FOR IMMEDIATE RELEASE: April 16, 2020

Contact: GovPress@wisconsin.gov or 608-219-7443

Gov. Evers Directs DHS to Extend Wisconsin's Safer at Home Order

MADISON — Gov. Tony Evers today directed Wisconsin Department of Health Services (DHS) Secretary-designee Andrea Palm to extend the Safer at Home order from April 24, 2020 to 8 a.m. Tuesday, May 26, 2020, or until a superseding order is issued. The order implements some new measures to ensure safety and support the progress we've made in containing COVID-19, but also allows certain activities to start up again. The order is available here.

"A few weeks ago, we had a pretty grim outlook for what COVID-19 could mean for our state, but because of the efforts of all of you, Safer at Home is working. That said, we aren't out of the woods just yet," said Gov. Evers. "As I've said all along, we are going to rely on the science and public health experts to guide us through this challenge. So, as we extend Safer at Home, I need all of you to continue doing the good work you've been doing so we can keep our families, our neighbors, and our communities safe, and get through this storm together."

"Before we lift Safer at Home, the steps of testing and more robust public health measures must be in place," explained Secretary-designee Palm. "These steps will help us reduce the risk of a second wave of the virus. If we open up too soon, we risk overwhelming our hospitals and requiring more drastic physical distancing measures again."

The extension of the Safer at Home order includes a few changes. Some changes allow more businesses and activities to open back up, while other changes help make businesses safer for employees and customers. The changes in this order include:

Businesses and activities ramping up service and operations:

- **Public libraries:** Public libraries may now provide curb-side pick-up of books and other library materials.
- **Golf Courses:** Golf courses may open again, with restrictions including scheduling and paying for tee times online or by phone only. Clubhouses and pro shops must remain closed.
- **Non-essential Businesses:** Non-essential businesses will now be able to do more things as Minimum Basic Operations, including deliveries, mailings, and curb-side pick-up. Non-essential businesses must notify workers of whether they are necessary for the Minimum Basic Operations.
- **Arts and Crafts Stores:** Arts and craft stores may offer expanded curb-side pick-up of materials necessary to make face masks or other personal protective equipment (PPE).
- **Aesthetic or Optional Exterior Work:** Aesthetic or optional exterior law care or construction is now allowed under the extended order, so long as it can be done by one person.

Safe Business Practices:

- **Safe Business Practices for Essential Businesses and Operations:** Essential Businesses and Operations must increase cleaning and disinfection practices, ensure that only necessary workers are present, and adopt policies to prevent workers exposed to COVID-19 or symptomatic workers from coming to work.
- **Safe Business Practices for Retailers that Essential Businesses and Operations:** Retail stores that remain open to the public as Essential Businesses and Operations must limit the number of people in the store at one time, must provide proper spacing for people waiting to enter, and large stores must offer at least two hours per week of dedicated shopping time for vulnerable populations.
- **Supply Chain:** Essential Businesses and Operations that are essential because they supply, manufacture, or distribute goods and services to other Essential Businesses and Operations can only continue operations that are necessary to those businesses they supply. All other operations must continue as Minimum Basic Operations.

Other changes include:

- **Schools:** Public and private K-12 schools will remain closed for the remainder of the 2019-2020 school year.
- **Local parks and open space:** Local health officials may close public parks and open spaces if it becomes too difficult to ensure social distancing or the areas are being mistreated.
- **Travel:** People are strongly encourage to stay close to home, not travel to second homes or cabins, and not to travel out-of-state if it is not necessary.
- **Tribal Nations:** Tribal Nations are sovereign over their territory and can impose their own restrictions. Non-tribal members should be respectful of and avoid non-essential travel to Tribal territory. Local government must coordinate, collaborate, and share information with Tribal Nations.
- **Duration:** The changes in this order go into effect on April 24, 2020. The order will remain in effect until 8 a.m. on May 26, 2020.

If you have questions, a Frequently Asked Questions (FAQ) document is available here for your review.

The public should continue to follow simple steps to avoid exposure to the virus and prevent illness including:

- Avoiding social gatherings with people of all ages (including playdates and sleepovers, parties, large family dinners, visitors in your home, non-essential workers in your house);
- Frequent and thorough hand washing with soap and water;
- Covering coughs and sneezes;
- Avoiding touching one's face; and
- Staying home.

