



**U. S. Department of the Treasury**  
**Office of Public Affairs**

**Testimony of**

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**U.S. Department of the Treasury**

**Before the**  
**Committee on Finance Services**  
**U.S. House of Representative**

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Chairwoman Waters, Ranking Member McHenry, members of the Committee, thank you for having me.

We are meeting at a hopeful moment for the economy – but still a daunting one. While we’re seeing signs of recovery, we should be clear-eyed about the hole we’re digging out of: The country is still down nearly 10 million jobs from its pre-pandemic peak.

When Congress passed the CARES and Consolidated Appropriations Acts last year, it gave the federal government some powerful tools to address the crisis. But upon taking office, I worried they weren’t powerful enough. After all, there were – and still are – some very deep pockets of pain in the data.

One-in-ten homeowners with a mortgage are behind on their payments, and almost one-in-five renters are behind on their rent. There are 22 million people who say they don’t have enough food to eat. One-in-ten adults are hungry in America.

I looked at data like these, and I worried that the COVID economy was going to keep hurting millions of people now and haunt them long after the health emergency was over.

We know that when the foundations of someone’s life fall apart – when they lose the roof over their head or the ability to eat dinner every night – the pain can weigh on them for years. Their earning potential is permanently lowered. I worried about this happening on a mass scale.

That’s why I advocated very hard for the American Rescue Plan, and it’s why my first – and most enthusiastic – message today is: Thank you.

With the passage of the Rescue Plan, I am confident that people will reach the other side of this pandemic with the foundations of their lives intact. And I believe they will be met there by a growing economy. In fact, I think we may see a return to full employment next year.

Of course, the speed and strength of our recovery depends, in part, on how we implement the legislation. Treasury is tasked with much of that work, and there is nothing that I – or my team – take more seriously. We appreciate your oversight on this matter, and I want to briefly tell you about how we’ve been working.

Since taking office two months ago, we have been expediting relief to the areas of greatest need. For example, small businesses – and especially the smallest small businesses, which are disproportionately owned by women and people of color.

The pandemic has hit these businesses hard. The Paycheck Protection Program was an early lifeline, but because of issues with the program's design, the first rounds often didn't reach the smallest sole proprietorships. We're addressing that now. We worked with SBA to tweak how the program was implemented. It's allowing the PPP to reach millions more microbusinesses and entrepreneurs, especially in rural and low-income areas.

We're also building capacity to support these communities over the longer term. Because of the December legislation, Treasury now has \$12 billion to inject into community development financial institutions and minority depository institutions. In turn, these CDFIs and MDIs can lend that capital out, helping people buy homes and start businesses in places that the financial services sector traditionally hasn't served well.

Then, there are the families I spoke about, the ones struggling to keep a roof over their head and food on the table.

The American Rescue Plan provides more than \$30 billion to help renters and homeowners at risk of losing their homes. And we're making sure that assistance flows as efficiently as possible.

For instance, the previous Administration put in place rules that required tenants and landlords to provide quite a bit of documentation to get rental assistance, including detailed statements about their income. But some people don't have access to those documents. We're cutting through the red tape for them, while still taking reasonable steps to prevent fraud and abuse.

And of course, we've been sending direct payments to Americans – a lot of Americans. As of last week, we had issued over 90 million payments.

And all this is just a fraction of Treasury's work. There are so many more relief programs, including one that will provide \$350 billion in aid to state and local governments. Implementing all of it is more complicated than it sounds, and we are working closely with stakeholders to make sure that these programs are both efficient and effective.

Behind these many relief programs, these millions of transactions, are a staff of very dedicated (and very tired) Treasury and IRS employees. My final word is to them: Thank you. You are putting on a master class in how government should work in the furnace of a crisis. I'm grateful to be your colleague.

