

## ***Policy Resolution Group COVID-19 Legislative Update***

***December 4, 2020***

It has been a particularly noisy week on the COVID relief front. One week out from a looming government funding deadline—and with it, the last best hope for a moving legislative vehicle—the buzz on Capitol Hill has manifested itself in a burst of bullish reporting about the odds of a new round of COVID-19 relief from Congress.

What should we make of all this new noise? Liam Donovan and our team at PRG help answer that question in today's update.

### **Are we close to a new COVID-19 relief deal?**

The primary driver of optimism about a new deal is simple: Democratic leaders (prompted by President-Elect Biden) have publicly embraced a new bipartisan “framework” as a basis for negotiations (see details below on Page 3), rapidly closing the top-line chasm from trillions to mere hundreds of billions.

Of course, as we have cautioned all along, the overall spending figure is one of the easier hurdles to elide. The other notable development is that Senate Majority Leader Mitch McConnell has entered the ring, supplanting Treasury Secretary Steve Mnuchin as the chief Republican negotiator. The hand-off is important both practically and symbolically, as McConnell had stayed conspicuously out of the fray in deference to the White House.

### ***As Charlie Brown sidles up to the football once again, what do we make of Lucy's intentions?***

*First, the positive:* Republicans, perhaps for the first time since March, are in agreement that something must be done. While there remains heartburn in some corners of the conference over size and scope, there is a critical acknowledgement that inaction is not an option.

Recent spikes in infection rates and hospitalizations across the country, along with sagging economic data, have been a wake-up call to the holdouts. Moreover, the end of the year brings the expiration of ongoing CARES programs that haven't been front and center in these talks, ranging from unemployment (PUA and PEUC) to the eviction moratorium to the Coronavirus Relief Fund for state and local governments. It is unlikely that either party would be willing to let these programs expire under the circumstances, if only to preserve the status quo.

*That said, a few notes of caution:* Even if the vaunted framework was agreed to as it stands (unlikely), it amounts to little more than a dozen bullets and an ambiguous placeholder for one of the biggest remaining disagreements—the liability shield.

Fleshing out the underlying policies, and turning them into agreeable legislative text is a fraught process that takes time. Recall that it took 8 days from introduction to final passage of the original CARES Act, which was largely pre-

negotiated, and playing out in a radically different environment. Whatever the dollar figures, a deal is going to hinge on whether the base text is cribbed from HEROES or HEALS. And finally, an ever-unpredictable President is now a disgruntled lame duck, and as of today is threatening to veto the National Defense Authorization Act (NDAA), an unprecedented move that may require a rare congressional override. As long as his signature is required, keeping President Trump on board will be a must, as reflected in Senate Republicans strategy thus far.

***What is the range of motion for a deal?***

At the very least, expect Congress to preserve the status quo, keeping expiring CARES programs alive at least into 2021. The \$908B framework, which itself is on the order of Senate Republicans' original ~\$1 trillion HEALS proposal, figures to be a de facto ceiling. This leaves plenty of hypothetical real estate in between for Congress to cherry-pick consensus priorities, such as funding for small business, education, and vaccine deployment.

State and local funding and liability protections remain the elusive (and as yet mutually exclusive) red lines, respectively. Biden has brought Democrats around to his view that something is better than nothing, but it's not clear whether the more a la carte approach favored by Republicans will fly.

It is important to remember that with the government funding deadline looming, the viability (and robustness) of the overall appropriations package will be critical to the outcome of the COVID-19 talks. While both parties remain hopeful for a full omnibus, you could still see anything from a continuing resolution to fill in the gaps to a full CR into next year. The bigger and longer the appropriations package, the easier for a broader COVID-19 package to hitch a ride—and if negotiators need to give themselves an extra week to iron out their differences, all the better. The lone silver lining to a CR would be another bite at the relief apple in Q1.

***Liam's bottom line:***

Despite seemingly endless talks and fits of optimism, COVID-19 relief failed to move before the election because the incentives never lined up. In its aftermath, political motives are suddenly converging, with President-Elect Biden realizing that Democrats must get out of Republicans what they can, while they can. The question now is one of time and, ultimately, political will—can they square the policy circle on a large-scale relief package in the waning days of a lame duck congress, or is this last gasp too little, too late? We will know the answer to that question in the next few days.

