



Washington Update

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Yesterday, the Senate approved the House passed HR 6201, which was the second dollop of COVID-19 related funding relief in the last two weeks and followed an initial \$8 billion package addressing immediate health security needs and offering SBA loans for impacted small businesses and nonprofits.

The newly passed second round of funding contains an array of emergency related assistance including:

- \$1 billion for Unemployment Insurance operations in light of the strong upsurge in UI claimants;
- Continuation of school lunch programming and enhanced Meals on Wheels funding for seniors;
- Flexibility in SNAP benefits and work requirements;
- Enhanced paid leave and sick leave;
- Full payment for COVID-19 testing of the uninsured.

However, even before the passage of HR 6201, Majority Leader McConnell had already begun making plans for a third, \$1 trillion plus supplemental (Supp 3) to address the economic security needs of industries impacted by this crisis. McConnell formed working groups of key Republican Senators to develop policy proposals and worked with the Administration's point person, Treasury Secretary Steve Mnuchin to introduce S.3548, the “CARES Act”, this evening.

The core components of the CARES act focus on:

- \$500 billion in direct stimulus to taxpayers;
 - \$1200 to each adult earning less than \$75k or couple making under \$150k and an additional \$500 per child;
- \$300 billion in federally guaranteed loans to employers with under 500 employees, which would be forgivable and for core expenses such as employee retention, as well as expanded eligibility of lenders able to offer small business interruption loans;
- Provide the Secretary of Education with the power to grant “national emergency educational waivers”, statutory and regulatory waivers from ESSA, HEA, and CTE...if the Secretary deems that such a waiver is necessary and appropriate;
- Revival of the Treasury Department’s ability to use its exchange rate stabilization fund to guarantee money market mutual funds, a TARP authority last granted in 2008;

- \$208 billion in loans to distressed industries, including \$50 billion for passenger airlines and \$8 billion for cargo airlines;
- Expands funding for procurement of medical supplies and equipment;
- Extends the tax filing deadline to July 15th;
- Increases charitable deductions, allowing for an above the line \$300 deduction of cash contributions;
- Adjusts the limitations on deductions for charitable contributions by individuals who itemize, as well as corporations. For individuals, the 50% of adjusted gross income limitation is suspended for 2020;
- Waives the 10% early withdrawal penalty for distributions up to \$100,000 from qualified retirement accounts for coronavirus-related purposes.

McConnell chose not to work with his Democratic counterparts until the introduction of the CARES Act and is now seeking to begin negotiations with Senate Minority Leader Chuck Schumer.

Schumer has urged a “four corners” approach to negotiating this bill and has developed his own proposal, seeking \$750 billion, divided between \$400 billion for “emergency surge” spending and \$350 billion for social safety net programs.

Schumer’s emergency surge provisions:

- Massive new investment in public health and health care equipment;
- Immediate aid to states and localities through existing programs, such as CDBG;
- Expanded SBA lending to small business;
- Broad based education funding-- from K-12 to assist distance learning, to loan repayment and loan forgiveness for higher education;
- Increased CCDBG;
- Expanded OAA social service funding;
- Emergency housing and transportation related assistance.

Safety net investments:

- Enhanced UI-- including for Gig economy workers;
- Expansion of Medicaid;
- Increased SNAP benefits;
- Broader paid and sick leave-- as proposed by Senator Murray in an amendment that was struck down in the Supp 2 package.

Schumer has indicated that Democratic support on a consensus bill requires a more balanced approach that assists workers, as well as employers.

Next Steps

McConnell and Schumer will begin negotiations on the specs of a potentially bipartisan bill. McConnell has asked Senators to stay in town, as negotiations are likely to continue through this weekend. McConnell hopes to find a bipartisan compromise, but if consensus is not achieved, he will need the support of nine Democrats, as 60 votes are required to move legislation through the Senate floor and two Republican members are currently unable to vote due to being self-quarantined.

McConnell's strategy is to send the Senate bill to the House for an up or down vote, limiting the House's input on this \$1 trillion bill-- as House members are currently in recess and becoming increasingly leery of returning to DC, particularly after two House members were diagnosed with Coronavirus.

However, Speaker Pelosi has been working on specs for her own Supp 3 bill, requesting Committee Chairs to put forward ideas to her on what should be included in this package. While the bill will not likely be released until next week, its core components are expected to include:

- Additional Unemployment Insurance assistance;
- Expanded Medicaid;
- Additional social safety net assistance for vulnerable populations, such as food and housing;
- Loans for small businesses;
- Assistance to impacted industries.

The exact timetable for enactment of supp 3 is unclear at this point, but both parties in both chambers recognize the need for expediency to address the crisis created by Coronavirus.

Moving Forward

Along with the current bills already underway, a fourth tranche of funding is also expected to address a \$54 billion supplemental request from the Administration to address shortfalls in a number of Departments, with a specific focus on HHS and Homeland Security. Speaker Pelosi has indicated that she would rather address this request from the Administration in the Supp 3 bill, but is at odds with McConnell, who prefers it to be taken up separately in a fourth package.

Along with the Administration's supplemental appropriations request, this fourth tranche could include the extension of key social service programming including TANF and Community Health Centers, as well as the potential for a jobs related package focused on infrastructure.

Impact on FY 21 appropriations process

The extraordinary effort to address the Coronavirus has caused the Appropriations Committee leadership and staff to focus nonstop on emergency funding measures, leaving consideration of the FY 21 regular appropriations process left for another day, with the need for a Continuing Resolution to keep the government open past September 30th a virtual certainty.