This is a rapidly evolving situation, and we encourage you and the public to frequently monitor the DHS website. We encourage you to follow @DHSWI on Facebook, Twitter, or dhs.wi on Instagram. Additional information can be found on the CDC website.

FOR IMMEDIATE RELEASE: April 15, 2020
Contact: GovPress@wisconsin.gov or 608-219-7443

Gov. Evers Signs COVID-19 Response Legislation

MADISON — Gov. Tony Evers today signed Assembly Bill 1038, now 2019 Wisconsin Act 185, within hours of its passage, providing critical support and relief for Wisconsinites during the COVID-19 public health emergency.

The governor's full statement on Assembly Bill 1038 was released earlier today and is available here.

Gov. Evers' Statement on Passage of COVID-19 Response Legislation

MADISON — Gov. Tony Evers today released the below statement following the Wisconsin State Senate's passage of COVID-19 response legislation and sent a letter calling for the bill to be sent to his desk immediately.

"My pen has been waiting for weeks to sign legislation that guarantees Wisconsin will capture our fair share of federal dollars under the CARES Act and ensures workers experiencing unemployment and underemployment won't be forced to wait an extra week for needed benefits to kick in. This bill is finally a step in the right direction, but there is much more work to be done.

"Although I remain concerned about what is missing from this legislation I have called for this bill to be sent over for my signature as soon as possible. The bill I will sign falls short of what is needed to address the magnitude and gravity of what our state is facing, but I am not willing to delay our state's response to this crisis.

"This bill does not provide hazard pay or workers compensation for all frontline and critical workers like first responders, childcare providers, and healthcare workers who are risking their lives going to work every day. This bill lacks meaningful support for small businesses and farmers who are struggling to make ends meet and includes no additional investments in our businesses or farmers through WEDC's successful 20/20 program.

"Our state is facing significant challenges as we respond to and prevent the spread of COVID19. The bottom line is that we have to do everything we can to keep our families, our neighbors, and our communities safe while also looking towards our economic recovery. People across our state are hurting. We have asked Wisconsinites to make sacrifices so we can keep them safe, and the Legislature needs to do their part.

"My administration has been working to do as much as we can to respond to COVID-19 but we need to have the flexibility and resources to be able to provide necessary support for the people of our state. It's clear that more legislation will be needed to meaningfully address COVID-19 in Wisconsin and help workers, families, businesses, and farmers."

https://evers.wi.gov/Pages/Newsroom/Press-Releases.aspx

Gov. Tony Evers signs coronavirus relief bill amid criticism of its treatment of first responders

Milwaukee Journal Sentinel, April 15, 2020

MADISON - Gov. Tony Evers signed a sweeping coronavirus relief package Wednesday after lawmakers approved it with just two days to spare before the state would have lost out on hundreds of millions of dollars in federal help.

The Democratic governor signed the bill, which also suspends a one-week waiting period to receive unemployment benefits, two hours after state senators unanimously approved it.

The overall measure was championed by both parties despite a cloud of criticism over a last-minute amendment from Republicans that scaled back their original plan to offer more worker's compensation protections for first responders.

Evers called the legislation a step forward, but short of what the state needs. He called on lawmakers to provide hazard pay to health care and child care workers as well as assistance to farmers and shuttered businesses.

"This bill is finally a step in the right direction, but there is much more work to be done," he said in a statement.

Senate Majority Leader Scott Fitzgerald called the decisions lawmakers have to make “gut wrenching” and said they may do more to respond to the virus.

“This bill isn’t perfect and it might be the first bill of a number that we are going to have to pass in the Legislature,” the Juneau Republicans said. “But it is timely and I think it’s been well thought out and I think it will help.”

The bill passed the Assembly 97-2 on Tuesday and the Senate 31-0 on Wednesday. Democratic Lena Taylor of Milwaukee didn't cast a vote on the bill after complaining that she wasn't allowed to speak during the Senate's session.

Republicans in the Assembly on Tuesday weakened the bill's worker's compensation protections for first responders who become infected. That prompted outrage from groups representing police officers and firefighters.

