

Policy Resolution Group COVID-19 Legislative Update

March 17, 2021

The Passage of the American Rescue Plan Act of 2021

Last week, the House of Representatives [passed](#) the *American Rescue Plan Act of 2021* (“ARP” or “the Act”), as amended by the Senate, handing President Biden a signature legislative achievement barely 50 days into his tenure. Less than a week after the enactment of the ARP, attention has already turned to swiftly implementing the law, and, ultimately, selling its virtues to the voting public.

As Congress heads into a spring lull, at least on the floor, it is worth taking stock of the ARP, its significance, and what it can tell us about the viability of the rest of the Biden agenda. A few thoughts:

- While it is by no means surprising that Democrats succeeded here—after all, failure was not an option—the remarkable speed and smoothness of the legislative process, as well as the ARP’s immense scale, is a testament to what even a paper thin Democratic majority can achieve if it possesses the political will. **Elections have consequences, and the ARP serves an immediate ~\$2 trillion reminder to Republicans, who can only stand by and watch.**
- As expected, Senator Joe Manchin (D-WV) served as the lowest common denominator for what could make it to the Resolute Desk; but instead of watering the bill down as expected, Manchin kept his powder dry, demonstrating a surprising appetite for spending, and while he kept his caucus guessing until the end, he displayed a surprising level of team play. **Whether this approach continues as the policy conversation moves closer to his turf remains to be seen, but particularly on the clean energy front, the next Democratic package will go as far as Joe Manchin will take it.**
- Congressional Republicans could never muster a compelling (or even coherent) political argument against the ARP effort; they intermittently critiqued the size of the legislation and its sprawling scope, but got traction with neither, and spent more time in the run-up to floor consideration talking about Dr. Seuss and cancel culture than seeking to make Democrats pay a political price. **For the GOP to be more than legislative bystanders at the mercy of Democratic unity, they need to find their voice.**
- The filibuster—and its budgetary cousin, the Byrd Rule—have yet to be truly challenged. While the minimum wage increase fell out of the bill for parliamentary reasons, that was widely expected, and a vote to waive the Budget Act revealed that the underlying policy may not have sufficient support. **With the House sending over a parade of bills prized by various progressive constituencies, touching on policies as varied as voting rights, labor, immigration, and gun control, among others, expect the heat to ratchet up—not only on Senate holdouts like Manchin and Kyrsten Sinema (D-AZ), but on Majority Leader Chuck Schumer (D-NY) as well.**

- The race is on for this White House to achieve what it can, while it can—not only does legislating get harder in an election year, a 50-seat majority is one absence away from losing functional control of the upper chamber, to say nothing of a handful of GOP governors who would be in line to fill certain unexpected vacancies. **As Democrats demonstrated on the ARP, they will not wait around for Republican cooperation for the sake of nominal bipartisanship, a lesson forged in the bitter defeats of 2009 and 2010.**
- The circumstances that made the ARP a relatively simple proposition stand to present significant challenges for the next big legislative push on infrastructure, even if they elect to use budget reconciliation:
 - **Popular things are easy to do when you don't have to worry about paying for them.** But a year and \$5.5 trillion into the COVID deficit spree, the fiscal hangover is coming, as evidenced by public comments by Manchin, Jon Tester (D-MT), Angus King (I-ME), and even Biden himself. **Tax hikes make everything more complicated.**
 - **ARP was the 6th bill of its kind, on the heels of 5 overwhelming bipartisan votes, with a scope that had long been socialized if not previously enacted.** The sprawling nature of infrastructure, by jurisdiction if not connotation, opens itself up to a myriad of congressional fiefdoms and competing stakeholder priorities. **Building consensus will require leadership from the top and discipline down the ranks.**
 - **Reconciliation provides a blank check for fiscal matters, but policy goals remain elusive.** As demonstrated with the minimum wage, the Parliamentarian has maintained a conventional view of Byrd limitations. Much of the Democratic climate agenda, and even some traditional infrastructure provisions, would clearly run afoul. **Success will mean ditching the mandates and getting creative with the tax code and mandatory spending programs.**

Brief Summary of the Final ARP

The final version of the ARP totaled \$1.88 billion of federal investment. Below you will find a breakdown of some of the significant portions of the legislation.

\$16 billion to bolster U.S. agriculture: The final version of the ARP provides \$16 billion to bolster U.S. agriculture, which has been greatly affected by the pandemic. The \$16 billion includes \$4 billion to support the food supply chain through the purchase and distribution of food, the purchase of PPE for farmworkers and frontline food workers, and financial support for farmers, small and medium sized food processing companies, among others. The legislation also includes relief for farmers of color and \$800 million for international food aid.

