

## \$2T "RELIEF" PACKAGE

Here is a quick summary of the \$2 Trillion package passed by the Senate and headed to the House on Friday.

- » The Senate last night unanimously passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the largest fiscal stimulus package in modern U.S. history, with an estimated amount of \$2 Trillion (9.2% of GDP). To put that number into context, the Recovery Act of 2009 was \$831 Billion (5.7% of nominal GDP at the time).
- » Here are the key highlights of the 883 page bill and what they mean for the economy:

Key Highlight	Dollar Amount / Details	Our View
<b>Direct Cash Payments to Individuals</b>	» \$1,200 to each individual (income limit of \$75,000 for full rebate) plus \$500 per dependent child	Research has shown that direct cash checks are more effective in inducing spending than reductions in withholding tax. The U.S. Treasury aims to send these payments out as early as April 6. This is probably the most impactful part of the legislation as far as consumption spending goes.
<b>Expanded Unemployment Insurance</b>	<ul style="list-style-type: none"> <li>» \$250 Billion to expand unemployment benefits</li> <li>» Adjusts rules for unemployment to include gig workers</li> <li>» Adds 13 weeks of benefits (on top of what states allow, ~26 weeks) and \$600/week across-the-board until the end of July</li> </ul>	With initial claims for unemployment insurance in the millions, this measure is important to allow more American workers who lost their jobs to put more cash in their pocket on top of the direct cash payments they will receive. On the margin, it will allow workers additional time to find a job if the impact of the virus on businesses lingers.
<b>Tax Payments</b>	<ul style="list-style-type: none"> <li>» Employers can delay tax payments until 2021/2022 (est. \$300 Billion in cash flow)</li> <li>» 50% tax credit for up to \$10,000 in wages for furloughed workers</li> </ul>	The loss of revenue would push employers that are solvent into cash flow issues. This measure should alleviate some of that stress and allow more of those businesses to stay open.
<b>Small Business Paycheck Protection Program</b>	<ul style="list-style-type: none"> <li>» \$350 Billion for small businesses</li> <li>» Provides 8 weeks of cash-flow assistance through 100% federally guaranteed loans</li> <li>» The government will forgive loans used to cover covered payroll, rent, and utilities</li> <li>» Retroactive until Feb. 15, 2020</li> </ul>	Small businesses make up the bulk of hiring in the U.S. economy. Layoffs do not mean permanent unemployment as long as businesses remain solvent (e.g. unemployment spikes after a hurricane but returns to normal once businesses open back up again). This measure allows more businesses to remain solvent and increases the probability of unemployment returning to normal in the aftermath of the virus outbreak.
<b>Lending for Distress Companies</b>	<ul style="list-style-type: none"> <li>» \$425 Billion for loans/investments/loan guarantees in support of the programs established by the Fed under 13(3) authority</li> <li>» \$50 Billion in loans for airlines, \$8 billion for air cargo, \$17 billion for businesses critical to national security (Boeing)</li> </ul>	We've spoken before of the Fed's tools announced under its 13(3) authority. This appropriation will allow the Fed to increase the amounts they buy but avoid principal losses.
<b>Healthcare System Aid</b>	<ul style="list-style-type: none"> <li>» \$140 Billion in appropriations for the healthcare system</li> <li>» \$11 Billion to support R&amp;D for vaccines/treatment</li> <li>» \$4.3 Billion to the CDC</li> </ul>	The coronavirus crisis is a public health crisis that requires a public health response. Funding the healthcare system that is already overburdened in some parts of the country (New York) will be critical in containing the virus and lowering the death rate.
<b>State/Local Government Aid</b>	» \$150 Billion	Alleviating state budgets for expenditures related to coronavirus response.