

September 9, 2020

Dear Friends,

Labor Day traditionally marks the official beginning of the fall campaign season. Though the campaigns – presidential, U.S. Senate, and U.S. House – have been going strong for months, it is the start of the “homestretch” so to speak, the time when school is back in session, summer vacations are over, and busy voters start to really focus on the candidates and the issues.

But first, Congress has some work to do, in particular enacting government funding for the new fiscal year that begins on October 1, and hopefully, reaching a compromise on another COVID-19 relief bill. At this point, there is cause to be optimistic on the former, but not as much on the latter. See more below on the status of the end-of-year funding deadline and negotiations on another potential COVID-19 relief measure.

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Derek N. Harley

Senior Vice President of Federal Affairs
Shumaker Advisors
419.321.1256 direct
dharley@shumakeradvisors.com



Jared E. Holt

Director of Government Relations
Shumaker Advisors
614.628.4434 direct
jholt@shumakeradvisors.com

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¹ The month-ahead policy review is provided by PolticoPro's monthly “CEO Report,” a “high-level outlook on the policy issues driving the month ... and beyond.” This month's report features a summary look at the policy agenda of a possible second term of a Trump Administration.

I. Congressional calendar, end-of-year funding measure, and status of COVID-19 relief negotiations.

The U.S. Senate returned to session this week after being out of session for much of August. On Tuesday afternoon, Senate Republicans introduced a new, scaled-down [COVID-19 relief package](#). Because it is a much smaller bill relative to the "HEALS Act" that was proposed in late July – both in terms of the number of provisions and the level of spending (\$500 billion, as opposed to approximately \$1 trillion in the "HEALS Act") – it has been dubbed a "skinny" relief bill. (Senate Minority Leader Chuck Schumer called it "[emaciated](#)," if that's any indication of how Senate Democrats feel about the new proposal.)

The bill includes an additional \$300 in weekly federal supplemental unemployment benefits through December 27, 2020; liability protections for businesses, health care providers, and schools; an extension and expansion of the small business lending program, the Paycheck Protection Program (PPP); and \$10 billion in funding for the U.S. Postal Service (USPS) (by converting a CARES Act loan into a grant), among other provisions. [Reports](#) indicate that additional provisions may be added before an anticipated vote this week.

GOP Leader Mitch McConnell couldn't get enough support within the Republican caucus to pass the larger HEALS Act in late July, so it never received a floor vote. There continues to be a split within the Senate GOP between those members who want Congress to enact additional relief, and those who have "spending fatigue" and don't believe more stimulus is needed. This more targeted bill is a renewed effort by Senate Majority Leader McConnell to thread a needle, so to speak, and hopefully secure majority Republican support in the Senate for some version of a COVID-19 relief bill, even if a scaled-back one. A vote is expected Thursday.

Even if the bill does receive majority Republican support, Democrats are expected to filibuster (e.g., block) it, and there won't be 60 votes to overcome it. As such, it doesn't appear that this bill will go anywhere. If anything, it will give Senate Republicans, particularly those in difficult races, an opportunity to vote for additional COVID-19 relief. It also represents a formal position for Senator McConnell and Senate Republicans as they and the White House continue discussions with House Speaker Pelosi on a compromise bill. House and Senate Democrats continue to support the much larger \$3+ trillion HEROES Act, a measure that the House passed in May. Discussions between Speaker Pelosi and the Administration haven't yielded much in the way of optimism that a compromise could be struck soon. The two sides still seem to be far apart.

There was hope, and there may still be a small hope, that if a compromise could be reached on COVID-19 relief, it could be attached to a must-pass funding measure at the end of September. Unfortunately, that is looking increasingly tenuous as well, as Secretary Mnuchin and House Speaker Pelosi [indicated](#) in the last few days that they have agreed on a "clean" continuing resolution (CR) – a short-term funding measure to continue government funding at current levels through the end of the fiscal year (September 30, 2020) to a time later this year or early next, without including major extraneous items. Thus, it appears a government shutdown will be averted, which is very good news as the economy continues to recover from the COVID-19 pandemic.

II. Issue to watch: the November election.

Here are a few tips for the political junkies out there as the fall campaigns heat up:

1. While much of the nation's focus and the media's attention are on the presidential race, don't forget about key House and Senate races. House Republicans are seeking to re-take the majority, and the Senate majority is realistically up for grabs. I wouldn't count out House Republicans, but most people believe the true race is for the Senate majority. Republicans – who currently hold a 53 - 47 seat margin – are defending 23 seats in November. If Republicans flip the Alabama seat (which is currently held by Democrat Senator Doug

Jones, and many believe is likely to flip given Alabama's Republican leanings), Democrats would need to net four seats in November to re-take the majority (five, if President Trump is re-elected).

