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Congress Passes Second Coronavirus Response; State and Local Priorities in the Mix for Next Stimulus Package.

On March 5, Congress quickly cleared the first legislative response to coronavirus in the form of $8.3B in emergency supplemental spending. The funding in the supplemental was more federally focused and geared towards ramping up resources at the agencies (i.e. Center for Disease Control and Prevention (CDC)) serving as the first lines of defense against the pandemic. During the past week, the House passed HR 6201 (Families First Coronavirus Response Act) to provide broader relief to those impacted by the virus.

Among the provisions included in the measure are: two weeks of emergency paid leave for sick and quarantined workers, tax credits for employers to provide up to three months of paid time off due to extended absences from work due to the virus, $1B in grant funding to help states manage and expand unemployment insurance programs during the crisis, funds to provide free coronavirus testing; and funding for enhanced food security initiatives like student meals, seniors' nutrition and food banks, Supplemental Nutrition Assistance Program (SNAP) and additional funding for Medicaid.

While the measure was initially adopted by the House early March 14, a subsequent bill containing "technical corrections" was adopted on March 16. Of note to GFOA members, a prohibition was included to prevent state and local governments from benefiting from the credits available to some private employers to offset the costs of the new mandates requiring expanded sick leave and family medical leave. GFOA, along with other organizations representing state and local governments, sent a letter to leaders to request the provision be removed.

The provision was retained and the Senate approved the bill on March 18. Congressional leaders and White House officials have already started negotiating another measure to further address the economic impact of the virus.

As the next stimulus response is debated, GFOA urges members to reach out to their congressional delegation through their LOCAL offices – as Capitol Hill phone lines are very busy to:

- Remind them that state and local employers must pay payroll taxes under 26 USC 3111, and must now meet new sick leave and family medical leave requirements, and
- Urge them to treat state and local employers (including those exempt from 26 USC 3111) on par with private employers by allowing them to qualify for the payroll credits for the new requirements for paid sick leave and paid family leave.

Further, as the next stimulus response is expected to focus on efforts to counter the current economic downturn, it could potentially include GFOA priorities like reinstating advance refunding and increasing the bank qualified limit. Click here for resources on GFOA's priorities for finance tools to help spur infrastructure investment. To review a recent Public Finance Network (PFN) letter on the stimulus efforts in Congress, click here.

For this next stimulus measure, GFOA urges members to reach out to their congressional delegation and ask them to include language to:

- *Restore advance refunding of tax-exempt bonds* (HR 2772) so states and local governments and other qualifying entities can free up billions of dollars they can reallocate and spend on other projects which in turn, strengthens local infrastructure networks, and
- *Increase access to capital for small borrowers* (HR 3967) by increasing the bank qualified borrowing limit from $10 million to $30 million, and having it apply at the borrower level so the small issuers (both governmental and nonprofit) who may be hardest hit during the downturn can access capital for immediate project needs.

GFOA will continue to monitor and report on the legislative developments as they occur. Click here for GFOA's Resource Center for Coronavirus response.

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