



## Public Affairs Update

# COVID-19

### U.S. Government COVID-19 Relief Activities

Over the last month, the President and Congress have enacted three laws to promote public health and to stabilize the economy: the Coronavirus Aid, Relief, and Economic Security Act or CARES Act (\$2.2 trillion); the Families First Coronavirus Response Act (\$105 billion); and the Coronavirus Preparedness and Response Supplemental Appropriations Act (\$8.3 billion). These legislative efforts seek to:

1. Provide immediate assistance to individuals and businesses to mitigate impact of the disruptions to incomes from the social isolation policies adopted to slow the spread of the novel coronavirus;
2. Bolster the federal government's support to state and local governments and health care providers who are executing the bulk of the public health response; and
3. Increase funding for federal public health efforts.

With both the Senate and House out of session until at least late-April, the near-term focus now turns to how these new authorities will be implemented, and the additional funding expended.

Importantly, these three bills are only the first steps the federal government is taking in addressing the epidemic. House Republican Leader Kevin McCarthy, who is in the weakest bargaining position of any of the congressional leaders, has said he's "not sure you need a fourth package." However, other congressional leaders including Speaker Nancy Pelosi and those close to the White House have been more forward leaning on future legislation that could focus on additional aid to state and local governments, health care providers, individuals, and small businesses including addressing gaps in the market for business interruption insurance.

Because legislation is being quickly drafted to offset the health and financial implications of COVID-19, businesses should consider any unintended effects of the bill and look for opportunities for potential adjustments in future legislation. For example, the CARES Act made amendments to the Families First Coronavirus Response Act to correct errors.

#### Key features of the \$2.2 trillion CARES Act:

**Secured loan assistance to businesses:** Gives the Federal Reserve broad discretion over programmatic funding of \$500 billion in secured lending or loan guarantees, which includes \$50 billion funding for "severely distressed sectors." \$150 billion is specifically set aside for yet to be defined critical sectors of the economy. The Treasury will directly administer only \$56 billion in assistance limiting the opportunity for Treasury and the administration to make policy-driven decisions.

- Accountability mechanisms were modelled after those instituted for TARP and the Recovery Act during the 2008-2009 financial crisis. Future administrative and legislative efforts are also likely to replicate analogous

efforts from the last economic crisis. Secured loan assistance will be overseen by a Special Inspector General for Pandemic Recovery within Treasury to provide oversight of the loans in quarterly reports and regular Congressional testimony; and the Pandemic Response Accountability Committee is a new oversight board to review and monitor lending decisions. Requirements for receiving assistance include capping executive compensation and golden parachutes for two years, maintaining employment levels at or above levels when the assistance was accepted, and refraining from stock buybacks for at least one year after repayment.

**Assistance for “severely distressed sectors”:** Provides \$25 billion in federal grants to passenger airlines, \$4 billion to cargo air carriers, and \$3 billion to airline contractors to support employee payroll and benefits. \$29 billion in loans and loan guarantees are also provided to passenger airlines and cargo air carriers. \$17 billion more in loans is set aside for “businesses critical to maintaining national security,” a category that is left to the Treasury Secretary to define. The bill removes federal excise taxes (i.e., ticket taxes, cargo tax, fuel tax) through December 31, 2020. The bill also provides \$10 billion for the FAA to support airport operations

- To receive financial assistance, airlines must agree to refrain from involuntary furloughs and pay/benefits reductions for workers; prohibit stock dividends and or buy back shares through September 2021; protect collective bargaining agreements through September 2020; maintain scheduled routes that were in place before March 2020, to the extent reasonable; and limit executive compensation and severance payments for two years.

**Small business interruption loans:** Makes \$377 billion in forgivable small business loans available for any small business, agricultural cooperative, or non-profit with less than 500 employees. Loans are intended to support payroll, paid sick leave, mortgage payments, rent, utilities, and other debt obligations. Individual loans are capped at \$10 million and are intended to provide eight weeks of support to qualified companies. Those who maintain payroll for employees will have some costs (i.e., utilities, mortgage interest, rent) forgiven. The bill also enables lending institutions not currently authorized to offer Small Business Administration (SBA) loan products to provide SBA small business interruption loans for the length of the national emergency declaration. It also raises the debt cap for filing Chapter 11 bankruptcy from \$2.7 million to \$7.5 million for smaller businesses. Raising the cap and allowing modified bankruptcy payment plans is intended to help companies reorganize quickly and keep more employees on their payroll.

**Unemployment expansion:** \$260 billion in additional unemployment benefits for up to four months and an additional 13 weeks of benefits (adding to the existing 39 weeks of regular unemployment insurance) through the end of 2020. The coverage would be retroactive to Jan. 27 and extends coverage to “gig” workers and independent contractors, a historic first.