- a. The [Cook Political Report](#) has a great ranking of the Senate races that is worth exploring.
2. Remember that polls are merely a snapshot in time. This far out, they don't have much use as a predictor of what will actually happen on November 3. However, for a sense of the race right now, it's best to look at the polling average. [Real Clear Politics](#) is a great website that consolidates and averages the best national polls.
3. Look at the polling in key states, because, of course, we have an Electoral College system not a national referendum. In that vein, and as you review the national polling numbers with an eye toward November, this is an interesting [graphic](#), courtesy of Nate Silver at [fivethirtyeight.com](#) that shows the chances of a Biden Electoral College win based on several popular vote margin scenarios.
 - a. Trump had a safe electoral college win in 2016 – 306 to 232 – but approximately 77,000 votes in three states – PA, WI, and MI – made all the difference (out of 136 million cast).
 - b. States to watch this time (eight) – [Arizona](#), [Florida](#), [Georgia](#), [Michigan](#), [Minnesota](#), [North Carolina](#), [Pennsylvania](#), and [Wisconsin](#).
4. If you want to look at various Electoral College scenarios, this interactive website is especially fun and informative: [www.270towin.com](#).

III. Policy look-ahead – September.

A. Quick Fix

Trump has not articulated his own health care vision for a second term, but the courts may do it for him. With a Supreme Court decision on Obamacare's future expected in the spring, Trump could be forced to confront a new crisis shortly into his second term if the court undercuts the law's insurance protections for preexisting conditions or throws out Obamacare entirely.

On immigration, Trump appears poised to follow the same hard-line agenda he has since 2016. His plan highlights the continued targeting of undocumented immigrants, mandatory deportation of non-citizen gang members, and the end of sanctuary cities, among other things.

Trump's economic agenda will be built on animus toward China, including trade fights, manufacturing incentives, and technology policy overhauls.

And on the Covid-19 pandemic, it's increasingly clear the Trump Administration has no new national strategy to combat the virus, so it's going all in on a vaccine race — but the approval of a vaccine may not align with Trump's electoral timetable.

B. Health Care

Look to the courts: The Supreme Court could weigh in on Trump's effort to pare back Medicaid, just as enrollment in the safety-net health care program grows amid the pandemic's economic devastation. Next month, the justices will consider the administration's petition to revive Trump-approved state rules requiring some Medicaid enrollees to work or volunteer as a condition of coverage. Those rules have been blocked or are on hold in more than a dozen predominately GOP-led states after lower federal courts ruled against the Administration. Ongoing legal challenges to other Trump health rules could also reach the Supreme Court by next year. Those include lawsuits against Trump's expansion of cheaper health insurance plans to compete with Obamacare, rules essentially barring abortion providers from the federal family planning program, and new mandates for hospitals to disclose the secret rates they negotiate with health insurers. — *Jason Millman*

C. Economy

Fed chair's fate: The Federal Reserve will be shaped by whether a reelected Trump decides to keep Chair Jerome Powell, whose term at the helm of the central bank ends in early 2022. That would have been an easy question to answer before the pandemic, when Trump regularly lobbed broadsides — and sometimes cutting personal insults — at the Fed chief, blaming him for standing in the way of economic growth. But since the Fed has pledged trillions of dollars in support to financial markets during the economic shutdown, Trump has praised Powell. The Fed chair, meanwhile, will continue to shepherd the economic recovery, including overseeing a historic shift in policy that will likely mean interest rates will stay near zero for years to come.

Anti-redlining rules: During a second Trump term, the Fed and Federal Deposit Insurance Corporation would likely complete a sweeping overhaul of lending discrimination safeguards that his regulators began to rewrite during his first four years. Trump's former Comptroller of the Currency, Joseph Otting, finalized changes to rules under the landmark Community Reinvestment Act, before resigning earlier this year. The Fed and FDIC, which with the OCC share federal oversight of the banking system, did not adopt those revisions. The agencies will face pressure from banks to settle on a common set of rules for the anti-redlining law, which is a top priority for many Black lawmakers, but which has been criticized by the industry for being arbitrary and opaque. — *Mark McQuillan*

D. Trade

China, China, China: Trump's aggressive strategy railing against China is likely to remain unchanged in a second term. However, despite those tensions, U.S. trade officials are expected to keep monitoring progress on implementation of the phase one trade deal with Beijing. Right now, China is behind on meeting its commitments to purchase U.S. agriculture, energy, and manufactured goods, but U.S. trade officials are optimistic those purchases will pick up going into 2021.

