

COVID-19 Legal Update

Pennsylvania Municipal Alert: Economic Tools for Small Business and Local Governments

Municipalities throughout the Commonwealth of Pennsylvania are battling a two-headed economic monster with the impact of the coronavirus: how to support local businesses and how to support themselves. But the two aren't mutually exclusive. A strong business community is good public policy and good local politics.

From boroughs, to townships, to cities, to counties, there are strategies to help small businesses stay viable as well as preserve the continuity of municipal services. Now is the time to reach out to the companies that are most impacted by the closure of non-life-sustaining businesses in Pennsylvania to let them know that you are their partner. Be the conduit for the open and collaborative flow of ideas and information. It seems simple, but this type of direct support from local leaders can help tip the scale away from businesses permanently closing doors.

What Can We Do?

HELP FROM THE COMMONWEALTH

Taxing bodies fear (and are experiencing) dwindling tax revenue and businesses that aren't operating will struggle to pay taxes. Governor Tom Wolf announced on March 25, 2020 the launch of the [COVID-19 Working Capital Access Program \(CWCA\)](#). Businesses with 100 or fewer full-time employees are eligible to apply for three-year-loans up to \$100,000 to pay for working capital at zero percent interest (agricultural producers pay 2.0%).

Although these loans must be submitted through a local Certified Economic Development Organization, familiarize yourself with the program in order to be a resource for your business residents and keep tabs on those that apply and are awarded.

HELP FROM THE FEDERAL GOVERNMENT

On March 6, 2020, President Trump signed H.R. 6074, also known as the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (CPRSA), into law. CPRSA injected funds into the U.S. Small Business Administration (SBA) towards low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury because of COVID-19 as an expansion of its Economic Injury Disaster Loan (EIDL) program. Following formal request from Governor Wolf, the SBA issued an Economic Injury Disaster Loan declaration for Pennsylvania which made low-interest loans up to \$2,000,000 available statewide to small businesses and private, non-profit organizations to help alleviate economic injury caused by COVID-19.

Offerings from the SBA got a boost on March 27, 2020 when the Coronavirus Aid, Relief and Economic Security Act (CARES Act) became law. In addition to improvements to the EIDL program, SBA created a broader Paycheck Protection

Program that will deliver forgivable loans to small businesses to cover short-term payroll expenses in exchange for retaining or rehiring employees (see our [Small Business Assistance Options Available under the CARES Act legal update](#) for more detailed information).

WHAT LOCAL GOVERNMENTS CAN DO TO ENSURE CASH FLOW

As local governments work to assist businesses stay afloat, these municipalities have the ability to take out their own working capital loans to bridge current shortfalls through banks. The PA Local Government Unit Debt Act permits boroughs, townships, school districts, and all but first-class cities and first-class counties, generally, to borrow on a taxable basis up to 85% of taxes levied and expected revenues in a current fiscal year in anticipation of receiving those revenues, exempt from the typical state approval (only notice) and not subject to the usual debt limitations. These “TRANS” (tax and revenue anticipation notes) are required to be completely repaid by the last day of the fiscal year issued, and require certifying the estimated amount of tax revenue to be received that will pay the principal and interest on the loan, which is understandably difficult to calculate these days.

LEADING OUR COMMUNITIES

All of this highlights the importance of an intrinsic public-private partnership which can be facilitated at the local level. By communicating with local businesses, you can gain a better sense of how tax revenue is being impacted by this crisis toward sizing a governmental working-capital loan or freeing up other funds. Equally important, by serving as a resource you are helping businesses stay on their feet for the good of the entire community.

To learn more about these and other tools in the toolbox, Eckert Seamans wants to be a resource to you. Please contact any of our attorneys on how we can assist.



This COVID-19 Legal Update is intended to keep readers current on developments in the law. It is not intended to be legal advice. If you have any questions, please contact author Benjamin A. Ried at 717.237.6035 or bried@eckertseamans.com, Michael McAuliffe Miller at 717.237.7174 or mmiller@eckertseamans.com, any member of the firm's [Municipal Law & Governance Group](#), or any other attorney at Eckert Seamans with whom you have been working.