With that, I am happy to answer any questions you have. ###

## **Testimony Addendum**

### **Overview**

Collectively, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act); Consolidated Appropriations Act, 2021; and American Rescue Plan Act of 2021 (ARP) have created more than 15 new programs either directly administered by the Department of the Treasury or administrated with significant Treasury involvement. These programs have provided critical support to sectors that run the gamut of the American economy, from state and local governments to small businesses to individual taxpayers, homeowners, and renters.

The funds distributed by Treasury through these programs have helped keep our economy afloat during this difficult time. In recent weeks, the IRS has distributed more than 90 million economic impact payments totaling \$242 billion; Treasury has stood up a new program to invest \$9 billion in community development financial institutions and minority depository institutions; Treasury's investments have resulted in airlines canceling 27,000 planned furloughs and kept employees on the payroll; and the SBA, with assistance from Treasury, has facilitated the approval of 2.7 million loans to small businesses totaling \$181 billion in the most recent round of PPP. And with the ARP at the early stages of implementation, this is only the beginning.

The remainder of this addendum provides a summary of the progress to date and the plans to come for key Treasury-led or -backed initiatives under these three statutes. In addition to the programs described below, the Treasury Secretary also approved certain facilities established by the Board of Governors of the Federal Reserve System under section 13(3) of the Federal Reserve Act, and Treasury made investments in those facilities using funds provided by the CARES Act.

### **CARES Act Programs**

#### **Coronavirus Relief Fund**

The CARES Act's Coronavirus Relief Fund provided \$150 billion in aid for state and local governments, including Tribal governments, to help navigate adverse impacts of the COVID-19 public health and economic crisis. These funds could be used for necessary expenditures incurred due to COVID-19 which were previously unaccounted for in the recipient's most recent budget.

To date, Treasury has made \$149.5 billion in payments (99.7 percent) from the Coronavirus Relief Fund to 785 governments. Remaining funds will be disbursed following final court decisions related to Tribal allocations. As of December 31, 2020, recipient governments reported that of the approximately \$150 billion provided by Treasury, \$96 billion (64 percent) had been expended in under nine months, providing rapid relief to many Americans in need. Recipients also reported that much of the spending went to priority categories related to payroll for public health and safety employees, small business assistance, housing services, and COVID-19 testing and contact tracing.

As a result, Coronavirus Relief Fund spending has supported keeping essential frontline employees on state and local government payrolls and funding critical investments to help keep Americans safe.

### Payroll Support Program (PSP)

Treasury has awarded \$41 billion so far under the two rounds of the PSP for over 650 passenger air carriers, cargo air carriers, and certain aviation contractors. These funds must be used exclusively for the payment of employee wages, salaries, and benefits. The PSP has preserved aviation jobs, compensated air carrier industry workers, and prevented involuntary furloughs during the pandemic. PSP awards have supported payroll for over 600,000 aviation employees. The requirements applicable to companies participating in the PSP have prevented tens of thousands of industry layoffs, and Treasury continues monitoring recipients for compliance with restrictions on share buybacks, dividend payments, and executive compensation.

Treasury continues to review and approve the remaining applications from passenger air carriers and certain aviation contractors for the second round of the PSP (PSP2), under the Consolidated Appropriations Act, 2021. PSP2 is designed to preserve aviation jobs by requiring certain participants to recall and rehire workers who were involuntarily furloughed or terminated before the establishment of PSP2. Thus far, PSP recipients have issued recall notices to an estimated 60,000 employees who had been involuntarily furloughed or terminated.

The ARP provides additional funding for the PSP (PSP3), including up to \$14 billion for passenger air carriers and up to \$1 billion for certain aviation contractors. Like prior iterations of the program, the ARP's PSP funding must be used exclusively for the continuation of payment of employee wages, salaries, and benefits. As required by the ARP, Treasury published guidelines for PSP3 just five days after the ARP's enactment.

