Estimating the Federal Budgetary Effects of Pandemic-Related Legislation

A Presentation to the Association for Budgeting and Financial Management’s 2020 Virtual Symposium

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For further information about the venue, see https://tinyurl.com/y6sl4mrs.
Four Major Laws Enacted in March and April in Response to the 2020 Coronavirus Pandemic

- H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

- H.R. 6201, Families First Coronavirus Response Act

- H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act

- H.R. 266, Paycheck Protection Program and Health Care Enhancement Act
Context for Cost Estimates

Prepared under extraordinary uncertainty about many factors

- How long and severe the pandemic would be
- How the economy, the Administration, and people would respond
- How quickly programs would get up and running

Generally used CBO’s March 2020 baseline projections

- Did not account for changes to the economic outlook and fiscal situation arising from the evolving public health emergency in most cases
- Used economic projections prepared in January 2020 for most provisions
- Used updated economic projections for provisions related to unemployment insurance to provide useful estimates

Used revenue estimates prepared by the staff of the Joint Committee on Taxation.
Total Estimated Budget Impact

Deficit increase: $2.4 trillion over the 2020–2030 period

- $1.4 trillion for mandatory programs (Payroll Protection Program [PPP], Unemployment Insurance [UI], recovery rebates)
- $498 billion in discretionary spending from appropriations for a wide variety of federal agencies and grant programs (designated as emergency requirements)
- $502 billion in estimated revenue losses in 2020, but an increase of $146 billion over the 2021–2030 period (JCT)

$2.2 trillion estimated to occur in 2020
Updates Made for CBO’s September Projections

Some programs’ estimated costs increased; others decreased. On net, the deficit effect increased by $200 billion over the 2020–2030 period relative to CBO’s original estimates for the major legislation addressing the pandemic.

Major updates:

- Increased spending for UI (more people eligible)
- Shifted recovery rebates forward (from 2021 to 2020)
- Increased Medicaid spending (longer pandemic, more people)
- Increased 2020 outlays for Medicare Accelerated Payments
- Lowered PPP spending (demand tapered off more quickly)

CBO has not produced comprehensive updated cost estimates.
Deficit Increases Over the 2020–2030 Period

Billions of Dollars

**Increases in Outlays: 2,217**

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paycheck Protection Program Rebates</td>
<td>281</td>
</tr>
<tr>
<td>HHS Public Health and Social Services Emergency Fund</td>
<td>225</td>
</tr>
<tr>
<td>Other Programs</td>
<td>177</td>
</tr>
<tr>
<td>Unemployment Compensation Expansion</td>
<td>442</td>
</tr>
<tr>
<td>Medicaid Financial Assistance to States and Coverage Continuity for Enrollees</td>
<td>172</td>
</tr>
</tbody>
</table>

**Reductions in Revenues: 385**

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Limits on Losses for Corporations and Taxpayers</td>
<td>161</td>
</tr>
<tr>
<td>Tax Credits for Paid Sick Leave and Paid Family Medical Leave</td>
<td>105</td>
</tr>
<tr>
<td>Other Tax Provisions</td>
<td>65</td>
</tr>
<tr>
<td>Employee Retention Credit for Affected Employers</td>
<td>55</td>
</tr>
</tbody>
</table>

**Total Increase in the Deficit: 2,603**
H.R. 6074, Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020

Enacted March 6

Total 10-year cost: $8.1 billion, almost all discretionary (emergency requirements)

- $6.3 billion for medical care and research
- $1 billion for bilateral economic assistance
- $0.3 billion for State Department
- $0.5 billion for expanded telehealth coverage under Medicare
H.R. 6201, Families First Coronavirus Response Act

Enacted March 18

Total estimated 10-year cost: $192 billion

Mandatory spending: $95 billion

- $50 billion for Medicaid (increase match; require continuous coverage)
- $10 billion for refundable tax credits
- $20 billion to waive work requirements for Supplemental Nutrition Assistance Program and allow maximum allotments
- $7 billion for Medicare
- $5 billion for 100 percent of the costs of extended UI benefits through December 2020
- Meals for children; testing; sick leave for federal employees

Revenues: $94 billion

- $94 billion in tax credits for Family and Medical Leave Act/sick leave (through December)
H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act

Enacted March 27

Total estimated 10-year cost: $1.7 trillion

Mandatory spending: $988 billion

- $377 billion for Small Business Administration loans (mostly PPP)
- $262 billion for expanded unemployment benefits (expanded eligibility, $600 weekly)
- $150 billion for Coronavirus Relief Funds (for states)
- Health and credit assistance for critical businesses and education
H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act (Continued)

Discretionary spending: $326 billion
- $127 billion for public health
- $44 billion for Disaster Relief Fund
- Transportation, education, defense

Revenue losses: $408 billion
- $352 billion in 2020–2021 from delay of payroll taxes (increase of $340 billion in 2022–2023)
- $142 billion for recovery rebates
- Tax assistance for businesses
H.R. 266, Paycheck Protection Program and Health Care Enhancement Act

Enacted April 24

Total estimated 10-year cost: $483 billion

Mandatory spending: $321 billion

- Increase PPP by $321 billion (expanded eligibility)

Discretionary spending: $162 billion

- $100 billion for medical care
- $62 billion for Economic Injury Disaster Loans (assistance to businesses)
CBO Resources

An Update to the Budget Outlook: 2020 to 2030 (September 2020), www.cbo.gov/publication/56517

The Budgetary Effects of Laws Enacted in Response to the 2020 Coronavirus Pandemic, March and April 2020 (June 2020), www.cbo.gov/publication/56403


