

CONGRESSIONAL COVID RESPONSE

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Lawmakers are moving quickly on policies to address the coronavirus pandemic

- The first coronavirus response law ([Public Law 116-123](#)) provided \$8 billion for health and international programs and made \$7 billion in small business loans available
- A second package ([H.R. 6201](#)) would provide paid leave, tax credits, expanded unemployment and nutrition assistance, and free testing
- The White House issued an emergency declaration, imposed travel restrictions

A third legislative response is underway in Congress, administration

- Could include tax breaks or other aid for affected industries, cash to Americans, small business support
- Treasury Secretary Steven Mnuchin is planning \$1 trillion package

This presentation reviews:

- The first response law, second measure, and White House emergency order
- White House supplemental request
- Policies lawmakers are considering
- Previous stimulus laws
- Fiscal and monetary capacity to provide stimulus

First Package Provided \$8 Billion

Public Law 116-123, enacted on March 6, provided \$6.5 billion for the Health and Human Services Department

- \$3.4 billion for Public Health and Social Services Emergency Fund
- \$2.2 billion for Centers for Disease Control and Prevention
- \$836 million for National Institutes of Health
- \$61 million for the Food and Drug Administration
- Waived Medicare telehealth restrictions, which CBO estimated would increase mandatory spending by \$490 million

Provided \$1.25 billion for State Department and USAID

- Includes funds for global health programs, humanitarian and health assistance, diplomatic operations, evacuation and emergency preparedness costs

Enabled Small Business Administration to provide about \$7 billion in disaster loans

Paid Leave Anchors Second Package

H.R. 6201 would create emergency paid leave programs to respond to the outbreak

- Private sector employers with fewer than 500 workers, government entities would have to provide as many as 12 weeks of partially paid family leave under the FMLA to care for a child whose school or day care has closed
- Employers also would have to provide full- and part-time workers with two weeks paid sick time, including for a quarantine order or to care for another affected individual
- Labor Department could exempt small businesses with fewer than 50 workers from the paid leave requirements

Paid leave would be financed through tax credits

- Refundable tax credits for employers to cover costs under the bill's sick leave and family leave programs
 - Would include amounts employers pay for a worker's health insurance plan
- Similar refundable credit for self-employed workers

House Democrats want third coronavirus relief package to expand the scope and length of family and sick leave, according to Speaker Nancy Pelosi (D-Calif.)

Measure Proposes Emergency Leave Programs

Refundable Tax Credits Would Finance Paid Leave

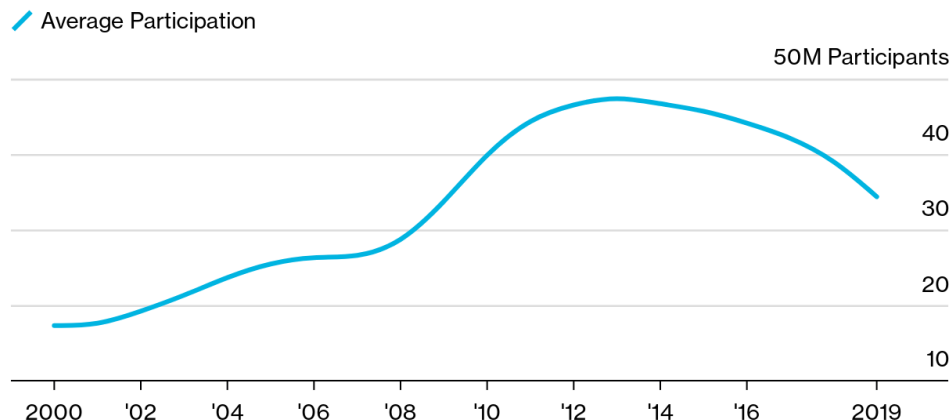
	Family Leave	Sick Leave
Covered employer	Private sector employers with fewer than 500 workers and government entities	Private sector employers with fewer than 500 workers and government entities
Qualifying circumstances	Caregiving for child younger than 18 whose day care or school closed	Quarantine, medical diagnosis, caregiving for another quarantined individual or for child whose day care or school closed
Length of leave	As many as 12 weeks	Two weeks for full-time workers and similar equivalent for part-time workers
Benefit amount	Unpaid for first 10 days, then at least two-thirds of a worker's normal pay rate, capped at \$200 per day or \$10,000 total.	Normal wage or minimum wage, whichever is greater, capped at \$5,110 for a worker's quarantine or diagnosis. Caregiving benefit would be two-thirds of normal or minimum wage, capped at \$2,000.
Employer tax credit	Covers wages of as much as \$200 per day or \$10,000 total	Covers daily wages of as much as \$511 for affected employee, or as much as \$200 for employee caring for someone else
Self-employed tax credit	The lesser of \$200 per day or 67% of average daily self-employment income	The lesser of \$511 per day or average daily self-employment income for affected individual, or the lesser of \$200 or 67% of average daily self-employment income if caring for someone else

