

U.S. Municipal Bond Market

"March to Common Ground" Bipartisan Proposal Calls for \$500 Billion for State/Local Governments

"March to Common Ground" Could Be Grand Bargain Needed to Break the Ice Today, a bipartisan group of 50 members of the U.S. House announced a "March to Common Ground" COVID-19 relief plan. The proposal is the latest attempt by Washington lawmakers to pass a fifth phase of COVID-19 aid and includes \$1.52 trillion of spending. The House's moderate lawmakers likely hope this is a number that can make the White House, Senate, and House content. This March to Common Ground could be the grand bargain needed to break the ice in Washington.

The Democrats most recently lowered their "ask" to \$2.2 trillion from the \$3+ trillion originally proposed in the HEROES Act. Republicans have had a difficult time agreeing on a number, as neither the HEALS ACT nor its "[slim package](#)" earned enough votes to pass. The White House, after agreeing to a higher spending amount of \$1.3 trillion, has been [hinting it could accept \\$1.5 trillion](#).

\$500 Billion for State and Local Governments

A highlight of the March to Common Ground proposal is a compromise on the issue that White House Chief of Staff Mark Meadows two weeks ago called [a key roadblock to another COVID-19 relief agreement](#), which is state and local government relief. As of September 1, the Democrats were sticking to a number closer to the \$915 billion they asked for in the HEROES Act. The White House was prepared to offer \$300 billion (\$150 billion new and \$150 billion repurposed) for state and local governments, but Republicans generally have an issue with any new aid for state and locals.

Roadmap of Fifth Phase COVID-19 Proposals

Plan Name, description	Total Amount	Status
March to Common Ground, bipartisan	\$1.52 trillion	Proposed Sept. 15
Senate "Slim Package"	\$650 million	Did not pass week Sept. 7
White House agreed to...	\$1.3 trillion	Week of Aug. 31
Democrats lowered their ask	\$2.2 trillion	Beginning of August
White House	\$1.1 trillion	Beginning of August
HEALS Act, Senate	\$1.0 trillion	Never passed by Senate
HEROES Act, House	\$3.0+ trillion	Passed House May 15

Source: HilltopSecurities.

The March to Common Ground proposal seems to split the difference between the \$915 billion the Democrats asked for in the HEROES Act and the \$150 billion (new spending) proposed by the White House at the beginning of the month. The political reaction to this number is currently unknown, but we are not expecting an enthusiastic response by either side. It does not seem the Democrats will be happy with "something" as opposed to "nothing." The day after the CARES Act was agreed upon, Speaker Nancy Pelosi stressed that a priority for lawmakers should be to get aid to state and local governments. Republicans have reiterated for weeks that state

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aid remains a hot potato subject. This is a key reason why many of the Republican proposals have focused on primary, secondary, and higher-ed school relief, and not more general state and local government assistance. The bipartisan compromise [also includes supplemental unemployment insurance, another round of \\$1,200 payments](#) among other items, and triggers which change based on the course of the pandemic.

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Does the March to Common Ground Proposal Have a Chance to Become Law?

It is currently unclear whether this bipartisan attempt at a compromise has a chance to earn enough support to become law. Although it should be noted that it is probably one of the biggest breakthroughs in the search for a fifth phase compromise since [the White House jump started negotiations at the end of August](#).

[During a CNBC interview this morning](#), Speaker Nancy Pelosi said she and her colleagues are committed to staying in Washington until they can come to a COVID-19 relief agreement that, "meets the needs of the American people." This sounds to us like she is not willing to give much ground. Speaker Pelosi also stressed, again, the importance of aid for state and local governments during the interview.

\$500 billion of relief would certainly be a boost to the credit quality for state and local governments and related entities. Time to complete a compromise is running out, as the House is scheduled to be in session until Friday, Oct. 2, and the Senate until Friday, Oct. 9.

Currently, lawmakers are working on details for a continuing resolution that would fund the federal government past the Sept. 30 deadline into December or the early part of 2021. The negotiating parties have agreed in principal to [keep this negotiation separate from the fifth phase COVID-19 relief talks](#). The debt ceiling does not need to be revisited until July 2021.

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