



*In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.*

April 10, 2020

Everyone okay? Still working from home? Still washing your hands? We have become conversant in the ways of conference calls and Webex conferences (GrayRobinson uses Webex, not Zoom), and we hope you all remain safe and healthy. We send best wishes for a speedy recovery to Rep. Neal Dunn (R-FL), who tested positive for the virus this week, and our sympathies to everyone who's been affected by the outbreak so far.

### **House, Senate leadership disagree on extra funding for PPP, will resume talks next week**

This week Senate Majority Leader Mitch McConnell (R-KY) [called for an additional \\$250 billion for the Payment Protection Program](#) (PPP) through bipartisan legislation cosponsored by Senators Marco Rubio (R-FL), Susan Collins (R-ME), Ben Cardin (D-MD) and Jeanne Shaheen (D-NH). Appropriations legislation must originate in the House of Representatives. Speaker of the House Nancy Pelosi said Thursday that while she sees the need for additional funding for the PPP, she wanted to direct some of that \$250 billion to lending by community development financial institutions (CDFIs), SBA Disaster Loans, and other grants to small businesses. She also called for immediate new funding for state and local governments and hospitals, to offset what they have already saved and lost as a result of the COVID-19 outbreak. As the week draws to a close, prospects are improving for a compromise early next week.

### **Phase IV?**

In rejecting Speaker Pelosi's call to add funding for state and local governments and hospitals to the PPP supplemental bill, Senate Majority Leader McConnell said that those payments should be part of Phase IV of coronavirus relief legislation. We've heard a lot of talk about what Phase IV might include, and former Federal Reserve Board Chairman Janet Yellen spoke with House Democrats on Monday about how best to address the economic effects of the pandemic. Speaker Pelosi has said she believes the next phase, "CARES 2," will amount to another \$1 trillion, and include more direct payments to individuals and businesses. Senate Majority Leader McConnell has said that health care should be the top priority of Phase IV. In a briefing earlier today, President Donald Trump said he thought Phase IV should include spending for infrastructure and a payroll tax

moratorium.

### **Powell commits to “aggressive” Fed action**

In an [online presentation to the Brookings Institution](#) yesterday, Federal Reserve Board Chairman Jerome H. Powell said the Federal Reserve would do everything in its power to promote economic stability and keep markets liquid during the pandemic-related shutdown. The Fed has cut interest rates to near zero and created nine different lending facilities to support essential credit markets, and Powell said the Fed would continue to deploy its lending powers “to an unprecedented extent” until the economy is back on track. “There is every reason to believe that the economic rebound, when it comes, can be robust,” he said, but it will be up to health officials to decide when it’s safe to return to regular business practices, and to develop a plan to bring people out of their homes safely. He warned against a “false start,” in which premature reopenings cause a new spike in cases.

### **Federal regulators issue interim final rule for PPP**

Yesterday the federal banking agencies published an [interim final rule](#) to encourage financial institutions to make loans to small businesses through the Payment Protection Program authorized by the CARES Act. The individual Federal Reserve Banks will provide funding for these loans to financial institutions; loans made under the PPP will not be included in regulatory capital calculations. PPP loans will receive a zero risk weighting for regulatory capital purposes. The interim final rule is open for comments for 30 days after its publication in the Federal Register, but it will take effect immediately.

### **Federal Reserve funds up to \$2.3 trillion in loans, creates new facility for state and local governments**

In addition to providing funds for the Payment Protection Program this week, the Federal Reserve System made up to \$600 billion in loans available through the Main Street Lending Program for mid-sized businesses, and increased its support for the Primary and Secondary Market Corporate Credit Facilities and the Term Asset-Backed Securities Loan Facility. It also [announced the creation of a Municipal Liquidity Facility](#) that will provide up to \$500 billion in loans to states and municipalities, backed by a Treasury guarantee of \$35 billion.

### **Direct payments to start next week, IRS unveils new tool**

The Internal Revenue Service announced today that it will begin to distribute direct Economic Impact Payments next week. Eligible taxpayers who filed in 2019 or 2018 will receive these payments electronically. The IRS has created a [new web tool](#) for non-filers who are eligible for these payments, and expects to release a “Get My Payment” tool on April 17 that will allow everyone to check on the status of their payments. Under the CARES Act, eligible taxpayers will automatically receive payments of up to \$1,200 for individuals, \$2,400 for married couples, and \$500 for each qualifying child.

