

Policy Resolution Group COVID-19 Legislative Update

September 30, 2020

There are some signs of life in the effort to craft another tranche of COVID-19 relief. Can this effort bear fruit? Today's report discusses those chances and the possible contours of a deal.

The Heroes 2.0 Gambit

House Democrats released an updated version of the *Heroes Act* ("*Heroes 2.0*") on Monday, September 30, indicating that their new proposal reflected "needs that have developed since the House passed an earlier iteration" and "negotiations between Democrats and Republicans."

The smaller \$2.2 trillion legislation knocks more than \$1.2 trillion off of House Democrats' initial package, but it remains to be seen whether the formalization of their new "proffer," as Pelosi put it, sufficiently closes the gap to put a deal within reach.

What is in Heroes 2.0?

The updated *Heroes Act* includes the following key provisions:

- Stimulus Checks—Second round of stimulus checks, with \$1,200 for qualifying taxpayers and \$500 per dependent.
- Paycheck Protection Program—Provides for extension of PPP program, creation of second draw ("P4") loans for hard hit businesses of a certain size, deductibility of forgiven loan expenses, expanded eligibility for certain non-profit organizations, and streamlined forgiveness procedures.
- Unemployment Assistance (\$120B)—Restores the \$600/week federal pandemic unemployment compensation (FUPC) starting the week of September 6 and ending January 31, 2021.
- State & Local Aid (\$445B)—\$238 billion to states, \$179 billion for local governments, and \$9.5B in additional funds each for territories and Tribes.
 - This is a reduction of \$480 billion compared to the original *Heroes Act*, which called for \$915 billion in aid to state and city governments.
- Airline Industry (\$28B)—Support to airlines through the Payroll Support Program currently set to expire Sep. 30.
- Restaurant Revitalization Fund (\$120B) —Creates a grant program to be administered by the Treasury Department to cover the difference between an eligible entity's revenue in 2019 and actual or projected revenue through 2020.
- Homeowner Assistance (\$21B)—Funds to assist homeowners cover mortgage payments, property taxes, and utility payment.
 - This is a reduction in \$54 billion from the original fund in *Heroes 1.0*.

- Education and Child-care (\$282B)—\$182 billion for K-12 schools, nearly \$39 billion for postsecondary education, and \$57 billion that would go to support child care for families.
- Testing & Healthcare (\$103B)—\$75 billion for coronavirus testing, contact tracing and isolation measures and \$28 billion for procurement, distribution and education campaigns for a safe and effective vaccine.
- Food Assistance (\$11B)—15 percent increase to the maximum SNAP benefit and additional funding for nutrition programs such as WIC and TEFAP.
- U.S. Postal Service Aid (\$15B)—Direct aid to the U.S. Postal Service.
 - This is a reduction of \$10 billion when compared to *Heroes Act*.
- Broadband (\$12B)—Funding for Wi-Fi hotspots and connected devices for students and library patrons, including \$3 billion for emergency home connectivity.
- Election Funding (\$3.6B)—Grants to states for contingency planning and preparation.
- Rural Electric Cooperatives (\$2.6B)—Grants to Rural Utilities Service electric borrowers.
- Worker Safety—Requires OSHA to issue enforceable standards within seven days to require all workplaces to develop and implement infection control plans based on CDC expertise.
- Health Coverage—Allows the unemployed to automatically receive the maximum ACA subsidy and add a special enrollment period in the ACA exchanges for uninsured Americans.
- *Heroes 2.0* Resources:
 - [Full text](#)
 - [One-pager](#)
 - [Section-by-section](#)
 - [Additional information on state and local relief provisions](#)

Other Notable Changes In *Heroes 2.0*

- Does not include the \$190 billion in hazard pay for front line health care workers and others in risky jobs from the original *Heroes Act*, which would have provided an incremental \$13 per hour in so-called hazard pay for essential workers, up to \$10,000 per employee.
- Includes reductions in the duration and generosity of certain benefits in the original *Heroes Act*, including:
 - Reducing state and local aid;
 - Shortening the State and Local Tax (SALT) Exemption by one year;
 - Reducing the per-child benefit from \$3,000 to \$2,000; and
 - Reducing stimulus amounts for qualifying dependents from \$1200 to \$500.

