

Overview of Federal Coronavirus (COVID-19) Stimulus Measures

March 18, 2020

As was the case following September 11, and during the Great Recession, President Trump and Congress have managed to bridge partisan divides and quickly develop several legislative packages to address the expanding impact of the coronavirus (COVID-19) on America's public health system and the broader economy. Phase 1—the supplemental appropriations bill—has already become law. Phase 2—targeted relief for individuals, including paid family leave—has passed the House and is poised to pass the Senate this week. Phase 3—broader economic stimulus designed to deliver cash to individuals to help them weather the downturn, as well as industry-specific relief—is being crafted as we write, hopefully with a bipartisan agreement and quick enactment in a matter of days, not weeks. We should not conclude that this third bill will be the end of the line. By all accounts, the current health care crisis is turning into an economic crisis that could far exceed that of the Financial Crisis. As the weeks and months unfold, Congress and the President will most likely be required to act again to help impacted industries and individuals. This report offers a summary of the first two packages and compiles ideas that are being discussed by leaders from the administration, House, Senate and the business community as part of Phase 3 and possibly even Phase 4, legislation.

Phase 1—the “Coronavirus Supplemental”—was an immediate public health response to the crisis. The Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, ([H.R. 6074](#)) was Washington's initial response to the virus, an \$8.3 billion emergency funding bill designed to treat and prevent the spread of COVID-19. The House and Senate overwhelmingly passed the legislation on March 5. The President signed the bill into law the next day as worldwide cases totaled over 100,000. Significant portions of the funding went to the Department of Health and Human Services (HHS) to develop vaccines and testing kits for local communities, to state and local health departments to be used for staffing increases and additional laboratory equipment and to the federal government to aid in the international containment of the virus.

House Speaker Nancy Pelosi (D-CA) quickly began work on Phase 2—legislation designed to provide immediate relief to individuals out of work due to the unfolding epidemic. For some time, the administration had begun putting forward ideas for

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payroll tax relief, as well as industry-specific relief, to combat the economic impact of the virus. However, the Speaker remained focused on individuals impacted by job loss and job absence due to the virus. The resulting legislation, the Families First Coronavirus Response Act (H.R. 6201), was the result of a hard-fought negotiation between the Speaker and Treasury Secretary Mnuchin. This legislation focuses on targeted relief for both individuals and businesses, as well as an expansion of coverage for COVID-19 testing. The package includes two weeks of qualified sick leave wages for those employees who must self-quarantine or seek treatment due to the virus, employer tax credits for paid sick and paid family and medical leave, guaranteed coverage of testing by public and private payers and additional health provisions regarding Medicare and Medicaid. **H.R. 6201 passed 353-40 in the House** on March 14, and a technical corrections package passed by unanimous consent on March 17. We expect that the Senate will pass H.R. 6201, as well as the technical corrections package, this week and without amendment. Before the ink was dry on the Phase 2 bills, Republicans and Democrats had already announced their intention to work on a Phase 3 bill—a stimulus that might ultimately be the size of the Troubled Asset Relief Program (TARP) and the Obama Stimulus put together. Speaker Pelosi and her committee chairs are working on their priorities. Senate Majority Leader McConnell (R-KY) announced on Tuesday that Republicans are working on their own Phase 3 package, and that the Senate, which already adjusted its schedule to be in session this week rather than a previously scheduled state work period, will remain in session until work on this Phase 3 bill is complete. That commitment is not insignificant given the growing public health concerns about senators, congressmen and staff remaining on Capitol Hill as the rest of the country moves into an effective quarantine.

The focus of Phase 3 for Senate Republicans appears to be threefold: (1) liquidity issues, (2) financial assistance for individuals and (3) assistance for distressed industries, with an initial focus on the airline industry. As part of those discussions, Treasury Secretary Mnuchin attended the Senate Republican lunch on Tuesday to discuss a plan that would provide \$250 billion in loans for small businesses, \$500 billion in financial assistance to individuals through direct cash payments (rather than the previous commitment to payroll relief) and substantial assistance to the airline industry. The Republican package, coordinated with the White House, is expected to have a cost in the range of \$1 trillion.

Senate Minority Leader Chuck Schumer (D-NY) and Senate Democrats have their own \$750 billion proposal which includes \$400 billion in emergency appropriations and \$350 billion in benefit increases to federal safety net programs. The funds would go to hospitals and emergency responders for additional medical care and service equipment, small business assistance and loans, investment in unemployment insurance, additional employee benefits and several other items. House Democrats could also still stretch to include some of their outstanding priorities, including the expansion of the Earned Income Tax Credit and infrastructure items. If Phase 3 does swell to become a \$1.5 trillion dollar proposal, it could be difficult for both chambers to accomplish passage in a three to four day span.

Ultimately, congressional Democrats and Republicans will have to reach a negotiated settlement on a Phase 3 package. As was the case in previous crises, there is reason to expect that partisanship will be at a minimum as the House and Senate work together to craft a bill that will have a meaningful economic impact. Leader McConnell made clear that, after Republicans roll out their proposal this week, he will be

negotiating with Leader Schumer and Speaker Pelosi in order to achieve a swift, bipartisan and bicameral result. Those negotiations will certainly broaden the Phase 3 package to include key Democrat priorities.

Obviously, the public health implications of COVID-19 are creating enormous uncertainty for American businesses and the individuals and families that depend on them. While it is true that the underlying economy is resilient, the economic impact of this public health crisis will be deep. Congress and the President understand that time is of the essence if we are going to mitigate the impact of a health and economic crisis unique in modern times. The policy ramifications of the crisis will likely extend far beyond the eventual recovery. The effort to move quickly will itself create uncertainty, as lawmakers are under pressure to ‘get it right,’ and people observing the process are uncertain about the development of policies or their ultimate rationale. Still, with the entire economy effectively on pause, difficult decisions with limited and changing facts will have to be made to help idle businesses and employees on the sidelines. This is likely to be the start of a months-long, not weeks-long, legislative process with the goal being that the country snaps out of this episode and into a robust economic recovery.