Instead of making worker's compensation benefits available to all health care workers, the amended bill would provide them only to police officers, firefighters and health care workers who treated people with coronavirus if they could prove they were exposed to the illness while working on a person diagnosed with the virus.

Union officials who represent police and firefighters say the bill's bar for worker's compensation is too high to meet to cover all affected workers who are risking their health and lives to do their jobs.

"The law will presume that a first responder's COVID-19 injuries are caused by their employment as long as they can prove it," Jim Palmer, executive director of the Wisconsin Professional Police Association, tweeted. "Thanks for nothing."

But Republicans who control the Legislature say the measure limits costs for taxpayers, who are already suffering under the economic downturn.

"It does address first responders, but not in a manner that meets the expectation of unions," Mike Mikalsen, spokesman for Republican Sen. Steve Nass, tweeted to Palmer late Tuesday. "There are families out there paying taxes but have already lost jobs or watching a life time of building a business get destroyed in just weeks. A little perspective please!"

While Assembly Democrats criticized the measure, none in the Senate mentioned it.

Democratic Attorney General Josh Kaul, who oversees the state's Department of Justice and sets standards for law enforcement officers, raised concerns about the provision.

“We should be doing more to support these essential workers than simply ensuring that they're able to receive worker's compensation benefits if they contract COVID-19," he said in a statement. "But, because of an amendment that gutted a protection for first responders that originally had been included in the coronavirus bill, the legislation that passed the state Legislature doesn't even do that"

Lawmakers waited until the last week they could to pass legislation to take advantage of federal aid to help pay for the skyrocketing costs state governments are facing as thousands become sick and unemployed.

Until this week, Wisconsin had been in a minority of states that hadn't yet passed measures related to the coronavirus pandemic.

Republicans leaders waited until April 1 to begin writing legislation, according to drafting records related to the relief package — a month after the virus began to spread in Wisconsin and a week and a half after the governor first proposed a bill to legislative leaders.

The bill wasn't released until Monday and taken up Tuesday by the Assembly. With a Friday deadline for Evers' signature, lawmakers gave themselves no time to make any changes.

Unlike Evers' proposal, the GOP one doesn't spend any state money. Republican lawmakers said Evers plan was too costly and the state could rely on about $2 billion in federal help to respond to the pandemic.

Senate Minority Leader Jennifer Shilling said the Legislature should be doing more, including providing assistance to hospitals facing rising caseloads and businesses that have closed because of coronavirus.

“Many in the majority party continue to downplay the significance of this crisis,” the La Crosse Democrat said. “ It is disappointing that the plan before us today is limited in scope.”
This week's sessions were the first the Legislature has held virtually. Shilling and Senate President Roger Roth, R-Appleton, were in one room of the Capitol, with the other 31 senators videoconferencing into the session from other parts of the Capitol or their homes.

Roth said after the session that the computer equipment should be kept in the room he and Shilling used in case another virtual session is held.

The bill passed this week would tap into federal Medicaid funding and suspend the one-week waiting period before people who are out of work may collect unemployment benefits. Under it, the state would receive an extra $150 million for Medicaid for every fiscal quarter that the pandemic persists.

The bill would also provide insurance protection for those infected with coronavirus and shield health care providers from liability.

To help keep down people's insurance medical costs, the legislation would bar insurers from charging people more to get treatment for coronavirus when they go to out-of-network providers. It would also bar insurers from discriminating against people based on whether they have had coronavirus.

All insurers would be required to cover coronavirus testing for free.

The bill also would suspend accountability requirements for public and private schools for the current school year.

https://www.jsonline.com/story/news/politics/2020/04/15/coronavirus-in-wisconsin-first-responders-criticize-relief-bill/2994620001/

Evers to Trump: Wisconsin faces more than $2B revenue loss due to COVID-19

Wispolitics.com Budget Blog, April 16, 2020

Gov. Tony Evers told the White House his administration estimates state revenues will drop more than $2 billion over the next year in the wake of COVID-19.

Evers joined Dem Govs. Gretchen Whitmer, of Michigan, and Tom Wolf, of Pennsylvania, in pitching President Trump to support a call from the National Governors Association to provide $500 billion in budget stabilization funds to replace lost state revenues.

