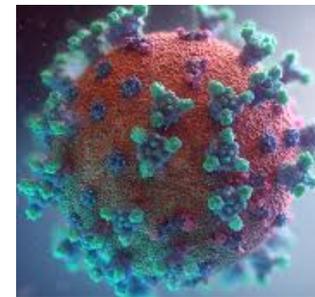
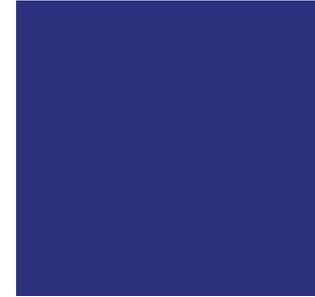
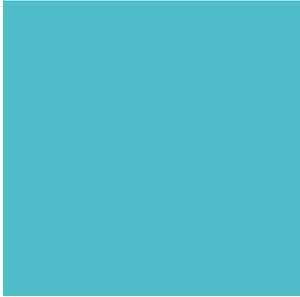




THE ASIA GROUP

# Understanding the \$2 Trillion Stimulus Bill

How it Works, Who's Covered, and What Comes Next



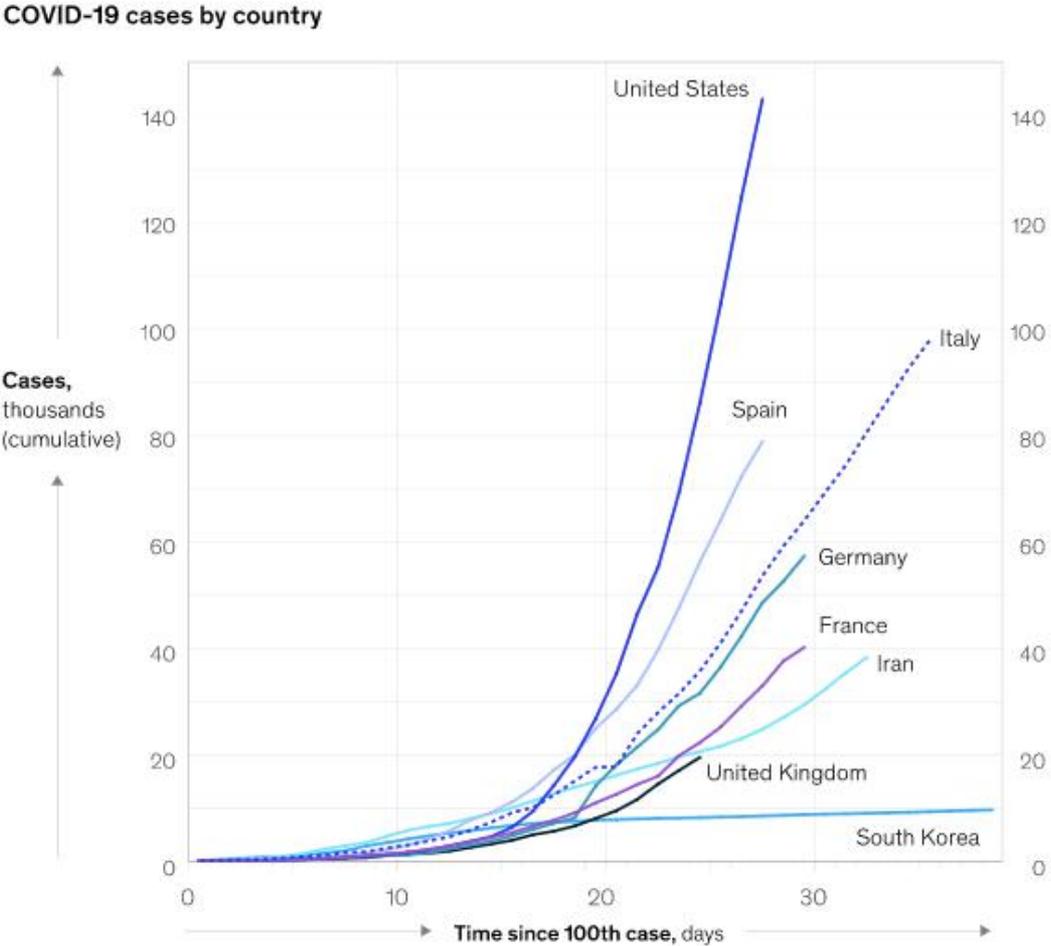
April 1, 2020

# KEY COUNTRIES IN FOCUS: A TIMELINE OF COVID-19 ESCALATION

	December	January	February	March
<b>China</b> 	<b>Dec. 31:</b> Health officials from China's Hubei province confirm 41 cases of pneumonia from an unknown cause.	<b>Jan. 7:</b> The Chinese government identifies the outbreak as a novel form of coronavirus (COVID-19).  <b>Jan. 23:</b> China places Wuhan – a city of 11 million – under lockdown.	<b>Feb. 9:</b> The death toll in mainland China reaches 811, surpassing the number of fatalities during the 2003 SARS outbreak.	<b>Mar. 19:</b> China reported no new COVID-19 cases in Wuhan for the first time since December.  <b>Mar. 25:</b> China eases lockdown restrictions in Hubei province.  <b>March 31:</b> Renewed concerns of a second wave impacting China and Asia.
<b>Italy</b> 		<b>Jan. 30:</b> First COVID-19 case recorded in Italy.	<b>Feb. 24:</b> Italy becomes the worst-hit country in Europe as officials confirm their sixth death from the virus.	<b>Mar. 8:</b> Prime Minister Giuseppe Conte announces a nationwide lockdown.  <b>Mar. 31:</b> Italy's number of confirmed cases reaches 105,792 with 12,428 deaths.
<b>USA</b> 		<b>Jan. 21:</b> First COVID-19 case recorded in the United States.  <b>Jan. 29:</b> President Trump creates White House Coronavirus Task Force.  <b>Jan. 31:</b> President Trump announces travel restrictions on foreign travelers who have visited China in the past two weeks.	<b>Feb. 4:</b> The FDA approves test kits developed by the CDC.  <b>Feb. 12:</b> CDC reveals its test kits were flawed.  <b>Feb. 22:</b> CDC imposes strict testing criteria.  <b>Feb. 26:</b> Trump administration announced that Vice President Pence will lead the Coronavirus Task Force.	<b>Mar. 13:</b> National emergency declared.  <b>Mar. 15:</b> The White House bans all European travel.  <b>Mar. 26:</b> The number of U.S. cases surpasses China.  <b>Mar. 30:</b> 32 U.S. states are under stay at home orders.  <b>Mar. 31:</b> 188,713 confirmed cases and 3,896 deaths.

# TRYING TO FLATTEN THE CURVE

## U.S. Experiences Sharpest Increase in COVID-19 Cases Globally



Source: European Centre for Disease Prevention and Control

# THE ECONOMIC IMPACT



**Stock Market Plunges:** With Tuesday's losses, the stock market posted its worst first quarter ever. The Dow is down 23% and the S&P 500 is down 20%. A modest recovery has lifted stocks from their absolute lows reached on March 23<sup>rd</sup>, but extreme volatility remains, with grim second quarter forecasts.



**Unemployment Claims Surge:** The economic slowdown prompts nearly 3.3 million Americans to file for unemployment benefits within a week – almost five times the previous record set in 1982. Expectations are another 2.65 million more will be added this week, with nearly 50 million at risk of job loss, according to the St. Louis Federal Reserve.



**Supply Chain Disruptions:** The prolonged shutdown of factories in China and the implementation of lockdown orders in various countries creates disruptions for key industries including electronics, automobiles, aviation, and tourism.

- Nearly 40 percent of electronics manufacturers have reported shipment delays.
- Annual volume of automobile production is expected to decrease by 20 percent.
- The aviation industry has estimated a 44 percent loss of \$252 billion in revenue globally.