Drama with the European Union ("EU"): Tariffs and tensions will remain between the U.S. and EU under a second Trump term. The President is still investigating digital services taxes being enforced or considered by the EU and nine countries, a move that could result in tariffs on those trading partners. He's using the same authority he used earlier in his first term to impose tariffs on more than \$350 billion worth of Chinese goods.

More trade talks: The Trump Administration remains committed to striking a comprehensive trade deal with the United Kingdom ("U.K."). And U.K. officials are eager to land a deal soon. Trump's Trade Chief Robert Lighthizer has already signaled that a deal in 2020 is unlikely, but trade negotiations are continuing on an almost monthly basis. — *Sabrina Rodriguez*

E. Tech and Cybersecurity

China tech players: Pressure to beat China — on tech priorities from 5G to artificial intelligence to quantum computing — would likely remain high on the Trump Administration priority list during a second term and translate into pressure on Chinese tech players. Trump has ejected Chinese companies that his agencies say are unduly influenced by Beijing's government, including Huawei. He's threatening to do the same to TikTok parent, ByteDance.

At the Republican National Convention in August, Trump said one major tech priority term is overtaking China in the race to roll out superfast 5G wireless. But his first term has been hounded by questions about just how he'll do it. Watch for his second term as a test case for the strategies like his push for cloud-based wireless networks that wouldn't rely on overseas suppliers like Huawei.

Social media showdowns: A second term would likely feature more showdowns between Trump and social media giants like Facebook and Twitter, which he accuses of bias against him, particularly after Twitter started fact-checking the President's words. Trump has set his

sights on killing or narrowing the prized liability protections of social media companies, which safeguard them from lawsuits over content users post. A Trump-appointed head of the Federal Communications Commission could follow through with this in 2021. — *Martin Matishak and John Hendel*

F. Employment and Immigration

Ambitious jobs agenda: Jobs form one of the main pillars of Trump's agenda for his second term. Among his goals: Create 10 million new jobs over 10 months, generate one million new small businesses, create an unspecified tax cut "to boost take-home pay and keep jobs in America," enact "fair trade deals that protect American jobs," launch a so-called Made in America tax credit, expand opportunity zones, and continue deregulating energy.

But what does that mean beyond the sloganeering?

The agenda also includes a handful of proposals aimed at bringing back jobs from China, including a tax credit for companies and 100 percent expensing for industries like pharmaceuticals and robotics. There's a lot of vagueness: What would a tax cut to "boost take-home pay" look like? What about a tax credit for companies that bring back jobs from China? But other aspects, while ambitious, are not out of the realm of possibility. Ten million new jobs does not sound so outlandish considering that nine million jobs have been created in the last two months — replacing less than half of those lost during the peak of the pandemic.

However, the job market still faces a steep climb, particularly when it comes to one of Trump's historic soft spots: manufacturing. The President campaigned on making American factories great again, but the manufacturing industry is one of the hardest hit by Covid-19, with employment down 740,000 jobs since February. The Labor Department's Bureau of Labor statistics predicted on September 1st that the sector will face the rockiest road to recovery over the next decade, losing nearly 450,000 jobs, the most of any industry. — *Eleanor Mueller*

G. Education

School choice policies: President Trump says he wants to advance school choice policies, if he wins a second term and during his Republican National Convention speech, called for boosting charter schools.

Charter school advocates opposed Trump's last budget proposal to roll the decades-old Charter Schools Program into a single block grant along with 28 other federal elementary and secondary education programs. They argue it would eliminate the certainty of dedicated federal funding, but the White House says giving states more control over a larger pot of money will increase investment in charter schools.

Trump is also likely to continue his push for a federal tax credit for donations to scholarship-granting organizations that pay for students to attend private schools or expand their public education options.

Student loan relief: If he holds the White House for four more years, look for the President to extend the pause on monthly payments and interest for many federal student loan borrowers. Trump in August granted relief through year's end, but said his administration would extend it "further than that, most likely right after Dec. 1st." — *Nicole Gaudio*

H. Tax

Fuzzy tax policy: When it comes to taxes, Trump has laid out a handful of lightly detailed proposals he would pursue during a second term. His campaign is touting tax credits to encourage domestic production and for bringing jobs back from China, but mentions few specifics.

The proposals also include cutting taxes in general, a broad idea that's mostly connected to making permanent the temporary parts of the sweeping law he signed at the end of 2017, the Tax Cuts and Jobs Act.

The President and White House officials have talked up other tax cut ideas like cutting capital gains rates and lowering the rate for the middle class, though they haven't said who exactly would benefit. Trump could also push to make permanent the non-corporate business tax break that flows through owners' individual returns, which also expires in 2025.

