



## House Passes Multi-Trillion Dollar Response Package

*Lewis-Burke Associates LLC — May 19, 2020*

On May 15, the House of Representatives passed a fifth coronavirus response package, the Health and Economic Recovery Omnibus Emergency Solutions (Heroes) Act (H.R. 6800) by a vote of 208 to 199. This \$3 trillion spending package was developed by House Democrats without any input from House Republicans and is intended to reflect broad Democratic priorities heading into future negotiations. Senate Majority Leader Mitch McConnell (R-KY) does not plan to take up the bill in the Senate and the White House has threatened a veto if the legislation were to advance. Both Republicans and the White House oppose many of the spending proposals and insist that any negotiations on another pandemic response shouldn't occur until there has been more time to gauge the effectiveness of the four prior enacted packages. The original bill was released earlier this week. The final version that was passed out of the House today contained several amendments, and contained a change to one higher education provision, discussed in more detail below.

A centerpiece of the *Heroes Act* is nearly \$1 trillion for state and local governments to help replace revenue shortfalls. The bill also provides another round of \$1,200 direct payments to low-income Americans, an extension of enhanced unemployment benefits, more loans to businesses, food and housing assistance, additional funds for national testing and aid to hospitals, aid to schools and universities, medical research funding, and funds to prepare for the November elections. Of particular interest to institutions of higher education, the bill provides \$100 billion for education. Of that, \$90 billion is allocated for grants to governors to distribute among K-12 schools and public colleges and universities. The remaining \$10 billion is for higher education stabilization. A major change to the final version of the bill that passed today compared to the original proposal that was released earlier this week is related to student loan forgiveness. In the original version, up to \$10,000 in student loan forgiveness was allowed for each borrower; however, the final version makes this only available to "economically distressed borrowers."

With respect to the research enterprise, the Heroes Act provides funding for lab stabilization and COVID-19 related research at select agencies. For example, it includes \$4.8 billion for the National Institutes of Health to support both new COVID-19-related research and to offset costs associated with pandemic related laboratory closures and \$125 million for the National Science Foundation to prevent, prepare for, and respond to COVID-19.

While the bill addresses some of the issues raised by the higher education and research community, it still falls short of relief requests submitted to congressional leadership. Below is a more detailed analysis of funding and policy provisions in the *Heroes Act* of most interest to institutions of higher education, scientific societies, and research organizations.

### Higher Education

The *Heroes Act* would provide approximately \$100 billion to the Department of Education (ED) to support educational needs. Of this amount, \$90 billion would support a "State Fiscal Stabilization Fund" which would provide grants to states to support funding for K-12 and public postsecondary institutions.

Of the state education fund, 30 percent would be allocated to public institutions of higher education. The remaining \$10 billion not allocated to the State Fiscal Stabilization Fund would provide \$1.7 billion in support for Minority-Serving Institutions, \$7 billion for private non-profit institutions of higher education, and \$1.4 billion for exclusively online institutions and institutions that would receive less than \$1 million in an initial allocation.

Funding would support numerous efforts including training and professional development for higher education faculty and staff to support distance education; general expenditures for institutions of higher education for expenses associated with a disruption in services or operations related to coronavirus, including defraying expenses due to lost revenue, reimbursement for expenses already incurred, and payroll; and emergency financial aid to postsecondary students for housing, food, technology, health care, and child care.

In addition to funding, the *Heroes Act* would make several policy changes impacting higher education. These include:

- Allowing institutions to provide the Census Bureau information about students living on campus for purposes of responding to the 2020 Census;
- Excluding emergency financial aid grants made to students, including those under the CARES Act, from being taxed;
- Allowing institutions to pay Federal Work-Study to students even if they are unable to complete their work due to the pandemic;
- Ensuring that emergency student aid does not impact eligibility for future federal financial aid;
- Prohibiting the Secretary of Education from imposing restrictions on the populations of students who may receive funds, including on grant funding available under the CARES Act;
- Repealing of the public employer exclusion from the emergency paid sick leave and emergency family leave tax credits;
- Providing \$10,000 of debt relief for economically distressed student loan borrowers; and
- Removing the requirement that a borrower must be employed in a public service employer at the time of forgiveness under the Public Service Loan Forgiveness (PSLF) program.

### **Healthcare and the National Institutes of Health (NIH)**

The *Heroes Act* would provide additional funding for hospitals and healthcare providers for costs or lost revenue linked to the COVID-19 pandemic. The bill would also provide additional funding support for COVID-19 research and development to the Biomedical Advanced Research and Development Authority (BARDA) and National Institutes of Health (NIH). Of note, the bill would provide \$3 billion in research relief for NIH-funded institutions to offset costs associated with pandemic related laboratory closures. Additionally, the bill would authorize new grants to support activities related to mental health and substance use. Specifically, the bill:

- Provides \$4.75 billion for the National Institutes of Health (NIH) to support additional COVID-19 research and funding to offset startup costs of biomedical research laboratories. This includes:
  - \$500 million to the National Institute of Allergy and Infectious Disease (NIAID);
  - \$200 million to the National Institute of Mental Health (NIMH);