As compensation for the assistance provided in the PSP, the largest PSP recipients have issued Treasury promissory notes with a total principal amount of \$11 billion and equity warrants with a face value of approximately \$1 billion. Treasury will continue to receive additional equity warrants and notes from the largest PSP recipients as additional disbursements in PSP2 and PSP3 are made.

### Aviation Loan Program

The CARES Act provided \$25 billion for Treasury to make loans directly to passenger air carriers; aviation maintenance, repair, and overhaul (MRO) companies; and ticket agents. The statute also provided \$4 billion for Treasury to make loans to cargo air carriers. The availability of these loans served as an essential liquidity backstop for the aviation industry at a time of record low investor confidence in the industry.

In this program, Treasury entered into loan agreements for commitments totaling \$20.8 billion with seven of the ten largest passenger air carriers. The loans to those large passenger air

carriers are secured by collateral and, in some cases, rights to future cash flows from the airlines' loyalty programs. The loans bear interest rates comparable to each company's pre-pandemic cost of funds, and they mature in five years. The seven largest passenger air carriers have drawn only 10% of their loan commitments, which is the minimum amount that each carrier was required to draw at the time of the loan's closing in September 2020. Under the loan agreements, the carriers have until the end of May 2021 to choose to draw the remaining 90% of the loan commitments.

Treasury has also made 17 smaller loans under the Airline Loans Program totaling \$69 million for smaller passenger air carriers, MROs, and ticket agents.

### National Security Loan Program

The CARES Act also authorized Treasury to make loans of up to \$17 billion for businesses critical to maintaining national security. Treasury consulted with the Department of Defense and the Office of the Director of National Intelligence to establish the eligibility criteria for the National Security Loan Program. To be eligible, applicants were required to (1) perform under a "DX-priority" DOD contract or (2) operate under a top-secret facility security clearance. Applicants were also eligible if the Secretary of Defense or the Director of National Intelligence certified that the applicant was otherwise critical to maintaining national security.

Under the National Security Loan Program, Treasury entered into 11 loans totaling \$735.9 million, of which one loan comprised \$700 million of the total. The loans are either secured by collateral, or, if a borrower passed Treasury's credit standards, are senior unsecured loans. Generally, secured loans have an interest rate of 3.5% and unsecured loans have an interest rate of 5.5%. All loans mature in five years.

### Paycheck Protection Program (PPP)

The CARES Act authorized the first round of the Paycheck Protection Program, providing \$349 billion for forgivable loans to small businesses to help them keep employees on the payroll and weather the effects of the COVID-19 economic crisis. In April, Congress added \$310 billion in lending authority to the program under the Paycheck Protection Program and Health Care Enhancement Act. The Consolidated Appropriations Act, 2021 provided an additional round of \$284 billion in funding to keep the program running into 2021.

Treasury works closely with the Small Business Administration on the rules and guidance for the program, especially regarding eligibility, application processes, and forgiveness. Following the change in Administration, we assisted the SBA in their introduction of several major changes to the PPP, including (1) instituting a two-week exclusive approval period for borrowers with fewer than 20 employees, (2) allowing Schedule C filers to calculate their loan amounts based on gross income rather than net profit, (3) removing student loan delinquency as a bar to receiving a PPP loan, and (4) removing the five-year felony lookback as a bar to receiving a PPP loan.

These policy changes have meaningfully improved the accessibility of the PPP program to the smallest businesses and enhanced the program's equity. The percentage of loans going to businesses with fewer than 20 employees has increased, as have the percentages of loans going to rural businesses and those in low- and moderate-income communities.

The ARP updates PPP by making certain non-profit organizations and online news organizations eligible for loans and appropriated an additional \$7.25 billion in subsidy for the program.