### **SEC temporarily allows BDCs to make additional investments in small and mid-sized businesses**

The Securities and Exchange Commission [announced on Wednesday](#) that it will temporarily allow business development companies (BDCs) to issue and sell senior securities in order to provide capital to small and medium-sized businesses, including those affected by COVID-19, and to participate in investments in these companies alongside private funds affiliated with the BDCs. Investor protection conditions will apply, including a requirement that the BDC obtain an independent evaluation of the issuances’ terms and majority approval from

its independent board members. SEC Chairman Jay Clayton said the rule change would help BDCs provide additional financial support to small and medium-sized businesses that are struggling as a result of the pandemic. [The order](#) is scheduled to expire on December 31, 2020, but the SEC said it will continue to monitor the situation as it develops.

### Regulators revise guidance on loan modifications

The Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Consumer Financial Protection Bureau (CFPB) issued [more detailed guidance](#) this week on how financial institutions should work with borrowers affected by the COVID-19 pandemic. The new guidance takes into account provisions of the CARES Act that offer forbearance for federally backed mortgage loans, prohibit negative credit reporting about pandemic-related loan accommodations, and allow financial institutions to suspend certain accounting requirements for troubled debt restructurings.

### Banking agencies revise leverage ratio requirements for community banks

The FDIC, OCC, and Federal Reserve issued [new regulatory capital rules](#) to implement the CARES Act's temporary reduction of community banks' minimum leverage ratio to 8 percent. Under the new rules, any qualifying banking organization with a leverage ratio of 8 percent or more may use the community bank leverage ratio framework, and the new minimum of 8 percent will remain in effect until January 1, 2022, when it will return to 9 percent or more.

## Next Week in Washington

The House and Senate had been scheduled to be in recess next week, but leadership will continue to confer on legislation to supplement funding for the CARES Act and on Phase IV of pandemic relief.

**April 14** President Trump will announce the appointment of members to an "Opening Our Country Council," charged with planning the nation's return to regular business after the COVID-19 pandemic.

## The Ellis Insight

Jim Ellis reports on political news

### President

**Sen. Bernie Sanders:** Effectively ending Democratic nomination competition, this week Sen. Bernie Sanders (I-VT) announced that he is suspending his campaign meaning that former Vice President Joe Biden will become his party's presidential standard bearer. We now can expect Mr. Biden's first ballot nomination to become official in terms of bound first ballot delegate votes once the June 2nd primaries are complete.

**Rep. Justin Amash (I):** Rep. Justin Amash (I-MI), who last year left the Republican Party to become an Independent, is leaving hints that he may be planning a run for the Libertarian Presidential nomination. His latest tweet saying, "Trump versus Biden is not the contest America deserves or the one it needs right now," suggests he may think the idea of offering himself as a third alternative is becoming more plausible.

**America First PAC:** With the general election campaign now set between President Trump and former Vice President Joe Biden, and early April polling showing a ballot test margin range of Trump +2 to Biden +11, nationally, the America First PAC, which is a major Super PAC supporting President Trump, has announced it will spend \$26.6 million in media advertising for Florida and North Carolina between Labor Day and Election Day, in addition to reserving \$10 million in media markets within the three Great Lakes States of Pennsylvania, Michigan, and Wisconsin. We can be assured this is just the beginning of the general election media wars.

**Wisconsin:** When the US Supreme Court ruled that the Wisconsin absentee ballot deadline could not be extended, thus reversing a lower court ruling, the SCOTUS surprisingly left in place a provision from the original directive that mandated county clerks not release their vote totals until April 13th. Therefore, we will have to wait until Monday to see if former Vice President Joe Biden or Sen. Bernie Sanders (I-VT) claimed the lion's share of the state's 84 bound first ballot Democratic National Convention delegates. With Sen. Sanders deciding to concede the nomination, however, the Wisconsin result becomes anti-climactic.

