

Where Does the Next Phase of COVID-19 Relief Stand?

July 2020

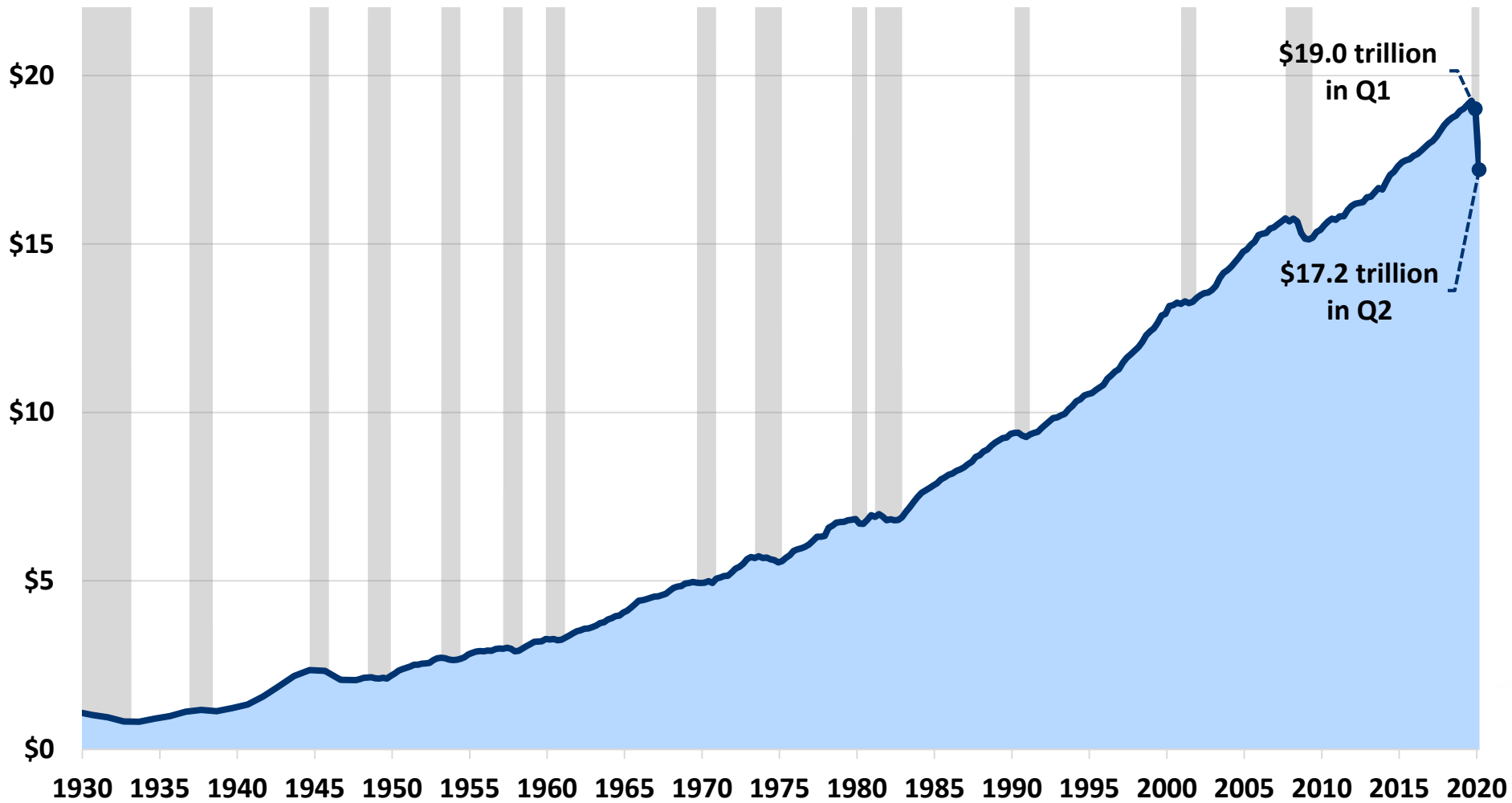


**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org

GDP Has Fallen by 9.5 Percent

Real GDP (trillions)



