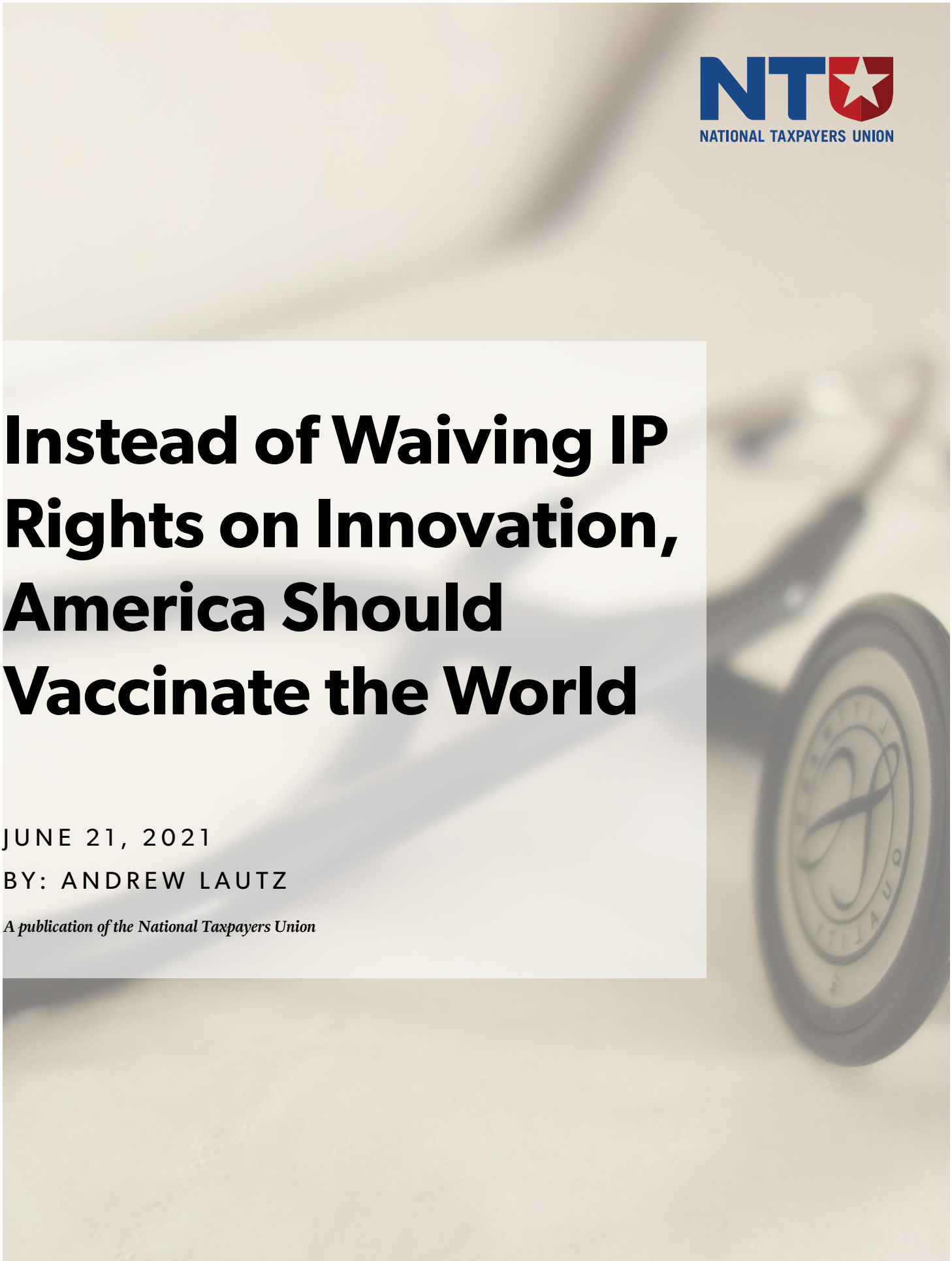

NATIONAL TAXPAYERS UNION

Instead of Waiving IP Rights on Innovation, America Should Vaccinate the World

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After more than a year of fighting the devastating public health and economic impacts of the COVID-19 pandemic, the U.S. seems to be turning a corner thanks to the rapid development, production, and distribution of American-made vaccines. As of mid June, more than half of the U.S. population had received at least one dose of a COVID-19 vaccine and 44 percent were fully vaccinated. New COVID-19 cases have declined from a peak of 254,889 per day (seven-day average) on Jan. 10 to 13,721 per day (seven-day average) on June 15, a decline of 95 percent in just five months. Deaths have also plummeted from a seven-day average peak of 3,352 on Jan. 12 to 339 on June 14, a decline of 90 percent over four and a half months. States are shedding mask mandates and fully reopening their economies, offering some hope for a safe economic and social boom throughout the U.S. this summer.