## **Consolidated Appropriations Act, 2021 Programs**

### **Emergency Capital Investment Program (ECIP)**

Established by the Consolidated Appropriations Act, 2021, the ECIP was created to encourage low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities. Under the program, Treasury will provide nearly \$9 billion in capital directly to depository institutions that are certified community development financial institutions (CDFIs) or minority depository institutions (MDIs) to, among other things, provide loans, grants, and forbearance for small businesses, minority-owned businesses, and consumers, especially in low-income and underserved communities that may be disproportionately impacted by the economic effects of the COVID-19 pandemic. Per the statute, Treasury will set aside \$2 billion for CDFIs and MDIs with less than \$500 million in assets and an additional \$2 billion for CDFIs and MDIs with less than \$2 billion in assets.

Treasury's investments under the ECIP will generally take the form of preferred stock issued by participating institutions, or subordinated debt if the institution cannot feasibly issue preferred stock. The maximum annual dividend rate for the preferred stock issued to Treasury is 2%, but institutions can qualify for a reduction in the dividend rate if the institution increases its qualified lending above an established baseline. Treasury recognizes the value of "deep impact" lending to the most underserved communities and understands that this lending may be more difficult or costly to undertake. In order to ensure a level playing field for lenders that choose to go the extra mile to have the greatest impact in the most underserved communities, lending that qualifies as deep impact lending will receive double credit in the calculation that determines a dividend or interest rate reduction.

Treasury has opened an application portal and issued guidance and term sheets regarding ECIP. The 60-day application window opened on March 4, 2021. Eligible CDFIs and MDIs have until May 7, 2021 to submit their applications. Treasury anticipates that the program will begin making investments in the summer of 2021.

### **CDFI Rapid Response Program (CDFI RRP)**

The Consolidated Appropriations Act, 2021 provided \$1.25 billion for grants to CDFIs to support, prepare for, and respond to the economic impacts of the COVID-19 pandemic. To deploy these resources in an effective and expedient manner, the Community Development

Financial Institutions Fund (CDFI Fund) at Treasury developed the CDFI RRP. The CDFI RRP is designed to quickly and broadly deploy capital to certified CDFIs through a streamlined, formula-driven application and review process. The CDFI RRP will provide emergency funding to CDFIs of all types and sizes that can support financial products and services. A portion of funds can be used to support operational expenses to increase the capacity of the CDFI.

Per the statutory deadline, the RRP application window opened 60 days from the enactment of the statute. Applications are due by March 25, 2021. To ensure strong participation, the CDFI Fund conducted webinars to provide an overview of the program and answer any questions. The CDFI Fund expects to make 1,000 awards with an average award size of \$1.2 million. The funds expire at the end of fiscal year (FY) 2021.

RRP is the first of two tranches of CDFI grant funding authorized by the Consolidated Appropriations Act, 2021. The statute also made available \$1.75 billion for grants to support CDFIs to expand lending, grant making, or investment activity in low- or moderate-income minority communities and to minorities that have significant unmet capital or financial services needs. This includes up to \$1.2 billion for a new category of CDFIs called “minority lending institutions.” This program will be established in FY 2021.

#### Coronavirus Economic Relief for Transportation Services (CERTS)

CERTS is a \$2 billion grant program established under the Consolidated Appropriations Act, 2021 to provide relief to certain transportation companies with significant loss of revenue due to the COVID-19 pandemic. These include motorcoach, school bus, passenger vessel, and pilotage vessel companies. Treasury has conducted outreach to the targeted industries and is developing policies and procedures to implement the program. Treasury will soon issue program guidelines and a grant application.

Thousands of transportation companies are eligible to apply for CERTS, many of which are small and family-owned businesses. In addition, Treasury will ensure equitable access to CERTS for small, minority-owned, and women-owned businesses.

#### **American Rescue Plan**

##### Economic Impact Payments (EIPs)

The first round of EIPs were enacted as part of the CARES Act, and additional EIPs were made under the Consolidated Appropriations Act, 2021 and the ARP. Since the ARP was signed into law, Treasury has issued over 90 million EIPs totaling more than \$242 billion. The speed with which these payments have been delivered thus far reflects the dedication and hard work of the IRS, as well as other career officials across Treasury, building on the foundation laid in distributing earlier EIPs with assistance from our agency partners at the Social Security Administration, Veterans Administration, Railroad Retirement Board, and others.



