

Congress to the rescue

By Don McIntosh

Democrats control the U.S. House. Republicans control the Senate. So how did Congress respond to epidemic and economic collapse? The House passed the Senate's bill, which was drafted by Republican Majority Leader Mitch McConnell. Amended to overcome a few Democratic objections, H.R. 748—dubbed the CARES Act—passed 96-0 in the Senate March 25 (four self-quarantined senators didn't vote), passed the House on an unrecorded voice vote March 27, and was signed into law by President Donald Trump.

The CARES Act is a strange way to respond. A logical response might have been to protect workers' income and preserve all curtailed businesses during a period of suspended animation until they can re-emerge after the virus is vanquished. Instead, McConnell ruled out sick leave, and focused only about one-eighth of the aid on actual working people who face loss of income. Most of the law consists of massive loans and grants to businesses large and small. Thanks to Democratic insistence, many of those giveaways DO come with con-

ditions. There are also a number of complicated tax breaks.

National AFL-CIO President Rich Trumka said he supported passage of the bill, but also pointed out some pretty big shortcomings.

"The package fails to provide front-line workers with the health and safety protections necessary to keep them from contracting COVID-19," Trumka wrote. "It includes no workplace standard, no increased funding for OSHA and not enough resources to front-line workers. And because of Sen. McConnell's obstruction,

the deal is silent on the multiemployer pension crisis."

That last item could be one of the longest term impacts of the virus. The federal insurance program for union-sponsored multiemployer pension plans was already expected to run out of money in 2025. Now, with the stock market having lost about a quarter of its value since its peak on Feb 19, union pensions that were in trouble will run out of money even sooner. Democratic leaders wanted a bill called the Butch Lewis Act to be included in the stimulus bill, and even President Trump said he agreed

with that, but McConnell refused.

The CARES Act also didn't have any cash to spare for the U.S. Postal Service, which has lost about half its mail revenue and could run out of money this summer.

Almost immediately after passing the CARES Act, its critics got to work calling for another piece of legislation to fill in those gaps.

At 883 pages, the CARES Act is a tremendously complicated piece of legislation. Below is an attempt to summarize its key provisions.

THE BIG STUFF

One-time checks for all—\$507 billion

Millions of Americans face temporary lay-off or a drastic cutoff of their business. Rather than aim aid at those who need it, Congress decided in an election year to give nearly everybody a one-time check, including the majority of Americans who have suffered no economic hardship. More than 150 million American households will get checks or direct deposit of \$1,200 per adult taxpayer. Couples filing jointly will get \$2,400, with an extra \$500 for each child. Even people with no income and or only Social Security income are eligible. The checks phase out for those with incomes of \$75,000 to \$99,000, as reported on the most recent tax return (double that amount for joint filers). Payments are expected to go out by April 6.

Big business loans—\$450 billion

The U.S. Treasury Secretary (Steve Mnuchin) is authorized to lend up to \$450 billion to big businesses (500 to 10,000 employees). The amount includes \$25 billion for airlines, \$4 billion for air cargo firms, and \$17 billion for firms deemed critical to U.S. national security (thought to be intended for Boeing). Thanks to the insistence of top Democrats, firms taking the loans face a number of conditions. They are barred from paying dividends to shareholders or engaging in stock buy-backs for the duration of the loan plus one year. They must retain at least 90% of their employees at full compensation and benefits until September 30, 2020. They can't outsource or offshore jobs within two years of repayment. And they must remain neutral in any union organizing effort for the term of the loan.

Forgivable small biz loans—\$350 billion

The government will pay small business payroll and other expenses, even if they've suffered no losses. CARES Act calls them "paycheck protection loans." Businesses

and nonprofits with fewer than 500 employees can get federally guaranteed no-fee no-collateral loans of up to \$10 million through June 30, and the federal government will forgive whatever portion of the loan is used to cover mortgage and rent payments, utilities, debt service, and up to eight weeks of payroll for employees making up to \$100,000. The loans aren't tied directly to any losses suffered during the national disaster.

Expanded unemployment—\$260 billion

Recognizing that this economic crisis isn't just hitting workers classified as employees, Congress temporarily expanded unemployment benefits to include the self-employed, independent contractors, gig workers, and those with limited work history. The CARES Act also provides 13 weeks of additional benefits, adds an extra \$600 per week to benefit levels, and starts benefits right away, avoiding the one-week waiting period many states have before benefits begin.

Grants to states and cities—\$150 billion

A Coronavirus Relief Fund will pay for extra state and city government expenditures through Dec. 30 that are due to dealing with the coronavirus public health emergency. Low-population states get the most generous aid, because the CARES Act says each state, no matter how small, gets \$1.25 billion. DC, Puerto Rico and other territories get \$3 billion; tribal governments get \$8 billion. The remaining \$76.5 billion then gets apportioned to states and cities based on population. Oregon gets \$1.635 billion, and Washington gets \$2.953 billion. Within each state, 55% of the money goes to the state government, and 45% goes to cities with more than 500,000 residents. In Oregon, that means Portland alone will get funding, about \$736 million.

SOME OF THE REST

Student loan deferral

Borrowers can defer their student loan payments for six months, and keep their Pell grants even if their school is closed.

Workers get to spend their depleted 401(k)s

A 401(k) retirement savings plan is meant to be cashed out in retirement. Balances just took a big hit with a stock market collapse. The CARES Act lets 401(k) participants deplete their balances further by taking a "coronavirus-related distribution" of up to \$100,000 in the year 2020 free from the usual 10% tax penalty for pre-retirement withdrawal—if they or a spouse get COVID-19 or experience adverse financial consequences as a result of being quarantined, furloughed, laid off, having hours reduced, or being unable to work due to lack of child care.

Grants to the airline industry—\$42 billion

To maintain employee wages, salaries, and benefits, the CARES Act includes \$25 billion in grants to passenger airlines, \$4 billion for cargo airlines, and \$3 billion for airline contractors, including aircraft cleaners, airport janitors, wheelchair attendants and security guards. Grant recipients would not be allowed to cut pay or benefits or issue involuntary furloughs until after Sept 30, 2020. Nor could they buy back their own stock or issue a stock dividend until Sept. 30, 2021. USDOT is authorized to force air carriers to continue service to destinations served as of March 1, 2020, until March 1, 2022. The Act also provides \$10 billion for airports to ensure continued operation during a sustained decline in air travel; grant recipients have to maintain employment levels of at least 90%.

Appropriations

- \$100 billion in grants to hospitals and health care providers to help cover unreimbursed health care-related expenses or lost revenue as a result of COVID-19
- \$30.75 billion for an Education Stabilization Fund for states, school districts and institutions of higher education
- \$25 billion for transit systems, which have been hit hard by reduced ridership and the economic downturn, distributed through existing formulas
- \$17 billion for the Small Business Administration, to cover six months of payments for small businesses with existing SBA loans; rent, mortgage and utility costs are eligible for SBA loan forgiveness
- \$10.5 billion for the Department of Defense, primarily for the protection of members of the armed forces, their families and military retirees from the coronavirus
- \$10 billion for Small Business Administration (SBA) emergency grants of up to \$10,000 to provide immediate relief for operating costs.
- \$400 million in election security grants to prevent, prepare for and respond to the coronavirus in the 2020 federal election cycle. [This could include converting to vote-by-mail.