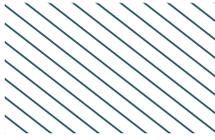


Biden's American Rescue Plan for additional COVID pandemic relief

Breakdown of President Biden's coronavirus relief plan

February 23, 2021



Joe Biden's key economic advisors



Janet L. Yellen

- Treasury Secretary
- Former chair of the Federal Reserve Board of Governors



Cecilia Rouse

- Chair-nominee of the Council of Economic Advisers
- Dean of the Princeton School of Public and International Affairs
- Former adviser for Presidents Bill Clinton and Barack Obama



Brian Deese

- Director of the National Economic Council
- Former acting head of the Office of Management and Budget
- Former deputy director of the National Economic Council



Jared Bernstein

- Council of Economic Advisers
- Senior Fellow at Center on Budget and Policy Priorities
- Former Chief Economist and Economic Adviser to VP Biden (2009-11)



Heather Boushey

- Council of Economic Advisers
- President and CEO of the Washington Center for Equitable Growth
- Former economist at the Center for American Progress, and EPI, among others

Biden's American Rescue Plan overview

Key Provisions

- **\$1.9T** price tag
- **\$20B** for a national vaccine program
- **\$50B** to expand testing
- **\$170B** to schools for safety equipment
- **\$1,400** stimulus checks
- **Eviction and foreclosure** moratorium through Sept. 2021
- **Minimum wage** increase to \$15/hour
- **Federal unemployment benefits** increase to \$400/week through September 2021 with automatic stabilizers
- **Child tax credit increases**
 - **\$3,600/year** for children under 6
 - **\$3,000/year** for children between ages 6 and 17
- **Earned Income Tax Credit** increase from \$530 to **\$1,500**
- Grants to over 1 million small businesses and **\$35B** for low-interest loans, esp. clean-energy investments

Topline breakdown (in billions)



Outlook

- Likely smooth passage in the House
 - Some Dems want bigger checks
 - Republicans want targeted checks
- 60 votes needed to avoid filibuster
 - 50 Democrats + 10 Republicans
- Under **budget reconciliation** procedure, Democrats only need 50 votes but may limit scope of plan
- Biden recently said that the minimum wage provision is unlikely to survive

On Feb. 22, the House Budget Committee will compile committee markups into a single budget measure

Budget reconciliation process

Both House and Senate pass a budget resolution which includes reconciliation instructions
(No filibuster - simple majority vote in both chambers)



Instructed committees develop and vote on policy recommendations related to the instructions (simple majority vote)



Budget committees bundle proposals into budget measure and vote
(simple majority vote)



Full House votes
(rules for debate and final passage are by simple majority vote)

Senate debate limited to 20 hours (no filibuster) but unlimited amendments can be offered (vote-a-rama)



President signs budget reconciliation measure

Legislative milestones

- Feb 5: both the House and Senate passed budget resolutions, starting the budget reconciliation process
- Feb 9-12: nine different House committees approved individual measures; each proposal contained markups by the respective committee on how the funding under their jurisdiction should be allocated
- Feb 16: per the budget resolution instructions, each committee's proposal was to be sent to the House Budget Committee by this date

Outlook

- Feb 22: The House Committee on the Budget will compile the proposals into a budget measure
- Feb 22-28: Expected timeline for a House floor vote on the bill
- Mar 14: Current federal unemployment benefits expire; congressional leadership hopes to pass the resolution before then

House committee markups (1/2)

ALLOCATED FUNDING	COMMITTEE	MARKUPS *
\$75 Billion	<i>Financial Services</i>	<ul style="list-style-type: none"> ▪ \$25 billion for emergency rental aid ▪ \$15 billion in payroll support for airline workers ▪ \$10 billion for homeowner assistance ▪ \$10 billion for PPE equipment and vaccine production under the Defense Production Act
\$941 Billion	<i>Ways and Means</i>	<ul style="list-style-type: none"> ▪ \$1,400 payments to individuals with incomes up to \$75,000 and couples making a combined \$150,000 ▪ \$3,600 tax credit for children under the age of 6; \$3,000 tax credit for children between the ages of 6 – 17 ▪ Increases the federal minimum wage to \$15 per hour by 2025 ▪ Extends temporary federal unemployment benefits through August 29th; the weekly benefit is increased from \$300 to \$400
\$188.5 Billion	<i>Energy and Commerce</i>	<ul style="list-style-type: none"> ▪ \$46 billion for COVID-19 testing and contact tracing ▪ \$14 billion for COVID-19 vaccines ▪ \$7.6 billion to expand internet access for students and teachers ▪ \$100 million in environmental justice grants ▪ Provides full coverage for COVID-19 vaccines for those with Medicaid or the Children’s Health Insurance Program
\$357.9 Billion	<i>Education and Labor</i>	<ul style="list-style-type: none"> ▪ \$130 billion to K-12 schools in relief funding ▪ \$40 billion in relief to higher education institutions ▪ \$39 billion for the Child Care and Development Block Program ▪ \$5 billion in food assistance ▪ \$1 billion in funding for the Head Start program

