

Policy Resolution Group COVID-19 Legislative Update

September 9, 2020

As we discussed last week, Senate Republicans are moving forward with a vote to consider what they're calling a "targeted" relief package, a tactical move designed to provide political cover for vulnerable incumbents while putting Democrats in the position of rejecting a partial loaf. This update discusses the legislative text and details of that proposal, and the fact that details are likely far less important than the politics surrounding why this bill won't become law.

The New Proposal

On Tuesday, September 9th, Senate Republicans released the [draft](#) of their new 'skinny' COVID-19 bill that the Senate will vote on this week. Majority Leader Mitch McConnell (R-KY) issued an accompanying [statement](#) describing the bill as a "new targeted proposal, focused on some of the very most urgent healthcare, education, and economic issues" and accusing Speaker Nancy Pelosi (D-CA) and Leader Chuck Schumer (D-NY) of taking "Americans' health, jobs, and schools hostage for perceived partisan gain." He indicated the proposal "does not contain every idea" that Democrats or Republicans like, but compromise is possible. Most of the provisions are the same as those included in previous draft "skinny" COVID-19 relief legislation floated by Senate Republicans over the last few weeks, including the following:

- Enhanced Unemployment: \$300/week federal pandemic unemployment compensation (FPUC) extended through December 27, 2020.
- Liability Provisions.
- Education Funding: \$105B 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.
- Paycheck Protection Program: PPP replenishment and reforms, including new "second draw" loans for qualifying businesses that experience a 35 percent decline in gross receipts.
- Funding for Testing and Vaccine Preparation:
 - \$29B 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.

However, the bill includes several new provisions to attract GOP skeptics needed to reach a 51-vote threshold, including the following:

- Offsets: Senate Republicans have rescinded \$350 billion in spending authorized by the CARES Act to offset the cost of this proposal. This includes \$204 billion appropriated to Treasury and the Federal Reserve in March to provide loans to businesses, states, and municipal governments. A GOP summary said that out

of the original \$500 billion in funding, \$259 billion remains unallocated. The Federal Reserve's authority to administer its emergency loan programs will also be phased out at the start of next year. The bill also rescinds \$146 billion in unused funds in the Paycheck Protection Program and reuses them for a \$258 billion expansion of the program to allow a "second draw" for smaller firms experiencing sharp revenue losses.

- **Critical Minerals:** The Senate GOP proposal includes critical mineral provisions based on [S. 1317](#) from Sen. Lisa Murkowski (R-AK) aimed at speeding up permitting for domestic mining of critical minerals, reducing U.S. foreign dependence, and securing supply chains. It would also create a program to develop separation technologies for the extraction and recovery of rare earth elements from coal and coal byproducts.
- **Charitable Deductions:** The CARES Act included a new \$300 above-the-line deduction for charitable contributions that taxpayers can claim for 2020. The new bill would increase this amount to \$600 for individuals and \$1,200 for those filing a joint return. Notably, Sen. Mike Lee (R-UT), who has expressed concern over the cost of relief proposals, advocated for expanding this deduction in June with bipartisan support.
- **Additional Education Provisions:** This proposal builds on education provisions in the last 'skinny' bill by providing additional direct grants for, and tax credits for contributions to, 'scholarship granting organizations' in states that fund expenditures such as home schooling expenses and private school tuition. This includes a measure Sen. Ted Cruz (R-TX), a skeptic of the need for additional COVID-19 relief, has been pushing since last year to expand eligible uses of 529 education savings accounts to allow parents to withdraw funds for home schooling purposes.
- **Agricultural and Fishery Relief:** The draft includes \$20 billion in farm relief sought by GOP members including Senate Finance Chairman Chuck Grassley (R-IA) and an additional \$500 million for fisheries aid likely to please Susan Collins (R-ME). It does not specify which commodities or other farm-related priorities should receive funding despite pressure from the biofuels lobby, giving that authority to the Department of Agriculture.
- **Child Care:** The new proposal provides \$15 billion to help states finance child care services for low-income families and to help day care providers reopen, a provision from the Senate GOP's July *HEALS Act*.

House Speaker Nancy Pelosi (D-CA) and Senate Democratic Leader Chuck Schumer (D-NY) released a [joint statement](#) on Tuesday regarding what they referred to as "the Republicans' emaciated COVID relief bill proposed after months of inaction." They indicated clearly that their Caucus would not be supporting the bill, stating that Republicans are engaging in a political signaling exercise and the "proposal is laden with poison pills Republicans know Democrats would never support." Several Democrats including Schumer and Sen. Bernie Sanders (D-VT) specifically attacked the 'critical minerals' provision, referring to it as "an opportunity to reward corporate polluters" and "\$161 million in corporate welfare to the coal industry during a climate emergency".

Let Liam Tell You What This Means

One step forward; two steps back. If you had told us on August 9th that the Senate would return from recess and promptly hold votes on a measure that could win the support of 51 or more members of the GOP conference, we would have said that was a good thing. And it remains a necessary, if insufficient, step toward any agreement. But the lengths leadership has gone to wrangle a majority of the chamber—which itself is not yet assured—

underscores the difficulty in going significantly further. If it took \$200 billion in illusory spending offsets and various bespoke policy tweaks with ancillary pandemic ties just to win Republican support for \$500 billion worth of broadly popular programming, it's difficult to see how you would maintain that critical mass of votes for the \$1.5 trillion or greater you'd need to find purchase with Democrats. (And that's leaving aside how you'd square the circle on the liability shield, a McConnell "red line.")

Catalyze or Cauterize? While an earlier failed vote might have been expected to spur bipartisan talks, as the GOP majority (finally) establishes a bargaining position, the "skinny" package is being greeted by Democrats as too little, too late. With just three weeks remaining in the fiscal year—and, for all intents and purposes, the legislative one—the gap is simply too vast to overcome in short order. The real impact of this exercise is political, allowing Republicans the chance to play a bit offense after months on their heels. By forcing Democrats to vote against hundreds of billions of dollars for enhanced unemployment, education, COVID testing and treatment, and small business relief, Republicans seek to shift the pressure away from their at-risk members and onto vulnerable Democrats. In this sense, the offer is less of a genuine overture and more of a political retort.

Lowering Our Sights. As we've said since early August, going over the CARES Act "cliffs" for FPUC and PPP left Congress largely without a forcing mechanism, rendering a Phase Four less than an even money bet. And more recent developments, from the Administration's executive actions and the September jobs report to the apparent agreement to separate COVID talks from the continuing resolution (CR) to temporarily fund the government, lend this effort little urgency and even less legislative momentum. Both sides appear perfectly content to head into the election thinking that the politics hurts the other side worse. Realistically, the best hope going forward is that a handful of these consensus provisions might be cherry-picked and incorporated into a clean-ish CR.