

U.S. Municipal Bond Market Leadership Working on Support for \$908 Billion Bipartisan COVID-19 Relief Proposal(s)

Summary

- A \$1.4 trillion omnibus spending agreement is at hand.
- Separately, lawmakers are considering \$908 billion of COVID-19 relief.
- The first part of the COVID-19 relief is in the amount of \$748 billion and the second part includes \$160 billion of state and local government aid and liability protections. The first part (\$748 billion) includes the less politically sensitive items.
- Observer optimism remains high even though lawmakers still did not have the votes for COVID-19 relief as of Monday evening. Congressional leaders are expected to continue negotiating Tuesday.

\$1.4 Trillion Omnibus Spending Agreement is at Hand

Washington lawmakers punted a decision deadline to this Friday on the annual budget measure. In response, policymakers are expected to announce a compromise on a \$1.4 trillion omnibus spending agreement sometime today (Tuesday) and legislative text should follow later Tuesday or Wednesday. It is not yet known if the spending agreement will be completed this week or pushed again (more for timing and not substance), but this is one legislative item that does in fact have to be completed, otherwise the federal government will shut down.

A shutdown is not likely, however based on the observer consensus, general reporting, and reporting out of Politico, it appears representatives are finding enough common ground to complete an omnibus spending agreement. What is still up in the air is whether-or-not it is going to be possible to include, or separately finalize a fifth phase of COVID-19 relief legislation before the end of this week, or whenever Congress finally adjourns before the 2020 holidays.

The Latest \$908 Billion Bipartisan COVID-19 Relief Proposal

A total of \$908 billion of COVID-19 relief was introduced by a bipartisan group of lawmakers in Washington for quick consideration by both the House and the Senate. The COVID-19 relief was packaged in two parts because of the political sensitivity of the state and local government relief and liability shield in part two.

- The first part includes: \$748 billion, which could include an extension of unemployment assistance for 16 weeks, \$300 in additional weekly unemployment benefits, \$300 billion of small business relief targeted toward restaurants and live venues, \$82 billion of education funding (K-12 and higher-ed), \$45 billion transportation sector funding, \$25 billion for rental assistance and an extension of the eviction moratorium through Jan. 31, and \$16 billion for testing and vaccine distribution among other spending items.
- Second part includes: \$160 billion of state and local government funding that would be broken down to \$91.2 billion for states, \$60.8 billion for counties and municipalities, and \$8 billion for tribal governments. States would be prohibited from using this funding for public pensions funds, according to a preliminary summary of the proposal. Short-term liability protections for coronavirus-related lawsuits would also potentially be included in this part as well.

Tom Kozlik
Head of Municipal Strategy & Credit
214.859.9439
tom.kozlik@hilltopsecurities.com

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All of the spending items in the first \$748 billion portion of the plan are those which are considered less politically sensitive. The Wall Street Journal already reported that lawmakers came up short while trying to reach a compromise related to liability protections, an issue that has been an important theme for many Republicans.

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State and Local Government Relief Remains a Roadblock

Providing state and local government relief has been a priority for Democrats since the end of March. \$160 billion is included in the second part listed above, but it remains a leading roadblock to a larger agreement. Some Democrats have appeared inclined to drop the demand for state and local government relief if it means a larger package could in fact be finalized. When Senate Minority Leader Chuck Schumer was asked yesterday about potentially giving up state and local relief to finalize part 1 of the COVID-19 relief proposal he said, "We'll see what the [bipartisan group] puts together. We believe state and local is the right thing to do. That's it."

Leadership Did Not Have the Votes for COVID-19 Relief Last Night, Still Trying
Senate Leader Mitch McConnell said that it is time for the GOP and Democrats to find a consensus on COVID-19 relief now as the clock ticks down on the legislative session. He added that a consensus should be reached by the holidays in order to avoid tripping the benefits cliff that expires at the end of the month.

A high level of optimism remains that a deal can be reached. This morning's Politico Playbook reported, "It seems painfully obvious to nearly everyone on Capitol Hill that a COVID relief deal is at hand -- should the leaders want it." It just depends whether leaders are able to find common ground to come to a compromise.

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Senator Mitt Romney is a member of the bipartisan group that introduced the two-part \$908 billion proposals. Last night, Sen. Romney said it is important to get COVID-19 relief passed before the year is over during a CNBC interview with Shepard Smith. Sen. Romney highlighted the "good merits" of the proposal(s). The most important part of the interview is when asked if he [Romney] is confident that Leader McConnell or Speaker Nancy Pelosi will bring it [relief] up for a vote Senator Romney responded, "Not yet." That leads us to believe that the leadership does not yet have the votes to make a fifth phase of COVID-19 relief – even just part 1 of the above, a reality – at least not yet. They are still trying to hammer out an agreement.

Four Corners - Congressional Leaders Meeting Again Today

Congressional leaders are meeting again today per the invitation of Speaker Pelosi who invited Sens. McConnell and Schumer and House Minority Leader Kevin McCarthy to a Tuesday meeting on government funding and coronavirus relief, according to a CNBC article and other reports. All eyes will be on this group of Congressional leaders as to whether a compromise can be attained on a fifth phase of COVID-19 relief before lawmakers break for the holidays.

If they do not come to an agreement it is not likely that lawmakers will be able to consider legislation again until well after the Jan. 20, 2021 inauguration of President-elect Joe Biden. That means the next window for Washington action may not open until early February 2021.

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