\$19.0 trillion
in Q1

\$17.2 trillion
in Q2

Shaded bars indicate recessions

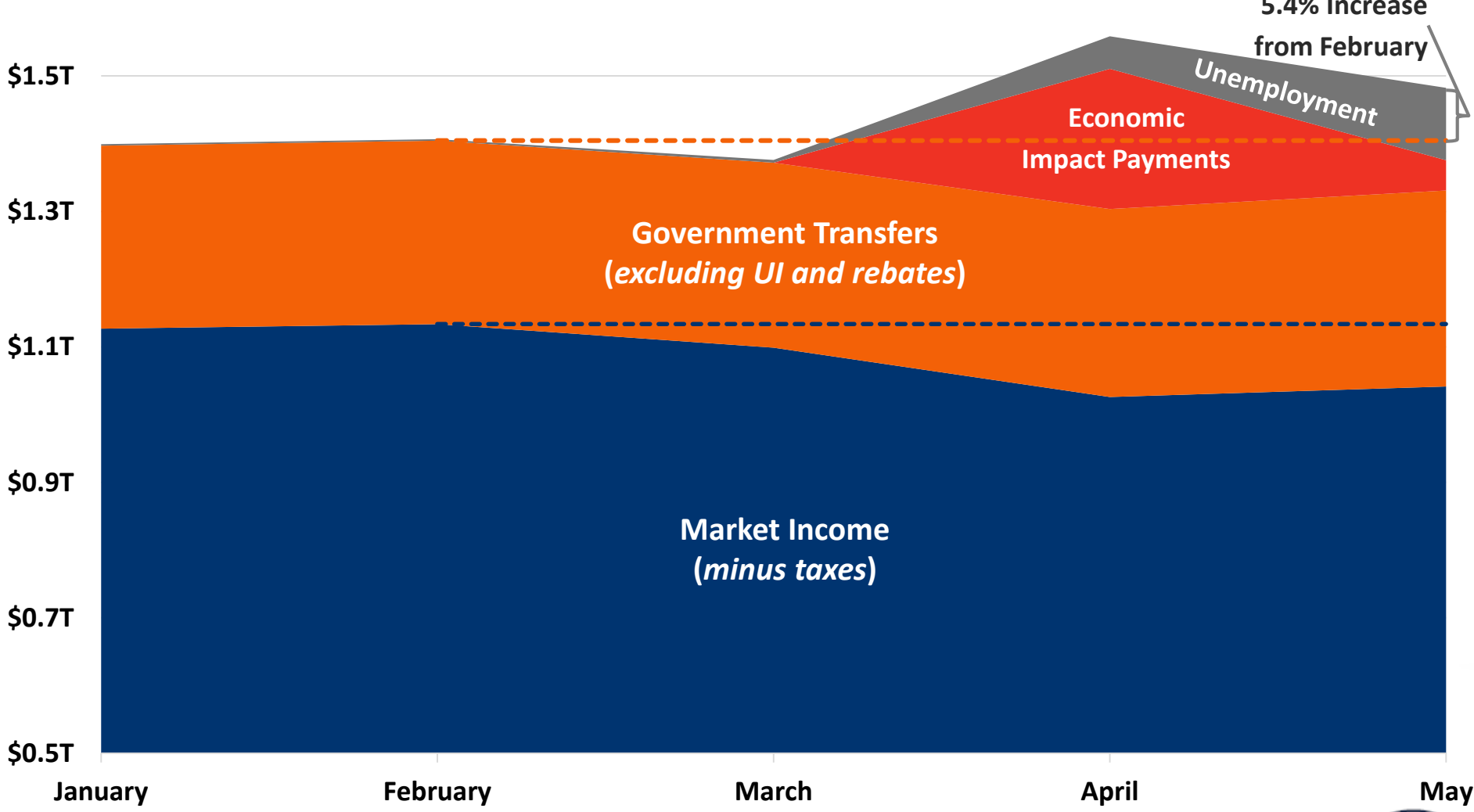
Source: Bureau of Economic Analysis, Washington Post

CRFB.org



Personal Income Has Grown Through May Despite Recession

Illustrative Monthly After-Tax Income (Billions), Assuming Flat Market and Transfer Income in May



5.4% Increase from February

Unemployment

Economic Impact Payments

Government Transfers (excluding UI and rebates)

Market Income (minus taxes)

May is a rough CRFB projection, assuming no net change in market and transfer income