Despite America's success at developing, producing, and distributing three vaccines made in part by American manufacturers -- New York-based Pfizer, Massachusetts-based Moderna, and New Jersey-based Johnson & Johnson (J&J) -- and the government's success in fast-tracking these vaccines for emergency use around the country, much of the rest of the world is lagging behind the U.S. Of high-population, highly-developed countries, only the United Arab Emirates, Israel, Chile, and the United Kingdom have distributed more doses per person than the U.S. Meanwhile, highly populated countries like India (15 percent of the population with at least one dose), Indonesia (7.7 percent), Pakistan (less than 4.1 percent), and Nigeria (less than two percent) have not yet procured or distributed vaccines to most of their population.

Some leaders from around the world -- and progressive politicians in America -- have suggested that countries should force COVID-19 vaccine manufacturers around the world to waive their intellectual property (IP) rights and protections for their inventions so that other manufacturers can copy the vaccine 'recipe,' create their own generic versions, and distribute them around the world. India and South Africa are leading a proposal to waive IP rights under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), a 1994 accord signed by members of the World Trade Organization. The Biden administration, under U.S. Trade Representative Katherine Tai, announced on May 5 that it would "actively participate in text-based negotiations at the World Trade Organization (WTO)" to waive IP protections for COVID-19 vaccines.

Though National Taxpayers Union (NTU) does not often weigh in on IP matters, we are deeply concerned by the reaction from some stakeholders to the Biden administration's openness to waiving TRIPS. Expert analysis from the Information Technology and Innovation Foundation indicates that manufacturing scale, rather than IP rights and protections, is the primary obstacle to vaccinating the world. Moderna's CEO has said that even a successful TRIPS waiver would not deliver new, generic vaccines to the world in "6 or 12 or 18 months," given the challenges of developing, manufacturing, and distributing vaccines even when one has the 'recipe.' Pfizer's CEO agrees that a TRIPS waiver would "create more problems" for the supply chain rather than improving the situation, and would disincentivize "thousands of small biotech innovators" from taking future risks that lead to innovations like the COVID-19 vaccines.

If the goal of TRIPS waiver supporters is to vaccinate the world faster than otherwise possible under current circumstances, we have an alternative solution: the U.S. government could pay to vaccinate the world. We conservatively estimate this could be done for about $100 billion, an amount that is far outstripped by some of the wasteful spending programs Congress has authorized in recent months alone. Global health and economic outcomes and American taxpayers' fortunes could be improved by instead directing those funds toward vaccination. There is also reason to believe that our $100 billion estimate may be high. For example, the International Monetary Fund just called for world leaders to spend $50 billion:

> "...to increase manufacturing capacity, supply, trade flows, and delivery, which would accelerate the equitable distribution of diagnostics, oxygen, treatments, medical supplies and vaccines."

This $50 billion investment, the IMF estimates, could vaccinate 40 percent of the world's population by the end of 2021 and 60 percent by the first half of 2022. What's more, only a small part of this investment goes to vaccine production and distribution. The largest portion ($30 billion) goes to "[e]nsure widespread testing, sufficient therapeutics, and adequate public health measures, and prepare for vaccine deployment." Our $100 billion proposal is based off of two imprecise and imperfect estimates:

- **$89 billion** for procuring five billion doses of three American-made COVID-19 vaccines (Pfizer, Moderna, and J&J) based on global average prices; and
- **$11 billion** for 1) procuring ancillary medical equipment needed to produce, transport, and administer COVID-19 vaccines to global populations, 2) assisting manufacturers and their partners with vaccine production and distribution as needed, and 3) assisting countries with vaccine administration as needed.

