<u>**Taxpayer Protection Act of 2020**</u>

The Taxpayer Protection Act establishes the Taxpayer Protection Program in the Department of Treasury, to provide forgivable loans to State, territory, Tribal, and local governments. Loans will be automatically forgiven for local governments with populations of less than 250,000 and counties with populations of less than 500,000. States, metropolitan cities, and larger counties must have sound pension funds to receive forgiveness. States must also have truly balanced budgets and sufficient rainy-day funds by June 30, 2022, to receive forgiveness.

<u>Loan amounts and terms</u>

Appropriates a total of $186 billion, broken down as follows:

- $100 billion for States, with a minimum of $835 million reserved for each state and the remaining $58.25 billion apportioned based on each state's relative population.
- $37.5 billion for counties based on population, with the population of a metropolitan city deducted from the population of any county in which it resides to avoid double counting.
- $26.25 for metropolitan cities with populations of more than 250,000.
- $11.25 billion for local governments that are neither counties nor metropolitan cities.
- $8 billion to Tribal governments, the same amount appropriated in the CARES Act.
- $3 billion to the territories and the District of Columbia, as in the CARES Act.

Loans which are not forgiven must be repaid in quarterly payments beginning on June 30, 2022. Interest rates shall be set by the Secretary of the Treasury based on the credit strength of the recipient, using the same pricing as the Municipal Lending Facility of the Federal Reserve.

<u>Uses, limitations and transparency requirements</u>

- Funds may be used to cover revenue losses caused by business interruptions, unemployment, or other economic hardship directly caused by the COVID-19 pandemic.
- Funds may be used for essential government service expenditures, including infrastructure and general operating expenses.
- Funds may <u>**NOT**</u> be used for the service of any debt obligation or unfunded retirement liabilities.
- Loans shall be dispersed quarterly until available funds are exhausted or the end of the program on June 30, 2022.
- Quarterly disbursements are limited to actual revenue losses experience in the prior fiscal quarter relative to the same fiscal quarter in 2019.
- Recipients must maintain a website and within 30 days of each expenditure of TPP funds post the purpose, date, and recipient of the funds. TPP funds must be accounted for separately from all other revenue sources.

Defining conditions for forgiveness:

- Sound pensions: Means a recipient has a contribution schedule in place allowing for 100% funding of projected pension liabilities over no more than 25 years, using generally accepted actuarial principles as defined by the Secretary of Treasury. A recipient which does not have sound pension funds at the time of application must reduce liabilities to the amount that can be fully funded, without any increase in employer (i.e. taxpayer) costs.
- Truly balanced budgets: States must have a constitutional or statutory requirement for end of year balance and may not carry a deficit from year to year. Revenue for the purposes of this requirement is limited to actual monies coming in, and cannot include borrowing proceeds or transfers from other government accounts.
- Sufficient rainy-day funds: States must have a target to maintain between 5-10% of annual revenues in a reserve fund when the economy is not in a recession and make automatic annual deposits to achieve this level of funding. States must have protections preventing the use of emergency savings for non-emergency purposes, such as a supermajority requirement to withdraw from rainy-day funds or another at least as effective limitation.

Findings and sense of congress related to state benefit plans

1. FINDINGS. The Congress finds the following:
   a. Securing the health, safety, welfare and property of, and the pursuit of happiness by, residents is each State's supreme obligation.
   b. State reported unfunded pension liabilities among the several States at the end of fiscal year 2018 totaled $1,237,791,372,000.
   c. The economic impact of the COVID–19 pandemic is likely to further increase the unfunded liabilities of employee benefit plans of the States and increase the annual cost of these systems, creating fiscal tension between funding essential government services and servicing unfunded liabilities.
   d. The COVID–19 pandemic has caused reductions in expected revenues of the States while at the same time increasing public demand for essential government services.
2. SENSE OF CONGRESS. It is the sense of the Congress that if and to the extent a State's legislature determines that performance of its supreme obligation is impaired by funding otherwise required under any health, welfare, retirement, or other benefit plan offered to its employees, then that State's legislature, with its Governor's consent, may change the terms of any such benefit plan to the extent it was not contemporaneously funded in any manner it determines to be necessary and proper, notwithstanding the terms of any State law or constitution to the contrary.