Initial Analysis of the HEROES Act
Alliance for Strong Families and Communities

On May 21, Speaker Nancy Pelosi and other House leaders released the Health and Economic Recovery Omnibus Solutions Act, also known as the HEROES Act. This legislation provides priorities for House of Representatives democrats on the next steps on COVID-19 relief.

While this bill incorporates many priorities for the nonprofit sector—as a direct result of the advocacy the Alliance for Strong Families and Communities network and other organizations have done over the past weeks—it will not pass in its current form. The Republican-led Senate does not approve of the legislation, calling it the “wrong approach,” and, instead, is focused on drafting a bill that provides legal liability protection to businesses. A lengthy debate and negotiation, which will consider the priorities of House, Senate, and administration leaders, lies ahead.

The HEROES proposal’s estimated cost is upwards of $3 trillion. It would provide significant state and local funding; additional checks for individuals making less than $75,000; provide mortgage and rent relief; and much more.

Below, is an initial summary of issues that impact community-based human services organizations.

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Additional Resources

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- Section by Section Summary
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Nonprofit Financial Relief

- **Nonprofit Unemployment Insurance Relief for Self-Insured** – Fixes the issue of nonprofits having to pay unemployment benefits and then wait to get reimbursed, effectively overriding the Department of Labor guidance from April 27. However, the provision does not raise the reimbursement rate to 100 percent, so nonprofits will still be charged for half of the costs.

- **Employee Retention Credit** – The size of the credit would increase from 50% to 80% of each employees’ qualifying wages, which would be capped at $15,000 per quarter per employee, rather than $10,000. This is for up to three quarters. Maximum credit would go from $5,000 to $36,000. Also, instead of being accessible only to businesses that experience 50% of gross receipts for the same quarter last year, the tax credit will be partially phased in for businesses that experience a decline in gross receipts of 10%-50%. Changes would be retroactive to the effective date of the CARES Act.
  - New Payroll Tax Credit for Mortgage/Rent/Utility Payments – Would also provide a 50% refundable payroll tax credit for qualified fixed costs, including rent, mortgage, and utility payments. This provision is limited to employers with 1,500 or fewer employees or gross receipts of no more than $41.5 million. With these changes, the Employee Retention refundable credit may be a better deal for some nonprofits than the Paycheck Protection Program.

- **Restrictions on Debt Collections for Small Business and Nonprofits** – Moratorium during COVID-19 crisis and 120 days thereafter.

- **Delayed Payment of Payroll Taxes** – Removes prohibition to allow nonprofits and businesses receiving Paycheck Protection Program loan forgiveness to delay payment of the employer portion payroll taxes in 2020, payable in equal halves at the end of 2021 and 2022.

- **Emergency Paid Leave for Nonprofits over 500 Employees** – Extends the paid leave provisions under the Families First Coronavirus Response Act to nonprofits and other employers with more than 500 employees.

SBA Paycheck Protection Program (PPP)

- **SBA Paycheck Protection Program** – Strengthens the PPP to ensure it reaches underserved communities, nonprofits of all sizes and types, and respond flexibly to small businesses.
  - Removes the 500-employee cap for nonprofits
  - Includes all 501(c) employers as eligible including unions, chambers, etc.
  - Creates a new set aside of funds, setting aside 25% of all funds specifically for nonprofits. Of that 25%, “not more than half” can go to nonprofits with more than 500 employees.
  - Extends the covered period for PPP loans to Dec. 31, 2020. They could be stretched over 24 weeks instead of the eight weeks originally passed in the CARES Act.
  - Makes technical corrections to expressly allow forgiveness of payments on interest on pre-existing debt.
  - Businesses and organizations that receive PPP loans would be allowed to defer payroll tax payments.
  - Coordination between the PPP and employee retention tax credit would be improved so that groups could utilize both.
  - Bans the forgiveness limits on non-payroll expenses (i.e. the 75%/25% rule)
  - Mandates that SBA provide reports on loan approval and disbursements to nonprofits, provided on a state, congressional district, industry, and loan size.

- **SBA Economic Injury Disaster Loan (EIDL)** – $10 billion for emergency grants under EIDL to small businesses and nonprofits.
Main Street Loan Program

- **Main Street Loan Program** – Requires the Federal Reserve to set up a low-cost loan option tailored to unique needs of nonprofits, including ability to defer payments.
  - For nonprofits that are ineligible for PPP loans and that predominantly serve low-income communities, loan forgiveness along the lines of the CARES Act shall be granted. Note, this forgiveness provision was unexpected; however, the changes to the PPP discussed above would make all nonprofits eligible, potentially disqualifying nonprofits from forgiveness under this loan program.
  - Also mandates that the Federal Reserve ensure that at least one loan option for which small nonprofits and small businesses are eligible has no minimum loan size.