NTU believes this proposal can and should be deficit-neutral, and we will suggest offsets in this paper -- often based on Congressionally appropriated but undisbursed and uncommitted federal COVID-19 relief funds that are not as necessary as America emerges from the pandemic and its deleterious economic effects. This includes clawing back education spending in the American Rescue Plan Act (ARPA) that won't be spent for years (and therefore is not directly related to COVID-19 relief) and repealing a multiemployer pension bailout from ARPA that has nothing to do with the COVID crisis. While vaccinating the world is essential to helping both the American and global economy recover, and while we believe this plan will pay dividends in the U.S. and abroad if it accelerates the timeline for defeating the virus, we maintain a decades-long commitment to making sure taxpayers do not disproportionately shoulder the burden for government spending. There is plenty of waste to cut and misplaced funding to reallocate.

We are not the first stakeholder to suggest America play a greater role in vaccinating the world -- former Health and Human Services (HHS) official Patrick Brennan, as well as former National Security Council official Dr. Luciana Borio and former Food and Drug Administration Commissioner Dr. Scott Gottlieb have

Key Facts:

American vaccine manufacturers have helped inoculate a majority of Americans from COVID-19, but the intellectual property waiver discussions threaten global progress.

Any plan to vaccinate more of the world needs to take into account country-by-country gaps, manufacturing capacity, and potential input or supply shortages.

NTU's plan calls for Congress to authorize $100 billion for the manufacturing, procurement, distribution, and administration of five billion COVID-19 vaccine doses.

We believe that the U.S. can play a major role in restoring a healthy global economy and saving lives, but that Congress must still exercise rigorous oversight of this plan.

NTU has offered several spending offset suggestions, both from unobligated funds in the American Rescue Plan and throughout government, to pay for this plan.

offered similar ideas in recent opinion pieces. We would like to advance the conversation at NTU with an overview of existing data and a conservative estimate of how much it would cost America to vaccinate the world.

It is worth adding that this plan, if properly executed, may also satisfy some of the foreign policy goals of government stakeholders across the ideological spectrum. Numerous lawmakers are concerned with China's role in the pandemic's outbreak, and with efforts by China and Russia to practice 'vaccine diplomacy' by donating or selling vaccines (some of which have questionable efficacy) manufactured in their countries to low- and middle-income countries in need of doses. Countering Chinese and Russian malign influence in the world is a key priority of many figures in the U.S. government, as is firmly establishing the U.S. as a moral and economic leader. This plan advances both goals.

Some policymakers have argued that China should bear financial responsibility for the havoc wrought by COVID-19, but the virus continues to have massive health and economic effects all around the world. Job number one should be stopping the disease in its tracks, and American innovation can play a lead role in doing so.

What follows is a review of COVID-19 vaccine funding, production, and distribution so far, an identification of where major vaccine distribution gaps exist around the world, an NTU plan for America to vaccinate the world, and a bank of offsets Congress could consider to pay for this plan

U.S. COVID-19 Vaccine Funding, Production, Distribution to Date

The United Nations Children's Emergency Fund's (UNICEF) COVID-19 Vaccine Market Dashboard provides reliable, up-to-date information on the status of COVID-19 vaccines around the world. Pfizer leads the world in vaccine approvals, with 66 countries approving the vaccine for, at minimum, emergency or conditional use. Russia's Sputnik V has been approved in 65 countries, followed by the AstraZeneca vaccine in 48 countries, Johnson & Johnson in 40, Moderna in 38, and China's two major vaccines in 23 and 18 countries respectively. Only six vaccines have received emergency approval by the World Health Organization (WHO): 1) Pfizer (on December 31, 2020), 2) AstraZeneca (on February 15, 2021), 3) J&J (on March 12), 4) Moderna (on April 30), 5) China's Sinopharm vaccine (on May 7), and 6) China's Sinovac (on June 1). One more (Russia's Sputnik V) is currently under WHO review.

Fortunately, there is enough COVID-19 vaccine production capacity to vaccinate the world several times over between now and the end of 2023. According to UNICEF, manufacturers will produce 48.7 billion doses of *just* approved vaccines between now and 2023 -- 5.8 billion from the end of 2020 through 2021, and 42.9 billion from 2022 through 2023. Even just relying on the two approved mRNA vaccines -- Pfizer and Moderna -- would be almost enough to vaccinate the world. Those two manufacturers are projected to produce 13.5 billion doses, enough to inoculate 6.75 billion people, between now and the end of 2023.

