



Policy Resolution Group COVID-19 Legislative Update

December 16, 2020

On Monday afternoon, a bipartisan group of centrist senators presented two pieces of legislation: a [\\$748 billion COVID-19 relief package](#) containing funds for UI, small businesses, education, healthcare and vaccines ([full text here](#)); and a [separate package](#) combining \$160 billion in state and local aid with a temporary liability shield.

Today's update discusses the fact that this deal (or something like this deal) might actually become law—even though nobody is sure exactly when or how at the moment.

Closing the Deal

We are actually close this time.

While much of the public negotiation over COVID relief has been geared toward making the other side look unreasonable, the question all along has been an alignment of incentives that would get everyone to yes. Between an incoming administration seeking a gust of wind at its back out of the gate, a dwindling advantage for Democrats in the House, and an uncertain future for both sides in the Senate, it seems the political motives have finally converged.

So, what changed? There's nothing like the smell of jet fumes--and in this case, the faint sound of jingle bells--to spur Congress to action. The contours of a deal have long been apparent, but not until this week's hard deadline has posturing given way to the endgame. Critically, both sides have now set aside their most coveted (and controversial) priorities, opening the door for the more consensus components to move.

The drumbeat on this maneuver has been building steadily for more than a week, beginning with McConnell's suggestion that the two sides set aside state and local and liability. The move was derided as "sabotage" at the time, but following the 908 gang's bifurcation of these matters into a separate sidecar, and hints dropped by top Dem lieutenants in either chamber, the writing was on the wall. Likewise, a late bid by Treasury Secretary Steve Mnuchin to swap one costly component of the package for direct checks was initially panned, but ultimately proved to be part of the solution, as the slack left by state aid created space for a fresh round of economic impact payments. Among other problems eased by the newfound breathing room: a bigger pool of funds for small business, which had been held up by a tussle over the needs of the Paycheck Protection Program (PPP) vis a vis Democratic priorities like EIDL and EIDL advance grants. \$325B (up from \$300B) figures to be enough to make everyone happy.

What Comes Next?

While the situation remains fluid, as both the process and the details are a moving target, we could see an agreement in principle in the next 24 hours. The broad strokes are falling into place, but drafting language is always a tricky and tedious process, especially as both sides seek to save face even on the most granular policy items. And while the idea has long been to move any COVID relief along with the government funding package, a Friday deadline leaves a rapidly narrowing window for this side-saddle approach. This narrowing window could be expanded through a short-term CR, but right now the deadline is forcing Congress to reach an agreement on the terms of COVID relief quickly.

What is in the Deal?

There is still haggling going on right now, and it is important to remember that nothing is final until everything is final. That said, it looks like leaders are close to agreement on a “topline” for the deal, and then committees will be left to hammer out all the details.

If legislators use the previous bipartisan proposal as a guide, which is what most expect, the package will likely carry an estimated price tag of around \$900 billion and commit \$325 billion to small business relief, including at least \$257 billion for the Paycheck Protection Program.

The deal does not contain either the liability shield or state and local aid, offering a path forward after months of gridlock on these issues. Democratic negotiators say they have secured other aid to states in the bill, and both sides have vowed to fight for the provisions next year under a President Biden.

Moreover, Senate Majority Whip John Thune (R-SD) said the proposal would likely include direct checks to individuals of \$600 to \$700 and a weekly unemployment boost of \$300 through March. President Trump has been pushing for direct stimulus to Americans and had backing across the political spectrum from progressives like Sen. Bernie Sanders (I-VT) and conservatives like Sen. Josh Hawley (R-MO).

The details of the package are still developing, as noted, but based on the bipartisan framework (everything but liability and state/local aid) released on Monday, we expect it to include:

- \$325 billion to the Small Business Administration
- Funding to allow small businesses to receive a second forgivable Paycheck Protection Program (PPP) loan, including re-purposing unspent allocations from the CARES Act
- Extension of the Payroll Support Program (PSP) for front-line aviation workers through March 31, 2021
- Funding for independent live venue operators, including eligible independent movie theatres and museums, affected by COVID-19 stay-at-home orders
- Extension of all pandemic unemployment insurance programs by 16 weeks, including PUA and PEUC, from their expiration at the end of December
- Federal supplemental unemployment insurance benefits expanded by \$300 per week for 16 weeks, from the end of December into April 2021
- \$6 billion for vaccines, including \$3.42B for direct grants for states, localities, and territories and \$2.58B for CDC vaccine distribution and infrastructure
- \$10 billion for testing and tracing, including \$7 billion in direct grants for states, localities and territories
- \$35 billion to the Provider Relief Fund (PRF) for health care providers.

- \$28 billion in transportation aid, including \$4 billion funding for Airports, \$8 billion to support the motorcoach and bus industry, \$15 billion to support public transit systems, and \$1 billion for Amtrak
- \$10 billion for a new Child Care Stabilization Fund grants program
- \$13 billion to assist rural communities
- \$12 billion in targeted emergency investments for low-income and minority communities
- \$10 billion for USPS
- \$25 billion in rental assistance to states and local governments
- \$10 billion for broadband assistance
- \$82 billion for education providers
- Nutritional assistance, including a temporary increase in SNAP, WIC, and TEFAP benefits