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STIMULUS DEBATE COMING DOWN TO THE WIRE

Congress is coming down to the wire on whether it will deliver additional fiscal policy relief as more states shut down their economies in response to COVID-19. The ingredients are all on the table for a deal, but the right mix has eluded policymakers in recent days. Although a lot has changed since June, we aren't in a much different spot than we were then: Negotiators fighting over liability protections for businesses (a Republican priority) in exchange for state and local fiscal aid (A Democratic priority). The biggest change has come on size—the proposals for the total package have come down from \$2.4 trillion to \$900 billion and the amount of state aid has moved from \$500 billion annually to \$160 billion.

Still, there is work to do. Democrats remain resistant to including liability protections and something needs to break on that front. Further, a last-minute push for rebate checks of \$600 per person seems to have bipartisan support among leaders, but adding the measure to the package would raise the price tag above \$1 trillion. Treasury Secretary Mnuchin balanced these tradeoffs in his latest offer by including rebate checks but removing supplemental unemployment benefits.

This leaves three options for policymakers in the latest week:

Three stimulus package options for Congress as the clock winds down

- 1) **A large package** that includes state aid and liability protections
- 2) **A medium-sized package** with no state aid or liability protections
- 3) **A skinny package** that includes vaccine funds, an unemployment extension, and “cost free” extensions like an eviction moratorium and reauthorizing the PPP program

Large	Mid-range	Skinny
PPP (small business)	PPP (small business)	PPP reauthorization
State and local aid	Unemployment benefits	Some unemployment extensions
Liability protection	Airlines, rails, and theaters	Vaccine distribution
Unemployment benefits	Health care providers	Eviction moratorium
Airlines, rails, and theaters	Vaccine distribution	
Health care providers	Child care	
Vaccine distribution	Student loan deferments	
Food stamps / rental assist.	Eviction moratorium	
Child care		
Broadband		
Student loan deferments		
Eviction moratorium		

A few external factors could also influence the discussion over the coming days. The first is the debate over the National Defense Authorization Act (NDAA), which establishes Defense spending levels and sets the policies for the money to be spent. This bill has been signed into law for 59 consecutive years, but President Trump has vowed to veto it for failing to include a measure removing liability protections for social media firms. We're also keeping an eye on the last-ditch effort by states to have the Supreme Court intervene in the Presidential Election results. We think it is a low probability that SCOTUS will change the results, and they may not even take the case, but we're always on guard for surprises.

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