**GDP Impact** Some economists now predict the U.S. economy could contract over 30% in the second quarter alone. But those same economists predict that third quarter growth could be rapid and strong, assuming the virus has been beaten.

# THE CONGRESSIONAL RESPONSE

## PHASE I

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HR 6074  
March 6, 2020

### **The Coronavirus Preparedness and Response Supplemental Appropriations Act**

- \$8.3 billion for federal agencies to combat COVID-19
- The focus was on HHS, the State Dept and SBA
- Initial federal response to address urgent health needs and to deal with early stages of crisis

## PHASE II

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HR 6201  
March 18, 2020

### **Families First Coronavirus Response Act**

- Guarantees free testing; establishes paid leave for those impacted
- Enhances unemployment insurance and food security initiatives
- Increases federal Medicaid funding

## PHASE III

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HR 748  
March 27, 2020

### **The Coronavirus Aid, Relief and Economic Security (CARES) Act**

- A \$2 trillion stimulus measure to aid individuals, small businesses, corporations, states and local governments and the health care sector in responding to the impact of COVID-19

# PHASE III: THE CARES ACT SUMMARY

## Six Main Components



**Relief for Individuals**



**A Marshall Plan for Hospitals**



**Small Business Support**



**State and Local Governments**



**Corporate Benefits**



**Enhanced Spending For Federal Agencies**

# RELIEF FOR INDIVIDUALS AND FAMILIES

An estimated \$ 560 billion unprecedented effort to help offset the impact of COVID-19 on individuals, workers, and families

## KEY MEASURES

- **Cash Payments:** \$1200 per individual; \$2400 for joint filers; \$500 additional per child; capped at those who make \$99k individually or \$198k jointly. IRS sending checks now.
- **Unemployment Compensation:** Authorizes an additional \$600/week for four months. Gig workers included if not covered already by states.
- **Tax Relief:** Up to \$100,000 to be withdrawn from IRAs penalty free; tax filing deadline extended to July 15; expands charitable contribution rules;
- **Expanded sick leave and family leave**
- **Foreclosures and evictions put on hold:** Individuals holding federally insured mortgages can also seek six months of penalty free forbearance.
- **Suspends involuntary collections for student loan debt**
- **Provides protection from adverse credit reporting during this period**
- **Allows greater flexibility for health spending accounts to procure OTC medicines**

# SMALL BUSINESS & CORPORATE BENEFITS



## Small Business Support

- \$377 billion expanded loan and grant package
- These are non-recourse loans; no prepayment penalty; with focus on small & economically disadvantaged businesses
- Maximum loan \$10 million; few borrower requirements
- Loans can be used for payroll, group health care, mortgage, rent, utilities, interest on debt
- Loan forgiveness and forbearance options also increased
- SBA to come up with regulations in 15 days from passage



## Corporate Benefits

- Act provides \$500 billion to Treasury's Exchange Stabilization Fund for loans and loan guarantees
- Specific allocation as follows:
  - \$25 billion for air carriers
  - \$4 billion for air cargo
  - \$17 billion for businesses essential to national security
  - \$454 billion for loans in support of facilities established by the Fed
- Businesses that take the loans subject to exec comp limitations, as well as no stock buy backs;
- Special IG and oversight body created to oversee lending

# HOSPITALS & LOCAL GOVERNMENT SUPPORT



## A Marshall Plan for Hospitals

- Appropriates about \$153 billion for hospitals and the public health system. This includes:
  - \$100 billion for hospitals and health system;
  - \$1 billion for Indian Health Service
- Billions committed for personal protective equipment, testing kits, workforce training, new hospital construction, increases in Strategic National Stockpile and more medical research on COVID-19 and pandemic response



## State and Local Government Support

- Approx. \$340 billion committed to state and local governments
- It allocates \$274 billion to COVID-19 response efforts, including \$150 billion in direct aid for state and local bodies suffering cash flow issues because of a high number of cases
- Funds are administered by the Treasury Department.
- Also includes
  - \$13 billion for K-12
  - \$14 billion for higher ed
  - \$5.3 billion for children/families
  - \$5 billion for community grants

# ENHANCED FEDERAL SPENDING FOR AGENCIES

Within the bill's 880 pages, there are enormous spending increases to bolster agency capabilities, but also to deploy needed capital into the most impacted areas and sectors. Here are some of the top agency gainers.