*Committee markups recorded do not represent a comprehensive list of where funding was allocated by each congressional committee

House committee markups (2/2)

ALLOCATED FUNDING	COMMITTEE	MARKUPS*
\$16.1 Billion	<i>Agriculture</i>	<ul style="list-style-type: none"> ▪ \$5 billion in assistance for agricultural supply chain challenges as a result of COVID-19 ▪ \$3.6 billion to support a more resilient food supply ▪ \$1 billion in aid for institution/groups that support socially disadvantaged agricultural workers ▪ \$500 million in relief funding for rural hospitals and communities
\$50 Billion	<i>Small Business</i>	<ul style="list-style-type: none"> ▪ \$25 billion in restaurant grants ▪ \$15 billion in funding for Economic Injury Disaster Loan (EIDL) grants ▪ \$7.25 billion in funding to expand the Paycheck Protection Program ▪ \$1.25 billion of additional funding for shuttered live venue grants
\$95.6 Billion	<i>Transportation and Infrastructure</i>	<ul style="list-style-type: none"> ▪ \$50 billion in disaster funds for FEMA through Sept. 30, 2025 ▪ \$30 billion in COVID relief funding for federal transit administration grants ▪ \$8 billion in relief funding to airports ▪ \$3 billion in payroll support for aerospace manufacturing jobs ▪ \$1.5 billion to pay furloughed Amtrak employees
\$16.6 Billion	<i>Veterans Affairs</i>	<ul style="list-style-type: none"> ▪ \$13.5 billion in funding for VA healthcare services ▪ \$400 million in vocational retraining assistance to veterans who became unemployed as a result of the pandemic
\$350.7 Billion	<i>Oversight and Reform</i>	<ul style="list-style-type: none"> ▪ \$195.3 billion in relief funding for States and the District of Columbia ▪ \$130.2 billion in aid to cities and counties ▪ \$20 billion in aid to tribal governments ▪ \$4.5 billion in aid to territorial governments

*Committee markups recorded do not represent a comprehensive list of where funding was allocated by each congressional committee

SOURCE Hogan Lovells.

SLIDE LAST UPDATED ON 2/19/21

Key information on Biden's plan for additional \$1,400 stimulus payments

Increased payment amount and eligibility



- \$1,400 checks are in addition to the \$600 checks from the December stimulus package
- Eligibility to receive checks is expanded to include:
 - Adults claimed as dependents (e.g., college students or the elderly)
 - Mixed-status households containing U.S. citizens/permanent residents and undocumented immigrants

Timing depends on Congress



- Speed depends on the ability to gain a 60-vote majority in the Senate
- Budget reconciliation or filibuster will delay the payments

Passage of stimulus checks is likely, although amount may change



- Progressive Democrats are calling for \$2,000 checks
- Some conservative Democrats and Republicans want checks to be more targeted to lower income individuals and families

Background on proposal to increase child and dependent, child, and earned income tax credits

Increase child and dependent care tax credit for 2021



- Currently: Nonrefundable, up to \$1,050 for one child under 13 or dependent and up to \$2,100 for two or more children under 13 or dependents
- Proposal:
 - For only 2021, refundable credit up to \$4,000 for one child under 13 or \$8,000 for two or more children under 13
 - Credit begins phasing out at incomes of \$125,000 and phases out completely at \$400,000

Increase the child tax credit for 2021



- Currently: \$2,000 per child under 17, refundable up to \$1,400
- Proposal: For only 2021, \$3,000 per child under 18, plus \$600 per child under 6 years old, fully refundable

Expand earned income tax credit (EITC), 2021

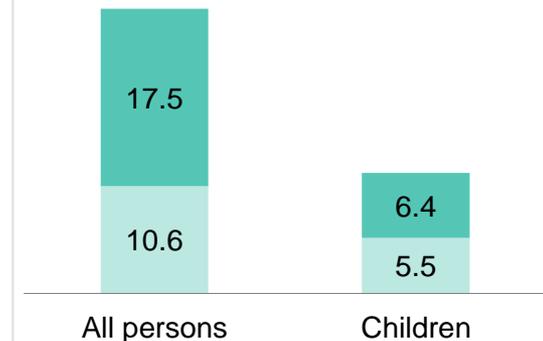


- \$1,500 maximum credit for childless adults
- Increase the income limit to \$21,000
- Eliminate the age cap for older workers