**United States Postal Service assistance:** \$10 billion in available loans for operating activities, including funding to establish temporary distribution points as necessary. Stipulations require priority delivery for medical supplies for COVID-19 relief activities.

**Relief for state and local governments:** \$150 billion for state and local governments, with \$8 billion set aside for local governments, which are losing high levels of tax revenue.

**Emergency funding for public health:** \$242 billion in additional emergency appropriations to fight COVID-19 and safety net programs. In addition to \$15.6 billion for food stamp programs, assistance will benefit child nutrition, hospitals, the Centers for Disease Control and Prevention (CDC), public health, and transportation agencies with the following:

- \$100 billion in direct grants to health care institutions on the front lines (i.e., hospitals, public entities, NGO entities, Medicare and Medicaid enrolled suppliers).
- \$16 billion to replenish the Strategic National Stockpile supplies of medicines, personal protective equipment (PPE), and other medical equipment that is distributed to state and local health agencies, hospitals, and other healthcare entities.

- \$3.5 billion for Biomedical Advanced Research and Development Authority (BARDA) to expand production of vaccines, therapeutics, and diagnostics to combat pandemic.
- At minimum \$250 million to expand Hospital Preparedness Program support for national, regional, state, and local emergency preparedness and pathogen response.
- \$1 billion for the Defense Production Act to bolster domestic supply chains and quickly ramp up production of ventilators, PPE, and other urgently needed medical supplies.
- \$4.3 billion to support federal, state, and local health agencies prevent, prepare for, and respond to coronavirus.
- \$200 million for CMS to assist nursing homes with infection and control and to support states in preventing the spread of the virus in nursing homes.
- \$45 billion for FEMA to provide immediate support to state, local, tribal, and territorial governments, including medical response, supplies, National Guard Deployment, coordination of logistics, and other safety measures.
- \$30.75 billion to support school systems in continuing to operate and provide educational services.
- \$260 million to deploy two Navy hospital ships to Los Angeles and New York City.
- \$3.5 billion to support worker childcare assistance.
- \$7 billion for affordable housing and homelessness assistance programs.
- \$25 billion in aid to transit systems to protect workers and the public's health and safety and provide access to medical treatment, jobs, and food for essential workers.
- \$1 billion for Amtrak to maintain employee payrolls and support rail infrastructure following steep declines in ridership.
- \$1.03 billion for Indian Health Services to support tribal health care and response systems.
- \$15.9 billion to support veteran access to testing and treatment of coronavirus, including treatment access in the VA health system.
- \$425 million to increase access to mental health services in communities.

**Guarantees for money market mutual funds:** Suspends statutory restrictions on the use of the Exchange Stabilization Fund (ESF) to provide guarantees to money market mutual funds. During the 2008 financial crisis, Treasury used the ESF to backstop money market funds, which Congress subsequently prohibited in the Dodd-Frank Act. This provision is intended to protect the Federal Reserve from losses in its new Money Market Mutual Fund Liquidity Facility, which is helping calm the turbulence of the \$4 trillion mutual fund market that is an important source of financing for corporations.

**Economic impact payments to taxpayers:** \$300 billion in direct cash payments to around 150 million eligible Americans of up to \$1,200 for individuals and \$2,400 for couples. The sum would increase by \$500 for every child. The check totals would start to phase out above \$75,000 - \$99,000 for single filers and \$150,000 for married filers using adjusted gross income in 2018. Those with no federal tax liability would receive only \$600.

**State election assistance:** \$400 million in assistance to help prepare for the 2020 election cycle, including increasing vote by mail abilities, expanding early voting and online registration, and increasing in-person voting health and safety.

## Reactions to the CARES Act:

**President Trump:** "We are marshalling the full power of government and society to achieve victory over the virus. Together, we will endure, we will prevail, and we will WIN! [#CARESAct](#)" [\[Twitter\]](#)

**Senate Majority Leader Mitch McConnell:** “Ten days ago, I laid out four urgent priorities for new Senate legislation to help our nation through this crisis. I led Republicans and Democrats to work together around the clock to make the bill even better. And I am proud to say the Senate stood together, acted together, and passed this historic relief package. In the coming days and weeks, our nation is going to meet new heroes. Heroes who rush toward the sick, and wash their hands until they bleed, and work around the clock to heal our friends and our families. When our nation comes through this and takes flight again on the other side, it will be because American heroes won this fight. All the Senate can do is give them the resources to do it. So that’s exactly what we did.” [\[March 26 Statement\]](#)

