Economic Assistance Package (HF 45)

This COVID Assistance Package includes four separate bills that address separate areas, but all have the objective of providing assistance to Minnesota workers, families and small businesses struggling with the pandemic:

- **Business Assistance Grants**
- **Extend Unemployment Insurance**
- **Waive Fees on Hospitality Industry**
- **Extend Deadline to Apply for Free/Reduced Lunch**

The total cost of these four bills is about \$242 million to the General Fund in FY21. The costs to the Unemployment Insurance Trust Fund would be approximately \$500 million.

Business Assistance Grants

BACKGROUND/SUMMARY: This part of the overall bill appropriates \$216.5 million for direct assistance to businesses and nonprofits that have been negatively affected by measures aimed at slowing the spread of COVID-19.

Under the bill, grants will be provided from the state to individual businesses through three buckets of assistance:

- 1) **Bucket #1:** Dept. of Revenue payments to restaurants, bars, bowling alleys and gyms (\$88 million)
- 2) **Bucket #2:** DEED grants to movie theaters and large convention centers (\$14 million)
- 3) **Bucket #3:** Grants from counties to other affected businesses, including hotels, museums, arcades and live theater venues (\$114.8 million)

DOR Payment to Restaurants, Bars, et al. (Bucket #1)

The first bucket is intended to get money out-the-door as quickly as possible and in the hands of small businesses that are directly affected by EO 20-99. In Bucket #1, the Dept. of Revenue will issue checks to all businesses in Minnesota that meet certain criteria. These businesses do not have to apply for a grant. Rather, they will receive a check from the state based on their eligibility and size. First off, funding under Bucket #1 is available to the following types of businesses:

- Restaurants (full service and limited service),
- Bars,
- Coffee shops,
- Breweries, wineries and distilleries (as long as they have taprooms or tasting rooms),
- Caterers,
- Bowling alleys, and
- some Gyms and Fitness Centers (this includes dance studios and martial arts studios that pay sales taxes).

These business types would be eligible for DOR assistance if they meet the following criteria:

- 1) directly impacted by Executive Order 20-99,
- 2) at least 30% drop in sales revenue from 2019 to 2020,
- 3) at least \$10,000 in sales in 2019,
- 4) physical presence in the state, and
- 5) good standing with the Dept. of Revenue.

The Dept. of Revenue estimates that there are about 5,800 restaurants, bars and other businesses that would be eligible for funding from Bucket #1. The bill establishes a grant amount for these 5,800 businesses based on the number of employees they have:

Number of Employees	Grant Amount
Small businesses not in UI system	\$10,000
0-20 employees	\$15,000
21-100 employees	\$25,000
101-300 employees	\$35,000
Over 300 employees	\$45,000

For example, DOR estimates that nearly 3,000 small businesses in MN with 20 employees or fewer will get checks from the Dept. of Revenue for \$15,000. Altogether, the total amount of grants under Bucket #1 is projected to be about \$82 million but could be as much as \$88 million.

DEED Grants to Movie Theaters and Convention Centers (Bucket #2)

The second bucket, with a total of \$14 million, will fund grants from the Dept. of Employment & Economic Development (DEED) to movie theaters and large convention centers which have been shut down for most of 2020. Again, these businesses must be directly impacted by EO 20-99 and must see a decline in annual revenue of at least 30%.

Of this \$14 million, \$9 million is allocated among 146 movie theaters across the state (not including drive-ins). Grants would be awarded by DEED based on the number of screens at each theater.

- Small theaters with 1-2 screens receive \$15,000 per screen,
- Larger theaters receive \$10,000 for each additional screen. A theater with 6 screens for example, would receive \$70,000 from DEED.
- The maximum grant is \$150,000 per theater. The largest theater in the state with 21 screens (Lakeville) would get \$150,00.

In order to prevent huge national chains from diverting state assistance to their corporate offices, the bill requires that the assistance must be used for operating expenses at the MN theater.

Bucket 2 is also dedicated to providing assistance to large convention centers with a capacity greater than 1,500 people. Under the bill, DEED could award grants to these convention centers that must be used to cover operations and upkeep. The maximum grant amount is \$500,000 and the total pool is \$5 million.

County Grants to Other Affected Businesses and Nonprofits (Bucket #3)

The third bucket is designed to provide assistance to the remainder of businesses and nonprofits that are struggling with the pandemic and the executive orders, and to give counties discretion in awarding this assistance.

Under the bill, these businesses and nonprofits would be eligible if they are directly or indirectly affected by EO 20-99 or other executive orders issued by Gov. Walz. Grant applicants must be located in that county and have no tax liens against it on record with the Sec. of State.

