

July 2020

Dear Friends,

In an effort to keep you informed of what's happening in Washington, D.C., Shumaker Advisors has prepared this monthly federal policy and political update, a high-level review of the issues being discussed in the U.S. Congress and the Administration. It provides a general overview of the month ahead¹, as well as a "deeper dive" and unique perspective on an issue or issues worth keeping an eye on over the longer term.

As the federal response to the COVID-19 pandemic demonstrates, decisions made in Washington, D.C. affect each and every one of us in some way. It is more important than ever to be aware of, and engaged in what's happening there.

Shumaker Advisors is a full-service, bipartisan, government relations, and lobbying firm that provides policy and political advocacy services in Washington, as well as at the state level. If you have questions on any of the issues referenced below, or need additional details or help, please don't hesitate to email or call us.

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I. U.S. House and Senate Legislative Schedules

The House and Senate are not in regular session this week. After a flurry of legislative activity last week, members and senators departed Washington, D.C. for a two-week-long district/state work period. They will return for a two-to-three week legislative stretch at the end of July, before departing again for the traditional "August recess." The House is continuing to hold committee hearings and markups this week and next, with some members participating virtually. In particular, the House Appropriations Committee will consider and approve the annual spending bills for consideration by the full House later this month.

While on "recess," members and senators are active in their home districts and states, addressing constituent issues and concerns – helping secure personal protective equipment (PPE), providing assistance with small business loan applications, economic impact payments, etc. – receiving constituent feedback through Zoom calls and other traditional and non-traditional means, and of course, shaping up their campaigns as they look ahead to the November general election (only four months away), where control of the House and Senate will be up for grabs.



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When the Senate returns, it is expected to consider another coronavirus recovery bill. The size and contours of that bill will be shaped over the next few weeks, but it could address, among other issues, further small business relief, coronavirus testing and vaccine development, expiring federal unemployment benefits (in a way that preserves work incentives), liability protections, and perhaps additional stimulus relief for individuals and families. The House passed a separate coronavirus recovery package in May, a \$3 trillion measure dubbed the "HEROES Act." However, that bill did not move in the Senate. Even if Senate Republicans can reach a compromise with Senate Democrats, the question remains whether the politics will align for a full House-Senate compromise. The short legislative window at the end of July – the House and Senate schedules overlap for just 10 days, during which the House also plans to consider the annual spending bills and both will consider the annual defense bill – poses an additional challenge.

II. Issue to Watch: China

China has been a hot button political issue for many years, from congressional efforts in 1998 to [block Chinese investment](#) in the Port of Long Beach, to concerns about China's [accession to the WTO in 2001](#), to more recent [congressional](#) and executive branch [efforts](#) to ban Huawei from U.S. telecommunications architecture. And, of course, our trading relationship with China was a big issue in the [2016 campaign](#), specifically, China's unfair trade practices, the perceived trade imbalance, and the stealing of U.S. intellectual property, which led to a series of U.S.-imposed tariffs and ultimately a so-called [Phase One](#) trade agreement.

China's role in the COVID-19 pandemic, and a belief – indeed, a lingering anger – among many members of Congress that, at best, China did not act quickly or transparently enough in response to COVID-19 and facilitated the viruses spread, and at worst, actively concealed information about the virus and hoarded crucial supplies, have heightened these concerns. The pandemic also highlighted the vulnerability of the U.S. supply chain, in particular our reliance – some would say, overreliance – on China in areas considered crucial to U.S. national security, including pharmaceuticals, active pharmaceutical ingredients (API), and PPE. China's recent actions relative to Hong Kong and ongoing human rights concerns about the government's treatment of the Uyghurs have further exacerbated tensions.

As a result, a great deal of legislative and oversight attention has been focused on China, and will continue to be:

- A) **Preliminary salvo: the CARES Act.** The Coronavirus Aid, Relief, and Economic Security (CARES) Act¹, passed in late March, contained a provision to examine the pharmaceutical supply chain in the wake of COVID-19 and make recommendations to address vulnerabilities. Specifically, section 3101 directs the Secretary of Health and Human Services (HHS), within 60 days of enactment, to commission a National Academies report on the security of the U.S. medical product supply chain and develop recommendations to increase security. While there's no indication when that study will be completed, it is worth monitoring for the policy recommendations that may result.