- \$4.02 billion to the Office of the Director, of which no less than \$3 billion must be used for offsetting costs associated with pandemic related laboratory closures and associated loss of research productivity; and
  - Allows NIH to carry over FY 2020 funds into FY 2021 to ensure continuity of grant funding for multi-year awards.
- Provides \$100 billion for hospitals and providers through grants and other mechanisms by the Department of Health and Human Services (HHS) to reimburse for expenses or lost revenue related to COVID-19, based on quarterly calculations.
- Provides \$75 billion for a COVID-19 National Testing and Contact Tracing Initiative, including grants to state and local health departments.
- Provides \$180 billion to establish a COVID-19 Heroes Fund within the Department of the Treasury to provide grants to essential work organizations for the purposes of paying premium hazard pay to essential workers, including inpatient healthcare workers, outpatient healthcare workers, pharmacy workers, biomedical researchers working with COVID-19 samples, and others.
- Provides \$4.5 billion to the Biomedical Advanced Research and Development Authority (BARDA) for research and development of COVID-19 therapeutics and vaccines, antibacterial research, and construction of next-generation manufacturing facilities.
- Provides \$3 billion for the Substance Abuse and Mental Health Services Administration (SAMHSA) to support activities and grants related to mental health and substance use services, treatment, and outreach.
- Provides \$7.6 billion to the Health Resources and Services Administration (HRSA) for Community Health Centers to expand capacity to provide testing, triage, and care for COVID-19.
- Lowers the interest rate to one percent and extends the repayment period to two years, under the Medicare Accelerated and Advance Payment Program.
- Delays finalization of the Medicaid Fiscal Accountability Rule (MFAR) until the end of the pandemic.
- Eliminates cost sharing for Medicaid beneficiaries for treatment and vaccines related to COVID-19.
- Increases the Federal Medical Assistance Percentage (FMAP) to 14 percentage points starting July 1, 2020 - June 20, 2021, not to exceed 95 percent.
- Increases Medicaid Disproportionate Share Hospital (DSH) payments by 2.5 percent.
- Allows states to extend 1115 demonstration projects through December 31, 2021.
- Establishes HRSA grants to institutions of higher education in rural or underserved areas, or that are Minority-Serving Institutions, to build new schools of medicine and/or expand, enhance, modernize, support existing schools of medicine.
- Establishes several activities to support drug supply chain improvements, including a National Centers of Excellence Program in Continuous Pharmaceutical Manufacturing.
- Establishes a loan repayment program to enhance recruitment and retention of the public health workforce.
- Requires CDC, in collaboration with NIH, the Agency for Healthcare Research and Quality (AHRQ), the Food and Drug Administration (FDA), and Centers for Medicare and Medicaid



Services (CMS) to support research and development on testing, contact tracing, and surveillance strategies.

### **National Science Foundation (NSF)**

The package would provide \$125 million for the National Science Foundation (NSF) Research and Related Activities account “to prevent, prepare for, and respond to coronavirus.” Of this funding, \$1 million “shall be for a study on the spread of COVID-19 related disinformation.” The legislation notes that “up to 2 percent of funds may be transferred to the ‘Agency Operations and Award Management’ account for management, administration, and oversight” of the funding provided in the bill.

### **Department of Defense (DOD)**

The *Heroes Act* would expand the use and oversight of Defense Production Act (DPA) authorities to help provide medical equipment for first responders and essential workers. DPA’s expanded authorities would aim to:

- “increase the production and supply of critical medical supplies and equipment, such as diagnostic tests and personal protection equipment;
- focus efforts on supply chain mobilization;
- decrease the disruption of critical deliveries to state and local governments; and
- require assessments for both immediate and longer-term needs and plans to meet those needs, as well as requiring longer-term planning to ensure that the United States is better prepared for future pandemics.”

Of note, the *Heroes Act* does not include additional provisions to support the nation’s defense industrial base. This is counter to comments made by both the Secretary of Defense Mark Esper and Under Secretary of Defense for Acquisition and Sustainment Ellen Lord that they would pursue additional billions of dollars in funding for the defense industrial base.

### **Workforce Development**

The Department of Labor would (DOL) receive \$3.1 billion with \$2 billion of that funding directed to support worker training. DOL would be directed to use National Dislocated Worker Grants to support training and would provide funds to support employers providing incumbent worker training, including employment supports such as work-based learning. Funding would also be available to states and intermediaries who are assisting employers that are participating in existing registered apprenticeships, including pre-apprenticeship and youth apprenticeship programs, to expand registered apprenticeship opportunities, and to pay for activities such as related instruction and supportive services.

DOL would also be directed to restart Trade Adjustment Assistance for Community College Career Training (TAACCCT) grants. The bill would also require DOL to establish an interagency agreement with the Secretary of Education for carrying out grants and coordinating funding priorities.