Of course, a few factors complicate this analysis:

- The continuous spread of the virus that causes COVID-19 and the development of new variants of the virus may outpace efforts to vaccinate the world, especially if it takes another 18 months to do so;
- Vaccines have not been procured in an equitable manner, and many countries (such as the U.S.) or multinational purchasing groups (such as the European Union) have secured enough doses to vaccinate more than 100 percent of their populations;

- Public health officials have indicated that already-vaccinated individuals may need booster shots to provide lasting protection against COVID-19; and
- Numerous manufacturing, supply chain, and distribution challenges may prevent some or all of those 48.7 billion doses from getting into the arms of people who need them (more on that below).

This analysis helps demonstrate, though, that IP is not necessarily a barrier -- UNICEF is projecting that there will be many, many more COVID-19 vaccines distributed than there are people in the world over the next few years (or even before the end of 2022). The issues, then, are manufacturing and supply chain challenges along with uneven procurement, delivery, and distribution of COVID-19 vaccines around the world.

The CEO of the Serum Institute of India confirmed as much in a recent statement. According to *STAT*:

> Adar Poonawalla, CEO of the Serum Institute of India, told The Guardian that insufficient license-granting by patent holders is not an impediment to speedy vaccine rollout and that "it just takes time to scale up," pointing to the complexity of the manufacturing process.

The U.S. has already played a critical role in bringing three safe, highly effective vaccines to Americans and the world. According to NTU's tally, the federal government has committed at least $48 billion to efforts directly or indirectly related to vaccine research, development, production, distribution, monitoring, and tracking of COVID-19 vaccines. Unless otherwise noted, all sourcing below comes from the Congressional Research Service (CRS):

- $23.2 billion to the Biomedical Advanced Research and Development Authority (BARDA) in the CARES Act and the December relief bill, for "manufacturing, production, and purchase ... of vaccines, therapeutics," and more;
- $8.75 billion to the Centers for Disease Control and Prevention (CDC) in the December bill for "activities to plan, prepare for, promote, distribute, administer, monitor, and track coronavirus vaccines to ensure broad-based distribution, access, and vaccine coverage" (source);
- $7.5 billion to the CDC in the American Rescue Plan Act (ARPA) "for activities to plan, promote, distribute, administer, monitor, and track COVID-19 vaccines";
- $6.05 billion to the Department of Health and Human Services (HHS) in ARPA for R&D, manufacturing, production, and purchase of vaccines, therapeutics, etc.;
- $1 billion to the CDC in ARPA for "vaccine confidence activities";
- $500 million to the Food and Drug Administration (FDA) in ARPA for vaccine safety/effectiveness review, inspection of vaccine manufacturing facilities, and oversight of supply chain;
- $415 million for the Defense Health Program in the CARES Act to develop vaccines (source);
- $210 million for the FDA in the December bill to transfer to the Indian Health Service "for activities to plan, prepare for, promote, distribute, administer, monitor, and track coronavirus vaccines to ensure broad-based distribution, access, and vaccine coverage" (source);
- $156 million to the National Institutes of Health (NIH) in the CARES Act for "vaccine and infectious diseases research facilities" (source); and
- $9 million to FDA in December bill for "development of ... vaccines" (source).

While much of this funding has gone to helping inoculate the American population from COVID-19, the funding from BARDA (and Operation Warp Speed, or OWS, generally) helped foster robust public-private partnerships that brought three U.S. vaccines to emergency use authorization in record time. Pfizer received a contract from OWS to inoculate 150 million Americans for $5.97 billion ($39.80 per person). Moderna received $5.89 billion to inoculate 150 million people ($39.27 per person). And J&J received $1.46 billion to inoculate 100 million people ($14.56 per person).

The Challenges of Vaccinating the World

There are numerous challenges to vaccinating billions of people around the world, some mutually exclusive and some overlapping and compounded by other challenges. What follows is a non-exhaustive list of obstacles to mounting a global effort on vaccines similar to the one that has occurred successfully in the U.S.:

- **Supply shortages**: Though the point may be obvious, a lot more goes into manufacturing, storing, shipping, and distributing COVID-19 vaccines than just the vaccine ingredients themselves. CRS identifies four categories of materials that have been critical to the COVID-19 vaccine supply chain over the past few months: 1) materials the *contain* the vaccine (i.e., vials), 2) materials that *inject* the vaccine into the body (i.e., needles and syringes), 3) materials that *increase* the body's immune response (i.e., adjuvants), and 4) materials that *evaluate* vaccine safety (i.e., enzymes that can determine if a vaccine sample is contaminated). OWS also included contracts to procure hundreds of millions of syringes and vials. The per-unit cost of these supplies is often pennies rather than dollars, but a global rush to vaccinate the world fast could lead to supply shortages. U.S. investments may increase manufacturing capacity, allowing companies to build or expand facilities and hire more workers to create more supplies needed to vaccine the world faster.
- **Manufacturing hiccups**: Recently the Government Accountability Office (GAO) reported on the intensive manufacturing process for COVID-19 vaccines, and the report also serves to highlight where any hiccup or issue in the manufacturing process can impact the race to vaccinate the world. GAO says there are four stages of manufacturing: 1) small-scale (experimental vaccines), 2) technology transfer (moving vaccines from a clinical setting to industrial production), 3) large-scale manufacturing (bulk production), and 4) fill-finish manufacturing (moving the vaccine into sterile containers and packing it for distribution). GAO notes that several issues can impact the large-scale manufacturing stage, including supply constraints (insufficient inputs), workforce constraints (insufficient labor), and capacity constraints (insufficient facilities). Supply and capacity constraints can also adversely impact the fill-finish stage. Above and beyond all the above concerns, geopolitics and the spread of the virus can impact manufacturing, as it did when India experienced one of the world's worst outbreaks.
- **Difficulties administering vaccines**: Even when manufacturers and countries are able to clear the hurdles of supply shortages and manufacturing hiccups, countries, sub-national governments, and medical professionals can still struggle to put finished vaccines into the arms of patients. CRS notes that a combination of federal and state officials, health care workers, for-profit entities, and not-for-profit entities are involved in administering the vaccines, and that some providers "may seek reimbursement for time, vaccine storage, recordkeeping, and additional supplies." Though U.S. patients should not be charged by providers when receiving a vaccine, these payments may often be made by governments or insurance companies. Additionally, providers who administer in the U.S. must certify that they can 1) store and handle vaccines properly, 2) adhere to priority guidelines for administration, and 3) collect and report data.

- **Inefficient allocation of vaccines around the world**: As noted above, even though manufacturers of approved vaccines have pledged enough supply to vaccinate the world many times over between now and the end of 2023, not all countries have procured vaccine doses evenly. *The Wall Street Journal* notes that countries like Canada and Australia have procured enough of Pfizer's or Moderna's vaccines alone to inoculate their population many times over. The same goes for the European Union, which is purchasing vaccines on behalf of its 27 member countries and 450 million people (nearly six percent of the global population). Meanwhile the African Union, which represents nearly 1.4 billion people or nearly 18 percent of the global population, has only secured enough doses of Pfizer, Moderna, J&J, and AstraZeneca to inoculate about 18 percent of its population, according to UNICEF data. It has secured an additional 300 million doses of Chinese- and Russian-made vaccines, enough to inoculate 150 million people, but is still falling well short of procuring enough approved vaccines to inoculate most of the African continent. According to the same UNICEF data, India (the second-most populous nation) has only secured enough doses of approved vaccines to inoculate 6.2 percent of its population, while Indonesia (the fourth-most populous nation) is only 55.5 percent covered by its secured, approved vaccine doses and Pakistan (the fifth-most populous nation) is only 4.5 percent covered. Indeed, the largest gaps in vaccine access appear to be in populous countries in Africa and Asia that do not have highly developed economies. If more data confirm in the coming months that already-vaccinated individuals may not need annual booster shots, the U.S., EU, and other highly developed economies could explore donating more surplus doses to alleviate some of the above concerns with supply shortages and manufacturing hiccups.

NTU's Plan for America to Vaccinate the World

The U.S. has been the world's leader in both vaccine development and in the global efforts to vaccinate the world thus far. It's a role Americans should be proud of. In addition to tens of billions of dollars devoted to vaccine research, development, and procurement through OWS, the U.S. has committed $4 billion in global vaccine efforts at the U.S. Agency for International Development (USAID), $800 million in similar funding at the Centers for Disease Control and Prevention (CDC), and a world-leading $2.5 billion to COVAX. The overall U.S. tally for global COVID-19 responses, according to CRS, is $15 billion.

The Biden administration also recently announced plans to buy 500 million Pfizer doses to donate globally, enough to inoculate 250 million people around the world.

However, America can and should do more.