In a letter dated yesterday, the three appealed for the "maximum flexibility possible" for the money so it can be used beyond costs tied directly to COVID-19 related expenses.

The president has already signed a federal stimulus package that will send an estimated $2.3 billion to Wisconsin, including $1.9 billion to the state. But that money is designated for unbudgeted costs related to dealing with the COVID-19 pandemic, such as personal protection equipment and ventilators.

The letter, the first public accounting from the Evers administration of a possible revenue drop, adds "this significant revenue shortfall will damage the state's ability to respond to the economic crisis faced by our workers and businesses." It also says Wisconsin is already experiencing major job losses with the unemployment rate estimated at 15 percent.

The three guvs — who represent key states in this fall's presidential election — wrote the "magnitude of the crushing economic impact this virus has had on our states and residents cannot be overstated." Without additional aid from the federal government, "the damage to our state economies will be exacerbated by the cuts we know we will be forced to make."

Read the letter here.

Read the post online

https://www.wispolitics.com/2020/evers-to-trump-wisconsin-faces-more-than-2b-revenue-loss-due-to-covid-19/

Wisconsin stay-at-home order likely extends to May as coronavirus cases grow, but more help is coming for the unemployed

Tom Daykin, Milwaukee Journal Sentinel, Published 6:25 p.m. CT April 15, 2020 | **Updated 7:47 p.m. CT April 15, 2020**

We hope you're getting used to that whole "stay-at-home" routine.

It might be some time before it ends.

Meanwhile, more public aid is coming for Wisconsin residents who have lost their jobs during the coronavirus pandemic. But exotic dancers who perform at strip clubs in the Milwaukee and Madison areas are suing to get what they say is their fair share.

Gov. Tony Evers is signaling that it may be another month before he starts relaxing social distancing mandates. The governor's stay-at-home and school closure orders are to expire on April 24.

Evers said it's unlikely schools will reopen before the end of the current school year.

Evers' emergency declaration in Wisconsin, under which the business closures and safer-at-home orders were issued, is to expire in mid-May. The Legislature would have to extend the declaration.

Also, some scientists say prolonged or intermittent social distancing may be needed until 2022.

Until researchers find an effective vaccine, social distancing may be necessary to avoid overwhelming the nation's hospitals, they wrote in the journal Science.

Their report used computer modeling, which tends to present a worst-case scenario in which no effective vaccines are developed.

Wisconsin's total coronavirus cases were 3,721 as of Wednesday, according to the daily count provided by the state Department of Health Services.

That was an increase of 166 cases from Tuesday's count, and was the biggest single-day jump since Friday. But it was still below peak levels reported in early April.

Wisconsin now has 182 deaths from COVID-19.

The state Senate responded to the pandemic's economic turmoil by unanimously approving a relief package that was approved earlier by the Assembly.

Evers, a Democrat, signed the bill so the state can receive hundreds of millions of dollars in federal aid and the unemployed can more quickly receive benefits.

Evers called the legislation a step forward, but short of what the state needs. He called on lawmakers to provide hazard pay to health care and child care workers as well as assistance to farmers and shuttered businesses.

Senate Majority Leader Scott Fitzgerald, a Republican, called the decisions lawmakers have to make “gut wrenching” and said they may do more to respond to the virus.

One group of workers — exotic dancers — are taking their case for economic relief to federal court.

The suit against the U.S. Small Business Administration seeks to preserve some of the Paycheck Protection Plan's $350 billion for employees and dancers at four Silk Exotic Gentleman's Clubs in the Milwaukee area and Middleton.

The Paycheck Protection Program is meant to cover small businesses' payrolls for eight weeks until the anticipated end of stay-at-home orders.

SBA regulations exclude certain businesses from eligibility, including those with "live performances of a prurient sexual nature."

The lawsuit said the clubs' erotic entertainment is lawful and protected by the First Amendment.

Meanwhile, the Patrick Cudahy bacon processing plant will be closed for two weeks after a small number of employees tested positive for COVID-19, owner Smithfield Foods Inc. announced.

Employees will be paid for that period while "essential personnel" continue to do deep cleaning at the plant, Smithfield said in a statement.

The company, based in Smithfield, Virginia, employs more than 1,000 workers at the Cudahy facility.