- B) **Other pharmaceutical "supply chain" legislation.** In March 2020, Senator Tom Cotton (R-AR) introduced legislation to require a Food and Drug Administration (FDA) registry of certain drugs and API produced outside the United States and prohibit federal health agencies, such as the Veterans Affairs (VA) and Department of Defense (DOD), from purchasing drugs that have APIs from China.² Representative Mike Gallagher (R-WI) has introduced a companion bill in the House.³ While the outlook for this bill is unclear, it demonstrates the more prescriptive policy steps that members who are considered to be China "hawks" believe should be taken to address

¹ P.L. 116-136, March 27, 2020, <https://www.congress.gov/bill/116th-congress/house-bill/748/text>.

² S. 3537, "Protecting our Pharmaceutical Supply Chain from China Act," introduced March 19, 2020. A second version of the "Protecting our Pharmaceutical Supply Chain from China Act," S. 3635, was introduced on May 6, 2020.

³ Their joint op-ed on the issue is [here](#).

supply chain risks. It is also notable given the speculation that Sen. Cotton could be a 2024 presidential aspirant.

- C) **Hong Kong sanctions bill.** Last week the Senate passed by unanimous consent a bipartisan bill to sanction Chinese officials who help carry out China's new "national security" law targeting Hong Kong, as well as the financial firms that do business with them. China's new law gives Beijing greater authority over Hong Kong and arguably ends Hong Kong's long standing status as a separate legal system. The president is reportedly [expected](#) to sign it. The bill passed alongside another [resolution](#) introduced by Senator Josh Hawley (R-MO), another strong China critic, Senate Resolution 596, which explicitly condemns the new law.
- D) **Bill to delist "deceitful" Chinese companies on U.S. exchanges.** In May, the Senate passed by unanimous consent the "Holding Foreign Companies Accountable Act," which could ban Chinese (and other foreign) companies from listing shares on U.S. exchanges or raising money from American investors unless they meet certain disclosure requirements.⁴ Similar legislation, H.R. 7000, was introduced in the House by Congressman Brad Sherman (D-CA) on May 22, 2020. While the outlook for this bill in the House is unclear, Representative Sherman is the Chairman of the House Financial Services Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets and thus, in a position to move it.
- E) **Annual defense authorization bill.** Later this month, the House and Senate are both expected to consider the annual National Defense Authorization Act (NDAA), legislation that authorizes funding for national defense needs and the U.S. military. Congress reliably passes the NDAA each year (passage of the FY2020 bill marked the [59th](#) consecutive year), typically on a bipartisan vote. The Senate's [bill](#) includes a key focus on the Indo-Pacific region (through the creation of the "Pacific Deterrence Initiative"), as well as several China-related [provisions](#) to "reshape" and secure the Defense Industrial Base, mitigate risks from an overreliance on China, and incentivize U.S.-based production in the defense supply chain. The House [bill](#) similarly focuses on countering China though a focus on the Indo-Pacific. As SASC Chairman, Senator Jim Inhofe said, "[t]he fiscal year 2021 National Defense Authorization Act is all about sending a message to China and Russia."
- F) **House GOP's China Task Force.** Last, keep an eye on the House GOP [China Task Force](#) and any policies they it may propose.⁵ The Task Force will "be looking at a broad range of China-related issues, including: influence operations targeting the U.S., the economic threat to our government and allies, efforts to gain the technological advantage, and China's role in the origin and spread of COVID-19." They are expected to [release](#) their policy blueprint this fall. It will be interesting to see what specific policy prescriptions the Task Force proposes, whether it favors more of a "carrot" (in the form of domestic production incentives), or "stick" (limits or restrictions on Chinese imports) approach to countering China economically, particularly in the trade arena, and whether proposals to secure America's supply chain will be limited to areas traditionally considered critical for national security, or expand to other areas as well. And while Republicans do not control the legislative agenda in the House, these proposals could provide an important policy backdrop.

