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CED TRUSTEE COVID-19 SURVEY RESULTS

LEGISLATIVE ACTION

“Phase III” Relief Package Update – March 25, 2020

Following is a brief outline of the deal on a “Phase III” COVID-19 response/relief bill that Senate leaders and the White House announced in the early hours of Wednesday. The package is expected to pass the Senate this afternoon but it is uncertain when it will pass the House. Speaker Pelosi wants to pass the bill by unanimous consent so members do not have to come back to DC but some House members favor the Democratic alternative that was introduced by the Speaker earlier before the Senate agreement. This new legislation is expected to provide over \$2 trillion in spending, though official estimates of its size may not be available until after its passage.

Based on the most recent reporting, the Coronavirus Aid, Relief and Economic Security (CARES) Act currently includes the following major provisions:

- **Hospital funding – \$150 billion emergency influx**—referred to as the “Marshall Plan” for the US health care system--\$100 billion for public and private hospitals and medical workers treating COVID-19 patients and \$49 billion to increase medical equipment supply—protective gear for medical workers, ventilators, testing supplies, and new constructions for to house patients; also boosts Medicare payments
- **Small business** (fewer than 500 employees, including self-employed and sole proprietors) –

- \$350 billion in loans/grants for payroll and other fixed expenses, with forgiveness of the loan contingent on (or scaled based on) maintaining workers on payrolls over the period of the loan
 - Loans to be administered by the SBA and are capped at \$10m; payroll relief is capped for salaries greater than \$100,000
- \$10 billion for SBA emergency grants of up to \$10,000 to provide immediate relief for small business operating costs.
- \$17 billion for SBA to cover 6 months of payments for small businesses with existing SBA loans
- **Flexible relief, including big business and affected sectors** - \$500 billion in emergency relief, including:
 - \$425 billion in funding to businesses, states, and cities
 - The funding is expected to be confined to financing Federal Reserve operations (whereby the \$425 billion would be used to absorb losses incurred on new lending operations)
 - The details of what operations would be backstopped by these funds has not been released by the Federal Reserve though they have previewed a focus on helping “Main Street” and could—potentially—include direct purchases of debt from states, localities, homes, or businesses.
 - Sector-specific packages, including \$50 billion for airlines, \$8 billion for cargo air firms, and \$17 billion in loans and loan guarantees for firms deemed critical to national security (likely Boeing).
 - For businesses receiving government assistance, bans stock buybacks for the term of the government assistance plus 1 year
 - The bill creates a new inspector general and oversight board to oversee aid.
- **Individual payments** – “Recovery rebates” would provide a planned one-time \$1,200/\$2,400 refundable tax credit for adult/joint taxpayers and \$500 for each minor dependent, phasing out for higher income earners
 - The checks will initially be based on 2018/19 tax returns and reconciled against 2020 tax returns
 - Adult dependents and tax filers without SSNs are not covered
 - The phase-out (\$5 for every \$1,000 of AGI) will begin at \$75,000 for single filers, \$125,000 for heads of household, and \$150,000 for married couples filing jointly with payments ending altogether for those with higher incomes.
- **Unemployment insurance** –
 - Funds a temporary increase in regular UI benefits of \$600 per week for up to 4 months for laid-off or furloughed workers
 - Extends UI benefits for an additional 13 weeks (past the typical 26, or 39 weeks if Extended benefits is triggered)

- Creates a new temporary Pandemic Unemployment Assistance program for people who would typically be ineligible for UI, including self-employed and contract workers
- **State and local funding –**
 - \$150 billion for state, local, and tribal “Coronavirus relief” stabilization fund
 - \$30 billion in emergency education funding
 - \$25 billion in emergency transit funding
 - \$30 billion for the Disaster Relief Fund (also includes private nonprofits providing critical and essential services)
- **Business tax relief –**
 - Employer payroll tax payments for Social Security may be delayed until January 1, 2021 (repaid over the next two years)
 - Rules around net operating losses (NOLs) have been liberalized and the allowable size of net income deductions relative to EBITDA have been increased

There are many additional provisions in the bill including emergency supplemental funding for Federal agencies and programs

OVERVIEW AND SUMMARY (Numbers rough, based on news reports)

	Billions
Small Business	\$377
Business and Industry Sectors	
Flexible Funding	\$425
Specific Sectors	\$75
Individual Payments	\$500
Unemployment Insurance	\$250-\$300
Hospital Funding	\$130-150
State Stabilization Funding	\$150
Business Tax Relief	?
TOTAL	\$2,000+

UNEMPLOYMENT CLAIMS

Unemployment Insurance claims expected to be record setting

On Thursday, the Bureau of Labor Statistics will report the number of initial Unemployment Insurance (UI) claims submitted nationally during the week that ended March 21. Some states have already reported partial or weekly numbers, indicating that the number reported on Thursday will reflect a record-setting speed and magnitude of workers moving from employment to an unemployed status. For example, Governor Newsome reported that California had received 564,000 claims by roughly mid-day Friday. In other words, before the week had ended, California received more than 380,000 more initial claims for UI than in the prior four weeks combined.

Extrapolating from reported claims, new weekly UI claims is expected to be at least 2 million, and more than 3 million claims is more likely. Since 1970, the US's highest level of initial claims in a week was less than 700,000 (in October 1982). Holding other factors constant, 3 million initial UI claims suggests that the unemployment rate has already increased by roughly 2 percentage points over the past week, which would be the fastest recorded month-to-month increase in unemployment in US history. However, because of when unemployment is measured, most of the unemployment reflected in last week's UI claims likely will not factor into the US's official unemployment rate until April (which is announced in early May). Additionally, UI claims reflect workers eligible for UI and so may understate the number of Americans, including self-employed and contractor workers, who are at least temporarily not working.