## Senate

**Georgia:** The Battleground Connect consulting firm again tested the Georgia electorate (3/31-4/1; 1,035 GA likely general election voters; live interview) for the special US Senate election coming in November. Controversy surrounds appointed Sen. Kelly Loeffler (R) for her recent stock transactions, which show her selling \$18.7 million in stocks prior to the market crash and investing in a company that produces COVID-19 related protection items, all presumably after receiving Senate briefings about the deadly virus. Though Ms. Loeffler maintains a third party handles her wide-ranging investments, the polls suggest that the general public does not buy her explanation.

According to the latest results, Sen. Loeffler drops even further behind GOP Rep. Doug Collins (R-Gainesville) than Battleground's March 24th survey depicted. Now, Mr. Collins tops the jungle primary field with 36%, followed by Rev. Raphael Warnock's 16%. The Democratic Senatorial Campaign Committee has already endorsed Rev. Warnock. Ms. Loeffler then records 13%, ahead of Democratic businessman Matt Lieberman (11%) and former US Attorney Ed Tarver (D) who posts only a 3% preference factor.

**Massachusetts:** Reports coming from Sen. Ed Markey's Democratic primary against Rep. Joseph P. Kennedy III (D-Newton) find that the incumbent's campaign is approximately 3,000 petition signatures from obtaining the minimum 10,000 in order to qualify for the ballot. With the Coronavirus making door to door approaches impossible, the Markey campaign has switched to making an online appeal and sending the proper forms through the mail to those who respond.

Rep. Kennedy's campaign reports that they are well over the minimum amount required. The signature petition deadline is May 5th, so the Markey campaign still has time to qualify and its spokesman said the operation is confident they will meet the goal.

**Michigan:** The progressive left group Progress Michigan announced they will be conducting monthly polls of the state's electorate covering both the presidential and US Senate race. In this month's Public Policy Polling survey (3/31-4/1; 1,019 MI registered voters via telephone interview and text), Sen. Gary Peters (D) has expanded his lead over consensus Republican challenger John James to 45-38%. The Spry Strategies organization also surveyed the during virtually the same time period (3/30-4/1; 602 MI likely general

election voters) and found a much closer result. The Spry data finds Sen. Peters' lead to be only two percentage points, 42-40%.

For the second consecutive quarter, Republican challenger James has outtraised Sen. Peters, though both had strong performances. For the period ending March 31st, Mr. James will report receipts of \$4.8 million, approximately \$800,000 more than the incumbent during the same period.

**New Hampshire:** Former state House Speaker Bill O'Brien (R) has ended his US Senate bid and endorsed wealthy attorney Corky Messner (R) against incumbent Sen. Jeanne Shaheen (D). Retired Army General Don Bolduc (R) remains in the race but is at a major financial disadvantage against Mr. Messner who has the ability to self-fund his campaign. The New Hampshire primary is not until September 8th, so this race still has much time to develop. Sen. Shaheen is a strong favorite in the November general election.

## House

**MI-13:** Recently, we reported that Detroit City Council President Brenda Jones (D), who served briefly in Congress after winning a special election to succeed resigned Rep. John Conyers (D-Detroit) but fell to current Rep. Rashida Tlaib (D-Detroit) in the regular election, is returning this year for a re-match. A new Target-Insyght poll (3/31-4/2; 500 MI-13 likely voters) suggests a competitive Democratic primary is forming with Ms. Jones having some momentum.

According to the T-I results, Rep. Tlaib's lead over Ms. Jones is 43-34%, considerably different than the 56-19% spread the research organization published in June of 2019. It is being reported, however, that Ms. Jones just tested positive for the COVID-19 virus. It is unclear just how the diagnosis will change the Jones' campaign effort.

**NH-1:** In the district that has defeated more incumbents than any seat in the nation since 2004, state Rep. William Fowler (R) announced that he will not file for Congress and instead endorsed former White House aide and NH Republican Party executive director Matt Mowers for the GOP nomination. The September 8th primary is shaping up as a battle between Mr. Mowers and former Dover City Councilman and ex-NH Republican Party Vice Chairman Matt Mayberry. The winner faces freshman Rep. Chris Pappas (D-Manchester).