With regard to the CARES Act EIPs, the IRS and Treasury began issuing payments within three weeks of the CARES Act's passage. Eligible individuals received payments up to \$1,200 (\$2,400 for married couples filing joint returns), and households received up to \$500 for each qualifying child. By the end of 2020, more than 160 million EIPs had been issued pursuant to the CARES Act. These payments totaled nearly \$275 billion. Treasury issued this set of EIPs through December 31, 2020, though individuals who did not receive an EIP or who received less than the amount to which they were entitled may still file a tax year 2020 income tax return to claim the correct amount as a Recovery Rebate tax credit.

The second round of EIPs was enacted under the Consolidated Appropriations Act, 2021, and the IRS and Treasury began issuing payments within one week of enactment. Eligible individuals received payments of up to \$600 (\$1200 for married couples filing joint returns), and households received up to \$600 for each qualifying child. By late January 2021, approximately 147 million EIPs had been issued pursuant to the December legislation. These payments totaled approximately \$142 billion. Treasury issued this set of EIPs through January 15, 2021, though individuals who did not receive an EIP or who received less than they are entitled to may file a tax year 2020 income tax return to claim the correct amount as a Recovery Rebate tax credit.

The most recent round of EIPs was enacted under the ARP, and Treasury and the IRS began issuing payments within a few days of enactment. Under the ARP, eligible individuals will receive payments of up to \$1400 (\$2800 for married couples filing joint returns), and households can receive up to \$1400 for each dependent (this is a broader category than qualifying child because it covers children age 17 and over and others who are supported by the taxpayer).

#### Emergency Rental Assistance Program (ERAP)

The Emergency Rental Assistance Program provides states, territories, local governments, and Tribes funding to assist renter households impacted by the pandemic. Section 501(a) of Division N of the Consolidated Appropriations Act, 2021 made available \$25 billion in rental assistance funds for Treasury to disburse to eligible grantees. On March 11, 2021, the ARP provided an additional \$21.55 billion for ERAP, including a portion of funding reserved for high-need grantees.

The Consolidated Appropriations Act, 2021 included requirements regarding the distribution of funds, such as assisting households that are unable to pay rent and utilities due to the COVID-19 pandemic. Grantees may use the funds to provide assistance to eligible households through existing or newly created rental assistance programs. Grantees are directed to prioritize households receiving at or below 50 percent the area median income or which have at least one household member that has been unemployed for at least 90 days. After an extension included in ARP, funds generally expire on September 30, 2022.

Treasury disbursed all payments to state and local grantees by the statutory deadline of January 26, 2021. Tribes were permitted to request payment through January 26, and the full \$25 billion was disbursed by February 26, 2021. Treasury has published information pertaining

to the grant award terms and the application process and answers to Frequently Asked Questions (FAQs) to assist grantees in launching their programs. Treasury continues to work with grantees to provide additional guidance, as appropriate, and to prepare deployment of the additional ARP funding.

#### *Coronavirus State and Local Fiscal Recovery Funds*

The ARP authorizes a total of \$350 billion in relief for state and local governments, including \$219.8 billion for states, territories, and Tribal governments and \$130.2 billion for local governments. These funds may be used to cover costs incurred to respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, non-profits, and impacted industries (e.g., tourism, travel, and hospitality); provide premium pay to essential public employees or grants to employers of essential workers; provide government services to the extent of revenue loss due to COVID-19; or make necessary investments in water, sewer, or broadband infrastructure.

These payments will help ensure frontline workers and essential employees remain on state and local payroll at the time they are needed most. The Treasury Department is currently working to allocate these funds in line with Congress's statutory instructions and setting up procedures to ensure this money is efficiently distributed to the state and local governments that need it.

