

TRP COVID-19 Alert: Deal Reached on 'Phase 3.5' COVID Response Bill

- *The deal provides \$310 billion to shore up the Paycheck Protection Program.*
- *The bill reflects Democratic efforts to tie money for other programs into the small business loan funding hike.*
- *\$75 million would be provided for hospitals, and \$25 million to support COVID-19 testing.*

Today, Congressional leadership and the White House reached a \$475 billion deal on "Phase 3.5" legislation ([current legislative text](#); [small business section-by-section](#); [health care section-by-section](#)) that would provide funding for pressing needs concerning the COVID-19 pandemic. The deal provides \$310 billion to support small businesses in response to the recent lapse in funding for the Small Business Administration's (SBA) Paycheck Protection Program (PPP). It also includes a bipartisan agreement to allocate additional funding for hospitals and COVID-19 testing. Congress is expected to move swiftly to have the bill signed into law as soon as this week.

Please note that this update describes the deal as it currently stands before legislative text has been formally released.

- **Context.** Work began on a "Phase 3.5" COVID-19 bill as soon as it became clear that the initial \$349 billion allocated to the PPP in the CARES Act would be insufficient to meet overwhelming demand for the program. While Senate Republicans tried to pass a \$250 billion funding increase for the program, Senate Democrats countered with an offer that would more broadly provide additional funds for the PPP, Economic Injury Disaster Loans (EIDL), hospitals, and municipalities. Democrats also pushed for policy changes that would address borrower concerns with the PPP, including clarifying know-your-customer requirements, increasing the maximum loan amount, and making farms eligible for the program.

What's in?

- **Paycheck Protection Program.** Most notably, today's deal would provide \$310 billion to replenish the PPP, which provides forgivable loans for adversely impacted employers to keep employees on payroll, but ran out of money last week. The SBA is currently unable to issue new approvals for PPP loans until additional funding is allocated. Two pools of \$30 billion each from this fund would be designated for supporting PPP loans by institutions with (1) less than \$10 billion with assets and (2) between \$10 billion and \$50 billion in assets. The funding hike largely omits other PPP policy changes requested by Democrats, which are more likely to be addressed in "Phase 4" legislation or through administrative action.

- **Economic Injury Disaster Loans.** Besides the PPP funding, the bill also provides \$60 billion in funding for SBA's EIDL loan and grant program, which faces its own funding challenges. The bill would make farms and other agricultural enterprises eligible for EIDL grants and loans.
- **Hospitals.** In addition to these small business items, the deal provides \$75 billion for health care providers via the Public Health and Social Services Emergency Fund (PHSSEF), supplementing the \$100 billion provided by the CARES Act.
- **Testing.** The agreement also allocates \$25 billion toward bolstering COVID-19 testing efforts. \$11 billion of this amount would be distributed to states, with the rest being distributed across federal agencies.

What's out?

- **State and Local Governments.** The deal omits additional appropriations for state and municipal governments facing revenue shortfalls from the crisis despite bipartisan support from state and local officials to shore up these entities. While the Democrats' latest offer included an additional \$150 billion for state and local governments — as well as a technical fix to the "Phase III" legislation that would allow localities to use funding to offset lost revenue — the Trump administration has insisted that these pots of money wait until the next round of COVID-19 response legislation, citing CARES Act funding that was still awaiting distribution.
- **SNAP.** The agreement also does not address additional funding for the Supplemental Nutrition Assistance Program (SNAP). The latest Democratic offer called for a 15 percent hike in SNAP benefits aimed at addressing food security concerns during the pandemic. While Democrats are expected to remain steadfast on this demand during the next round of COVID-19 negotiations, it remains to be seen whether the two sides can break the gridlock on this particular issue moving forward.

What's next?

Given that the PPP cannot operate until Congress authorizes additional funding, Congressional leaders will attempt to clear this billion package as expeditiously as possible. The Senate is expected to pass the bill via unanimous consent at a pro forma session this afternoon, with the House set to follow suit on Thursday. Republicans are expected to object to unanimous consent passage in the lower chamber in favor of a roll call vote, but the measure is ultimately expected to pass with strong bipartisan support. In hopes of quelling concerns about members returning to Washington for future votes during the pandemic, Democratic leadership is expected queue up a vote that would change the House rules to institute a temporary emergency remote voting plan that would allow members to vote by proxy. Additional details on the forthcoming House remote voting plan can be read [here](#).