In summary, China remains an area of heightened (and bipartisan) policy concern in Congress, and it continues to be a salient political issue back home for many members. Expect it to be a campaign issue in the fall, and look for candidates of both parties to position themselves as "tougher on China" than their opponent. While these concerns are not new, the COVID-19 pandemic and increased Chinese aggression have heightened and broadened them, created a sense of urgency, and thus, increased the likelihood that further action will be taken to protect U.S. economic and national security interests – in the next few months and beyond.

⁴ S. 945, the "Holding Foreign Companies Accountable Act," passed on 5/20/20. <https://www.kennedy.senate.gov/public/2020/5/senate-passes-kennedy-and-van-hollen-s-bill-to-kick-deceitful-chinese-companies-off-u-s-exchanges>

⁵ The Task Force was originally conceived as a bipartisan initiative, but GOP Minority Leader Kevin McCarthy (R-CA) went his own way and created a Republican-only group after, he argues, more than a "year delay" by the majority.

III. July Policy Review

QUICK FIX

— **Additional weekly unemployment payments secured under the CARES Act, [H.R. 748 \(116\)](#), are set to expire at the end of this month.** While Republicans and the Trump Administration have said extending the benefits is a nonstarter, the historic number of Americans still losing their jobs could tip the political calculus as lawmakers begin debating the next round of coronavirus aid later in July.

— **Meanwhile, that coronavirus relief bill could also be the last chance for this Congress to tackle a pair of bipartisan health care issues** that faced political headwinds even before the pandemic: surprise health bills and drug pricing legislation. But given the narrow window of time to pull together a sweeping rescue package before the August recess, those high-profile issues could be pushed off until the fall.

— **The government's \$670 billion emergency loan program for small businesses closed to new applications at the end of June,** and lawmakers are debating how to craft a new lifeline for ailing employers. It's unlikely that Congress will just restart the so-called Paycheck Protection Program (PPP). Instead, there's bipartisan support for letting businesses apply for second loans if they can prove they're still suffering.

HEALTH CARE

Racing toward a vaccine: The Trump Administration's coronavirus efforts are focused on [bringing a vaccine to marketing](#) record time through Operation Warp Speed, a joint HHS-Pentagon project that the government has already poured \$10 billion into. At least a couple of vaccine candidates could enter late-stage trials this month, with hopes that hundreds of millions of doses could be ready by the winter. However, vaccine development is notoriously tricky, and a setback could delay broader reopening efforts.

For more on those efforts, check out POLITICO's newest hub: [The Vaccine Race](#).

THE CONTINUING ECONOMIC UNCERTAINTY

Jobless benefits expiring: Once the \$600 weekly additional unemployment payments end, out-of-work Americans could see their benefits drop by an average of more than two-thirds. The size of an unemployment check varies depending on the recipient's income and on rules that vary from state to state, but the average weekly payment over the past year was \$342, according to DOL.

That could put Republicans in a corner in a tight election year. They argue that the enhanced unemployment benefits could discourage people from returning to work because, in many cases, they are taking home more than they did when they were employed. The House-passed HEROES Act, [H.R. 6800 \(116\)](#), would extend those

benefits through the end of January, but the Senate hasn't taken it up. And Majority Leader [Mitch McConnell](#) is aiming to pass another round of aid toward the end of the month, creating a potential buzzer beater debate over the benefits just before the clock runs out. — *Rebecca Rainey*

TECHNOLOGY

The hot seat gets hotter: The summer before the election finds Silicon Valley's most powerful companies facing a major imperative in Washington, D.C.: making the case to policymakers that the tech industry's biggest players are a boon, not a threat, to American society.

Congress is taking up legislation to whittle away the legal liability protections that online companies enjoy under Section 230 of the Communications Decency Act, a 1996 law that has become a financial lifeline for the industry. Both Trump and presumptive Democratic nominee Joe Biden have urged lawmakers to revoke the statute altogether.

Late July, will bring a literal hot seat for four top CEOs — Facebook's Mark Zuckerberg, Amazon's Jeff Bezos, Google's Sundar Pichai, and Apple's Tim Cook — who are set to testify in a [first-of-its-kind blockbuster hearing](#) in front of the House Judiciary Antitrust Subcommittee. The session will give lawmakers of both parties an opportunity to air their accusations that the companies are abusing their power to the detriment of their users, the broader economy, and even U.S. democracy. Likely topics include Google's and Facebook's dominance of the digital advertising market and Amazon's and Apple's control of platforms where they serve as both host and competitor.

