



This week's WSW Coronavirus Update is longer than usual, but we wanted to provide a more detailed accounting of the state of play in Washington as we head toward Congressional action on the next COVID relief measure, which will begin in earnest next week.

As States remain on the front lines of the COVID response and assess resuming economic activities, Congress and the Administration are confronted with the fact that many of the previous COVID response measures - despite the \$2+ TRILLION price tag - are almost depleted or are coming to an end and have only had a partial, if not minimal, impact on stemming the financial crisis playing out across virtually every segment of the American economy. Today's Depression-era level [unemployment numbers](#) illustrate the crisis in stark terms: one in four Americans has lost their job. At the same time, COVID-19 cases continue to increase in many areas, and concerns about a resurgence or second wave rise with communities resuming economic activity.

In response, House Speaker Pelosi is preparing a "CARES 2" package for floor action as early as next week. It is expected to be at least another \$2+ trillion, and all corners of the Democrat Caucus are being solicited for input into the package. At the same time, Pelosi - anticipating there will be no Republican support for their package - is also urging caution to the progressives in her Caucus that not all proposals will be possible to include, due to both budgetary and political considerations, as leaders discern exactly what House Democrats will be able to pass on their own.

Senate Majority Leader McConnell is putting down his own markers for this package, including "must do" federal liability protections for business. McConnell shifted his earlier response to the idea of state and local aid where he suggested instead of federal help, states should declare bankruptcy; he is now seeking to limit any state and local funds from being used to bailout states for previous and longstanding "mismanagement of their pension funds," as one example.

The Administration is also expected to weigh in with proposals that rely more heavily on changes to the tax code and regulatory relief, including potentially more changes to immigration and trade policies, to speed the pace of economic recovery, and secure key work forces and supply chains within the borders of the U.S.

Here is what's on the "most likely" list for CARES 2:

More funds - and possible program modifications - for the Paycheck Protection Program. The PPP again faces the prospect of running out of funds. Additional changes to the program under consideration include focusing resources on "smaller" small business as well as smaller banks and micro-lenders, and adding eligibility for entities 501(c)(6) nonprofit entities such as local Chambers of Commerce, extending the time of PPP coverage, and time and terms for repayment and loan forgiveness.

More aid for state and local governments, between \$500 billion to \$1 trillion. In addition to significantly more funding, House Democrats are pushing for more flexible use of funding to address general budget deficits, while Senate Republicans are insisting on restrictions on use for pension deficits. Expect changes on eligibility to include municipalities with populations of 50,000 or greater (up from the current floor of 500,000) as well as some portion of these funds dedicated to COVID-19 "hot zone" states.

Additional aid for COVID-19 health care response, testing and contact tracing. States and business communities alike are seeking federal assistance to ensure widespread availability of testing and contact tracing to support resumption of economic activity. We expect provisions directly related to supply chain for testing products and to prepare for treatments and vaccines.

*Another **proposal** worth noting is a suggestion that emerged in the House Appropriations Committee this week that future COVID-related health care funding (including enhanced preparedness, supply chain and stockpile funding needs) be handled in the same way that emergency defense spending is handled through what is known as the Defense Department's "Overseas Contingency Operations" (OCO) account, which allows spending to be provided without counting against annual budgetary limits.*

What's on the direct funding "wish list" that may or may not be included?

Another direct payment or payment(s) from the IRS as income support for individuals and families is high on the list. Also under consideration for more funding: Community Development Block Grants; K-12 education and Institutions of Higher Education; tribal, rural and minority communities; mass transit; U.S. Postal Service; mental health grants; broadband expansion, including funding for devices for access to broadband; and rental assistance and homeowner assistance.

In addition to direct federal funding, there are plenty of policy changes on the wish list for the CARES 2 package, including: Revised terms of PPP as noted above; liability protections for business; restoring State and Local Tax Deduction; student loan debt forgiveness; vote-by-mail in November's election; extending Unemployment Insurance past current deadline at the end of June; extending the Employee Retention Tax Credit; provisions to shore up multiemployer pension plans; additional provisions to prevent evictions and foreclosures; ban negative credit reporting; forbearance on loans; Medicaid expansion; increased FMAP; anti-price gouging provisions; increased EIDL funding and eligibility; subsidize COBRA benefits; and OSHA expansion for workers.

And still more? Expect many Members - both individually and working together in coalitions - to push regional and economic-sector fixes such as aid to farmers, food chain security, relief for automakers, and more.