When Congress returns next week, we believe talks will intensify on a new package of pandemic-related stimulus. The House is scheduled to start its August recess by August 3, with the Senate following a week later, and both the White House and Senate Majority Leader Mitch McConnell have said that they want Congress to complete work on the next phase of stimulus by then.

Here’s the state of play on the key issues:

**State and Local Aid**

Democrats in both chambers say state and local governments need about $1 trillion in aid, about the same amount Republicans say they’re willing to spend on an overall stimulus plan. Some Republicans have suggested such aid would amount to a gift to Democratic-led states that were facing budget pressures even before the pandemic. The White House has opened the door to some state aid, specifically for expenses directly related to the pandemic, but has indicated it doesn’t want the measures to turn into a rescue for states with pre-existing financial pressures, such as pension shortfalls.

**Business Relief**

Senate Small Business Committee Chairman Marco Rubio is reconvening the task force that helped create the PPP to come up with a plan that would expand the use of funds, including allowing chambers of commerce to apply, and setting aside $25 billion for businesses with fewer than 10 employees. Rubio also said he’s considering adding more PPP funding to help minority-owned businesses and other firms in under-served communities. Secretary Mnuchin said the administration would work with the House and Senate to “repurpose” about $130 billion in remaining PPP money. There are also proposals for tax incentives to stimulate demand such as for travel and restaurant meals.

**Unemployment Benefits**
The most difficult talks will be over whether to extend a $600-per-week boost to unemployment benefits, approved by Congress in March and set to expire July 31. Democrats have sought to extend it into next year with possible phase-outs linked to improving state economic numbers. But, Republicans contend that in many parts of the country, the boost is providing an incentive for workers to remain unemployed since they earn more when out of work. Some Republicans suggest that one possible solution could be to cut the added amount to $200 or less.

**Direct Payments**

Republicans are showing openness to another round of direct payments to individuals. House Democrats in their May bill proposed repeating the $1,200 payments to individuals making less than $75,000 per year, with as much as $6,000 per family. President Trump last week endorsed the idea, telling Fox Business, “I want the money to get there quickly and in a non-complicated fashion.” And the amount, he said, should be larger than what Democrats have proposed.

Yet some conservative members have said they want no more relief spending at all. Lawmakers said the final bill could tighten provisions to restrict it to low-income individuals or a requirement that applicants show income losses to get the aid.

**Employer Liability**

The employer liability shield that Senator McConnell calls his “red line” in stimulus negotiations will be contentious in negotiations with Democrats. House Speaker Nancy Pelosi and Senator Schumer have said they won’t agree to a lawsuit immunity provision for employers that is crafted too broadly. They continue to ask the administration to issue detailed Covid-19 guidance to employers on how to safely protect their workers.

**Infrastructure**

While there has been much enthusiasm for putting infrastructure spending in the next round of virus relief, that is appearing less and less likely to be included. Some argue the economic benefits of spending on projects such as roads and broadband would be too slow to give the economy the quick jolt needed and infrastructure may have to wait for a later, long-term relief package.