### Summary of Proposals

On Wednesday, December 2, Democratic leadership in Congress [endorsed](#) a bipartisan \$908 billion stimulus package as a baseline for negotiations, offering a significant concession to pressure Republican colleagues to return to the negotiating table. The [bipartisan proposal](#) (pictured below) was put forth on Tuesday, December 1 by members of the moderate Problem Solvers Caucus including Sen. Joe Manchin (D-WV), Sen. Mitt Romney (R-UT), Sen. Rob Portman (R-OH), and Sen. Mark Warner (D-VA).

## COVID Emergency Relief Framework

Major Issues	Cost Estimate
State, Local, and Tribal Governments	\$160 billion
Additional Unemployment Insurance (UI)	\$180 billion
Support for small businesses including Paycheck Protection Program (PPP), EIDL, restaurants, stages, and deductibility	\$288 billion
CDFI/MDI Community Lender Support	\$12 billion
Transportation (Airlines, Airports, Buses, Transit and Amtrak)	\$45 billion
Vaccine Development and Distribution & Testing and Tracing	\$16 billion
Healthcare Provider Relief Fund	\$35 billion
Education	\$82 billion
Student Loans	\$4 billion
Housing Assistance (Rental)	\$25 billion
Nutrition/Agriculture	\$26 billion
U.S. Postal Service	\$10 billion
Child Care	\$10 billion
Broadband	\$10 billion
Opioid Treatment	\$5 billion
Provide short term Federal protection from Coronavirus related lawsuits with the purpose of giving states time to develop their own response.	
<b>TOTAL</b>	<b>\$908 billion</b>

The package, which has yet to be turned into legislative text, will include new Paycheck Protection Program small business loans, a \$300 per week supplemental jobless benefit and aid for state and local governments that face cuts to essential services. It also puts money into COVID-19 vaccine distribution, education, transportation and rental assistance. Democrats previously pushed for a bill that costs at least \$2.2 trillion, which would have reinstated an extra \$600 per week in unemployment insurance and sent another \$1,200 direct payment.

Majority Leader Mitch McConnell and Pelosi talked by phone for the first time since the election about a potential stimulus deal, and House Speaker Nancy Pelosi said “there is momentum” toward a compromise. Pelosi said she and McConnell agreed they want to attach aid measures to a must-pass government funding bill. House Majority Leader Steny Hoyer says he plans to talk to Senate Majority Leader Mitch McConnell on Friday about a virus relief package. The bipartisan \$908 billion aid proposal is the lowest that Congress should go on stimulus, Hoyer said in an MSNBC interview. Hoyer also said Democrats are open to a six-month liability moratorium.

Some conservatives, including Republicans from COVID-19 hotspots like North Dakota and Iowa, said they were comfortable with an aid package carrying the almost \$1 trillion price tag. Sen. Kevin Cramer (R-ND) said the bipartisan plan is "the right balance of compromise and it's a number that's doable." Lindsey Graham (R-SC) added, "There's a bipartisan package for \$908 billion that will really help people."

Meanwhile, the leader of the GOP-controlled Senate still wants to pass a more narrow \$500 billion aid plan. McConnell's bill, like the Democratic plan, would temporarily extend an expansion of unemployment insurance eligibility, authorize another round of small business loans, include a liability shield for businesses, and bolster the inoculation effort. However, it would not include an enhanced jobless benefit or state and local aid. A side-by-side comparison of the two plans is below:

	Bipartisan Proposal	McConnell Plan
Total	\$908 billion	More than \$510 billion
State and local government aid	\$160 billion	None
Pandemic unemployment benefits	\$180 billion (4 months PUC, 3 months PUA)	1 month PUA, PEUC only
Small business help	\$288 billion	\$332 billion
Broadband	\$10 billion	None
Individual stimulus checks	None	None
Airlines	\$17 billion	None
Other transport	\$28 billion	None
Post Office	\$10 billion	\$10 billion
Liability relief	6 month moratorium on cases to give states time to legislate	Federal tort limits
Education	\$82 billion	\$105 billion
Vaccines	\$16 billion	\$31 billion
Child Care	\$10 billion	\$15 billion
Food and Farm	\$26 billion	\$20 billion farm aid
Hospital aid	\$35 billion	None
Community lenders aid	\$12 billion	None
Rental assistance	\$25 billion	None