**House Speaker Nancy Pelosi:** “Thanks to the leadership of Congressional Democrats, today, President Trump signed a bill that has been transformed from corporate-focused to workers-first. It is the third in a series of bills where Democrats insisted on taking responsibility for families and workers first...We must do more to address the health emergency, mitigate the economic damage, and provide for a strong recovery.” [\[March 27 Statement\]](#)

**Governor Andrew Cuomo (NY):** “The bill did a lot of good -- the unemployment insurance is good, the small business aid is good, the health care aid is good. But they left out a very important function, which are the state governments and local governments. [New York’s] economy is shut down like everybody else’s. I have no revenue, and all I have are expenses...look, forget the politics. Let’s put it aside. It’s very simple. I need help. You’re the federal government and this relationship has to work or a lot of people die.” [\[March 27 transcript\]](#)

**Governor Jay Inslee (WA):** “Our state welcomes this critically-needed support, as we continue to face down an unprecedented crisis...we also know it is not enough. There’s no question more help will be needed in the coming months to address the harsh economic realities of this moment. Make no mistake — it is a moral imperative that leaders across the country continue to make the difficult choices to protect public health and keep Americans safe. But it is also incumbent on federal government to help address the billions of dollars in shortfalls we are expecting to face at the state, local and tribal levels. This bill does not solve those longer-term challenges.” [\[March 27 statement\]](#)

**Governor Gavin Newsom (CA):** “States and local governments are on the front lines of fighting this pandemic — scaling up the capacity of our health system, supporting first responders, providing food aid, and supporting workers as they seek to make ends meet amid massive job losses. State and local governments will need additional and flexible funding to ensure they can continue responding to this crisis and continue critical services. California businesses and residents will also need additional federal support to weather this economic storm.” [\[March 27 statement\]](#)

**American Hospital Association:** “This bill includes important provisions that will help us respond, including the creation of an emergency fund grant program, additional support for taking care of COVID-19 patients and relief from spending cuts, among other provisions. This support will help those hospitals from rural and urban communities that are in dire financial need due to this devastating pandemic.” [\[March 25 Statement\]](#)

**Airlines for America:** “On behalf of 750,000 U.S. airline employees and our nation’s airlines, we applaud the Administration and the U.S. Congress for reaching agreement on bipartisan legislation intended to assist the U.S. airline industry in continuing to make payroll and protect the jobs of hardworking men and women despite devastating impacts to the industry in recent weeks. We appreciate the unwavering leadership that President Trump and Vice President Pence have provided during the current novel coronavirus pandemic; Leader McConnell who guided the Senate to consensus and ultimate passage of the Coronavirus Aid, Relief, and Economic Security Act; Leader Schumer who took the lead to work with airlines on difficult issues to protect hundreds of thousands of jobs...” [\[March 26 Statement\]](#)

**U.S. Chamber of Commerce:** “Every hour of every day, American employers across the country are being forced to make difficult decisions due to the significant revenue disruptions caused by the coronavirus. The types of emergency funding programs in the CARES Act could make the difference between keeping a business up and running over the coming weeks or being forced to reduce salaries, layoff employees, or shutter

businesses entirely. No family and no business should go bankrupt because of the financial hardships caused by the coronavirus, but every hour Congress delays action increases that risk. We cannot and should not allow this to happen. We urge members of the House to act swiftly in a bipartisan manner and pass the CARES Act."

[\[March 25 Statement\]](#)

**American Medical Association:** "As the COVID-19 pandemic sweeps the globe and the WHO points to the United States as possibly the next epicenter for the virus, ensuring our physicians, frontline healthcare workers and hospitals are prepared to care for patients is of paramount importance. While we still must review the entire stimulus package, we appreciate that the legislation attempts to increase access to personal protective equipment for physicians and other health professionals on the front lines of care — though supply issues remain. The bill also provides needed financial relief to hard-hit workers, health systems, and physician practices. At this critical moment, physician practices need significant financial support to sustain themselves and continue to meet the health care needs of all Americans during this time." [\[March 25 Statement\]](#)

**Service Employees International Union (SEIU):** "This legislation is a good first step to address the twin economic and health challenges facing working people of all races and ethnicities in this national emergency. More money will go directly into people's pockets and states will have additional resources as the response continues. Hospitals will also see more funding, including for PPE. However, this is not a substitute for a robust, coordinated federal response by this administration to make sure our healthcare providers can safely take care of those who are sick...Congress should immediately begin work on a new bill that ensures every working American has paid sick days, everyone can get coronavirus testing and treatment free of charge, no matter their immigration status, and working people continue to come before corporations." [\[March 26 statement\]](#)