

## Public Policy Daily Briefing – June 15, 2020

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White House officials have begun moving publicly to set the table for bipartisan negotiations that will determine the contents of the next major federal COVID-19 response bill. Larry Kudlow, the director of President Donald Trump's National Economic Council (NEC), says the talks will formally begin after the US Congress' Independence Day state/district work period. Senior White House trade advisor Peter Navarro says the president wants to sign into law a measure that will provide an additional infusion of approximately US\$2 trillion into the nation's economy this summer, double the amount preferred by Senate Majority Leader Mitch McConnell (R-KY).

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*Topics covered today include tax and economic development, health, international trade, government oversight, US states developments.*

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Kudlow, [appearing](#) on CNN's "State of the Union," affirmed that Republicans will not allow an extension of the enhanced unemployment benefits that were approved by Congress last spring as the American economy was placed in lockdown. Republicans and some economists have expressed concern that an extension of the US\$600-per-week benefit would create a disincentive for individuals to return to the workforce, and that an alternative approach, such as a federal "back-to-work bonus" that would reward workers who return to their jobs with additional money on top of their wages, would be sounder policy. Senior congressional Democrats such as Representative Richard Neal (D-MA), chairman of the House Committee on Ways & Means, have expressed interest in such an approach, but have also called for an extension of the enhanced benefits already in place, which are set to expire at the end of July.

The approaching expiration of the current unemployment benefits creates an action-forcing deadline that will bring both parties together in the coming weeks to hammer out a consensus agreement on a measure that can pass both the Democratic-controlled House of Representatives and the Republican-

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led Senate and be signed into law by President Trump. The House, under the leadership of Speaker Nancy Pelosi (D-CA), approved a US\$3 trillion coronavirus response bill in May that established congressional Democrats' bargaining position for the upcoming talks. The House has continued to develop additional measures since then that could also become factors in the negotiations, including a nearly US\$500 billion surface transportation bill that will be taken up [Wednesday](#) by the House Committee on Transportation & Infrastructure.

The newly-public White House support for a COVID-19 response measure in the range of US\$2 trillion, expressed by Navarro in a *Fox Business* [appearance](#) late Friday, brushes aside a redline conveyed in recent weeks by Leader McConnell, who has discouraged colleagues from viewing the next bill as a vehicle for passing a major new investment in national infrastructure projects and urged that the package be limited in size and scope. Navarro said priorities for the president in the next package will include payroll tax relief and support for US manufacturing, including steps to enhance domestic production of medical supplies and pharmaceuticals.

Jerome Powell, the chairman of the Federal Reserve Board, last week renewed calls for Congress to use its taxing and spending powers to give further support to the US economy as it struggles to emerge from the recession caused by the pandemic. Powell will appear before congressional panels twice this week to further discuss the outlook for the nation's economy.

## Tax and Economic Development Updates

The Small Business Administration (SBA) has released new and revised guidance for the Paycheck Protection Program (PPP), which implements the recently-enacted Paycheck Protection Program Flexibility Act (PPFPA) and expands eligibility for businesses with owners who have past felony convictions. Specifically, the revised [interim final rule](#) updates provisions relating to loan maturity, deferral of loan payments and loan forgiveness provisions. The SBA has also made changes to the eligibility threshold for those with felony criminal histories, including by reducing the look-back period from five years to one year to determine eligibility for applicants, or owners of applicants, who, for non-financial felonies, have: (1) been convicted; (2) pleaded guilty; (3) pleaded nolo contendere; or (4) been placed on any form of parole or probation (including probation before judgment). The period remains five years for felonies involving fraud, bribery embezzlement, or a false statement in a loan application or an application for federal financial assistance. The SBA has also issued revised PPP [borrower](#) and [lender](#) application forms to conform to these changes. Notably, these changes to the PPP come as Treasury Secretary Steven Mnuchin last week announced that his department does not plan to release information about the loans approved through the program. House Speaker Pelosi has recently made clear that she believes "the administration must immediately reverse this decision and uphold its obligation to release this data," suggesting that Congress may seek to require it to do so.

As noted above, we expect this week to hear from Federal Reserve Chairman Powell as he testifies before the Senate Banking and House Financial Services Committees regarding the Federal Reserve's [semiannual report on monetary policy](#). A key topic likely to be at the center of his testimony: the "alarming picture of small business health during the Covid-19 crisis." We also hope to learn more details this week about the Main Street Lending Program (MSLP), which is set to launch soon.

## Health Updates

A group of 29 bipartisan senators, led by Brian Schatz (D-HI) and Roger Wicker (R-MS), sent

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a [letter](#) to Majority Leader McConnell and Minority Leader Chuck Schumer (D-NY) asking to make many telehealth policies permanent. Congress made several changes to the way telehealth is delivered and reimbursed in COVID-19 legislation, and the Department of Health and Human Services has waived many restrictions. However, these changes are only for the duration of the public health emergency, and Congress would have to pass legislation in order for the policies to remain permanent. These modifications include eliminating the originating site requirement, expanding eligible providers such as allied health professionals, allowing rural health clinics and community health centers to be reimbursed as distant sites and removing state licensure requirements. The Senate Committee on Health, Education, Labor, and Pensions will be holding a hearing titled "[Telehealth: Lessons from the COVID-19 Pandemic](#)" on Wednesday.