[DOJ antitrust prosecutors also expect to sue Google](#) in the coming months and are [taking a serious look at opening a full-blown investigation of Apple](#), as POLITICO reported last month. — *Bob King*

BILLS, BILLS, BILLS

Four weeks of appropriations work: With less than three months until federal funding expires, House Democrats have compressed the brunt of appropriations season into a four-week blitz this month.

Action begins with [subcommittee markups of all 12 of the fiscal 2021 spending bills](#) over just three days, followed by mid-month approval by the full Appropriations panel. House leaders have already prepared lawmakers for floor action to pass the majority of those bills during the weeks of July 20 and 27.

In the Senate, things are moving more slowly, with no plans yet to kick off appropriations markups.

While each of the dozen spending bills funds agencies and programs affected by the coronavirus pandemic, major increases to respond to the crisis will continue to be

handled through separate emergency spending measures. Even if appropriators wanted to substantially boost budgets under the 12 annual funding bills, they couldn't, since the two-year budget deal, [H.R. 3877 \(116\)](#), signed into law last year, provides a less than one percent increase for both defense and non-defense programs for the fiscal year that starts on Oct. 1. — *Jennifer Scholtes*

Congress grinds through defense bills: The House and Senate are in for a marathon month as lawmakers consider legislation to lay out military policy and funding for the coming fiscal year.

Leaders of the House and Senate Armed Services Committees are aiming to pass their versions of the annual NDAA and kick off negotiations on a compromise bill before lawmakers leave for an August recess.

The House Armed Services Committee last week approved its version of the NDAA. The measure is expected to head to the House floor in the coming weeks.

The Senate will return from a recess this month to continue debate on its version of the NDAA. Though Senate Armed Services Chair [Jim Inhofe](#) (R-Okla.) sought to pass the bill before the July Fourth holiday, Democrats and Republicans have been deadlocked over what amendments to consider and the bill has lingered on the Senate floor.

The House Defense Appropriations Subcommittee, meanwhile, is slated to roll out its version of annual defense spending legislation soon. Its Senate counterpart, however, has yet to begin work on its defense appropriations measure with Democrats and Republicans at odds over whether to incorporate issues, such as coronavirus assistance and police reform into the dozen annual spending bills. — *Connor O'Brien*

CORONAVIRUS EFFECTS

Help for tenants: Democrats are pushing to include \$100 billion in rental assistance and a year-long eviction moratorium in the next coronavirus relief bill. The current moratorium on evictions from federally backed rental units expires on July 24.

Federal Reserve policymakers will meet on July 28-29 to consider whether to take more steps to reassure markets that they will boost the economy, even as interest rates are already near zero. The meeting comes at a particularly critical time as the economy faces threats from expiring government benefits as well as an apparent resurgence in the pandemic. — *Mark McQuillan*

Schools wait for more coronavirus aid: Democrats are looking to gain traction with their coronavirus relief packages that include billions of dollars of aid for education. School leaders, teachers unions, and education advocacy groups have been pressing Congress for more federal dollars, which they say are critical to reopening their classrooms safely this fall during the pandemic. The HEROES Act, which the House passed in May, would provide more than \$100 billion to schools and colleges. In

June, Senate Democrats introduced a coronavirus relief package that [includes \\$430 billion for child care, K-12 schools, and higher education](#). Senate HELP Chair [Lamar Alexander](#) (R-Tenn.) has said he is [on board with giving schools “the money they need](#) to reopen safely in the fall.” — *Bianca Quilantan*

Coronavirus aid and the nutrition safety net: Expect expanding food stamp benefits to be a point of conflict in the next stimulus package.

Democrats are [renewing their push to get Republicans on board](#) with a 15 percent increase to Supplemental Nutrition Assistance Program benefits until unemployment levels come down. So far, there's been deep resistance from Republicans on the concept, which they see as a way to expand the safety net program more permanently.

