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COVID-19 Relief

The U.S. federal government’s COVID-19 relief has so far consisted of three components: liquidity support from the Federal Reserve, direct stimulus pending approval by Congress, and regulatory relief for certain loan modifications and potentially a delay in adopting the new CECL accounting standard.

There have been three phases of stimulus with the third phase just agreed to early this morning. The legislative details are still being finalized today and expected to be approved this afternoon in the Senate. Highlights are summarized below:

Phase I Stimulus: \$8.3 billion signed into law on March 6th

- \$4 billion to make more coronavirus tests available and \$1 billion in loans subsidies for small business
- \$3.3 billion in funding for:
 - Center for Disease Control and Prevention (CDC)
 - Food and Drug Administration (FDA)
 - National Institutes of Health (NIH)
 - The State Department
 - Small Business Administration (SBA)
 - The United States Agency for International Development (USAID)

Phase 2 Stimulus: approximately \$100 billion signed into law on March 18th

- Free coronavirus testing, including for the uninsured
- Two weeks of paid sick and family leave
- Increased federal funds for Medicaid and food security programs
- Increased unemployment insurance benefits

Phase 3 Stimulus: Senate bill S.3548 otherwise known as the Coronavirus Aid, and Economic Security Act or the CARES Act. Finalized at 1:30 am on March 25th. Key elements include:

- \$1,000 billion (approx.) for direct payments to taxpayers based on income level and family size
- \$350 billion in small business loans (<500 employees)
- \$500 billion in relief for businesses (\$50 billion for airline industry)
- \$150 billion in state and local relief
- \$130 billion for hospitals

We believe that the \$2 trillion in proposed aid is of moderate size when viewed in a historical context. For example, the stimulus package would represent approximately 9% of GDP, compared to approximately 6% for the financial

crisis stimulus package. The GDP “hole” is likely to be much larger with the shutdown to the economy and the unprecedented expected increase in unemployment.

Note that some have suggested that the overall stimulus package will be about \$6 trillion and will represent about 30% of GDP. That calculation includes approximately \$4 trillion in Federal Reserve lending, which is not included in our comparison.

Therefore, our view is that this is a fill-the-hole relief package, not a true stimulus package. We believe that more stimulus will likely be needed in the future.

This report is based on a review of the preliminary draft of the S.3548 bill, and we anticipate sending a more detailed summary after review of the final bill.

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