Pandemic Premium Pay (Hazard Pay)

- **Pandemic Premium Pay** – $200 billion for essential workers on the frontlines of the pandemic. Each worker would receive a pay raise equal to $13 per hour performed from Jan. 27, 2020 until 60 days after the final day of the public health emergency. Employees earning less than $200,000 per year can collect up to $10,000 in essential worker pay, while employees earning more than $200,000 per year can collect up to $5,000 in additional pay. To access premium pay, the employer must apply for grants from the Treasury. The employer would calculate the total grant amount by multiplying the amounts of employees earning above and below $200,000 per year by $10,000 and $5,000, respectively. Within 15 days, the Secretary of the Treasury would certify the total grant amount or request more information (or deny, with 10 days for administrative review). If certified, the money would be disbursed within seven days. Retroactive payments must be disbursed to employees as a lump sum within two pay cycles; the rest is paid out as the workers perform their jobs. “Essential workers” cannot work virtually during the pandemic and requires regular in-person interactions with patients, the public, or colleagues. This refers to first responders including employees that perform child maltreatment and domestic violence services. Home and community-based work, including direct care workers, personal care attendants and home health aides, are included. Premium pay may also be used to compensate behavioral health, therapy, nursing care, and residential care workers. Individuals who perform in-home and out-of-home child care services may also receive premium pay. An array of social and human services work is covered, including child welfare, homeless, housing, food and shelter workers. Work that is required to operate a school facility, from early childhood through higher education, is also included. Finally, cleaning, security and building maintenance workers are covered.
  - **McKinney Vento** – Funds can be flexed to provide hazard pay ($11.5 billion total funds)

State/Local Financial Relief

- **State Fiscal Relief** – $500 billion to assist state government with fiscal impacts from the emergency
- **Local Fiscal Relief** – $375 billion in funding to assist local government with fiscal impacts from the emergency
- **Tribal Fiscal Relief** – $20 billion for Tribal fiscal relief
- **Community Development Financial Institutions (CDFI)** – $1 billion
Safety & Resilience

- **Child Abuse Prevention and Treatment Act (CAPTA) Title I Grants to States** – $20 million
- **Child Abuse Prevention and Treatment Act (CAPTA) Title II – Community Based Child Abuse Prevention Grants** – $20 million for necessary expenses for the prevention of child abuse and neglect
- **Chafee** – $50 million. Eliminates the age limit on receiving Chafee funded services so states can serve more former foster youth in need, suspends work and educational requirements for older youth receiving assistance due to current or past foster care, gives states authority to waive limits on providing housing assistance to older youth who may have lost housing due to university and other closings, waives educational progress and employment requirements for older foster youth who can’t work or go to school during pandemic. Also includes a 30% increase in the educational and training voucher program (ETV). Flexibilities expire on Jan 31, 2021.
- **Maternal Infant and Early Childhood Home Visiting (MIECHV)** – $100 million for home visiting in 2020, Temporary flexibilities include allowing virtual home visits and helping use funds to help families acquire needed technology to participate in visits, training home visitors to conduct home visits, training home visitors to assist families with emergency preparedness, providing emergency supplies to families including diapers and formula and food and hand sanitizer, providing prepaid debit cards to families to meet emergency needs. Flexibilities end Jan 31, 2021.
- **Emergency Flexibility for Child Support Payments** – This section provides states with the option to suspend penalties for non-custodial parents for inability to pay child support during the COVID-19 pandemic, since some courts have suspended non-emergency proceedings including those related to modifying child support orders. It also suspends federal requirements to penalize custodial parents (via TANF) and non-custodial parents (via Child Support Enforcement) for failure to comply with paternity establishment rules, since paternity establishment requires in-person action which may not be possible during the pandemic. In some states, using this flexibility may require a change in state law.
- **Emergency Flexibility for Child Welfare Providers** – This section provides state child welfare programs with flexibility to provide services, including caseworker visits, virtually when necessary to comply with public health directives.
- **Violence Against Women Act (VAWA)** – $100 million, with a waiver for local match requirement, including $30 million for grants to combat violence against women, $15 million for transitional housing assistance grants, $15 million for sexual assault victims assistance, $10 million for rural domestic violence and child abuse enforcement assistance, $10 million for legal assistance for victims, $4 million for tribal governments, $16 million to support families in the justice system.
- **Family Violence Prevention Services Act (FVPSA)** – $50 million, including $2 million for the domestic violence hotline. This section waives the matching requirement for grantees and subgrantees under the Family Violence Prevention and Services Act (FVPSA) during the COVID-19 pandemic. This will provide relief to domestic violence providers who rely on volunteer support to meet their matching requirements but have been unable to maintain volunteers due to the pandemic.
- **Social Services Block Grant** – $850 million set aside to fund child and family care for essential workers. $9.6 billion appropriated directly to states for emergency aid to low-income households. States would be required to pass through at least 50 percent of the funds to county governments, local governments working in partnership with community-based organizations, or directly to community-based organizations with experience serving disadvantaged individuals or families
- **SAMHSA** – $10 million for the National Child Traumatic Stress Network. $265 million for emergency response grants to address immediate behavioral health needs as a result of COVID-19.
- **Grants to Assist Low-Income Women and Survivors of Domestic Violence in Obtaining Qualified Domestic Relations Orders** – Certain states under stay-at-home orders have seen domestic violence rates rise as much as 30 percent since the beginning of the COVID-19 pandemic. This provision directs
the secretary of the Department of Labor, acting through the director of the Women’s Bureau in conjunction with the assistant secretary of the Employee Benefits Security Administration, to award grants of at least $250,000 to established community-based organizations on a competitive basis to assist low-income women and survivors of domestic violence in obtaining qualified domestic relations orders to ensure that these women actually obtain the benefits to which they are entitled through those orders.