Additional Funds Proposed for Nutrition

H.R. 6201 would provide \$1 billion for nutrition programs and allow Agriculture Department food programs latitude to ensure meals are provided

- SNAP could provide extra benefits in areas where school closures affect National School Lunch Program
- Meals could be taken “to-go,” federal SNAP work requirements waived

SNAP Enrollment Still Above Pre-recession Levels



Notes: SNAP – Supplemental Nutrition Assistance Program; Data is as of Feb. 14, 2020. Data for 2018 and 2019 exclude North Carolina.

Sources: [Agriculture Department](#); [BGOV Bill Page for H.R. 6201](#)

Jobless Benefits for Workers Set to Increase

Joint federal-state unemployment insurance program generally provides income support for as long as 26 weeks to workers who have been involuntarily laid off

- Doesn't cover workers who are self-employed, quit voluntarily, or fired for misconduct

H.R. 6201 would provide:

- As much as \$1 billion for states to process and pay unemployment benefits to workers affected by coronavirus outbreak
- Full federal funding for extended benefits in states with rising unemployment
- Flexibility for states to modify requirements for job searches and payment waiting periods

Labor Department clarified that states can make other changes under current law to cover workers who are quarantined or leave their jobs due to Covid-19

Congress and the administration could also expand unemployment benefits by:

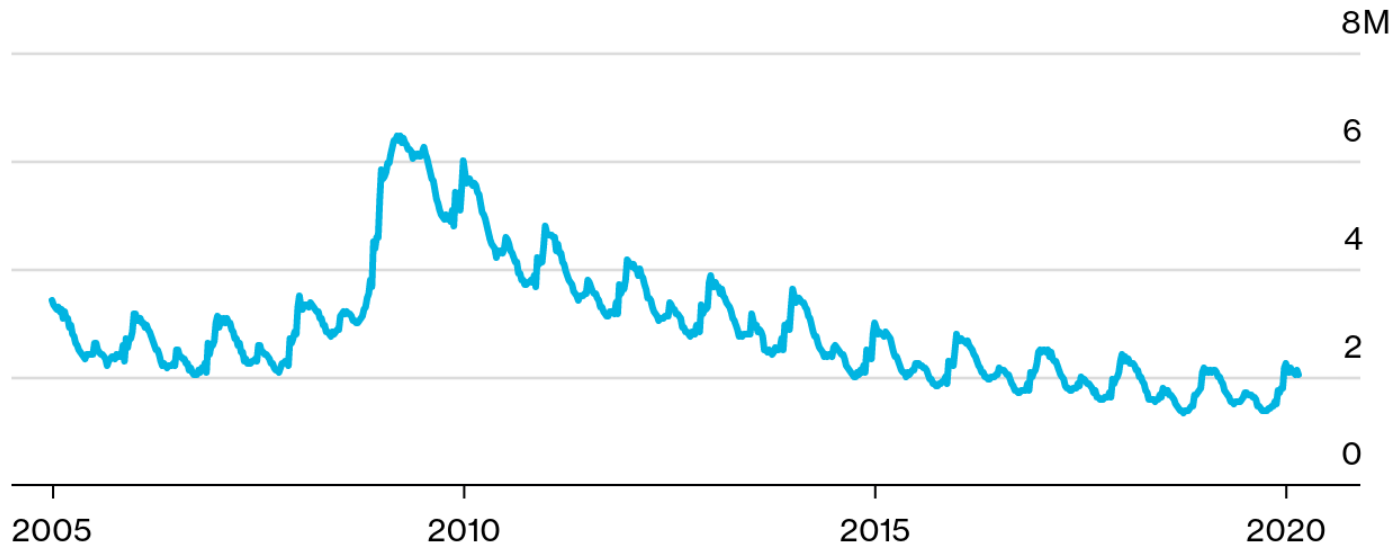
- Temporarily extending benefits beyond 26-week limit
 - Some workers qualified for 99 weeks following 2007-2009 recession
- Letting affected workers receive jobless benefits under separate disaster aid program if they don't qualify for regular unemployment compensation