Another food industry sector feeling the pandemic's effects: Wisconsin produce growers, which rely on migrant labor.

Wisconsin growers must start using social distancing to protect thousands of migrant farm workers from COVID-19. That includes keeping them 6 feet from one another in fields, barrack-like housing and buses.

That's under an emergency order, issued by Evers, which takes effect immediately.

Also, more than a month after nursing homes emerged as deadly hotspots in the nation’s battle against COVID-19, Wisconsin citizens remain in the dark about which long-term care facilities are the most dangerous.

Unlike some other states, Wisconsin has not disclosed the number of cases and deaths that have occurred in long-term care facilities, the names of those homes or how the virus made its way into the facilities in the first place.

When the Milwaukee Journal Sentinel asked for the information, state health department spokesperson Jennifer Miller said the agency would not name specific facilities “due to privacy concerns.”

The lack of transparency could have far-reaching ramifications: Nursing home residents are a particularly high-risk population, with many medically fragile patients living in close quarters and interacting with staff who help them dress, bathe, eat and brush their teeth.

Finally, that Badger State standby Kids From Wisconsin, is canceling the performing troupe's 2020 touring season because of concerns about the pandemic's impact.

The troupe, known for it show-tunes-style revue with performers ages 15 to 20, canceled 38 shows.

But the Kids' traditional stint at the Wisconsin State Fair is still scheduled to run Aug. 6-16.

https://www.jsonline.com/story/news/2020/04/15/wisconsin-stay-home-order-likely-extend-covid-19-cases-grow/5139213002/

OSHA issues guidelines clarifying when contractors have to report COVID-19 cases

By: Nate Beck, nbeck@dailyreporter.com April 15, 2020 4:14 pm

Contractors won't need to report to OSHA cases of COVID-19 unless it's clear that an employee caught the virus on a jobsite, under recently released guidance from federal officials.

The Occupational Safety and Health Administration issued temporary guidance for construction companies late last week on when they should consider coronavirus cases a recordable incident that has to be reported on OSHA Form 300, a log of job-site injuries and illnesses. The rules seek to provide clarity to contractors after industry groups had asked for guidance from the agency on how to handle possible cases of COVID-19.

OSHA's guidelines should come as a relief to most contractors, who were concerned they'd need to report cases of COVID-19 that might have been contracted outside work, said Dan Burazin, director of safety for the Associated General Contractors of Greater Milwaukee. Construction companies, however, still have a responsibility to maintain a safe workplace despite the pandemic, he said.

"What they're saying in that guidance is focus on doing the things that keep your jobsite safe," Burazin said. "It's too difficult for you to determine whether an employee got coronavirus at home, at Walmart or the job site."

The guidelines come after the Construction Industry Safety Coalition — a national group that includes the Associated General Contractors of America and the Associated Builders and Contractors — sent OSHA a letter in late March asking for clarity on when companies need to report illnesses. The groups warned that requiring reporting for every case could "skew" OSHA injury numbers and force companies to track down the origins of viral cases that in fact came from outside work. OSHA's latest coronavirus guidelines are meant to alleviate such concerns.

Other industries, such as health care, in fact do have to try to track down the origins of all COVID-19 cases. But construction is not considered by OSHA as being at a particularly high risk for the spread of the virus.

Even for industries that are considered high risk, the agency has no concrete standard specifically for coronavirus. It's instead drawing on its existing rules for bloodborne pathogens and other ailments, Burazin said.

The agency, however, does have an exception that takes effect should it become clear that the virus is spreading at a worksite. Burazin said if several workers on one site were to come down with COVID-19 at once, chances would be strong that they caught the illness on the job and reporting will be required.

Although contractors won't need to report most cases of COVID-19, OSHA wants them to continue making sure workers are staying at least six feet apart from each other, washing their hands, wearing masks and taking other steps to prevent the spread of the virus, Burazin said.

