

# CONGRESSIONAL COVID RESPONSE

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# CONGRESSIONAL COVID RESPONSE

## 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:**

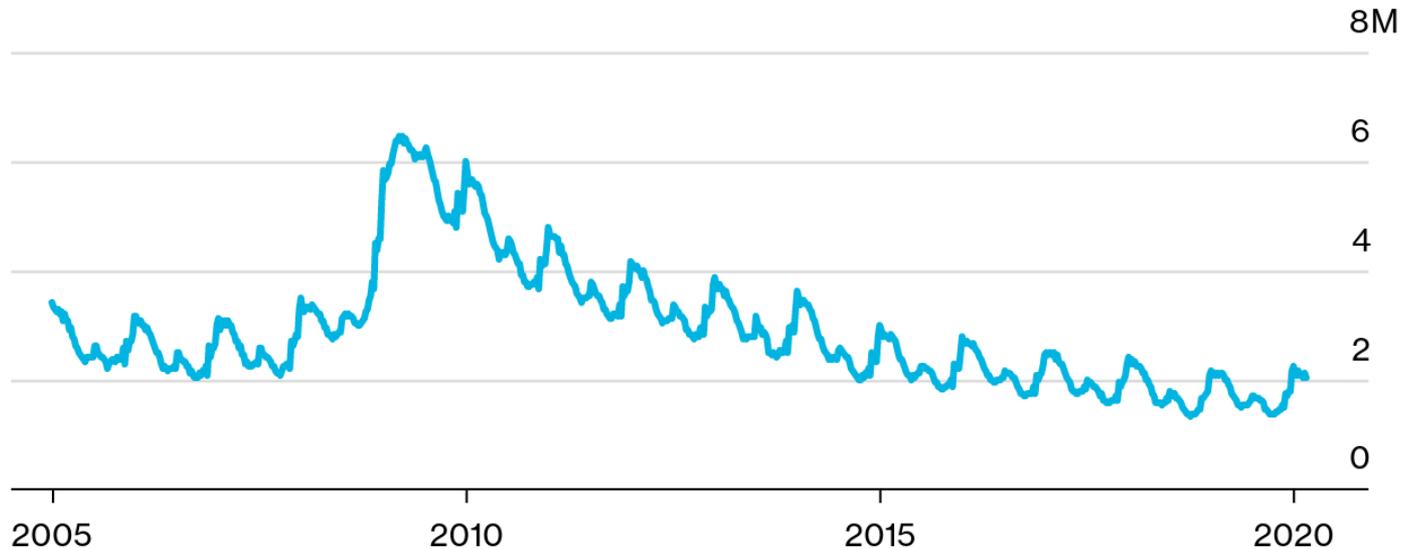
- Temporarily extending benefits beyond 26-week limit
  - Some workers qualified for 99 weeks following 2007-2009 recession
- Letting affected workers receive jobless benefits under separate disaster aid program if they don't qualify for regular unemployment compensation

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](#)

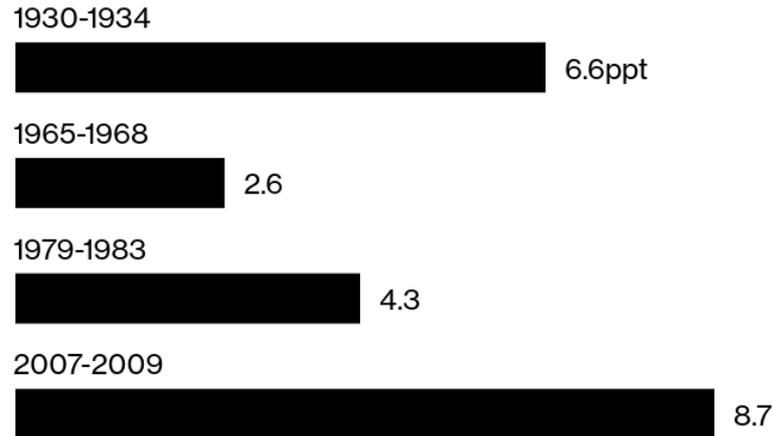
# Previous Stimulus Laws Made Major Investment

- 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

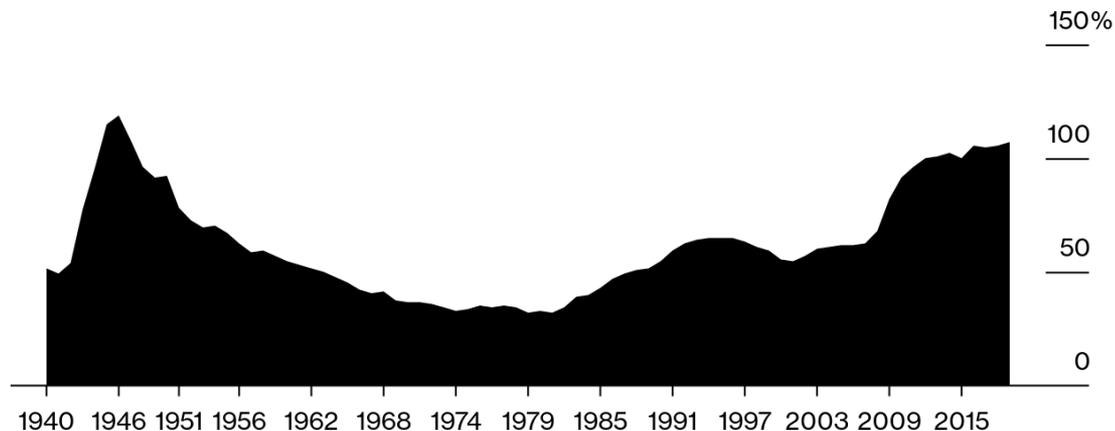
Sources: Bloomberg [analysis](#) of Office of Management and Budget data; [Bureau of Economic Analysis](#); "Wall Street Urges Shock-And-Awe Stimulus to End Market Bleeding," Bloomberg News

# 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

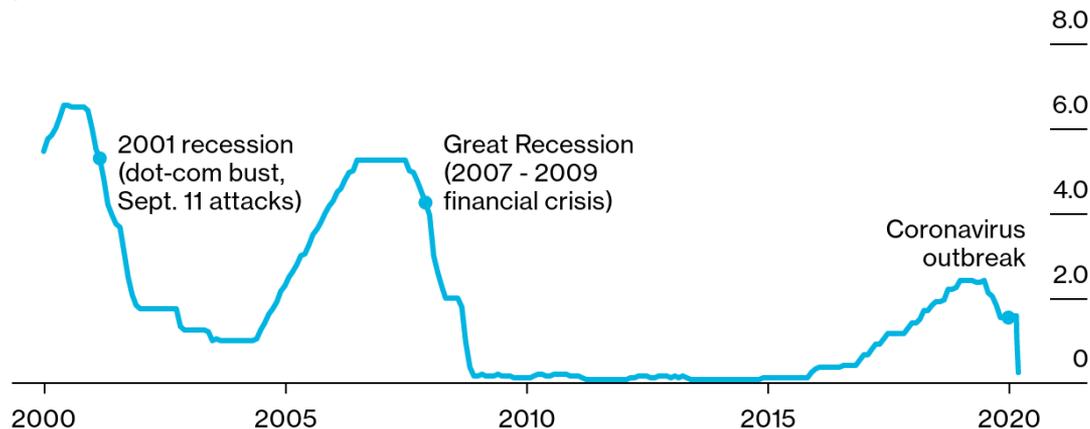
Source: [Office of Management and Budget](#)

# 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

Effective federal funds rate



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