Congress will also have to figure out how to support school meals programs. It will be an [enormous logistical challenge to feed 30 million students](#) each day with some schools open, some partially open, and some fully online. — *Helena Bottemiller Evich*

Airline bailout takes flight: The end of September also marks another watershed date for the airline industry — that's when the strings attached to airline bailout money that prohibit carriers from involuntarily laying off its workforce, will expire. Absent another infusion of cash, most are bracing for large-scale layoffs across the industry. Until then, airlines will continue to limp along. — *Kathryn A. Wolfe*

What's next for the U.S.-Canada border: It's been almost four months since the land border closed to all but essential travelers. For a refresher on who's not welcome north of the border, the government of Canada issued [a friendly memo at the start of summer](#) with a partial list — sightseers, seasonal homeowners, fishers, boaters, individuals hoping to visit loved ones, and road trippers seeking to reach their destination via a shortcut through Canada. The arrangement is in place until July 21.

A recent [Nanos research poll conducted for the Globe and Mail](#) suggests most Canadians are content with the restrictions, with 81 percent of respondents saying the border should stay closed. Pollster Nik Nanos said he found the results surprising given Canada's status as a border country. “It suggests Canadians have a high level of anxiety about what's happening in the pandemic in the United States.” — *Sue Allan*

FOLLOW THE MONEY

More tax breaks on the way? Talk of more coronavirus-related tax breaks is expected to heat up this month, after McConnell said the chamber would turn its focus to another economic boost [when it gets back from its two-week recess](#). Much of the conversation so far has centered on expanding current tax breaks in place to help the U.S. economy emerge from recession or adding to the arsenal. Both Democrats and Republicans have expressed interest in boosting a tax credit businesses can claim for keeping workers on their payrolls, and some — including Trump — have pushed for additional stimulus payments to individuals and households. Another idea that's gained some traction is increasing the list of tax

credits companies can claim now instead of spreading them over many years. And Trump continues to push hard for a payroll tax cut.

The [tax season is coming to a belated end on July 15](#), after the Treasury Department and IRS rejected calls from some quarters for another extension. That means a surge in work for agency employees who began returning to their offices in earnest last month after the coronavirus pandemic pretty much shut down onsite operations at the end of March. IRS workers have millions of pieces of mail to sift through, and the National Taxpayer Advocate's office estimated that [included 4.7 million returns as of mid-May](#).

More money: Debate on funding the IRS for fiscal 2021 is getting under way, with a [blitz of House Appropriations Subcommittee markups](#) beginning this week. The bill that includes IRS funding, Financial Services, and General Government, is scheduled for action July 8. The White House earlier this year, proposed a higher spending level of \$12 billion for the agency, from its current \$11.5 billion. — *Aaron Lorenzo and Toby Eckert*

PRO ANALYSIS WHAT YOU NEED TO KNOW ABOUT
Big Tech antitrust probes

BY LEAH NYLEN AND PATTERSON CLARK

PRO POINTS

- A House Judiciary Committee probe into the four biggest U.S. tech firms — Apple, Amazon, Facebook and Google — is expected to wrap up in the next month.
- Google is under investigation by the Justice Department and state attorneys general for monopolizing online search and the advertising technology market.
- Facebook is being probed by the Federal Trade Commission, DOJ and state

HOW WE GOT HERE

The five largest U.S. companies — Microsoft, Apple, Amazon, Google and Facebook — are all technology firms, each dominant in a separate market.

In the 1990s, Microsoft faced a major antitrust suit over its conduct related to the Windows operating system. But while Apple, Amazon, Google and Facebook have received antitrust scrutiny abroad, the United States' two competition agencies have largely left them alone since the early 2010s.

The winds shifted in 2019, when the Justice Department and

Apple app store and services revenue

Worldwide gross revenue from Apple's app store plus subscription services, such as Apple Music and Apple TV.

IN BILLIONS OF DOLLARS

Period	Revenue (Billions of Dollars)
1	\$38.7
2	\$46.6
3	\$54.2

Pro Analysis is available as a PDF only. Please download it in the DataPoint Document Drawer.