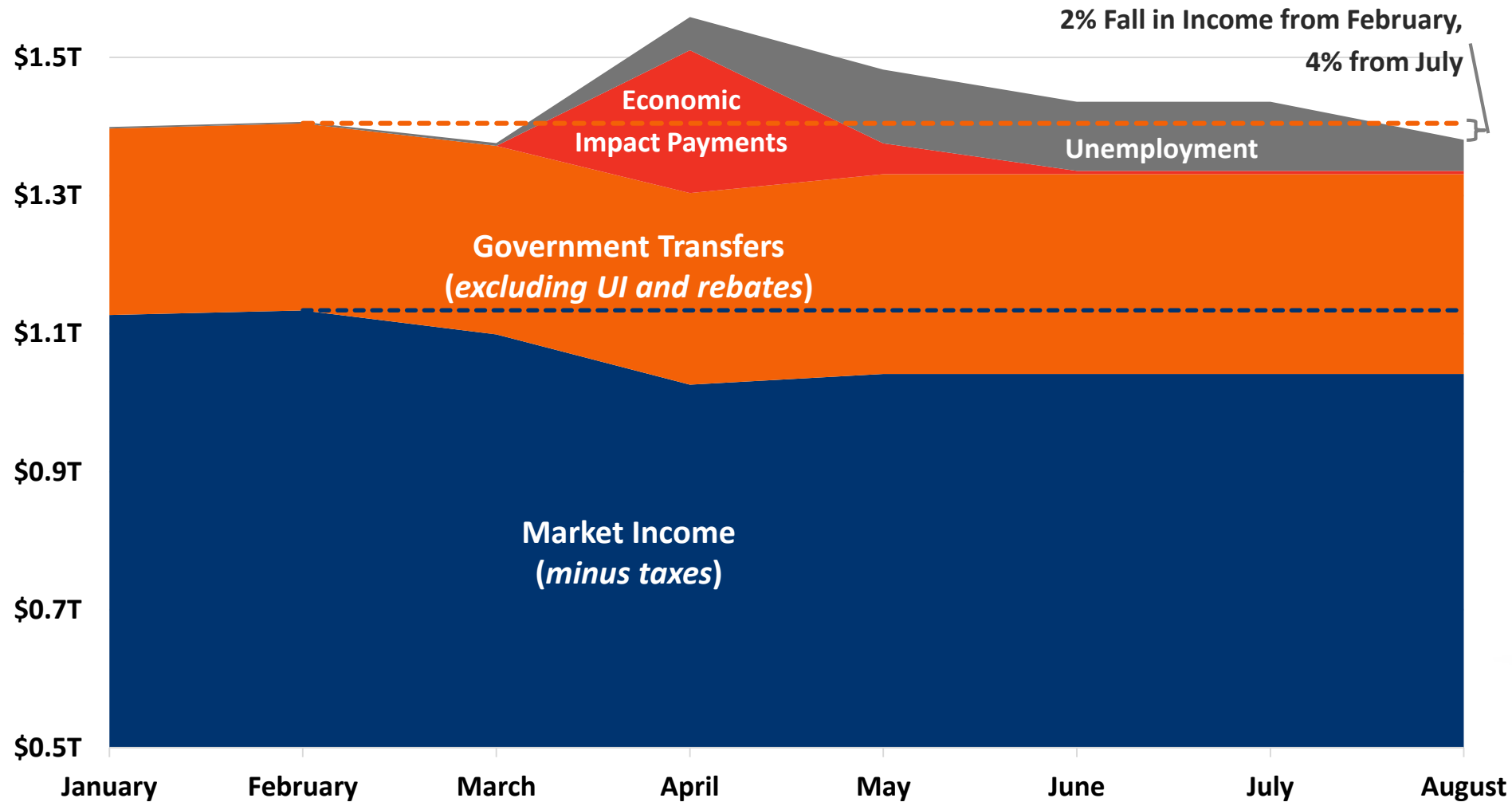
Note: updated 6/22 to correct an error that omitted employer pension and payroll tax contributions from income

Source: Bureau of Economic Analysis



But Income Is Slated to Fall in August

Illustrative Monthly After-Tax Income (Billions), Assuming Flat Market and Transfer Income in May