Antipoverty impact of the EITC

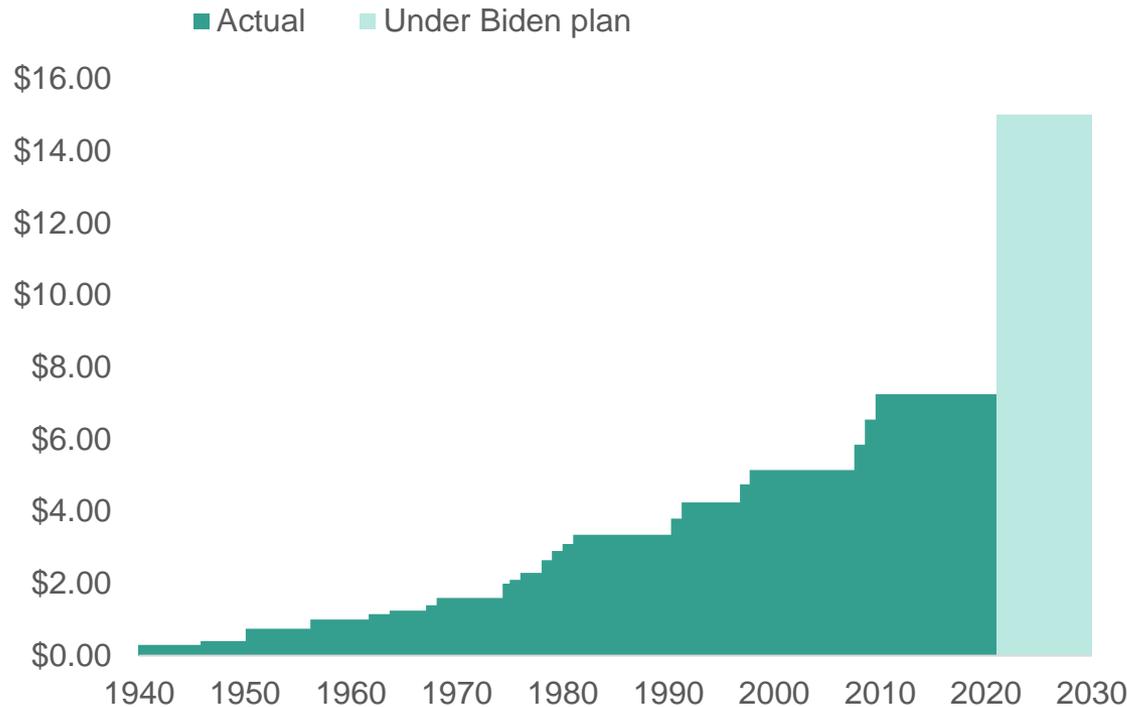
MILLIONS OF PEOPLE, 2018

■ Made less poor ■ Lifted out of poverty



Biden proposed increasing federal minimum wage to \$15/hour, the first increase since 2009

Federal minimum wage, 1940-2021



- Some analysts argue a \$15 minimum wage could actually decrease government expenditures
- Close to half of workers who would be directly affected by the min. wage increase are enrolled, or have a family member enrolled, in a government safety net program, costing state and federal government ~\$107B/year
- However, Biden recently commented that its passage was unlikely

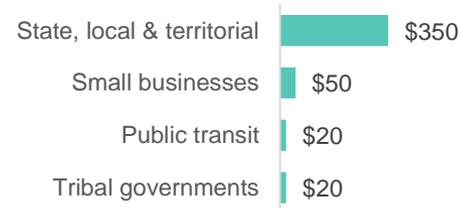
Note: This graph tracks changes to the hourly wage for workers under the original 1938 Act until 1978, when an all-encompassing minimum wage was established for all workers

Help for small businesses, and state, local, and territorial governments

Key Provisions

- **\$440B** in total earmarked for small businesses, and state, local, and territorial governments
- **\$350B** for state, local, and territorial governments
 - **\$3B** reserved for the Economic Development Administration (EDA)
- **\$50B** to small businesses
 - **\$15B** in grants to help the companies that suffered most during this pandemic
 - **\$35B** will go towards leverage for \$175B worth of low-interest loans and venture capital
 - Help the hardest-hit sectors through the Community Credit Corporation at the USDA
- **\$20B** in relief for the worst-affected public transit agencies
- **\$20B** to support tribal governments in Indian Country

Topline breakdown (in billions)



Outlook

- State, local and territorial governments must balance their budget
 - State and local government tax receipts fell \$90 billion from the first to second quarter of 2020
- Funds for public transit are aimed at maintaining the routes used by essential workers



