



The CARES Act: Emergency Appropriations Summary for Aviation

Topline

In addition to providing direct payments to American households, an expansion of the unemployment insurance program, small business assistance, and protections that ensure emergency funding isn't used for stock buybacks and CEO bonuses, the emergency funding bill passed by Congress includes about \$61B for the airline sector. \$10B for airports.

The bill provides \$32B in direct payroll **grants** to the aviation industry. \$25B is allocated for passenger airlines, \$4B is allocated for cargo airlines, and \$3B is allocated for contractors. The bill also authorizes DOT to make **loans and loan guarantees** of up to \$25B for passenger carriers and \$4B for cargo carriers. The bill also includes \$10B in grants for airports.

- The law mandates that payroll grant funds shall be used exclusively for the continuation of payment of wages, salaries and benefits for workers.
- Recipients of grant funding cannot conduct involuntary furloughs or reduce pay rates and benefits until September 30, 2020.
- Prohibits recipients from making stock buybacks or paying dividends until September 30, 2021.
- The law prevents the federal government from conditioning any grants or loans on renegotiating collective bargaining agreements to reduce employee pay or benefits. For grants, this protection is in effect until September 30, 2020. For loans, this protection is in effect until one year after the loan is paid.
- Prevents executive pay increases or severance packages for a two-year period beginning March 24, 2020.
- Airport grant recipients must maintain employment levels of at least 90 percent of the levels employed on the date of enactment, through December 31, 2020

Questions & Answers

What is the process for grants and loans?

On March 30, [Treasury released an application form for payroll assistance](#). Applications are due on Friday, April 3 at 5pm ET. However, the issue of warrants in exchange for payroll assistance is still undefined. Carriers and contractors are asked to list proposed financial instruments that might constitute adequate compensation to taxpayers, with no specific guidance from Treasury. We object to this. This would conflict with the CARES Act if utilized because any instrument on a grant makes it no longer a grant. The return to taxpayers is keeping 2 million people out of unemployment lines and continuing to pay taxes.



Who is eligible to apply for grants and loans?

Passenger and cargo air carriers and airline contractors.

The size of grant assistance is set:

- For large air carriers, an amount equal to the salaries and benefits reported by the air carrier to USDOT pursuant to part 241 of title 14 from April 1, 2019, through September 30, 2019, or until funds are gone.
- For small air carriers (regionals, etc.) and contractors, an amount the carrier certifies, using sworn financial statements as the amount of wages, salaries, benefits, and other compensation paid the employees from April 1, 2019, through September 30, 2019.
- *Caveat:* Treasury has authority to reduce payments on a pro-rata basis if there is a shortfall of funds. Treasury can also make additional payments if there are remaining funds.

The total amount of loans available are:

- \$25 billion in loans and loan guarantees for passenger air carriers
- \$4 billion in loans and loan guarantees for cargo air carriers.

The total amount of payroll grants available are:

- \$25 billion for passenger air carriers.
- \$4 billion for cargo air carriers.
- \$3 billion for contractors, including those who perform under contract or subcontract, catering functions or functions at the airport that are directly related to the air transportation of persons, property, or mail. This includes loading and unloading of property, assistance to passengers (under part 382 of 15 title 14, CFR), security, airport ticketing and check-in functions, ground-handling of aircraft, or aircraft cleaning and sanitization functions and waste removal.

What requirements or restrictions are included in loans/grants?

For loans:

- no stock buybacks until one year after the loan is repaid (unless waived by Sec.);
- no dividends until one year after the loan is repaid (unless waived by Sec.);
- certain limits on executive compensation until one year after the loan is repaid (unless waived by Sec.);
- until September 30, 2020, the eligible business shall maintain its employment levels as of March 24, 4 2020, to the extent practicable, and in any case shall not reduce its employment levels by more than 10 percent from the levels on such date;

For payroll grants:

- no involuntary furloughs or reducing pay rates and benefits until September 30, 2020;
- no stock buybacks until September 30, 2021;
- no dividends until September 30, 2021;



- assistance cannot be conditioned on renegotiating CBAs until September 30, 2020 (Sec. 4115);
- certain limits on executive compensation until March 24, 2022 (Sec. 4116);
- must maintain scheduled service (as determined by DOT as necessary)

Did our language survive regarding how Flight Attendants are paid? (contractual minimums, average formula for carriers without minimums?)

No, but payroll grant recipients are required to maintain payroll levels until September 30, 2020 and not engage in involuntary furloughs.

Is there any reference to unemployment in coordination with the payroll grants, ie. any issue with voluntary furloughs/leaves.

The only restriction is that any carrier who takes a payroll grant cannot partake in involuntary furloughs or reducing pay rates and benefits until September 30, 2020. The grants can be clawed back if a carrier is in violation.