A House Judiciary Committee probe into the four biggest U.S. tech firms — Apple, Amazon, Facebook, and Google — is expected to wrap up in the next month.

Introducing Pro Analysis: Pro Analysis is here to help you get up-to-speed quickly on emerging issues, understand the power dynamics of who's involved and how the process may unfold. As a DataPoint subscriber, Pro Analyses are sent directly to your inbox. You can also find them on our newly improved Pro Experience.

Busy months ahead, for digital tax and WTO: A dispute over Europe's push to [impose digital services taxes on U.S. internet giants](#) could flare up in July or August as a result of an investigation launched by the Office of the U.S. Trade Representative that targets the EU, as well as several countries in Europe and around the world, for potential trade retaliation.

China will continue to be in the headlines heading up to the election, as both Trump and Biden attack each other as too weak to take on Beijing.

Markets will watch for any [sign that either Trump will pull out of his phase one trade deal with China](#) because of its failure to meet purchase commitments, or that Chinese President Xi Jinping will pull out because of U.S. actions taken in response to the deteriorating situation in Hong Kong, the origin of the coronavirus and the treatment of Uyghurs.

The recent entry-into-force of the [U.S.-Mexico-Canada Agreement](#) could lead to the U.S. filing labor cases that target individual Mexican firms, while U.S. dairy producers will be closely watching Canada to make sure it implements its dairy commitments.
— *Doug Palmer*

CANNABIS

Cannabis and the next stimulus: The Senate is expected to begin work on another coronavirus aid bill after the July Fourth break — roughly two months after the House passed its latest coronavirus package — but it's unclear whether the Senate's version will include House provisions making it easier for banks to offer services like bank accounts and loans to cannabis businesses. There's bipartisan support for the bill in the Senate, and Republicans earlier this year alluded to the idea that cannabis banking could be tacked onto a must-pass bill out of the Senate. But the GOP may not see a coronavirus bill as the right carrier. When the House passed its last coronavirus bill, Republican Senator [Kevin Cramer](#) of North Dakota — a co-sponsor of the bill in the Senate — called the inclusion of cannabis banking "a positive page" and "good policy," but that "this COVID-19 relief package is not the place for it." — *Natalie Fertig*

Cannabis at the ballot box: It may not be the banner year for legalization advocates were hoping for, but voters will get a chance to weigh in on marijuana ballot questions in several states this November. Some campaigns called it quits due to the pandemic, including an effort in Arkansas, but marijuana questions made the ballot in New Jersey, Mississippi, and South Dakota before the public health crisis.

In a handful of other states, advocates worked to overcome the challenges posed by stay-at-home orders. Recreational legalization will likely make the ballot in Montana and Arizona. And a medical marijuana question could still make the ballot in Nebraska. — *Mona Zhang*

Next steps for the recovery package: With McConnell now signaling action on another coronavirus relief package later in July, look for Democrats to make a concerted push again for climate change and clean energy initiatives. More than 620,000 jobs in the clean energy sector have been lost due to the pandemic and blocs of Democrats have urged their leaders to prioritize it in future recovery packages.

There's also talk of reviving the Civilian Conservation Corps, an FDR-era program that backers say could generate millions of jobs in areas ranging from forest management and public lands maintenance to coastal restoration and cleaning up abandoned mines. Democrats also included tens of billions for initiatives like modernizing the electric grid, boosting the clean energy sector, and replacing the nation's drinking water pipes in their infrastructure package, [H.R. 2 \(116\)](#). — *Anthony Adragna*

Pipeline wars ratcheting up: The legal cases surrounding several big-name pipelines have been progressing over the summer, including [one project ordered to close](#) and [another called off](#) this weekend. And on Monday, the Supreme Court said federal regulators can resume permitting new oil and gas pipelines across the country — except for Keystone XL. The high court's injunction means the Army Corps of Engineers [can resume using its nationwide water-crossing permit for most new oil and gas pipelines](#). As for the Keystone XL project, it's up to the U.S. Court of Appeals for the Ninth Circuit to decide whether the Corps violated the Endangered Species Act when it issued the nationwide permit, and construction is on hold until then. The Ninth Circuit has put the appeal on a fast track, with oral arguments likely in the fall or early winter.