A group of Democratic senators sent a [letter](#) to House and Senate leadership requesting consideration of health care access and coverage in any future COVID-19 related legislation. The correspondence suggests "further enhancing the Medicaid federal medical assistance percentages (FMAP) to ensure continued and comprehensive coverage for [Medicaid] enrollees." The federal portion of Medicaid funding has been increased in previous pandemic-related legislation, but many stakeholder groups have asked for additional assistance as state budgets continue to be stretched thin. The letter also requests providing further premium assistance for those enrolled in an Affordable Care Act exchange insurance plan by recommending the removal of the current 10% cap of household income on advance premium tax credits.

## Trade Updates

In an interview with Maria Bartiromo from *Fox Business* on Friday, White House trade advisor Navarro stated that the administration would like to see policies supporting reshoring of American manufacturing jobs as part of any next round of coronavirus relief legislation. Navarro called out pharmaceutical and medical supplies as part of the manufacturing base that should be a focus of the bill. Navarro added, "For me and for this president, one of the key thrusts of any phase four — and any economic plan — going forward has to be manufacturing jobs, a focus on buy American, hire American, make it in the U.S.A."

Navarro's comments come as senior officials are [reportedly](#) working on a new executive order that could place limits on employment-based immigration visas through at least the fall. While the COVID-19 pandemic has increased interest in incentives that might lead to the shift certain — especially critical medical and pharmaceutical — supply chains to the US, the business community has voiced strong opposition to actions that could limit the flow of foreign workers. Proponents, including certain Republican lawmakers, argue that such action is important to supporting US workers displaced by the outbreak.

## Oversight Updates

Following Treasury Secretary Mnuchin's announcement last week that the administration does not plan to release the names of borrowers or the amounts received under the PPP, the pressure to release this information has continued to intensify. Several lawmakers have joined Bharat Rhamamurti, a member of the Congressional Oversight Commission, in demanding that the information be released. They include Senate Minority Leader [Schumer](#), Senator Kamala [Harris](#) (D-CA), Representative Katie [Porter](#) (D-CA), and Representative Ben [McAdams](#) (D-UT). White House economic adviser Larry [Kudlow](#) claimed on CNN yesterday that the administration had never promised to release the names of PPP loan recipients. According to Kudlow, "what is necessary is to make sure that the legalities were observed, that the process of

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credit and lending was observed and that people that can qualify will in fact get it.” These and other lawmakers and the CARES Act oversight bodies, as well as the recently established House Committee on Oversight and Reform’s Select Subcommittee on the Coronavirus Crisis, will undoubtedly continue to press for transparency.

Per articles in [The New York Times](#) and [The Wall Street Journal](#), independent wealth management firms that took PPP loans are facing the same blowback as large public companies and other deep-pocketed entities faced a few weeks back. Among the concerns that have been expressed are: (1) whether the firms were on sound enough financial footing to manage their clients’ money if, as they were required to attest, they needed the money to continue operations; and (2) whether it was disingenuous and hypocritical of them to assure their clients that the market would rebound and, thus, they should leave their money in the firms’ hands to manage, while citing market uncertainty as a justification for taking the loans.

Additionally:

- Last Friday, House Committee on Energy & Commerce Chairman Frank Pallone, Jr. (D-NJ) and Communications and Technology Subcommittee Chairman Mike Doyle (D-PA) sent a [letter](#) to Federal Communications Commission Chairman Ajit Pai requesting additional information on the distribution of funds through the US\$200-million COVID-19 Telehealth Program, a program established by the CARES Act.
- Another person has been [charged](#) with wire fraud stemming from an investment scheme involving a bogus COVID-19 cure. The defendant claimed that he had developed a “patent-pending” cure and a treatment, and solicited investments in two companies based on those claims.
- Tomorrow, the National Security, International Development, and Monetary Policy Subcommittee of the House Committee on Financial Services will hold a virtual [hearing](#) titled “Cybercriminals and Fraudsters: How Bad Actors Are Exploiting the Financial System During the COVID-19 Pandemic.”

## State Updates

COVID-19 continues to present new challenges for health care and state officials. [Lyme disease](#) and [EVALI](#) are both diseases that present with symptoms similar to those widely reported to be COVID-19. And in **Washington** State, Attorney General Bob Ferguson (D) filed a lawsuit stopping a company that was [administering a bogus COVID-19 vaccine](#). In what the Attorney General called “too good to be true,” North Coast Biologics is alleged to have issued a fictitious vaccine to approximately 30 people who paid about US\$400 per dose.

While the number of cases of coronavirus have increased in more than a dozen states, [governors show no signs](#) of bringing back stay-at home orders, marking a change in attitude in responding to the pandemic infecting more than 20,000 people every day in the US.

The average number of confirmed cases over a [two-week period](#) has doubled or more in **Arizona, Arkansas, Oregon and Utah**. **South Carolina, Nevada, North Carolina and Florida** have all set new highs over a seven-day rolling average. Just one state, **Utah**, has put the next phase of its reopening plan on hold based on a two-week spike in new cases.

Governors point to now being able to stock up more on PPE, expand testing and contact tracing and monitor outbreaks in hot spot areas, including meatpacking plants, nursing homes and prisons, as to their shift in coronavirus response attitudes. They also acknowledge that the [public has fatigue](#) from long-time imposed quarantine. When reopening guidelines were released in April, infectious disease expert Dr. Anthony Fauci suggested some states may need to reinstate restrictions if the virus rebounded.

**Meg Gilley** also contributed to this article.

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