"When OSHA puts these rules out, nothing's black-and-white, there are always grey areas," he said. "What they're saying is, you still need to protect your people."

https://dailyreporter.com/2020/04/15/osha-issues-guidelines-clarifying-when-contractors-have-to-report-covid-19-cases/?utm_term=OSHA%20issues%20guidelines%20clarifying%20when%20contractors%20have%20to

%20report%20COVID-19%20cases%2526nbsp%3B&utm_campaign=OSHA%20issues%20guidelines%20clarifying%20when%20contractors%20have%20to%20report%20COVID-19%20cases&utm_content=email&utm_source=Act-On+Software&utm_medium=email

SBA's $349B Paycheck Protection Program officially runs out of money

By Andy Medici – Senior Staff Reporter, Washington Business Journal, Apr 16, 2020, 9:58am CDT **Updated** 29 minutes ago

The Small Business Administration's $349 billion Paycheck Protection Program has officially run out of money.

The notice, posted on the SBA's website, states the "SBA is currently unable to accept new applications for the Paycheck Protection Program based on available appropriations funding. Similarly, we are unable to enroll new PPP lenders at this time." The loan program, which offers forgivable loans to small businesses as long as most of the money goes to payroll costs, was first authorized as part of the $2.2 trillion CARES Act passed by Congress and signed into law by President Trump March 27.

Politicians, experts and bankers had been warning the program would run out by the end of this week or sooner without additional appropriated funding.

But Congress has been locked in a stalemate over a possible $250 billion extension, with congressional Democrats pushing for additional funding for hospitals and state and local governments.

The SBA also said on its website that it had run out of funding for its Economic Injury Disaster Loan program, stating the "SBA is unable to accept new applications at this time for the Economic Injury Disaster Loan (EIDL)-COVID-19 related assistance program (including EIDL Advances) based on available appropriations funding. Applicants who have already submitted their applications will continue to be processed on a first-come, first-served basis."

https://www.bizjournals.com/milwaukee/news/2020/04/16/sbas-349b-paycheck-protection-program-officially.html

Fed gives banks a break to keep markets calm, asking for little in return

Jeanna Smialek – The New York Times, April 16, 2020

Editor's note: This story is available as a result of a content partnership with The New York Times. Subscribers will see stories like this every day on our website (and in our daily emails) as an added value to your subscription.

In 2008, as the global financial system was melting down, America’s largest banks continued paying dividends.

Those shareholder payouts were made both by institutions that were holding up amid the storm, like Bank of America, and by companies that were teetering on the brink. Both Lehman Brothers and Merrill Lynch continued handing out piles of cash to prove that they were solvent.

They were not. And those payouts left them weaker, exacerbating shortfalls that would ultimately cause their demise.

As the coronavirus puts the financial system to its biggest test since 2008, there are growing concerns that the Federal Reserve is ignoring the costly and painful lessons of the last crisis by allowing banks to continue paying dividends.

While this crisis did not begin in the financial system, the virus is causing severe strain across various markets and has at times made it hard to trade everything from corporate debt to Treasury securities. The Fed has rolled out programs to ensure that the inner workings of finance do not collapse and that banks can continue lending despite a severe downturn.

Officials have loosened post-crisis rules put in place to ensure that banks had big enough financial cushions to continue lending, alongside other accommodations. They have relaxed borrowing caps, encouraged banks to dip into their extra layers of capital and liquidity, and are offering up cheap funding programs, all in an effort to encourage banks to keep making loans.

Yet so far, policymakers have not stopped banks from continuing to pay dividends, allowing them to part with cash that could put them in a stronger position to continue serving as lenders and intermediaries should the unpredictable crisis deepen — although such curbs remain a possibility.

“I don’t think that’s something that needs to be done at this point,” Chair Jerome Powell said during a Brookings Institution webcast April 9. “We’ll be watching to see how things evolve, but I don’t think that step is appropriate at this time.”

Big banks have voluntarily suspended stock buybacks for the time being, but they are loath to halt dividends because doing so could signal that their firm is in bad financial shape.

Dividends at the biggest banks will probably amount to about $40 billion this year, according to estimates by Gregg Gelzinis, a senior policy analyst at the left-leaning Center for American Progress. While substantial, that is less than what they will retain by halting share buybacks.

If banks do not do any buybacks this year, it will probably give them an additional $150 billion in capital, he said. So far, they've committed to a two-quarter suspension so are set to preserve about half that.

While Powell does not appear ready to impose restrictions, minutes of the Fed's March 15 meeting show that some Fed officials believe the central bank should be making sure that firms hang on to all the cash that they can in an uncertain environment.