Trust the Process?

- Secretary Treasury Steven Mnuchin met in person with Speaker Pelosi on Capitol Hill today, delivering his latest counter-proposal in an attempt to reach a compromise. Mnuchin indicated his offer would resemble the “March to Common Ground”, the [COVID relief framework](#) released by the bipartisan Problem Solvers Caucus on September 15.
 - Pelosi and other House leaders rejected that plan at the time, arguing that it "falls short of what is needed to save lives and boost the economy."
- The meeting lasted 90 minutes, and concluded without a deal, though both sides expressed measured optimism that an agreement could still be reached:
 - Mnuchin: “We’ve made progress in a lot of areas. We still have more work to do, and we’re going to see where we end up.

- Pelosi: “Today, Secretary Mnuchin and I had an extensive conversation and we found areas where we are seeking further clarification. Our conversations will continue.”
- With no agreement, Speaker Pelosi initially announced that the House will move forward this evening with a vote on its Heroes 2.0 bill, “in order to formalize [their] proffer to Republicans.” A vote on the \$2.2T package had been seen by many observers as a death knell for fruitful negotiations, though Democratic leaders took pains throughout the day to play down the significance of such a move.
 - Late Wednesday, Democrats abruptly changed course and announced they would postpone the vote until Thursday, pending an agreement with Republicans.
- Senate Majority Leader Mitch McConnell said Wednesday that the \$2 trillion proposal by Democrats was “too high” and “outlandish,” indicating that he would not support this legislation either.
 - The Leader’s posture toward a massive package reflects reluctance within the conference to go significantly above the “skinny” package supported by Senate Republicans.
- The sticking points to an agreement are in many ways the same as before: what level of federal unemployment aid to offer the millions of unemployed individuals, and how much aid to offer states and cities, in addition to the top line number and the inclusion of liability protections for businesses and institutions.

What Does Liam Think?

Reports of Secretary Mnuchin’s sojourn to the Hill sent hearts aflutter from K Street to Wall Street as a deal once again seemed in reach. A \$1.5 trillion package is always about where a compromise should have been possible, though neither side has ever seemed inclined to make the concessions necessary to end up there. Some level of budgeting gimmickry could help make the sale on either side—unallocated CARES funds used to lower the sticker price for Republicans as in the “skinny” bill; automatic stabilizers and other legislative triggers to provide circumstantial upside to Democrats. In other words, a bill loaded up with enough items to satisfy Democrats could be said to meet the high end of queasy Republicans’ budgetary threshold.

But at the end of the day, what’s still missing here is the collective political will and, ultimately, the consistent and assertive Presidential leadership necessary to bring Republicans along. If President Trump decides that he needs a deal, and that such an agreement will boost the GOP’s electoral fortunes, he could impose his will on an unruly GOP Senate. But this has been true all along, with the same underlying logic, and the only thing that has changed is that a deal at this juncture carries less (and less immediate) upside, and would require significantly greater effort.

Meanwhile, with the Senate acting tonight to pass the Continuing Resolution (CR) to fund the government through the election, the legislative clock is ticking. And while Minority Leader Chuck Schumer (D-NY) has threatened to use the vagaries of Senate rules to keep the chamber in DC to vote on various procedural matters, tying up vulnerable Republicans who would rather be campaigning, such a move is unlikely to lead to a sudden outburst of bipartisan comity.

Both sides want to look like they’re doing everything in their power to get to a deal, and nobody wants to be seen as the one who walks away. But the endless talks lead to nowhere unless the President steps in to close the deal and deliver the votes. And while the incentives may line up for him to finally engage, those for Democrats increasingly do not. After a gruesome debate night, Democrats are so close to a Biden presidency they can almost taste it. Do they really want to throw the President a lifeline some five weeks from election day?

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Bottom line: While another round of aid makes sense for the country, the partisan calculus remains incongruent. One man has the potential to change all that. The next 24 hours should tell us whether it's in the cards.