

COVID-19 Legislation Breakdown

Updates since 3/25 are in purple

Overview:

- At this moment, there are three official phases of Congress' Coronavirus response:
 - o Phase 1 was an \$8.3 billion bill spurring coronavirus vaccine research and development (Became Public Law 116-123 on 3/6)
 - o Phase 2, signed into law by President Trump on 3/18, is an approximately \$180 billion package largely focused on paid sick leave and unemployment benefits for workers and families
 - o Phase 3 is many times larger than both of the previous bills combined – a nearly \$2 trillion (was originally \$1 trillion and then \$1.3 trillion) stimulus package that includes tax breaks, cash payments to Americans and government aid for industries
 - o Phase 4 and Phase 5 are in motion

S. 3548 – \$1.8 Trillion Senate Stimulus Package: Coronavirus Aid, Relief, and Economic Security (CARES) Act

Background

- GOP senators voted 96 to 0 to pass the legislation late on Wednesday night
 - o The Senate vote sends the bill to the House, where Majority Leader Steny Hoyer (D-MD) announced a vote to approve it Friday morning
 - o President Trump said he intends to sign it immediately
- Negotiations came to a head over how much additional unemployment insurance should be extended, as well as aid for distressed corporations
 - o Democrats, specifically, opposed what they called a \$500 billion “slush fund” for big corporations, but the final deal includes oversight measures for that money
- The overall price tag of the package is now around \$2 trillion – it is roughly 10% of America's economic output, and will push the budget deficit towards levels reached in World War II, above 20% of GDP
- Without the package, unemployment rate could spike to nearly 20 percent from the roughly 3.5 percent level it notched in February
- Lawmakers are referring to this as “Phase 3” of Congress's coronavirus response

Provisions

- *Big Businesses*: About \$500 billion can be used to back loans and assistance to companies, including \$50 billion for loans and grants to U.S. airlines, as well as loans to state and local governments
 - o \$25 billion in grants for passenger airlines

- \$25 billion in loans for passenger airlines
- \$17 billion for companies deemed critical to national security (written largely to benefit aerospace manufacturer Boeing)
- \$425 billion for other businesses, cities and states, allocated through funding mechanisms set up by the Federal Reserve
 - This money will go through the Federal Reserve's lending facilities, a system that was activated during the 2000-2009 financial crisis, which would limit Mnuchin's ability to control the funding
- *Restrictions on Business Aid:* Any company receiving a government loan would be subject to a ban on stock buybacks through the term of the loan plus one additional year
 - They also would have to limit executive bonuses and take steps to protect workers
- *Tax Cuts for Big Businesses:* Around \$280 billion to support numerous changes to the taxes paid by firms that aim to give them an additional buffer against likely economic headwinds (met skeptically by liberals)
 - The Republican tax law of 2017 limited to 30 percent the amount firms could deduct off of their interest – this stimulus increases that number to 50 percent
 - The package also delays the payroll taxes typically paid by employers on wages, a cut intended to help firms survive a liquidity crunch
 - The 6.2 percent tax on wages businesses normally pay would instead have to be paid over the following two years, with the first half due Dec. 31, 2021, and the second half due at the end of 2022
- *Big Business Oversight:* Democrats negotiated that rather than giving the Trump administration broad discretion to make the loans, there will be a new inspector general in the Treasury Department specifically to oversee these funds, as well as a congressional oversight panel to examine how the money is being used
 - Democrats also won language that would bar any business owned by President Donald Trump or his family from getting loans from Treasury
 - Businesses owned by members of Congress, heads of executive departments and Vice President Mike Pence would also be blocked
- *Small Businesses:* Around \$375 billion to aid small businesses – these credits are called “Small Business Interruption Loans”
 - The zero-interest loans would target firms with fewer than 500 employees – and would be forgiven if the firms follow certain conditions, such as not firing their workers
 - The loans would be made available through lenders certified by the Small Business Administration, such as banks and credit unions, with the maximum loan capped at \$10 million