"Several participants commented that banks should be discouraged from repurchasing shares from, or paying dividends to, their equity holders," according to the minutes, which were released last week.

And the Bank for International Settlements, which advises global central banks, said in a new brief that while a blanket restriction on payouts would "reduce banks' attractiveness to investors," it would also "limit the risk of signaling a bank's relative weakness."

Some former Fed officials agree that the central bank should consider constraining payouts.

"We learned that we let way too much money out the door in that crisis," Janet Yellen, the former Fed chair, said of 2008. She hasn't talked to Fed officials about their current thinking but believes they should ask banks to halt dividends. "We don't know where this is going. This is really a tail event and a great threat to the country."

If the Fed halts dividends while banks are still functioning normally, it would come across as precautionary to investors, said Daniel Tarullo, a former Fed governor and a key architect of much of the post-crisis bank regulatory regime. If it waits to take that step further down the road, when signs of financial system trouble are mounting, it could instead be read as a signal of trouble.

"At the early signs of what could be a major challenge, that's when you push the banks to husband their capital," he said. "That is the time when it wouldn't have been a signal and would instead would be regarded as a hedge."

“It is disappointing that this is not the course the Fed has taken,” he said, adding that after the crisis, regulators learned that the “playbook” should be to suspend dividends and buybacks early.

Banking groups say there is no need to stop paying dividends since the sector is in much stronger shape than it was headed into the 2008 crisis.

“There’s no evidence of a need to suspend dividends based on the conditions of these institutions,” Kevin Fromer, head of the Financial Services Forum, an advocacy group for large banks, said in an interview last week.

Banks are already taking a beating amid the coronavirus pandemic. JPMorgan Chase & Co. reported first-quarter earnings per share of 78 cents, less than half of what analysts were estimating, as reserve holdings mounted and markets gyrated. Wells Fargo’s earnings per share dipped to just 1 cent and it set aside more money for credit losses, it said Tuesday. But the firms do have more capital to get them through tough times than they did before the 2008 financial crisis, thanks to post-crisis regulatory changes.

Fed leaders have become more bank-friendly under the Trump administration, which, paired with the industry’s improved financial position, is probably driving the reluctance to cut dividends.

Instead of reining in payouts, Fed officials have actually made changes that allow banks to continue making them. Banks are generally allowed to dip into their capital buffers in times of stress and are encouraged to do that to support lending and spending. But they avoid doing so because it activates regulations that require them to cut dividends.

On March 17, the Fed said it would make those restrictions phase in more gradually to encourage banks to use the buffer.

Weeks later, the central bank’s Board of Governors in Washington said it would change a key regulation — the supplementary leverage ratio, which gauges capital held against assets — for a year. Banks are no longer required to count their holdings of Treasurys and cash deposits at the Fed toward the ratio, which will allow big banks to lower their capital by about 2%.

The Fed probably had to make some sort of leverage ratio tweak. The central bank is pumping reserves, bank holdings at the Fed, into the financial system as it makes giant bond purchases to smooth markets. That, paired with an influx of deposits as investors cash out their investments, has saturated bank balance sheets.

When banks hold too many assets (like Treasury bonds) relative to capital (common stock and retained earnings), they avoid taking on more and throwing their regulatory ratios out of whack.

In the current environment, that could disrupt markets. If banks are not willing to snap up Treasury bonds as the government unleashes a flood of them to pay for its $2 trillion coronavirus relief package, the Fed would have to buy bonds even more aggressively or risk a meltdown. If banks serve as go-betweens, holding the bonds for a time, Treasurys can find their way into household investment portfolios. Absorption is easier.

But the change gives big banks, which have long detested the leverage ratio, a major win. And while it is temporary, industry experts speculate that banks will push hard to make sure it never changes back.

There is clearly nervousness at the Fed that the newly free capital could be used to ramp up payouts. The central bank's statement cautioned that the change was to allow banks "to serve as financial intermediaries, rather than to allow banking organizations to increase capital distributions."

It said it will "administer the interim final rule accordingly."

https://www.bizjournals.com/milwaukee/news/2020/04/16/fed-gives-banks-a-break-to-keep-markets-calm.html