- **Paid Family and Sick Leave** – Extends payroll tax credits from Family First Coronavirus Response Act through the end of the year. Increases daily sick leave pay to $511 from $200. Also, increases family and emergency leave pay from $10,000 to $12,000, and duration from 50 to 60 days.

### Health

- **Federal Medical Assistance Parentages (FMAP)** – New increase to 14 percent temporarily (July 1, 2020-June 30, 2021) and then back down to 6.2 percent.
- **COBRA** – Protects Americans who lose their employer-provided health insurance with COBRA subsidies to maintain coverage and by creating a special enrollment period in the Affordable Care Act exchanges.
- **Substance Abuse Prevention and Treatment Block Grant** – $1.5 billion
- **Community Mental Health Services Block Grant** – $1 billion
- **Health Resources and Services Administration** – $7.6 billion for COVID-19-related care in Health Centers.
- **Public Health and Social Services Emergency Fund** – $100 billion to reimburse for health care related expenses or lost revenue attributable to the coronavirus; $75 billion for testing.
- **Emergency Mental Health and Substance Use Training and Technical Assistance Center** – Establishes a technical assistance center at the Substance Abuse and Mental Health Services Administration (SAMHSA) that will support public or nonprofit entities and public health professionals seeking to establish or expand access to mental health and substance use services associated with the COVID-19 public health emergency.
- **Grants to Support Increased Behavioral Health Needs Due to COVID-19** – Authorizes SAMHSA to award grants to states, tribes, and community-based entities to enable such entities to increase capacity and support or enhance behavioral health services.
- Eliminates cost-sharing for COVID-19-related care under Medicaid, Medicare Parts A and B, Medicare Advantage, and private insurance.

### Education

#### Early Childhood Education

- **Child Care Development Block Grant (CCDBG)** – $7 billion
- **Child Care Stabilization Fund** – Establishes a child care stabilization fund that requires the secretary of the Health and Human Services Department to award grants to lead agencies to make subgrants to qualified child care providers to support the stability of the child care sector.
- **Social Services Block Grant** – Special set aside of $850 million for child care (see Safety and Resilience section for longer explanation).

#### K-12 Education

- **E-Rate (Federal Communications Commission) for Student Connectivity** – $5 billion in funding for Wi-Fi hotspots, other equipment, and connected devices to be administered through the FCC’s E-rate Program
for schools and libraries to provide internet service in a technologically neutral way to students and teachers, prioritizing those without internet access at home.

- **Broadband Access** – $4 billion for emergency home connectivity needs.
- **Project AWARE (SAMHSA)** – $100 million to identify students and connect them with mental health services.
- **Tax Deduction for Teachers** – Increases the above-the-line deduction amount from $250 to $500 for certain unreimbursed out-of-pocket expenses paid by elementary and secondary school teachers.
- **Fresh Fruit and Vegetable Program (FFVP)** – Extends waiver authority to the Department of Agriculture regarding the FFVP, which provides fresh fruit and vegetable snacks to children in low-income schools. This provides more flexibility for schools to serve FFVP foods, such as serving in bulk.
- **Amendments to the Pandemic EBT Act** – This section extends the Pandemic EBT program, which provides resources to families with children who would have otherwise received free or reduced price meals in school but for pandemic-related school closures, through the summer and until schools reopen, and allows states to include children who would have otherwise received meals through child care.