- Loans convert to grants if used for covering employee salaries, rent, paid leave, utility payments, health insurance premiums or other necessities or worker protections
- *Individuals*: \$290 billion for direct payments to lower- and middle-income Americans of \$1,200 for each adult, \$2,400 for each couple and \$500 for each child
 - The payments would decrease for those making more than \$75,000, with an income cap of \$99,000 per individual or \$198,000 for couples
 - The new agreement removed the phased-in provision that would have excluded lower-income Americans from receiving full benefit
 - Senate Minority Leader Chuck Schumer said checks would be cut April 6
- *Hospitals*: \$180 billion for hospitals and other health-care providers for equipment and supplies
 - \$100 billion for hospitals to help them survive the expected influx of patients
 - Money can be used for protective gear for health-care workers, testing supplies and emergency operation centers, among other necessities
 - \$1 billion for the Indian Health Service
 - Around \$79 billion for increasing funding for community health centers; Medicare payments; telehealth and home service; and public health agencies such as the Center for Disease Control and Prevention
- *Unemployed*: \$260 billion for an unemployment insurance extension of four months, bolstered by \$600 weekly
 - This money is in addition to what states pay as a base unemployment salary, which averages \$300
 - This benefit would extend to gig economy workers, freelancers, and furloughed workers who are still getting health insurance from their employers, but are not receiving a paycheck
- *State and Local Governments*: \$175 billion for states as they see more people seeking public assistance and lowering tax revenue because of falling business activity
 - \$150 billion for state and local governments – including \$8 billion for tribal governments
 - Each state will receive a minimum of \$1.5 billion
 - The package also includes \$25 billion in infrastructure grants for states around the country
- *Other*: Other items in the package include \$45 billion for the Federal Emergency Management Agency's disaster relief fund; \$31 billion to support local schools and colleges; \$25 billion for the nation's transit systems; and \$25 billion for more food stamp funding

Prospects

- Senate voted on the measure late on Wednesday (3/25)

- If House Speaker Pelosi can get her caucus behind the Senate's Phase III package, there's an expectation that it could move through the lower chamber by unanimous consent, precluding the need for lawmakers to return to Washington – *she is expected to do this by Friday*
- Treasury Secretary Steve Mnuchin told reporters that President Trump would “absolutely” sign it if Congress passes it

Future Bills – Phase 4 and 5

- House Majority Leader Steny Hoyer (D-MD) told Democrats that there could be two more rounds of fiscal stimulus in the future
- Senate Democrats pushed to increase funding for the Supplemental Nutrition Assistance Program, or SNAP, which helps low-income individuals buy food in the phase 3 stimulus package, but it is likely it will instead be tackled in phase 4 or 5
- Appropriations Chairman Richard Shelby (R-AL) said several times that he wants a major infrastructure package
- White House Legislative Director Eric Ueland agreed on Saturday that another piece of legislation will likely be needed, and said negotiators would decide its content after they “see what is helping, what’s working, what needs to be facilitated and expanded, what needs to be redirected.”

Other potential provisions left out of phase 3 stimulus:

- Democratic proposals in the House and Senate called for the federal government to lower student loan debt by making borrowers’ monthly payments for them while borrowers dealt with the economic fallout of the coronavirus outbreak
 - Both plans would have guaranteed that the balance of each federal loan would be reduced by at least \$10,000 – House Democrats also proposed paying down the debt of borrowers with private student loans by up to \$10,000
- Conservation groups and wildlife advocates are advocating for earmark funding for wildlife conservation and habitat protection, noting the connections between infectious diseases and wildlife policies
 - Wildlife groups are asking Congress to direct 1% of stimulus funds to jobs addressing habitat loss, wildlife trade, and biodiversity
- Celebrity chefs are using their platforms to draw support for the \$900 billion restaurant industry, which is facing widespread unemployment
 - The industry is pressing Congress to include measures to help save jobs and keep millions of restaurants from shuttering permanently