Sources: "[Extending Unemployment Compensation Benefits During Recessions](#)," Congressional Research Service; "[Workplace Leave and Unemployment Insurance for Individuals Affected by COVID-19](#)," Congressional Research Service; Labor Department [news release](#)

Unemployment Claims Likely to Ramp Up

Over 6 Million Got Jobless Payments at Peak of 2007-2009 Recession

Continued claims for unemployment insurance



Notes: Continued claims refer to individuals who have already filed claims and are receiving weekly benefits. Data not adjusted for seasonal variations.
Source: St. Louis Fed based on Labor Department [data](#) as of Feb. 29

National Emergency Frees Up Federal Aid

Trump issued a national emergency declaration March 13 under the Stafford Act

- Frees up \$50 billion in disaster relief funds for state, territorial, and local governments
- Trump also invoked the Defense Production Act on March 18 to increase supply of masks and protective equipment
- Trump may declare major disaster next to authorize even more federal aid, including for health-care infrastructure

National emergency declaration allows FEMA to provide broad assistance, and other agencies to take actions not otherwise authorized by federal statute

- HHS can enable telehealth, allow doctors to practice across state lines, waive restrictions on stays in critical hospitals and nursing homes
- States can adjust their Medicaid and CHIP eligibility and coverage
- FEMA has been coordinating testing with states

Other emergency executive actions include:

- Education Department will waive student loan interest, although borrowers' monthly payment rates won't change
- Transportation Department waived trucker hours of service rules

Notes: CHIP – Children's Health Insurance Program; FEMA – Federal Emergency Management Agency
Sources: [Declaration](#); Trump [March 13](#) and [March 15](#) remarks and [letter](#); "White House Option for Virus Response Could Set Legal Precedent," Bloomberg Law; "Trump Coronavirus Student Loan Step Seen Having Limited Benefit," Bloomberg Government

Administration Requests Additional \$46 Billion

The Trump administration requested more fiscal 2020 funding, including:

- \$17.7 billion for Veterans Affairs and other civil defense programs
 - Includes \$13.1 billion for medical services account, \$2.1 billion for community care
- \$11.5 billion for the Health and Human Services Department
 - Includes \$5.3 billion for the Public Health and Social Services Emergency Fund to support vaccines and medical supply procurement, \$3.4 billion for the CDC
- \$8.3 billion for the Defense Department
- \$3.2 billion for Homeland Security
- \$3 billion for a new unanticipated needs account at OMB

White House also adjusted its fiscal 2021 budget to request extra funds, including:

- \$1.3 billion for various CDC programs
- \$439.6 million for the NIH for vaccine development and other applied research

Source: White House letter

Tax Breaks, Cash Payments Eyed as Stimulus

Trump directed the IRS to delay some tax deadlines

- Said it would inject \$300 billion of liquidity into the economy

Members of both parties have discussed direct cash payments to individuals

- Ranging from \$1,000 to \$6,000, possibly limited by income and family size

Trump has called for a temporary payroll tax cut or suspension

- The 12.4% tax, equally split between employees and employers, funds Social Security
 - An additional 2.9% tax funds Medicare

Stimulus laws responding to the 2007-2009 recession included many tax breaks:

