

**OPENING STATEMENT FOR CHAIRMAN RON JOHNSON  
COVID-19 FEDERAL RELIEF OVERSIGHT  
TUESDAY, JULY 28, 2020**

*As prepared for delivery:*

At the end of March, Congress passed the CARES Act, the largest economic relief package in U.S. History. In total, Congress has enacted more than \$2.9 trillion of federal spending intended for individuals, organizations, and businesses that have been negatively impacted by coronavirus. When the \$2.9 trillion was passed, there was a great deal of uncertainty and a significant danger of economic and financial market collapse. As a result, there was a general consensus that Congress had to act quickly and provide significant financial relief. In such a complex economy, a relief package this massive was bound to be far from perfect - and it was. Now that we've weathered the immediate economic storm, we have more information at our disposal that should be used as we move forward.

A large portion of the CARES Act was the Paycheck Protection Program (PPP), which was intended to provide loans to businesses in order to prevent layoffs. While many companies and organizations that truly need financial support were assisted by the program, many received loans even though they were not facing financial hardship. The low certification hurdle required to obtain PPP loans without adequate back side controls on loan forgiveness will cost taxpayers billions of dollars that could have been more effectively targeted.

Other programs like the Economic Impact Payments provided \$1,200 stimulus checks to individuals, many of whom did not lose their job and did not experience income loss related to COVID-19. The U.S. Government Accountability Office found that more than 1.1 million payments totaling nearly \$1.4 billion went to decedents.

The CARES Act also created the Pandemic Unemployment Assistance program which pays an additional \$600 in weekly unemployment benefits. The Congressional Budget Office found that roughly five of every six individuals who received these benefits earned more through the benefits than they would have working. Not surprisingly, these generous payments have discouraged many from going back to work, creating additional challenges for our economy and businesses that are attempting to recover from the pandemic. As President Clinton and Obama's economic advisor, Larry Summers, once stated: "The second way government assistance programs contribute to long-term unemployment is by providing an incentive, and the means, not to work. Each unemployed person has a 'reservation wage'—the minimum wage he or she insists on getting before accepting a job. Unemployment insurance and other social assistance programs increase [the] reservation wage, causing an unemployed person to remain unemployed longer." Evidence that Mr. Summers was correct can be found in the fact that the Bureau of Labor Statistics' Job Opening and Labor Turnover Summary report from July 7<sup>th</sup> indicates that the US had 5.4 million job openings at the end of May.

Additionally, states and local governments received \$150 billion to directly respond to the crisis. On June 15, Senator Scott, Senator Cruz, and I wrote a letter to governors requesting information on how much federal funding was received, spent, and remaining in their state. As of today, we have only received information back from nine states and Guam. Those states report

spending or obligating only 31 percent of the funds appropriated to them. An obvious question is why should we appropriate additional funds to states and localities when they have utilized only a fraction of what has already been provided by Congress?

The reality is we do not know exactly how much of the \$2.9 trillion of Covid-19 financial relief has been obligated or spent and Congress has not yet conducted sufficient oversight of previous COVID relief programs. Before we authorize any additional funds, Congress should assess what worked and what did not work, and then consider redirecting whatever remains unspent and unobligated to be used more effectively.

I'd like to thank our witnesses today for helping to shed light on these issues and providing the facts necessary to help us determine a smarter approach for the future.