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The Savvy Client Alert: Congress expected to replenish "Stimulus Funding."

CARES Act aka Stimulus 1,2,& 3

The first three stimulus bills are still being rolled out at the cost of \$2.2 trillion, while it will take a while to understand the effectiveness of these funding bills better since most of them have not yet been disbursed to the intended recipients.

However, government support has been effective in boosting financial markets and in providing some hope to constituents that help is on the way. Like all Government programs, some will work, while others will not. For now, it appears that as this crisis continues, Congress and the White House will continue to commit resources to address the crisis. All Politicians understand quite well that inaction in an emergency does not work well to get them re-elected. So the sentiment, for now, is to worry about any consequences after the election process.

- **Additional Stimulus Bills**-After May 4, Congress is expected to act soon on further stimulus. Our guidance is that Congress will pass a smaller stimulus bill. The urgency around this bill will be driven by the need to replenish funds for a critical small business lending program, notably the SBA Paycheck Protection Program. While it is all but sure to pass, the timing remains unclear.

Another subsequent stimulus bill for now dubbed Stimulus 4 is likely to follow in June or July, while its size and scope depending on the impact of the crisis then.

- **Small Business Administration-Paycheck Protection Program (PPP)**- is, in our view, the shining star as well as the most economically impactful program of the stimulus three legislation that passed last month. The PPP provides a government guarantee on loans to small businesses, and loans are forgiven to the extent that proceeds are used for eligible purposes (employee retention and salaries as well as payments for utilities and rent/mortgage). Given those features, this \$349 billion program has been oversubscribed and currently has no capacity for new loans according to SBA, 1.6 million loans have been made to small businesses.

The Trump administration has asked Congress to replenish it with an additional \$251 billion.

While this program has strong bipartisan support, the next round of support through stimulus 3.5 likely will impose new conditions on it. The debate over circumstances surrounding this aid may delay the approval of stimulus 3.5, but we believe it has strong enough support to be approved by the House and Senate in the next few weeks.

- **Composition of Stimulus 3.5**- the PPP will be the driving force of a new stimulus 3.5 bill. It will be the single provision that unites Congress in a truly Bi-Partisan Fashion, notwithstanding the fight over new conditions for the program. While Republicans favor a bill containing only an increase in the PPP, **Democratic leaders have additional priorities for the bill that will likely be accommodated for a bill to pass through the Democratic-majority House.**

Democrats have requested that the bill also contain \$150 billion for state and local governments, \$100 billion for hospitals and an increase to the maximum benefits under the federal food stamp program.

The longer a new bill takes to materialize, the more lawmakers will look to add to it. The political reality is that the priorities of both parties will need to be represented in this bill.

- **What will Stimulus 4 Include?**-Critical needs at that time will be prioritized, but there will be dozens of other requests made by lawmakers who will view this as perhaps the last stimulus bill that will move forward this year. As such, they will try hard to get provisions they feel strongly about in the bill. This is the bill where more familiar ideas like infrastructure spending, payroll tax forgiveness, and the reinstatement of the full SALT tax deductions may be considered. There will be proposals to increase the size of the checks that some taxpayers are receiving. Also, to increase funding in many of the areas that were included in the first four bills. The most significant need for a stimulus four-bill will be to make corrections to some of the initiatives in the previous stimulus bills to ensure funds are being effectively disbursed. This could drive a strong need for a stimulus four-bill, but partisan fights over more prominent provisions (some mentioned above) will likely make this bill more robust to pass.

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