**Post-Secondary Education**

- **Career and Technical Education Response Flexibility** – Provides flexibility for programs under the Perkins CTE to retain funds at the local level instead of returning unspent academic year funds to the state. Authorizes funds for expanding or modernizing digital, physical, or technology infrastructure, providing incentives for students and employers to participate in work-based learning, expanding or adapting program offerings in response of the economic impact of COVID-19, and providing professional development and training activities.

- **Adult Education and Literacy Response Activities** – Provides flexibility for the Adult Education and Family Literacy Act to allow for program administration and state leadership funds to be used for online service delivery and requires the secretary of the Department of Education to provide guidance on virtual proctoring of adult education. Authorizes funds for adult education programs for correctional education and expanding the infrastructure needed for online or digital educational resources, creating or expanding digital literacy curriculum, and partnering more closely with the workforce development system to implement strategies such as integrated education and training.

**Economic Mobility**

**Unemployment Insurance**

- **Unemployment Benefits** – Ensures $600 weekly federal UI payments through next January. It will also allow workers that had been traditionally ineligible for unemployment benefits to continue accessing them through next January.

**Housing**

- **Emergency Rental Assistance** – $100 billion to help low-income renters at risk of homelessness avoid eviction.

- **Protecting Homeowners and Renters from Foreclosures and Evictions** – This section extends and expands the eviction moratorium and foreclosure moratorium in the CARES Act to include all renters and homeowners, improves the forbearance provided under the CARES Act, and specifies the loan modifications and loss mitigation that should be available to homeowners following a moratorium to prevent any homeowner from facing a lump sum payment that they cannot afford.
• **Assistance to Homeowners** – $75 billion to states, territories, and tribes to address ongoing needs of homeowners struggling to afford housing by assisting with mortgage payments, property taxes, utilities, insurance, and more.

• **Tenant-Based Rental Assistance** – $4 billion for rental vouchers.

• **Public Housing Operating Fund** – $2 billion to operate and manage public housing units.

• **Low Income Home Energy Assistance Program (LIHEAP)** – $1.5 billion

• **Community Development Block Grant (CDBG)** – $5 billion, will waive the public services cap to allow communities to respond to impacts of pandemic. Will be distributed by formula to current grantees. Raises the poverty line for all CSBG funds appropriated during fiscal years 2020-2022 to 200 percent.

• **Emergency Food and Shelter Program** – $200 million for the FEMA program.

• **Housing for Elderly and Persons with Disabilities** – $500 million and $200 million, respectively.

• **Homeless Assistance Grants** – $11.5 billion for Emergency Solutions grants to address the impact of COVID-19 among individuals and families who are homeless or at risk of homelessness and to support additional homeless assistance, prevention, and diversion activities to mitigate the impacts of the pandemic.

### Food Assistance

• **SNAP** – 15% increase to the max SNAP benefit and additional funding for nutrition programs.

• **The Emergency Food Assistance Program (TEFAP)** – $150 million to assist food banks that serve low-income families.

• **Administration for Community Living** – $100 million for direct services like meal delivery for seniors and disabled individuals.

• **Special Supplemental Nutrition Program for Women Infants and Children (WIC)** – Provides an additional $1.1 billion to provide access to nutritious foods to low-income pregnant women or mothers with young children who lose their jobs or are laid off due to the COVID-19 emergency. WIC Cash Value Voucher (CVV) increases from $9 for children and $11 for women per month to $35 per month for women and children though the end of fiscal year 2020. The WIC CVV may be used to purchase fruits and vegetables.

• **Child Nutrition Programs** – Includes $3 billion in additional funding to provide emergency financial relief to school meal providers and USDA’s Child and Adult Care Food Program.

### Worker Training and Other Supports

• **Worker Training** – $2 billion

• **Emergency Flexibility for TANF** – In order to allow compliance with social distancing, shelter-in-place, and other public health guidance, this section suspends the federal work participation rate requirements and the federal time limit for the federal Temporary Assistance for Needy Families (TANF) Program during the COVID-19 emergency, and creates penalties for any state or tribal TANF program that fails to “stop the clock” on federal time limits for families, and/or that sanctions families for failure to work or participate in “work participation” activities. The policy suspensions expire Jan. 31, 2021.