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Economics Group

The Fiscal Stimulus Bill: What Happens Next?

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Fiscal Policymakers Struggle to Reach Final Agreement

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What policies does this proposal contain? Although there is no official score from the Congressional Budget Office, the total size appears to be in the $1.5-$2.0 trillion range. Negotiations are still ongoing, and as a result what does or does not make it into the final bill remains fluid. But at a high level, the package has four core parts, based on our understanding. First, it includes direct payments of $1,200 to individuals making $75,000 or less and $2,400 to couples making $150,000 or less, plus a $500 per child bonus. The payments are slowly phased out past those income levels, with rebates not available above the $99k/$198k threshold for single and married filers, respectively. Paired with this would be a boost to unemployment benefits so that payments are larger (an extra $600 per week) and can be collected for longer (thirteen weeks past when state unemployment benefits run out).

Second, there is approximately $350 billion of small business relief that attempts to make Small Business Administration (SBA) loans available to businesses in a way that, if the money is used for certain purposes such as keeping workers on the payroll or making mortgage payments, the loans will eventually be forgiven. Third, the bill contains $500 billion for loans to larger businesses, such as airlines and other industries, adversely impacted by the measures taken to combat COVID-19. It is this section of the bill that has become one of the main hang ups, as Democrats and Republicans spar over the terms of the program, such as what restrictions a multinational corporation should face if it participates in the lending program.

Fourth, it appears the “Phase IV” supplemental appropriations bill is going to be rolled into this “Phase III” plan. Our understanding is that this section contains $2.424 billion in supplemental funding, such as $75 billion for hospitals, $20 billion for veterans’ health care, $20 billion for public transportation emergency relief and $25 billion for child nutrition and the supplemental nutrition assistance program (SNAP).

Where do things go from here? Despite the recent missteps, we believe that ultimately a stimulus bill along the lines of the one outlined above will be passed, perhaps by the end of the week. But, with each passing day, the economic damage mounts, economic policy uncertainty rises and the efficacy of the stimulus bill declines. Assuming a bill does eventually clear the Senate, we will publish an updated analysis that includes a deeper dive into the policies contained in the bill, as well as how it changes our outlook for the U.S. economy, federal budget deficits and net Treasury issuance.

Source: U.S. Departments of Commerce and the Treasury, Baker, Bloom & Davis and Wells Fargo Securities