400,000

The number of small businesses that have closed a result of the pandemic

Housing assistance

Key Provisions

- **Extend the national moratorium** on evictions and foreclosures until Sep 30th, 2021
 - The CARES Act eviction moratorium lasted until July 24th, 2020
 - Congress extended it to Jan 31st, 2021, as part of the Consolidated Appropriations Act
- **Provision of legal funds** for households tackling eviction or foreclosure
- **\$30B** in assistance for rent, water, and critical energy
 - **\$25B** for rental assistance, on top of the \$25B from the Consolidated Appropriations Act
 - **\$5B** to cover utilities through programs like Low Income Home Energy Assistance Program
- **\$5B** in emergency assistance for those who are homeless, or who are at risk of losing their home



18%

The proportion of renters who say they are behind on rent, as of January 2021

Proportion of households suffering housing insecurity, by weeks of 2020



Outlook

- The number of American households suffering from housing insecurity grew from 10.2 million in the 13th week of 2020 to 13.4 million
 - As the graph above indicates, this amount to an increase from 7.2% to 9.5% of all households
- The funding to alleviate homelessness aims to help 200,000 people find stable housing
- The emergency assistance funds for the homeless will be channeled through state and local bodies

Potential roadblocks to a president's agenda



Filibuster

- In the Senate, most legislation requires **60 votes** to advance to a final yes/no vote
- Limited legislation can be passed with a simple majority vote, via “**reconciliation**”
- Senate Democrats could **abolish the filibuster** by a simple majority vote on a rule change



Intra-party divisions

- The **Democrats' margin is slim** in the Senate
- **Centrist factions** will hold outsized influence over legislation: conservative Democrats and liberal Republicans
- Reforms supported by only one party will be difficult to pass if not moderated



Court challenges

- Many regulations issued by the Trump administration have been **stalled in court**
- Any administration is likely to see most executive actions challenged in court, which could **delay any quick attempts at reform**

Economic analysis of Biden's \$1.9T COVID stimulus plan – arguments for large stimulus



- A large stimulus would insure against the **potential that underlying economic conditions are worse than expected**, or that the **United States' potential GDP is higher than projected**
- A large stimulus could **prevent long-term damage to the US economy** by keeping businesses open and stopping long-term unemployed workers from dropping out of the labor market
- Federal Reserve Chair Jerome Powell believes the true unemployment rate is closer to 10% as **millions of people who have dropped out of the work force** because of COVID-related pressures
- Under-spending will lead to catastrophic consequences, while **inflation and other issues from over-spending can be fixed** with increasing interest rates, as well as other monetary and fiscal policy



- Treasury Secretary Janet Yellen stated, "I've spent many years studying inflation and worrying about inflation. And I can tell you we have the tools to deal with that risk if it materializes..."
- **Higher inflation could be helpful** as it could:
 - Decrease outstanding household and business debt
 - Lower real interest rates
 - Help the Fed to reach its inflation target

Economic analysis of Biden's \$1.9T COVID stimulus plan – arguments against large stimulus

- The Congressional Budget Office projected that the nation's output gap* would be **\$380B for the rest of 2021**, indicating the \$1.9T relief plan will significantly overshoot the output gap



- Excess funds may not be economically effective and would **potentially add to the debt without improving the economy**

- A large stimulus could lead to **inflation**, which could diminish the value of savings, increase the cost of living

- A large stimulus could **cause macroeconomic damage** by encouraging long-term investments in COVID-related products, leading to a misallocation of goods should the pandemic subside



- A temporary economic boost from a large stimulus could **eventually lead to a more severe economic crash when the stimulus money runs out**, necessitating the government to pass more and more stimulus legislation to prop up the economy

- **The economy will naturally bounce back as COVID subsides** and people spend the stimulus they have accumulated over the pandemic; also, the stock and corporate bond markets remain strong

- A large stimulus could **prevent lawmakers from being able to pass consequential, potentially costly** bills addressing economic injustice, inadequate infrastructure, renewable energy, education, etc.

* Output gap: the difference between actual economic activity and potential output in a normal economy

Impact of raising the minimum wage

REPORT/STUDY



COB report on raising the minimum wage to \$15/hour

MAJOR POINTS

- **1.4 million jobs lost** over the next 4 years
- **900,000 people** would rise above the poverty line
- **27 million people** would receive a raise
- **\$333 billion net increase in pay** for all workers
- **\$54 billion increase in the federal budget deficit** over next 10 years
 - A small amount relative to the more than \$3 trillion 2020 fiscal shortfall



Studies conducted on minimum wage increases

- Studies comparing the wages in neighboring states has shown **no evidence in a decrease in employment due to increasing wages**
 - Study conducted on fast-food restaurants in NJ and PA
- **Janet Yellen** has said, “Researchers often look at what happens if one state raises minimum wage and a neighboring state leaves it alone to see how businesses fare in the two different places...and the findings are that **job loss is very minimal, if anything**”
- Berkeley Labor Center research has shown that increasing the minimum wage to \$15/hour can **save the federal government anywhere up to \$107 billion/year** due to decreasing dependence on federal safety net programs

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