\$123 billion to combat COVID-19: The final version of the ARP provides \$123 billion to combat COVID-19. This includes a total of \$12.7 billion for vaccine distribution, vaccine procurement, and supplies. The Act also provides an additional \$48.3 billion for testing, contact tracing staff, and PPE procurement. Additionally, the Act includes \$7.6 billion to bolster the public health workforce.

\$105 billion for general health: The Act includes \$105 billion to bolster U.S. healthcare. This includes health care support through the investment of \$35 billion in premium subsidy increases for those who buy coverage on the Affordable Care Act marketplaces. The Act also provides \$8.5 billion for rural health care providers and other safety-net hospitals. It also forgives \$6 billion in payments that people would need to make if their 2020 advanced premium subsidies did not match their income.

\$59 billion for small businesses: The Act provides an additional \$15 billion in new funding for targeted EIDL grants, \$28.6 billion in relief for the restaurant industry through the RESTAURANTS Act, and \$7 billion for the expansion of PPP eligibility.

\$56 billion for transportation: The Act includes \$30.4 billion of additional relief for public transportation across the U.S.. There is also additional relief for Amtrak, airports, and airline jobs.

\$176 billion for education: The Act provides \$125 billion for public K-12 schools to safely reopen for in-person learning and to address learning loss that was caused by the pandemic.

\$410 billion for direct relief to Americans: The Act provides \$1,400 stimulus payments to supplement the \$600 provided in the December relief legislation. Additionally, there will be a maximum of \$2,800 per married couple, plus \$1,400 per dependent. Individuals who earn up to \$75,000 in adjusted gross income will receive the full \$1,400. If an individual earns over \$80,000 in adjusted gross income, they will not receive a payment.

\$246 billion to expand unemployment benefits: The Act extends unemployment insurance until September 6, 2021 at the rate of \$300. It also creates a \$10,200 tax exclusion for unemployment compensation for tax year 2020 for households with incomes under \$150,000.

\$143 billion to expand tax credits: The Act extends and expands the Employee Retention Tax Credit through December 31, 2021 and allows certain severely distressed businesses to claim the credit for a greater share of employee wages. It also provides an extension and expansion of the Paid Sick Leave Credit that was created in the Families First Coronavirus Response Act of 2020 through the end of September 2021. Additionally, the Act expands the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). The Act will nearly triple the maximum EITC for childless workers and will increase the amount of the CTC from \$2,000 to \$3,000 and \$3,600 for children under six years old.

\$350 billion for state and local fiscal aid: The Act includes needed direct aid to state and local governments. Many states have sustained massive revenue shortfalls and face a host of increased spending needs. Nationwide, state and local employment is down 1.4 million since the pandemic began and job losses increased by 50,000 in December.

The Act provides:

- \$350 billion to States, territories, Tribes, and local governments to be used for responding to the COVID-19 public health emergency, to offset revenue losses, bolster economic recovery and to provide premium pay for essential workers. State and local fiscal relief funds can be used for local economic recovery purposes, including assistance to households, small businesses and nonprofits, assistance to hard-hit industries like tourism, travel, and hospitality, and infrastructure investment.
- \$10 billion Critical Infrastructure Projects program to help States, territories, and Tribal governments carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to COVID-19.
- \$2 billion for county and Tribal assistance fund to make payments to eligible revenue-sharing counties and Tribes.

\$3 billion for the Economic Development Administration: This funding will help EDA fulfill its role as the lead agency under the National Disaster Response Framework to assist communities with economic recovery following a disaster, including the current health pandemic. The Act provides:

- \$3 billion to the Economic Development Administration to aid communities in rebuilding local economies, which includes:
 - \$750 million for the travel, tourism, and outdoor recreation sectors.

Previously, the CARES Act provided \$1.5 billion for economic adjustment assistance to help revitalize local communities after the pandemic. The CARES funding is oversubscribed, with the amount of funding requested far outstripping the available amount, as communities face growing needs in responding to the significant job losses caused by COVID-19.

\$40 billion to support child care: The Act includes \$40 billion to support child care. This includes \$15 billion for the Child Care and Development Block Grant program and \$1 billion for Head Start.

For a Section by Section breakdown of the ARP click [HERE](#).

For a summary of modifications to the House version of the ARP click [HERE](#).

For FAQs about the ARP click [HERE](#).

For a Senate Budget Committee summary of the legislation click [HERE](#).