The ultimate purpose of this initiative is to help vaccinate the global population against COVID-19 without resorting to harmful and damaging waivers of intellectual property (IP) rights on innovative treatments for COVID-19. The federal government can utilize its unique purchasing power and expand the successful aspects of Operation Warp Speed to a global scale, working with multinational partners (such as COVAX and the African Union) and nation-states that are struggling to procure, afford, and/or distribute COVID-19 vaccines to their populations -- and in a much faster manner than a TRIPS waiver might do.

Another critical element is investing in the capacity of U.S. manufacturers of successful COVID-19 vaccines, which will leverage their private-sector success and create jobs and opportunity here at home (rather than harming the pharmaceutical industry and destroying jobs, as a TRIPS waiver would do).

What follows is NTU's plan for America to vaccinate the world. Though lawmakers, stakeholders, and experts far more ingrained into the intricacies of vaccine development, procurement, and distribution can

and should fill out the details, we believe this is a sensible blueprint that could earn bipartisan support on Capitol Hill and among Biden administration officials while remaining affordable to taxpayers if paired with sensible offsets outlined below.

Authorization of appropriation: $100 billion. The main use of this authorization ($89 billion) would be to purchase five billion doses of COVID-19 vaccines from U.S. manufacturers that have been approved for emergency use by the U.S. and the WHO. Currently, that would include Pfizer, Moderna, and J&J. Additional funding ($11 billion) would go toward the following aims:

- To purchase ancillary medical equipment required to produce, transport, and administer COVID-19 vaccines to global populations, including but not limited to syringes, vials, adjuvants, tools to evaluate vaccine safety, and shipping and storage units;
- To facilitate the hiring, where necessary, by vaccine manufacturers and their partners in vaccine production and distribution, of additional personnel required to facilitate enhancements in technology transfer, large-scale manufacturing, and fill-finish manufacturing of COVID-19 vaccines; and
- To facilitate the supply and reimbursement of health professionals qualified and able to administer COVID-19 vaccines to individuals around the world.

Federal entities involved: BARDA could play a leading role in purchasing vaccines and ancillary medical equipment, as they did for OWS. The Departments of Defense (DoD) and HHS could lead the way on hiring additional personnel where necessary, as GAO details the two agencies did for vaccine manufacturing and distribution ramp-up. And USAID could be tasked with leading the country's work with donee countries receiving vaccine doses, and/or for the supply and reimbursement of health professionals to put shots in arms.

Non-federal entities involved: A number of non-federal entities would, of course, have to play a role in this U.S.-led global effort. They include, but are not limited to:

- Pfizer, Moderna, J&J (U.S. manufacturers of vaccines approved for emergency use by FDA and WHO);
- Manufacturing partners of Pfizer, Moderna, J&J (for coordination on additional personnel needed to ramp up supply);
- COVAX (as a possible bulk purchaser and distributor of COVID-19 vaccines and ancillary medical equipment); and
- Foreign governments and multinational bodies such as the African Union (for vaccine purchases, and for coordination on supplying and/or reimbursing health professionals to administer COVID-19 vaccines to individuals around the world).

Timeline and Oversight: NTU has a number of suggestions on the timeline of this global initiative. Though we defer to vaccine manufacturers and public health experts on how long it will take to manufacture and distribute billions of additional vaccine doses, our proposal includes key milestones to ensure Congress and the public remain informed on the broader effort and can conduct rigorous and effective oversight of this significant commitment in taxpayer dollars.

- Federal entities involved should report to Congress and the public with an initial plan for spending appropriations within 90 days of bill passage;
- Federal entities authorized to spend funds should report to Congress and the public once

initial funding has been disbursed -- though not later than 180 days after bill passage -- and at least once every 90 days thereafter on supply chain, vaccine and ancillary product development, and distribution, along with any challenges or concerns that entities involved have experienced;

- GAO should include progress on this initiative in its regular reporting on COVID-19 spending, though not fewer than once every six months;
- The Special Inspector General for Pandemic Recovery (SIGPR) should have explicit oversight of this initiative;
- The House Select Subcommittee on the Coronavirus Crisis should have explicit oversight of this initiative; and
- All reporting on this initiative should be publicly available to the maximum extent practicable, in an expeditious manner.