- A one-time tax rebate of as much as \$600 per individual
- “Bonus depreciation” for businesses to more quickly write off capital purchases
- Making Work Pay credit of as much as \$400 per individual for two years
- Expansions of earned income tax credit, refundable amount of child tax credit, first-time homebuyer credit
- Business net operating loss carrybacks

Sources: Trump [tweet](#); “[Kudlow Says \\$400 Billion Virus Measures Under Way, More to Come](#),” Bloomberg News; “[Cash Handouts Are Gaining Support in Congress as Best Virus Fix](#),” Bloomberg News; White House [statement](#); BGOV Bill Pages for [Public Law 110-185](#) and [Public Law 111-5](#); “[Treasury Delays April 15 Tax Deadline by 90 Days for Millions](#),” Bloomberg News

Airlines, Airports, Transit Ask for Help

Several transportation industries seek government aid

- Airlines asked for \$58 billion in grants, loans, tax aid
- Public transit systems asked for \$12.9 billion
- Airports asked for \$10 billion

Congress and the White House discussed airline tax relief or loans

- Airport Improvement Program grants for airports also floated
- Lawmakers from both parties support relief for industry but may impose conditions

FAA waived requirement that airports use at least 80% of their slots at major airports

Public Law 107-42 enacted after Sept. 11, 2001, terror attack to help airlines

- Provided \$5 billion in direct federal aid, \$10 billion in loan guarantees
- Authorized \$120 million for the Essential Air Service aiding lower traffic airports
- Allowed Transportation Department to reimburse airlines for increased insurance costs
- Extended tax payment deadline

Note: FAA – Federal Aviation Administration

Sources: [“Airline Aid Focus of Discussions in White House, Congress,”](#) Bloomberg; Airlines for America [memo](#); FAA [news release](#); [“U.S. Airports Request \\$10 Billion From Federal Government,”](#) Bloomberg Government; [“Key Senator Supports Airline Bailout in Response to Coronavirus,”](#) Bloomberg News; [“U.S. Public Transit Group Asks Congress for \\$12.9B in Virus Aid,”](#) Bloomberg News; [“Virus ‘Worse Than 9/11’ for Airlines,”](#) Bloomberg Government

Other Stimulus Measures Under Consideration

Lifting tariffs imposed by the Trump administration

- US exempted Chinese face masks and other medical goods from 7.5% tariff
- Business groups and some Republicans have called for broader tariff relief

A major infrastructure package

- Mnuchin, House Ways and Means Chairman Richard Neal (D-Mass.), and Senate Appropriations Chairman Richard Shelby (R-Ala.) support using an infrastructure package to spur growth
- Surface transportation reauthorization could be considered as part of broader infrastructure bill

Aid for other groups and industries

- House Education and Labor Chairman Bobby Scott (D-Va.) introduced [H.R. 6275](#) to provide \$3 billion to schools
- Hospital, doctors, and nurses groups asked for \$1 billion in stimulus

Sources: "U.S. Exempts Face Masks, Medical Products From China Tariffs," Bloomberg News; National Association of Manufacturers [news release](#); Footwear Distributors and Retailers of America [letter](#); Sen. Steve Daines (R-Mont.) [news release](#); "\$1t Infrastructure Plan Could Help Economy With Virus: Shelby," Bloomberg News; House Ways and Means Committee [hearing transcript](#); "Doctors, Hospital Groups Seek \$1 Billion to Aid Virus Response," Bloomberg Government; "Democrats Back \$3 Billion Plan to Help Schools, College Students," Bloomberg Government

Lawmakers Look to Support Small Business

\$7 billion in loans made available under [Public Law 116-123](#)

Senate Small Business and Entrepreneurship Chairman Marco Rubio (R-Fla.) plans to introduce a measure to boost SBA assistance, including:

- Increasing 7(a) loan authorization by \$50 billion, from \$30 billion in fiscal 2020
- Allowing 7(a) loans to be used for payroll and paid leave
- Allowing the SBA to guarantee 90% of 7(a) loans, instead of 85% for loans of as much as \$150,000 and 75% for larger loans
- Increasing the limit on express loans to \$1 million, from \$350,000
- Waiving requirement that disaster loan applicants show they can't get credit elsewhere