May is a rough CRFB projection, assuming no net change in market and transfer income

Note: updated 6/22 to correct an error that omitted employer pension and payroll tax contributions from income

Source: Bureau of Economic Analysis



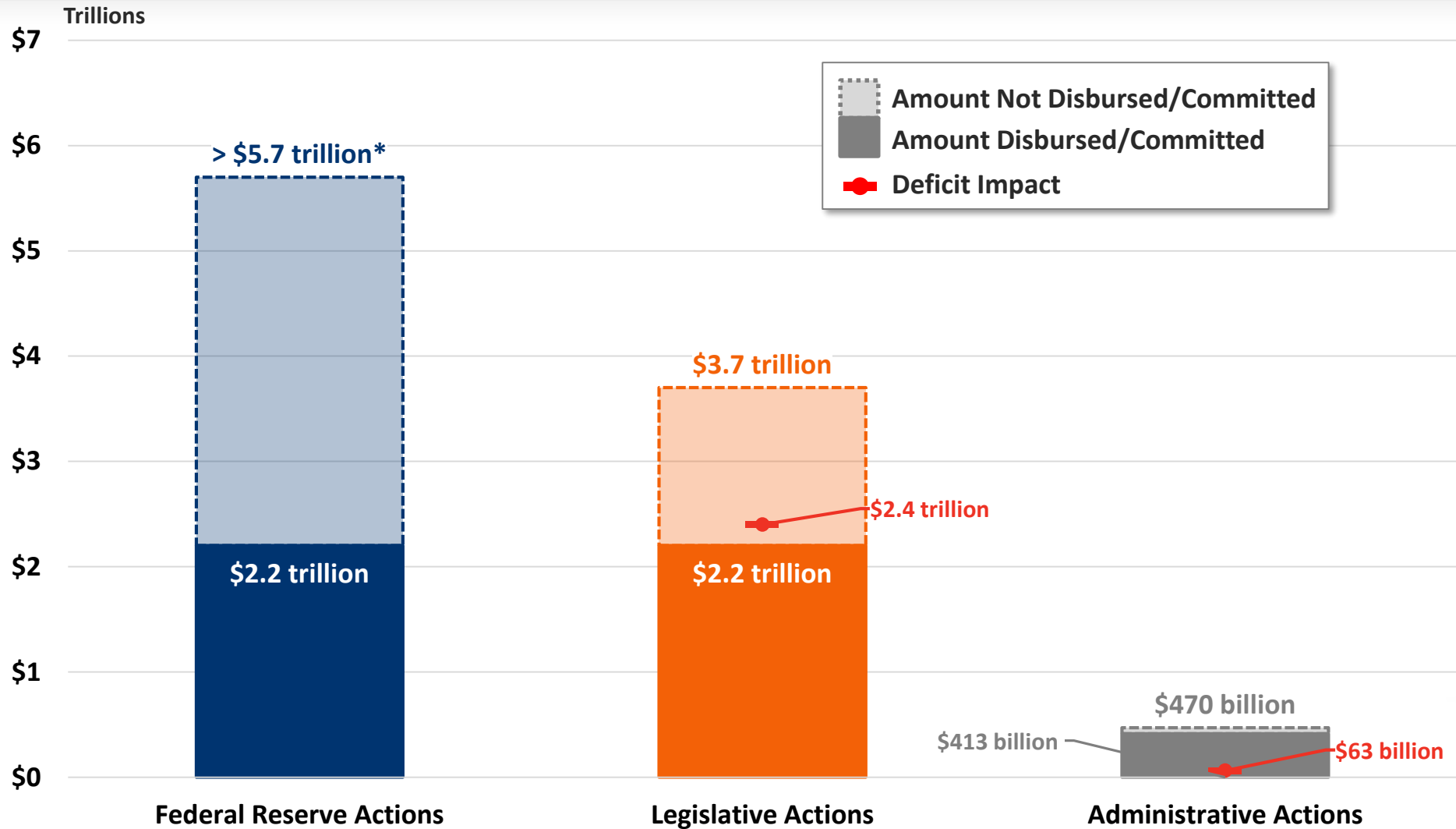
And We Still Face a Large Output Gap

Estimated Output Gap Beginning August 1 (Billions of Nominal Dollars)



Source: CRFB Calculations based on Congressional Budget Office Data
Note: All estimates begin August 1 of 2020

How Big Is The COVID Response?