### **Small Business and Economic Development**



The legislation would provide additional support for small businesses, non-profits, and economic development initiatives, including reforms to popular assistance programs created under the CARES Act. The bill would:

- Refine the popular SBA Paycheck Protection Program (PPP), which provides forgivable loans to small businesses and certain non-profits including 501(c)3 organizations, through numerous changes, such as: extending eligibility to “all non-profits of all sizes”; extending of the coverage period from June 30 to December 31; and modifying funding allocations to include a 25 percent carveout for all non-profits regardless of size with half this amount going to nonprofits with fewer than 500 employees and 25 percent of funds for small businesses with fewer than 10 employees;
- Mandate that the Main Street Lending Program being developed by the Federal Reserve include non-profits as eligible borrowers, as well as the creation of a low-cost loan option for non-profits under the program;
- Provide an additional \$10 billion for SBA Economic Injury Disaster Loan (EIDL) grants; and
- Temporarily waive matching fund requirements for federal support programs from the Economic Development Administration (EDA) for programs covered by CARES Act, as well as disaster support funding from fiscal year (FY) 2019 and FY 2020 appropriations.

#### **Federal Emergency Management Agency (FEMA)**

Of note, the *Heroes Act* would provide \$1.3 billion to FEMA to address the coronavirus, including \$100 million for state-based Emergency Management Performance Grants (EMPG). Further, the bill would clarify assistance to states, localities, and certain non-profits for activities under various grant programs, to include “costs of providing public guidance and information; costs for establishing virtual services and operating remote test sites; training provided in anticipation of, or response to, to the next emergency declaration; personal protective equipment for first responders; public health and medical supplies; non-congregate sheltering;” and several other services.

#### **Department of Justice (DOJ)**

The bill would provide hundreds of millions of dollars to further shore up criminal justice concerns related to COVID-19, including: \$100 million to support Violence Against Women Act (VAWA) programs, including transitional housing assistance, victims assistance, and other grants to address violence against women; \$300 million to support law enforcement hiring and personal protective equipment; \$250 million for Second Chance Act grants to support the transition of ex-prisoners to society; and \$600 million for new *Pandemic Justice Response Act* to address COVID-19 in correctional institutions.

#### **National Endowment for the Humanities (NEH), National Endowment for the Arts(NEA) Institute for Museum and Library Sciences (IMLS)**

The *Heroes Act* would provide the National Endowment for the Arts (NEA) and National Endowment for the Humanities (NEH) \$10 million each for “grants to support the general operations of recipients and language to permit the waiver of matching requirements.”



It would also provide the Institute for Museum and Library Services (IMLS) \$5 million to help museums and libraries cover “expenses associated with coronavirus, including operational supports and providing technology and resources for their communities.”

#### **United States Department of Agriculture (USDA)**

The *Heroes Act* continues a trend seen in previous relief legislation associated with the COVID-19 crisis, and would focus on supporting vulnerable elements of the food supply chain, from producers to consumers, with no funding for research relief or competitive research. The bill would establish new payment authorities for the US Department of Agriculture (USDA) to provide financial relief to producers and agricultural markets, with specific carve-outs for livestock, dairy, specialty crops and biofuels, including \$16.5 billion in direct payments to producers. The legislation would also provide \$14.3 billion for nutrition assistance programs, including \$150 million for the Emergency Food Assistance Program, \$1.1 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, and \$10 billion for the Supplemental Nutrition Assistance Program to account for the increased costs associated with new flexibilities created in the *Families First Coronavirus Response Act*.

Provisions of particular interest to stakeholders in the Research, Education and Economics Mission Area are as follows:

- To support animal disease prevention and response, *Heroes* includes \$300 million to support activities at the National Animal Health Laboratory Network;
- The legislation would provide \$50 million for Farming Opportunities Training and Outreach activities; and
- The legislation would provide \$28 million for the Farm and Ranch Stress Assistance Network, to provide up to \$500,000 to states, the District of Columbia, Puerto Rico and the territories of the United States. As part of this funding, states are required to submit plans to USDA to describe their strategies to sustain and expand ongoing stress assistance programs. States are encouraged to collaborate with a number of partners, including Cooperative Extension Services.

The bill would also create an Emergency Soil Health and Income Protection Pilot to fund the planting of cover crops on tracts of eligible cropland to conserve and improve soil, water, and wildlife resources.

#### **U.S. Geological Survey (USGS)**

The *Heroes Act* would provide \$40 million for the U.S. Geological Survey (USGS) “Surveys, Investigations, and Research” account for “technical assistance, biosurveillance of wildlife and environmental persistence studies and related research, database development,” and activities related to the National Wildlife Health Center and wildlife-borne disease activities.

#### **U.S. Environmental Protection Agency (EPA)**

The *HEROES Act* would provide an increase of \$50 million for the U.S. Environmental Protection Agency (EPA) directed to support Environmental Justice (EJ) grants in response to coronavirus, which would bring EJ’s total funding to more than six times the FY 2020 enacted level of \$9.6 million. Under the *HEROES Act*, the additional funding would support funding to nonprofits and local, state, and tribal



authorities for investigations into the linkages between “pollution exposure and the transmission and health outcomes of coronavirus.”

*Sources and Additional Information:*

- The full text of the bill can be found at: <https://www.congress.gov/bill/116th-congress/house-bill/6800/text>.