
Legislative Group COVID-19 Update

March 19, 2020 | 5:38 p.m.

Congressional and Legislative Updates

Yesterday afternoon, the Senate overwhelmingly passed H.R. 6201, the emergency supplemental funding and paid leave expansion bill commonly known as “Phase Two”. The President signed the package into law shortly thereafter.

Senate Majority Leader asked the Senate to work at “warp speed” on the third coronavirus package (“Phase Three”) and this evening McConnell released the text from the work of the Senate coronavirus task forces, the “Coronavirus Aid, Relief, and Economic Security Act” or “CARES Act” (attached). As McConnell spoke on the floor minutes ago, he laid out the trillion-dollar bill which he said provides:

- Relief for Americans
- Rapid relief for small business and employees
- Significant steps to stabilize economy and protect jobs
- More support for healthcare professionals and patients fighting the virus on the front lines

As we have continued to stress, the Phase Three package will need support from Senate Democrats in order to pass. The CARES Act in its current form is subject to additional Democratic input, though we understand the Senate has been working in a bipartisan fashion.

House Democrats, for their part, are drafting their own package, which should be viewed primarily as a negotiating tactic. If McConnell can win the support of Schumer and his caucus, Speaker Pelosi would be hard-pressed not to take up the package as is, especially since following final passage of Phase 3 the Senate is expected to adjourn.

Should bipartisan talks in the Senate move smoothly, a vote on final passage could come as soon as this weekend or it could stretch into next week. There is a tremendous amount of pressure on the Senate to move as quickly as possible.

As of now we are expecting to see about one month between Phase Three and Phase Four, with the former being characterized on Capitol Hill as a “triage” bill and the latter a “stimulus” package. A stack of ideas for Phase Four is already being collected by lawmakers.

Finally, Appropriators have said that they are continuing their work on FY21 bills, though the process may be pushed out a month or two. We hear the Administration has sent over a \$45 billion supplemental request for FY20 that includes some Defense asks; this supplemental request will be kept separate from FY21 regular order appropriations.

Critical Infrastructure

Today CISA released an initial list of “Essential Critical Infrastructure Workers” to help State and local officials as they work to protect their communities, while ensuring continuity of functions critical to public health and safety, as well as economic and national security. (See attached)

Regulatory Updates

Treasury

- Secretary Mnuchin sent a [letter](#) to the Federal Reserve approving the establishment of a Money Market Mutual Fund Liquidity Facility (MMLF) under the authority of Section 13(3).

Federal Reserve

- The Federal Reserve set up “temporary US dollar liquidity arrangements” or swap lines with other central banks from around the world. According to the [statement](#), “these facilities, like those already established between the Federal Reserve and other central banks, are designed to help lessen strains in global U.S. dollar funding markets, thereby mitigating the effects of these strains on the supply of credit to households and businesses, both domestically and abroad.”
- The Federal Reserve, in coordination with the [FDIC](#), established a [MMLF](#), using its 13(3) authority, “the Federal Reserve Bank of Boston will make loans available to eligible financial institutions secured by high-quality assets purchased by the financial institution from money market mutual funds.”

Other Updates

- Bloomberg [reported](#) that the Administration is considering issuance of “ultra-long bonds,” 25- and 50-year terms, in order to help offset the cost of the rising national debt. White House economic advisor Larry Kudlow is a strong proponent of the idea and Treasury Secretary Mnuchin has warmed to it.
- New York City continues to lock down. Governor Cuomo put in additional work restrictions—75% of a company’s non-essential employees must stay home.
 - It seems to be having an effect. Ridership on New York City subways was down 5,568,464 to 1,785,252. Over a 70 percent decrease.

Summary of White House Press Conference

President Trump

- Signed into law the Families First Coronavirus Response Act - critical support for families and small businesses including family leave, sick leave, etc.
- FDA experiencing progress with private sector in vaccines, therapeutic measures, etc. thanks to red tape being lifted
- Clinical trials of vaccine are under way
- Right-to-try for those who want to use experimental medicines and treatments that have not been fully approved yet

Vice President Pence

- Had a call with over 5,000 state and local leaders about how the federal government is responding

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- Trump signed Families First act – free coronavirus testing, sick leave, etc.
 - Meeting with FEMA later today
 - State and private labs are required by law to report testing data to CDC
 - Last night's bill allows more masks to be used by hospitals after extending liability protections to construction companies that make them

Summary of Call re: Small Business CARES Act Section

Chairman Rubio's Small Business Committee staff today held a call on his legislation, some form of which will be adopted in the third stimulus bill. His bill will assist small businesses defined as under 500 employees through drastic changes of 7A loans and a massive infusion of cash. The goal is to have the Small Business Administration (SBA) in a position to provide these loans by next week.

The bill will:

- Define coverage loan March 1, 2020 through Dec 31, 2020.
- Eligible are companies of 500 or less (the company could have slightly more, not a hard cap).
- Draft allows nonprofit to be eligible for loans.
- Increases maximum loan to \$10 million.
- Payroll support, medical leave, employee salary, rent, and lease utilities all eligible to be uses of loan money.
- Delegated authority to all lenders who offer loans and new lenders.
- For those companies applying, lenders do not need to determine ability to repay but rather whether business was operational on March 1st.
- Bill will waive borrow and lender fees for 7A loans
- Government guarantees 100%of the loan.
- Deferment of loan payments for up to a year.
- Removes limitations on spending authority.
- Increases express loans to \$1 million (36 hours revolving lines of credit).

Section on Entrepreneurial Development:

- Provide funding to small business development centers and women business centers to small business looking for funding.
- Waive matching requirement for women business center for 3 months.
- Include funding for minority business centers.

Loan forgiveness:

- Bill provides process for borrowers to receive forgiveness.
- Payroll costs and debt obligations for March 1 to June 30.

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- It will be reduced proportionally based on employees that are laid off.
 - Lender would verify what was spent and ensure that forgiveness would not be included in taxable income.
 - Bill will make direct appropriations to cover costs for salary and expenses.
 - Waiver of prepayment penalties for loans paid.