* Some Fed facilities and programs have no announced cap or maximum, in which case, we assume the max as the largest amount disbursed or committed since the crisis began.

But More Funds Will Be Needed

Cost of Closing the Output Gap, Depending on Average Multiplier

	6 Months	1 Year	2 Years	5 Years
0.25x multiplier	\$2,950 billion	\$5,000 billion	\$8,000 billion	\$15,450 billion
0.5x multiplier	\$1,500 billion	\$2,500 billion	\$4,000 billion	\$7,700 billion
1x multiplier	\$750 billion	\$1,250 billion	\$2,000 billion	\$3,850 billion
1.5x multiplier	\$500 billion	\$850 billion	\$1,350 billion	\$2,600 billion
2x multiplier	\$400 billion	\$650 billion	\$1,000 billion	\$1,950 billion
2.5x multiplier	\$300 billion	\$500 billion	\$800 billion	\$1,550 billion
"Income Gap"	\$200 billion	\$550 billion	\$1,350 billion	\$3,450 billion

Source: Congressional Budget Office and CRFB calculations. "Income gap" is a concept we use to describe the difference between actual personal income and potential personal income. To approximate potential personal income, we assume income would remain the same share of potential GDP as projected prior to the current crisis. The gap is small in the near-term due to existing government transfers.

But More Funds Will Be Needed

Funding may be needed for:

- Unemployed workers (\$600/week bonus expires July 31)
- State & local governments (Fiscal Year Started June 1)
- Small businesses (PPP loans !all issued)
- Households (Economic Impact Payments ~all issued)
- Colleges, Hospitals, and Health Providers
- Essential Workers
- COVID-19 and related public health needs

The House Introduced the Heroes Act

Policy	Ten-Year Cost/Savings (-)
Provide Aid to State and Local Governments	\$1.13 trillion
Increase Safety Net Spending	\$485 billion
Provide Additional Rebates	\$435 billion
Increase Health Care-Related Spending	\$382 billion
Support Small Businesses and Employee Retention	\$290 billion
Reduce Individual Taxes	\$290 billion
Provide Student Loan Relief and Funding for Higher Education	\$191 billion
Increase Housing-Related Spending	\$202 billion
Establish Hazard Pay Fund for Essential Workers	\$190 billion
Increase Communications-Related Spending	\$32 billion
Provide Pension and Retirement Relief	\$48 billion
Increase Agriculture Spending	\$31 billion
Limit Business Loss Deductibility	-\$254 billion
Total	\$3.4 trillion

The Senate Introduced the HEALS Act

Policy	Ten-Year Cost/Savings (-)
Reform & Extend Unemployment Benefits	\$110 billion^
Issue Second Round of Economic Impact Payments	\$300 billion
Provide Small Business Loans and Support	\$158 billion
Offer Tax Breaks for Employers to Hire, Retain, and Protect Workers	\$200 billion^
Increase Health-Related Spending	\$111 billion
Increase Education Spending	\$105 billion
Provide Targeted Support for Domestic Industries	\$63 billion
Other Spending Increases	\$39 billion
Enact Liability Protection for Schools and Businesses	N/A
Enact TRUST Act to establish trust fund rescue committees	N/A
Total	\$1.1 trillion

^Estimates are extremely rough and actual costs could differ substantially.
 Source: Bill text, legislative summaries, and CRFB calculations based on CBO & JCT estimates.

Lots in Common, but Many Differences

Select Differences Between Heroes Act and HEALS Act

	Heroes Act	HEALS Act
Unemployment Bonus	Extend \$600 Bonus	Extend at \$200, Move to 70% of Wages
Economic Impact Payments	\$1,200 per person	\$1,200 per taxpayer, \$500 per dependent
Support for Employers	\$290 billion for loans and tax credits	\$360 billion for loans and tax credits
Aid for states, localities, and public schools	\$1.1 trillion in direct aid, higher M'caid, and schools	About \$100 billion for schools, plus flexibility
Funding for Hazard Pay	\$190 billion	None
Health-Related Funding	\$382 billion	\$111 billion
Liability Reform	None	Included
Budget Process Reforms	None	TRUST Act