**NJ-3:** Responding to news that a large percentage of his ballot petition signatures were ruled invalid, Barnegat Township Mayor John Novak announced that he is dropping out of the race. In his exiting statement, Mr. Novak made a public endorsement for venture capitalist David Richter, who most of the local party establishment is supporting. The winner of the Republican primary race between he and former Burlington County Freeholder Kate Gibbs will challenge freshman Rep. Andy Kim (D-Bordentown) in the general election.

**NY-14:** Yesterday, former CNBC news anchor Michelle Caruso-Cabrera (D) announced that she had raised over \$1 million in just 47 days since her official challenge to noted New York freshman Rep. Alexandria Ocasio-Cortez (D-Bronx) began. Ms. Caruso-Cabrera says she will report approximately \$800,000 cash-on-hand.

Rep. Ocasio-Cortez, however, even at the end of 2019, had almost \$3 million at her disposal. The Chamber of Commerce also announced an endorsement of Ms. Caruso-Cabrera. Though we will see substantial spending between now and the June 23rd primary, it is unclear just how vulnerable Rep. Ocasio-Cortez may be within her own party.

**TX-24:** Retired Air Force Colonel and former statewide Democratic nominee Kim Olson and local School Board member Candace Valenzuela look to be in a competitive Democratic congressional runoff now set for July 14th. Last week, former Housing & Urban Development Secretary and 2020 presidential candidate Julian Castro endorsed Ms. Valenzuela in an effort to "unite Hispanics behind her candidacy." Yesterday, both candidates released their post-primary report fundraising numbers and we see a competitive dollar battle here, too. Ms. Olson has accumulated \$370,000 while Ms. Valenzuela had collected \$305,000 during the same period.

**WA-10:** Washington Rep. Denny Heck (D-Olympia), who earlier in the year said he would not seek a fifth term in the House because he is frustrated with the federal process, announced late this week that he will enter this year's race for Lt. Governor. Incumbent Cyrus Habib (D) has already said he will be retiring from office, thus opening the statewide position. Immediately after the Heck declaration, Mr. Habib formally endorsed state Senate Majority Leader Marko Liias (D-Lynnwood), suggesting that Rep. Heck faces a competitive statewide primary campaign to be settled on August 4th.

## **Governor/States**

**Georgia:** Secretary of State Brad Raffensperger (R) announced that the Georgia primary will be moving from May 19th to June 9th as part of the state's Coronavirus emergency precaution plan. The election methodology of having in-person and absentee mail voting will continue to be in place.

**Maine:** Gov. Janet Mills (D) indicated this week that she does not believe it possible that the June 9th primary will be conducted as scheduled. She is considering moving the election to July 14th. Under Maine election law, the Governor has the sole power to move an election date.

**Montana:** Late last month, Gov. Steve Bullock (D) ruled that each of Montana's counties could conduct the June 2nd statewide primary solely by mail if they so desired. This week, a report was released indicating that election officials in all of the state's 56 counties have selected the mail option, meaning that the June 2nd primary vote will be conducted entirely through the postal system.

**New Jersey:** Gov. Phil Murphy (D) has followed through on previous reports that he was considering moving the June 2nd primary. Late this week, the Governor confirmed the New Jersey partisan primary election will now take place on July 7th. States with later primaries now have more leeway in transferring their nominating elections since the Democratic National Convention has moved to August 17-20.

**Puerto Rico:** Puerto Rico Democrats have announced that the territory's presidential primary has again been delayed. Originally scheduled for March 29, the legislature moved the election to April 26th. The legislative action, which included an option to allow party leaders to transfer the date to an even later time, looks to be exercised. The Democratic Party leaders announced that they will suspend the 4/26 vote indefinitely. Now that former Vice President Joe Biden has effectively become the party nominee, it may not even be necessary to hold this primary.

**Virginia:** Gov. Ralph Northam (D) has issued a stay-at-home order longer than any other state chief executive, wanting people to remain in their residences until June 10th. This is one day after the Virginia state primary, and Republicans around the state were accusing the Governor of choosing that deadline to drive GOP turnout down which, they think

Northam believes, would result in producing the most extreme nominee up and down the ballot thus giving Democrats a further advantage in the general election. On Wednesday, Gov. Northam changed the primary date, and now Virginians, in districts with primaries, will vote on June 23rd.

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