## Agriculture

- \$9.5 billion in direct support for farmers
- \$8.8 billion for children's food programs
- \$15.8 billion for food stamps and food assistance
- Over \$1 billion for food aid & food banks

## Homeland Security

- \$45 billion to the disaster relief fund managed by FEMA. Also includes:
- \$400 million in grants for fire fighters and emergency responders;
- \$100 million for TSA
- \$140 million for the coast guard

## HHS

- Public health and social services emergency fund will receive \$100 billion to reimburse health care providers
- Also includes \$16 billion for the national stockpile; \$250 million for hospital preparedness; \$3.5 billion for biomedical research to try to find a vaccine
- CDC to get an additional \$4.3 billion

## Education

- \$30 billion to provide Emergency Relief Grants to educational institutions, local agencies, students and teachers; including:
- \$13.5 billion for elementary and secondary schools; \$14 billion for higher ed; \$3 billion to Governor's Relief Fund

# ENHANCED FEDERAL SPENDING FOR AGENCIES

The stimulus bill also includes significant plus-ups for select agencies across the USG

## Other Select Agency Plus-Ups

Agency	Funding Increase
Department of Defense	\$10.5 billion
Department of Transportation	\$10 billion
Department of Housing and Urban Development	\$9 billion
Department of Commerce	\$1.5 billion
Department of Justice:	\$850 million
Election Assistance	\$400 million
Federal Communications Commission	\$200 million
National Endowment for the Humanities	\$75 million
National Endowment for the Arts	\$75 million

# WHERE MIGHT THERE BE OPPORTUNITIES?

The country will soon need the best experts in the private sector, public sector, civil society and academia to come together to help aid in the global recovery, but with specific opportunities to help here in the US.

## Health, Science and Ag

- Medical research, testing, vaccine development, telehealth, protective gear
- Biomedical and countermeasures research
- Veterans' medicine and infrastructure development
- Food safety and processing

## Education and Social Services

- Support to secondary schools and higher ed
- Counseling services for those impacted (suicide prevention, mental health, substance abuse, etc)
- Online education
- Public health education and messaging efforts

## Homeland and National Defense

- Defense health programs
- Support to FEMA for emergency response efforts
- Border technologies
- Election security
- Emergency responder support

## Transportation/Housing

- Combatting homelessness
- Community housing
- Air and rail upgrades
- Infrastructure development

# WHAT COMES NEXT?

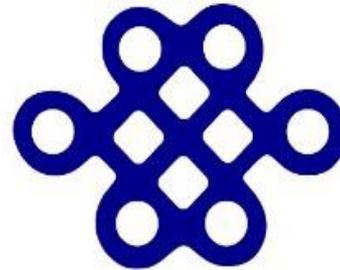
Almost all observers agree that a Phase IV effort will be required. The components of such an effort, however, will be subject to significant debate.

- President Trump is reportedly in favor of a \$2 trillion infrastructure bill, citing exceptionally low interest rates. “It should be very big and bold,” he said.
- Speaker Pelosi wants to look at greater tax relief for working families, in addition to infrastructure with a focus on expanding broadband access and overhauling water supplies. She also emphasized medical leave, testing, and pension protection.
- Senate Majority Leader McConnell and Minority Leader McCarthy both say we should wait for Phase III to begin working before considering a fourth bill.
- Congress will not return until April 20<sup>th</sup>, at the earliest, and could be delayed further depending on the health situation.
- In the meantime, implementing the recently passed measure will be a herculean feat.
- Central challenges include developing implementing regulations and application procedures as well as getting the aid to the most impacted areas

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