#### *Coronavirus Capital Projects Fund (CCPF)*

The CCPF provides \$10 billion for state, territories, and Tribal governments to invest in projects directly enabling work, education, and health monitoring, including remote options, in response to COVID-19. Treasury is currently working to establish rules around eligible uses for these funds so that they can be used for purposes like broadband infrastructure.

#### *Local Assistance and Tribal Consistency Fund (LATCF)*

LATCF provides \$2 billion to eligible revenue-sharing counties and Tribal governments for a wide variety of governmental expenditures, excluding lobbying activities. Treasury is currently in the process of evaluating options to equitably allocate and distribute these funds, taking into account the economic conditions of each eligible revenue sharing county, using measurements of poverty rates, household income, land values, and unemployment rates as well as other economic indicators, and taking into account economic conditions of each eligible Tribe.

Going forward, Treasury plans to consult with Congress, counties, Tribal governments, and other stakeholders in order to develop a full picture of economic needs at the county level, to implement an allocation that is fair and equitable in light of counties' varying economic circumstances, and to effectuate Congress's statutory purpose in enacting this provision.

### State Small Business Credit Initiative (SSBCI)

The ARP's SSBCI program builds on the foundation laid by the original SSBCI, implemented in 2010, to use federal funds to support small businesses and catalyze small business investment at the state level. The new SSBCI provides up to \$10 billion for states, territories, and Tribal governments to fund small business capital access and investment programs, including loan loss reserves, collateral guarantees, venture capital, and other investment structures that pair public funding with private capital. Collectively, these funds may catalyze up to \$100 billion in total investment in small businesses across the country.

In addition to preparing the application process and technical assistance needed to ensure states can operate robust, successful SSBCI programs, Treasury will work to implement the ARP's requirements that \$1.5 billion of SSBCI funds go to businesses owned by socially and economically disadvantaged individuals, that \$1 billion be set aside for an incentive program focused on businesses owned by socially and economically disadvantaged individuals, that \$500 million be set aside for Tribal governments, and that at least \$500 million go to businesses with fewer than 10 employees. These set-asides are critical to the equity of this program and will remain a priority for Treasury.

### Pensions

The ARP authorizes the creation of a new fund to be held at the Treasury to provide special financial assistance to underfunded multiemployer pensions and ensure these pensions' obligations are paid. In particular, the ARP's pension provisions authorize the Pension Benefit Guaranty Corporation (PBGC) to provide assistance to eligible multiemployer pensions sufficient to reinstate suspended benefits and to ensure obligations are paid through 2051. Certain of these provisions will be implemented in consultation with Treasury. The PBGC will set rules or guidance regarding eligibility and review applications to determine eligibility. Treasury will consult with PBGC and the Department of Labor, as directed by the ARP, on proposed reinstatements of benefits, the changing of funding assumptions proposed in a plan's application, and the granting of temporary priority consideration for certain plans.

### Homeowners Assistance Fund

The ARP provided \$9.96 billion for a new Homeowner Assistance Fund to assist homeowners who experienced hardship after January 21, 2020. The Department will allocate and distribute funds to participating states, territories, and Tribes to prevent homeowner mortgage defaults, foreclosures, and displacements. These funds may be used to address monthly mortgage payments, delinquencies, principal reductions, assistance for utilities, tax, and insurance payments, and to reimburse state and local governments for relief provided during the pandemic to prevent housing losses. Grantees that elect to participate must set aside at least 60% of their allocation to assist homeowners with incomes equal to or less than 100% of the local or national

median income, whichever is greater. Grantees are also required to prioritize payments to socially and economically disadvantaged individuals.

Treasury will work to establish this program and release guidance regarding precise use of funds to reflect the intended impact prescribed by Congress. The Department recognizes that keeping Americans in their homes is not just about ensuring financial stability, but also preventing potential health impacts brought by the COVID-19 pandemic.