The bill appropriates \$114.5 million to Bucket #3. This funding is split among the 87 counties on a per capita basis, with a minimum amount of \$250,000 to each county. This formula results in the 28 smallest counties in the state getting \$250,000 (plus 2.5% for administrative costs). Hennepin County gets about \$25.5 million, while Ramsey County would receive a total of \$11 million, Dakota gets \$8.6 million, and St. Louis gets \$3.9 million.

With Bucket #3, each county has the authority to decide who gets a grant and what is the size of each grant. There is no minimum or maximum grant amount. Under the agreed upon language, individual counties could also choose to award grants to restaurants, bars, and others to supplement assistance they received under Bucket #1 or they weren't eligible under Bucket #1 because their revenue loss was only 25%. Money not awarded by the counties must be returned to the General Fund. Counties can use up to 2.5% for administrative costs.

Extend Unemployment Insurance

BACKGROUND/SUMMARY: This part of the Economic Assistance Package provides a 13-week extension on Unemployment Insurance (UI) benefits for thousands of MN workers who are likely to have their benefits cut off, starting in next two weeks.

Under existing law, unemployed workers can receive up to 26 weeks of *regular* state UI benefits if they are laid off from their job. With the COVID-19 pandemic, thousands of workers in MN and millions across the country exhausted their regular benefits in the summer and fall and remain unable to find a job. The federal CARES Act provides these workers with another 13 weeks of benefits, but that extension will expire on Dec. 26 unless Congress passes another COVID relief bill that includes a UI extension. Another state/federal extension under existing MN law will be expiring on Dec. 19. This bill is designed to fill this gap if Congress and the President are unable to reach an agreement.

Under this bill, workers could collect up to 13 weeks in additional benefits paid out of the state's UI Trust Fund (which is currently in deficit) if they exhaust all their UI benefits any time between Dec. 19, 2020 and Apr. 10, 2021. Workers would receive the same benefits they receive under regular UI (average about \$400 per week). Under the bills, applicants must first exhaust all state and federal benefits available, including any future federal UI extensions included in a relief bill passed by Congress.

DEED estimates that with 100,000 workers eligible for this extension, the cost would be about \$40 million per week, or \$520 million for all 13 weeks. Such estimates, however, are inherently imperfect as they depend entirely on the ups-and-downs of the national economy and the pandemic.

This bill does not apply to independent contractors and gig workers who received unemployment benefits from the federal government through the PUA program (Pandemic Unemployment Assistance) in the CARES Act. The bill also does not apply to MN high school students who were recently found by the courts to be eligible for PUA.

Waive Certain Fees for Hospitality Industry

BACKGROUND/SUMMARY: This bill temporarily waives a handful of state fees affecting various businesses in hospitality. Altogether, the fees amount to somewhere around \$900,000 in lost revenue to the state.

The bill waives fees on state licenses issued by the Dept. of Public Safety on 1) bars that want to serve alcohol until 2:00 a.m. and 2) caterers who serve alcohol. Most licenses relating to liquor are issued by local units of government, so there is only so much fee assistance the state can provide to bars, restaurants and others affected by EO 20-99. Nevertheless, the waiver of the 2:00 a.m. fee will save bars (and cost the state) a total of \$570,000 in FY21 and FY22. The waiver by DPS on the license fee for caterers will save them about \$150,000.

This bill also calls on the Met Council to refund fees paid by small breweries on their applications for wastewater permits. It also refunds "strength charges" paid by small breweries to the Met Council for wastewater treatment. These refunds will save these small breweries about \$140,000 in FY21.

Finally, the bill calls on the MN Dept. of Agriculture to temporarily waive late payment penalties in 2021 on the following businesses in the food industry: 1) food manufacturers, 2) wholesalers, and 3) retailers. In total these waived penalties on MDA license renewals add up to \$54,000.

Extend Deadline to Apply for Free/Reduced Lunch

BACKGROUND: School districts traditionally determine student eligibility for free or reduced-price meals by having families fill out paper eligibility forms that attest to the family's income-based eligibility. Because many schools are in distance or hybrid learning models this year due to COVID-19, school districts have asked for additional time to collect this information from families.

BILL SUMMARY: Extends (for this year only) the deadline for school districts to determine a student's eligibility for free and reduced-price meals from December 15, 2020 to January 4, 2021. This count is used to calculate the compensatory revenue generated by each school site for the 2021-2022 school year.

Fiscal Impact: The estimated cost for this bill is \$4.8 million in FY22 and comes from MDE's finance department and is based on the number of students who returned eligibility forms in the last 2 weeks of the reporting period last year. They estimate that the number of students qualifying for free meals will increase by 1,245 and for reduced-price meals by 459.