Democrats on the committee are planning their own approach

- Includes flexibility for 7(a), 504 long-term loans, and community advantage programs

The 2009 stimulus law ([Public Law 111-5](#)) provided \$730 million for the SBA

- Eliminated loan fees, helped small businesses meet debt payments, among other things

Note: The 7(a) loan program is SBA's primary mechanism to assist small business. SBA – Small Business Administration
Sources: Senate Small Business and Entrepreneurship Committee news releases from [Chairman Rubio](#) and [ranking member Ben Cardin \(D-Md.\)](#); Small Business Administration [fiscal 2021 budget justification](#)

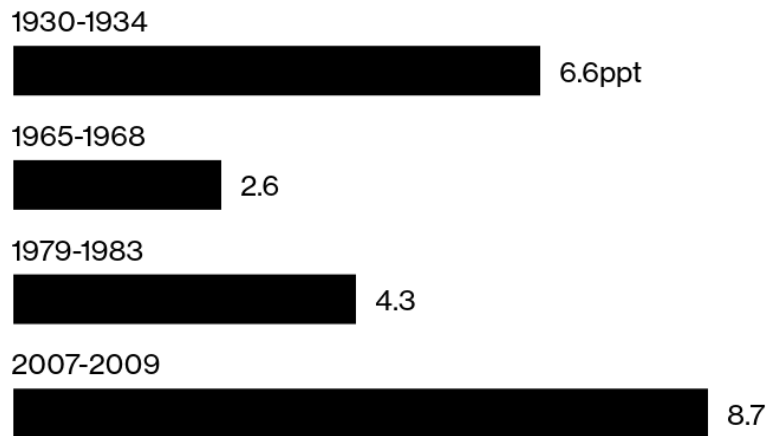
Previous Stimulus Laws Made Major Investment

- Investors, economists are calling for a large stimulus package
- First \$8 billion coronavirus law represents less than 1% of U.S. 2019 GDP

Spending Sprees

U.S. government's biggest peacetime widening of budget deficits

■ Deficit increase as % of GDP



Note: GDP – gross domestic product

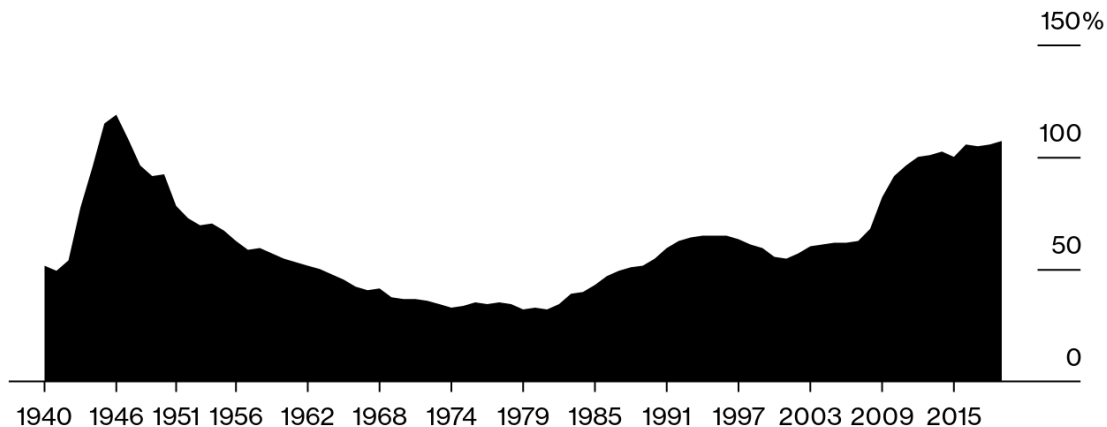
Sources: Bloomberg [analysis](#) of Office of Management and Budget data; [Bureau of Economic Analysis](#); "Wall Street Urges Shock-And-Awe Stimulus to End Market Bleeding," Bloomberg News