Policy Proposals for Phase 3 of Coronavirus Stimulus Legislation

Trump Administration

The administration is looking at a Phase 3 stimulus package that could total approximately \$850 billion, which would include funding for affected industries, small businesses and cuts in payroll taxes or direct payments to individuals. At a lunch with Senate Republicans on Tuesday, Treasury Secretary Steven Mnuchin reportedly pitched GOP members on a stimulus package that included:

- **Relief for Airlines** – Provide up to \$50 billion in relief for the airline industry.
- **Small Business Relief** – Provide up to \$250 billion in emergency loans for small businesses affected by the economic impacts of COVID-19.
- **Direct Payments to Americans** – As early as next month, the Internal Revenue Service (IRS) would send direct checks to Americans.
- **Payroll Tax Cuts** – The President has championed payroll tax cuts (\$500 billion) for hourly employees and those affected by the economic downturns, but the administration and Congress are now moving toward direct payments as the best way to put money into the hands of Americans.

Senate Republicans

During a press conference yesterday, Leader McConnell indicated that the Senate will not recess without passing Phase 3. Republicans are working through task forces led by chairmen of key committees, such as the Finance Committee, the Banking Committee and the Small Business Committee, with a focus on issues of liquidity for small businesses, direct relief for individuals and relief for highly distressed businesses like the airlines. First, the White House and the Senate GOP will have to reach an agreement on a joint proposal to Leader Schumer and bill that can get 60 votes in the Senate. If achieved, the Senate would pass the bill and send it to the House for consideration. While the House is on recess at the moment, Members are expected to return to Washington once a bill is sent from the Senate. Though Senate Republicans were reluctant to send direct cash payments to Americans, it appears that that tone has shifted, as Leader McConnell noted, “This is not an ordinary situation. So it

requires extraordinary measures.” Senate GOP Majority Whip John Thune (R-SD) also has indicated that there is support in the Senate GOP for direct payments.

House and Senate Democrats

Senate Minority Leader Chuck Schumer (D-NY) has proposed \$750 billion for a third COVID-19 stimulus bill, which includes funding and proposals to support the health system, children, small businesses, the elderly, public transportation, nutrition assistance and access to broadband, as outlined in Schumer’s detailed memorandum. The Democrats’ proposed package would include \$400 billion for emergency “surge” appropriations, \$350 billion for social safety net provisions and other “urgent policy matters” for the next phase of stimulus legislation. Leader Schumer and top Democrats are recommending the following proposals:

- **Flexible State and Local Aid** – Provide federal funds and disaster relief for the Community Development Block Grant programs through the Economic Development Administration’s Economic Adjustment Assistance program to support governors, tribal leaders, mayors and county officials to help mitigate local economic impacts; consider FIRE grants to help first responders support their operations.
- **Education and Child Care** – Provide increased federal funds for the Child Care Development Block Grant (CCDBG) to ensure child care providers have adequate resource; prioritize access to child care by training school staff on preparedness plans; provide basic needs, such as housing, food and child care, through emergency grant aid for college students at impacted institutions.
- **Public Transportation Relief** – Provide supplemental funding and strong labor protections for public transportation agencies to support ongoing efforts to limit the risk of COVID-19 transmission on their vehicles and prevent reductions in transit services that the general public rely on.
- **Small Business Relief** – Streamline the Small Business Administration’s (SBA) disaster lending programs; consider a robust temporary liquidity facility as a mechanism to provide small and medium-sized businesses with access to low-interest loans.
- **Senior Citizens** – In compliance with Centers for Disease Control and Prevention (CDC) recommendations for older adults (most at-risk population) to “stay at home as much as possible,” provide funding and relief for states for home and community-based services and providers under Medicaid, increase access to care at home, improve access to prescription medications and expand the home health care workforce.
- **Housing** – Provide emergency rental assistance for individuals struggling to pay rent; provide emergency mortgage assistance to borrowers behind on payments; and provide supplemental support for federal housing to ensure resident safety and assist homeless individuals.
- **Infrastructure** – Implement “homework gap” provisions to help provide internet and broadband to all children taking classes online at home; rebuild water infrastructure to ensure safe drinking water for all during the pandemic; distribute sustainable energy systems to ensure that power remains operational and avoid supply chain disruptions.

Ideas Proposed by Industry Stakeholders

- **Airlines and Airports** – Backed with full support from the President, airline industry trade groups are requesting \$50 billion in direct assistance and loan guarantees. Airports have reportedly sought \$10 billion in direct assistance from Congress as part of any Phase 3 stimulus package.
- **Travel and Hotel Industries** – Reports from meetings between the President and top industry executives indicate that the travel industry is asking for \$150 billion in assistance.
- **Restaurant Industry** – The President has also spoken with restaurant industry executives regarding a relief package, but the details and dollar amounts remain uncertain.
- **US Chamber of Commerce** – In a letter sent to Speaker Pelosi and Leader McConnell, the U.S. Chamber of Commerce recommended a variety of proposals, including the expansions of loan programs for affected small businesses with fewer than 500 employees, and creating credit facilities to provide loans to impacted employers with more than 500 employees.
- **Other potential relief measures** – Potential relief measures could likely come in the form of interest-free loans, loan guarantees backed by the Treasury and waived penalties on interest payments on debt during the economic disruption caused by the virus.

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