

Policy Resolution Group COVID-19 Legislative Update

October 19, 2020

The election is only two weeks away, and Congress is almost out of time to pass any new COVID-19 legislation before election day. President Trump, Speaker Pelosi, and Majority Leader McConnell are engaged in a last-second frenzy of public posturing and private discussions with the shared goals of either getting to a deal or effectively blaming the other side for an impasse.

Will we get a deal? Our team is still waiting to see evidence that all the pieces needed to build a deal are in place. Today's report explains how the next few days are going play out in Congress, and why a grand compromise may still be out of reach.

McConnell's Move

The Senate will vote on two COVID-19 stimulus proposals this week in the absence of a comprehensive deal in an effort to provide cover to vulnerable Republican Senators while putting Democrats once again in the position of blocking funding they profess to support.

On Tuesday, the chamber will have a stand-alone vote on an amendment to reauthorize, reform, and re-fund the PPP program. The proposal would do the following:

- Provides \$257.64 billion in funds to support PPP and PPP Second Draw Loans.
- Defines eligibility for PPP Second Draw loans as small businesses that meet the applicable SBA revenue size standard, have no more than 300 employees, and demonstrate at least a 35 percent reduction in gross revenues
- Includes a \$25 billion set-aside for entities with 10 or fewer employees and a \$10 billion set-aside for loans made by community lenders.
- Maximum loan size would equal 2.5 times average total monthly payroll costs, up to \$2 million. Businesses that received a PPP loan may not receive another that aggregates to more than \$10 million.
- Expands forgivable expenses to include covered supplier costs, covered worker protection expenditures, and covered operations expenditures.
- Simplifies the forgiveness application process for smaller loans while increasing SBA's ability to audit and review forgiven loans. Appropriates \$50 million to support this audit authority.
- Establishes a specific PPP loan calculation for farmers and ranchers.
- Expands PPP eligibility to include certain 501(c)(6) organizations, with 300 or fewer employees, excluding professional sports, political campaigns, and lobbying expenses.

Senate Majority Leader Mitch McConnell (R-KY) will also put forward Senate Republicans' targeted stimulus proposal from September to a vote on Wednesday. The provisions, as summarized in our [September 9 update](#), are below:

- Enhanced Unemployment: \$300/week federal pandemic unemployment compensation (FPUC) extended through December 27, 2020
- Liability Shield from the *HEALS Act*
- Education Funding: \$120B total—\$70 billion for K-12 and \$29 billion for postsecondary education, maintaining formula based on the number of FTE students. Another \$6B for state and tribal accounts. Includes \$15 billion to help states finance child care services for low-income families and to help day care providers reopen.
- Paycheck Protection Program: PPP replenishment and reforms, including new "second draw" loans up to \$2 million for qualifying businesses that experience a 35 percent decline in gross receipts. (estimated cost of \$257.7 billion)
- Funding for Testing and Vaccine Preparation
 - \$31B to prepare for and respond to COVID, including development of countermeasures and vaccines, therapeutics and diagnostics, purchase of vaccines,
 - \$16B for testing, contact tracing, mitigation and surveillance to monitor COVID
 - Authorize support for manufacturing capacity to produce medical countermeasures, authorize grants for state stockpiles, and improve Strategic National Stockpile
- Postal Service: Forgives \$10 billion Treasury loan authorized to USPS in *CARES Act*
- Agricultural and Fishery Relief: \$20 billion in farm relief and \$500 million for fisheries aid
- Critical Minerals: Speed up permitting for domestic mining of critical minerals, reducing U.S. foreign dependence, and securing supply chains, based on [S. 1317](#) from Sen. Lisa Murkowski (R-AK)
- Charitable Deductions: Increase the \$300 above-the-line deduction in the *CARES Act* to \$600 for individuals and \$1,200 for those filing a joint return

While neither are these votes are poised to succeed, and both open Republicans up to potential procedural jujitsu by the Democratic minority, the stand-alone PPP measure stands to cause some heartburn within the caucus. Look for Small Business Committee Ranking Member Ben Cardin (D-MD) to offer his own competing measure to help provide cover.

Leader McConnell released a [statement](#) on Saturday once again accusing Speaker of the House Nancy Pelosi (D-CA) of playing politics with American lives. He argued that while the targeted proposal would not "resolve every problem forever", it would deliver huge amounts of help to Americans who need it now while Congress continues negotiations over a more comprehensive stimulus package. Senate Minority Leader Chuck Schumer (D-NY) called the \$500 billion stimulus bill "inadequate, just up and down the line" and "a stunt", pointing to divisions within Republican ranks as the "No. 1 reason there's no agreement."

Meanwhile, Speaker Pelosi set a [new deadline](#) for negotiations between House Democrats and the White House, stating on ABC's *This Week* on Sunday that a deal must be reached by Tuesday night in order to secure its package before the Nov. 3 elections. She also released a [Dear Colleague letter](#) yesterday detailing outstanding obstacles to a deal with Secretary Mnuchin, which included funding for testing, tracing, and treatment, focus on disproportionately impacted communities, and expanding the Child Tax Credit, Child and Dependent Tax Credit, and the Earned Income Tax Credit. It should be noted that this lengthy list of concerns does not include several areas Congressional Republicans consider to be "red lines" of their own.

While the appetite among Senate Republicans for a big deal remains tepid, Leader McConnell has signaled that should the White House reach a deal with the Democratic House, he would not stand in the way of such a bill coming to the floor.

Are You Confused? You Should Be. Let Liam Explain It All to You.

If you had taken a nap in the weeks since our last update, your understanding of the dynamics of Congressional COVID relief negotiations would be no worse off, and you would have saved yourself considerable grief amid the daily twists and turns. Fifteen days out from the election, the signal remains weak despite the din of the news cycle. As we come into the home stretch, forget about the talks and the tweets, and keep your eyes on Trump.

The incentives continue to shift as the President's electoral prospects diminish; Trump himself is more desperate than ever to notch a win, but the sudden urge for a deal betrays a growing weakness that makes it increasingly difficult for him to deliver the necessary Republican support. Meanwhile, the closer election day gets without movement in the polls, the less political risk Speaker Pelosi incurs from handing the President a legislative victory. For the Speaker, the deal scenario sets up nicely—heads she wins, with a relief package on her terms and minimal downside; tails, Trump spends the final two weeks beating up on disloyal Republicans and dragging vulnerable members down with him while she washes her hands of its failure.

The fundamental fact remains: if there is to be a COVID package signed into law before the election, it is up to the President himself to make it so. An agreement faces significant hurdles, from jostling over the topline spending number, to deep seeded policy differences, to the sheer mechanics of turning a notional bill into a law inside of two weeks. Speaker Pelosi is unlikely to do the President any favors as he seeks to elide these tensions.

But at the end of the day, the fate of any deal boils down to whether Donald Trump is willing to put the proposition of his vaunted political power to the test. We know Republicans fear his wrath, and have walked on eggshells for four years to that end. Still, it remains to be seen whether reluctant GOPers are prepared to cross the President when the chips are down—or whether Trump himself is willing to take that risk.