Conditions on Funding: This portion of the plan exists more as a set of guidelines for policymakers than a specific prescription, but based on our research into the challenges the U.S. faces in helping vaccinate the world we believe there are some reasonable conditions lawmakers should place on the significant disbursement of taxpayer dollars:

- Prioritization for vaccine distribution should be given to COVAX, the African Union, and/or countries in the top 50 for global population whose governments have not yet secured enough doses to fully vaccinate their entire population;
- Prioritization should not include the EU, who through the European Commission has secured enough doses to inoculate the entire EU population;
- Prioritization should not include any country that has secured enough doses to fully inoculate 100 percent of their population;
- Prioritization should be given to providing individuals with a COVID-19 vaccine for the first time, rather than providing already-vaccinated individuals with booster shots;
- For vaccine production, funding should only be provided to U.S. manufacturers with a vaccine approved for emergency use by the U.S. and the WHO (though federal entities should not *require* full domestic production in the U.S., and should work in partnership with non-federal entities to ensure the manufacturing process enables both speed and safety in the manufacturing, delivery, and distribution of COVID-19 vaccines); and
- Funding should be conditioned that no appropriations, in this bill or otherwise, shall be spent on approving or negotiating a TRIPS waiver of COVID-19 countermeasure IP rights.

Given part of this proposal is intended as an alternative to a potentially significantly harmful TRIPS waiver, we believe the last condition is particularly important.

Suggested Offsets for NTU's Plan

Given the nation's perilous debt and deficit situation, we would hope and insist that lawmakers looking to adopt this plan identify spending offsets. Fortunately, as America emerges from the pandemic with rising vaccination rates and recovering local economies, some of the extraordinary amount of spending passed in President Biden's $1.9-trillion American Rescue Plan Act may no longer be necessary. Here are a few proposed offsets that lawmakers could mix and match to make the $100-billion 'vaccinate the world' plan deficit-neutral.

- **Claw back funding from Elementary and Secondary School Emergency Relief Fund (ESSERF) and Higher Education Emergency Relief Fund (HEERF) proposed to be spent after the end of fiscal year (FY) 2022; $110 billion in savings**: Though the American Rescue Plan Act provided a combined $162 billion to elementary, secondary, and higher education schools ($123 billion to the former two, $39 billion to the latter), CBO projected that a majority of the money would not be spent in FYs 2021 and 2022. Lawmakers could claw back funding projected to be spent in FY 2023 and beyond, given that at that point (September 30, 2022 and beyond) the pandemic is unlikely to be a significant driver of spending by educational institutions. Clawing back all projected funds beyond FY 2022 could return $105 billion ($20 billion from higher education and $90 billion from elementary and secondary schools). It is worth noting that would still leave schools with $57 billion in funding from the American Rescue Plan, $54.6 billion from the December relief bill, and $13.4 billion from the CARES Act, according to the Committee for a Responsible Federal Budget (CRFB) -- plus $10.2 billion in additional education funding to non-public schools, governors, and "innovation grants." That's about $1,750 in emergency funding for each student in the country.

- **Repeal the multiemployer pension bailout; $83 billion in savings**: One of the most wasteful portions of the American Rescue Plan Act was a multibillion-dollar multiemployer pension bailout that tracked with some lawmakers' priorities from before the pandemic ever existed. NTU argued that this bailout had no place in a COVID relief bill, and we continue to believe that. Given no money has gone out the door on this bailout, since the Pension Benefit Guaranty Corporation has not even released application guidance, Congress still has time to claw these funds back.

- **Claw back the unreleased, second tranche of funding to state governments; $79 billion in savings**: The Treasury Department held back nearly $79 billion of the $195 billion in funding for state governments from the American Rescue Plan Act, for 30 states whose unemployment rates are less than two percentage points above its pre-pandemic level. The Treasury Department has the ability to hold the second tranche for up to 12 months. This is valuable time that Congress could use to claw back much of the funding in this second tranche, for states whose economies are already near or fully back to pre-pandemic levels. The fact that 21 of these 30 states are also ending their participation in FPUC early (see below) is another indicator that the states expect their economies to come roaring back in the months ahead. Though clawing back the fund could present political difficulties for members of Congress in both parties, we believe the move makes fiscal sense. According to NTU's March analysis, $6 billion to $16 billion would have been a more appropriate funding level for state governments than the nearly $200 billion provided in the American Rescue Plan Act.