In the nearer term for businesses, he could press to eliminate two deadlines that would toughen taxes starting in 2022. One relates to companies' research and development costs and the other is on their interest expense deductions. Trump's campaign also includes a plan to extend immediate business write-offs, a benefit that's set to begin phasing out after 2022 and fully expire by 2025, for industries deemed essential that return their manufacturing activities to the U.S. — *Aaron Lorenzo*

I. Defense

Military buildup leveling off? Trump and Republican lawmakers successfully boosted the Pentagon's budget above \$700 billion early in his administration, an investment they argued was overdue to fix years of military readiness shortfalls.

But defense budgets plateaued under a spending deal struck by congressional leaders and the White House last year. Strict caps on defense spending are set to expire just in time for the first budget request of Trump's possible second term, but the president's own Pentagon leaders say they're not expecting any more massive budget increases soon.

The Pentagon and other federal agencies may also feel the budget ax as the result of trillions of dollars in deficit spending racked up to combat the Coronavirus pandemic. Though lawmakers have shrugged off growing federal deficits for years, top GOP defense hawks are already warning military capabilities shouldn't be sacrificed to rein in spending.

Esper's future: Defense Secretary Mark Esper could be out at the Pentagon regardless of whether Trump is reelected. Esper, who has been derided as a yes-man by his critics, parted ways with the commander in chief on several occasions in recent months, including on the issue of deploying active-duty troops to put down protests. Asked last month if he plans to fire Esper, Trump responded, "I consider firing everybody." — *Connor O'Brien*

J. Agriculture

Fate of the farm economy: In a potential second term, Trump would face difficult decisions on controversial issues like whether to extend the historic farm aid programs; balancing his ethanol policies between agriculture and oil interests; and resolving his long-running trade fights that have battered the farm sector.

And he'll have to contend with more scrutiny from Congress; lawmakers have largely deferred to the White House on policies, but some are looking to place tighter restrictions on how Trump handles each of those issues.

Farm labor overhaul: Congress so far has failed to fix the persistent shortage of agricultural workers, after a bipartisan House-passed bill stalled in the Senate. Trump has acknowledged the importance of taking on the farm labor shortage in his stump speech to farm industry groups — but agriculture lobbyists indicate there's little interest in the White House in seriously addressing the issue, with the administration primarily focused on curtailing immigration to the U.S. Any action during Trump's second term would also need to address the growing pressure from Democrats and labor advocates to expand protections for vulnerable farmworkers. — *Ryan McCrimmon*

K. Cannabis

Status quo for federal marijuana policies: Not much has changed on the cannabis policy front during Trump's time in office, which would likely continue into his administration's second term. Trump expressed support for medical marijuana on the 2016 campaign trail and went so far as to say that he would "probably end up supporting" the STATES Act, [H.R. 2093 \(116\)](#), which would leave marijuana laws up to the states.

Unless Democrats win both chambers of Congress, it seems unlikely that marijuana reform legislation would have much chance of making it to the president's desk. The one possible exception: legislation that would strengthen protections for banks with cannabis customers, which has garnered significant Republican support.

What about hemp? The Trump Administration could make progress during a second term on CBD regulations. FDA enforcement guidance for CBD products is awaiting OMB review and likely will be released within the next few months. But the industry has made clear that enforcement guidance isn't enough and greater regulatory clarity is needed. — *Mona Zhang*

L. Transportation

Deregulation: With a few notable exceptions, such as driverless car voluntary guidance and steps forward on drones, Department of Transportation ("DOT") has been most consistently focused on its deregulatory agenda, removing burdens, and driving down costs to private industry where it can. Deregulation is a cornerstone of virtually every DOT initiative, including many of its strategic planning documents, and that is expected to continue to be a prime focus under a second term for Trump. — *Kathryn A. Wolfe*

M. Energy and Environment

More where that came from: Trump has indicated there would be no deviation from the first-term priorities of working to increase oil, natural gas, and coal production, a policy that saw moves to reduce regulations that cost those industries billions, as well as easing the permitting requirements for new wells, mines, and pipelines. The Administration is expected to unveil its plans to hold an oil and gas lease sale for acres in the Arctic National Wildlife Refuge in late 2020, though that could bleed into 2021 depending on court challenges. And it's likely to unveil the latest iteration of a new offshore drilling plan it started years ago.

Environmental Protection Agency ("EPA") Administrator Andrew Wheeler laid out his agency's priorities in a speech last week, saying EPA would focus on communities and environmental justice — and he made only a passing reference to climate change. Wheeler said the Trump Administration would break down silos between EPA's air, land, and water programs to take a more holistic approach to individual communities. Also left out of his remarks was how critics warn the agency's deregulatory actions are putting such communities at greater risk, like through the rollback finalized last week that will allow some coal-fired power plants to forego new limits on the heavy metals they release into rivers that serve as drinking water sources. — *Ben Lefebvre*