Debt Levels Are Already High

- Federal debt was 106.9% of GDP in 2019
- Highest point since 1947

Debt Levels Are Near All-Time Highs

■ Debt as a share of GDP

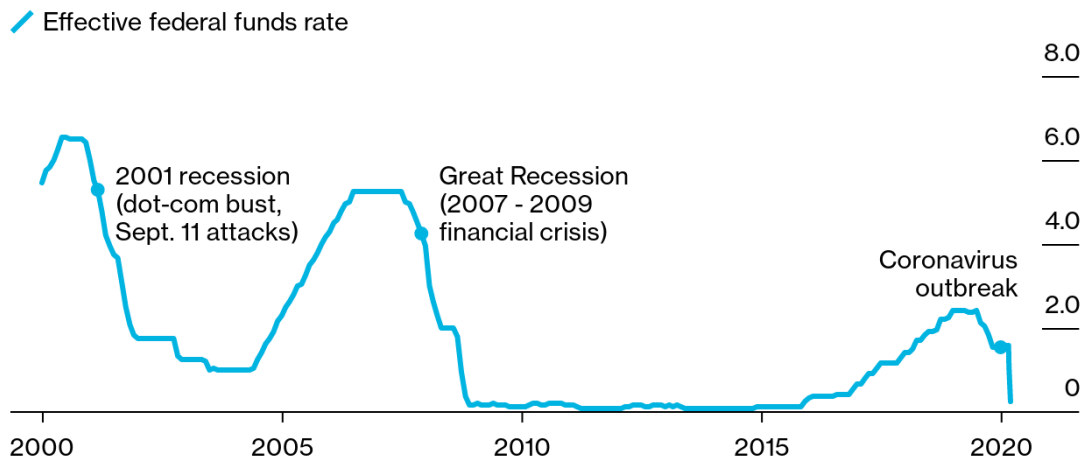


Note: GDP – gross domestic product
Source: [Office of Management and Budget](#)

No Room Left to Cut Interest Rates

- The Federal Reserve has cut its benchmark interest rate to near zero
- Chairman Jerome Powell said negative rates wouldn't be appropriate in U.S.

Fed Has Less Firepower to Fight Downturn With Interest Rate Cuts



Sources: Federal Reserve [data](#) as of March 17; "Fed Slashes Rates to Near Zero as U.S. Economy Braces for Virus," Bloomberg News

Fed & Financial Regulators Have Other Tools

The Federal Reserve has also sought to boost lending and economic activity by:

- Purchasing \$700 billion in Treasury securities and mortgage-related assets
- Offering more than \$5 trillion in temporary cash through overnight “repo” operations
- Reprising a financial crisis-era program, with \$10 billion credit backup from the Treasury Department, to help businesses borrow short-term funds with commercial paper
- Reducing the interest rate and extending the borrowing period for banks to get short-term loans through the Fed’s discount window
- Eliminating requirements for banks to hold reserves against customer deposits
- Urging banks to dial back post-crisis capital buffers and provide more loans

Other potential changes to banking and financial policies could include:

- Stricter requirements to provide relief to borrowers who fall behind on their payments
 - Agencies have urged banks to take steps such as waiving ATM and overdraft fees
- Establishing other special or emergency lending programs at the Fed
 - Dodd-Frank ([Public Law 111-203](#)) barred emergency loans to specific companies
- Tightening circuit breakers or temporarily closing markets to limit trading panics
- Rolling back capital, liquidity, leverage, and accounting rules to help banks lend more

Sources: “[Powell’s Fed Seeks to Limit Pain of Unavoidable Economic Slump](#),” Bloomberg News; “[Fed Offers More Than \\$5 Trillion of Liquidity to Quench Markets](#),” Bloomberg News; “[Fed Restarts Commercial Paper Facility to Ease Market Strain](#),” Bloomberg News; Federal Reserve [news release](#); “[Democrats Press Bank Regulators to Step Up Coronavirus Response](#),” Bloomberg Law; “[OCC Urges Banks to Work With Consumers Impacted by Coronavirus](#),” Bloomberg News; “[SEC Tools to Halt Panics Include Banning Shorts, Shutting Market](#),” Bloomberg News; “[Wall Street Regulators Weigh Rule Changes to Free Up Capital](#),” Bloomberg News