- **End Federal Pandemic Unemployment Compensation (FPUC) in July, rather than in September; tens of billions of dollars in savings**: As of early June, half of U.S. states had announced they were opting out of the $300 FPUC boost to unemployment benefits. Four states will end participation June 12, seven will end on June 19, 10 will end participation between June 26 and June 30, and four more will end participation in July. CRFB reports that as of early May more than $87 billion of projected FPUC spending had not been distributed. Though that number is certainly lower in early June, and will be lower by July, lawmakers could decide that -- with the pandemic abating and the economy surging -- they will end the FPUC boost three months early. Savings are uncertain to us but could certainly number in the tens of billions of dollars, given the Congressional Budget Office (CBO) projected FPUC would cost taxpayers $125 billion from March through September alone, an average of about $17.8 billion per month. Those still struggling to return to work would continue to be eligible for regular unemployment benefits, along with extended weeks under Pandemic Emergency

Unemployment Compensation and unemployment for gig workers and independent contractors under Pandemic Unemployment Assistance.

- **Cancel the six-month extension of the Employee Retention Tax Credit (ERTC); $10.2 billion in savings**: Though NTU has praised the ERTC at numerous occasions during the pandemic, the rapid pace of vaccinations and the U.S. economic recovery indicates that a six-month extension of ERTC in the American Rescue Plan Act, from July 2021 through December 2021, may now be unnecessary. Congress could cancel the ERTC extension and apply the savings to this vaccination plan.
- **Claw back undistributed dollars in the Provider Relief Fund; $10.1 billion to $30 billion in savings**: According to GAO, as of early March 2021 more than $10 billion in Provider Relief Fund dollars for "Phase III: general distribution" had gone undisbursed. A more recent *Wall Street Journal* article indicates that "more than $30 billion" remains of the $187 billion Congress has approved for the Fund across multiple bills. Given ongoing concerns about provider relief funds going to well-off hospitals and about fraudulent payments within the program, we believe lawmakers and HHS can and should claw back funds if the June 30 deadline passes and hospitals have not spent COVID-19 funds.
- **Repeal the business meals deduction for 2022; $2 billion to $3 billion in savings**: Back in July 2020, NTU criticized proposals to allow businesses to deduct 100 percent of meals purchased at restaurants through 2020. Unfortunately, Congress passed a provision in its December relief bill to allow the 100 percent business meals deduction in tax years 2021 and 2022. Though repealing the deduction in 2021 may punish businesses who planned around having the deduction this year, Congress could repeal the deduction for tax year 2022 and likely save billions of dollars.

Overall, the offsets listed above total a floor of nearly $300 billion, but could save tens of billions of dollars more. Lawmakers looking to only offset this global vaccination plan rather than also reducing deficits could mix and match some of the options outlined above. (For example, they could end FPUC one or two months early instead of three months early, or they could claw back a smaller portion of state government or education funds.) We offer the above menu of options so that lawmakers know and understand they could fully offset the cost of providing billions of doses of vaccines to the world.

We also understand and appreciate the political dynamics of the American Rescue Plan Act (ARPA) and recognize that neither the President nor many Democratic lawmakers may wish to reopen ARPA. Fortunately for those stakeholders, NTU has additional and recently-updated menus of deficit reduction options that lawmakers could consider to offset the cost of vaccinating the world. This includes the joint NTU Foundation and U.S. Public Interest Research Group (PIRG) Education Fund "Toward Common Ground 2020" report, which includes $800 billion in deficit reduction options over the course of a decade. NTU also recently issued a paper outlining $338 billion in potential Department of Defense (DoD) budget reductions over the next four years alone. And NTU's blueprint for a new Budget Control Act, which includes all the recommendations of the Common Ground report and some DoD reductions, ultimately tallies up $3.6 *trillion* in deficit reduction options for the next 10 years alone. Certainly, we are not the only source -- governmental or non-governmental -- proposing robust spending reductions or offsets. With a modicum of effort, Congress can simultaneously advance the goal of ending the global COVID-19 crisis while reducing long-term costs for overburdened taxpayers.

Conclusion

The U.S. has the purchasing power, manufacturing capacity, and political will to end the COVID-19 pandemic around the world. American-made vaccines have helped the U.S. reduce cases by 95 percent from its peak, and a similar vaccination effort around the world could crush the virus and allow much of the global economy and society to return to pre-pandemic activities. The benefits to the global economy -- and the U.S. economy -- could be far greater than the $100 billion proposed to be spent here, but as advocates of fiscal responsibility we believe that Congress should explore several spending offsets that stem from inefficient American Rescue Plan Act appropriations.

While experts far smarter than us would be responsible for determining how to manufacture, ship, and distribute five billion doses of COVID-19 vaccines around the world, we believe that U.S. policymakers can get it done.

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