

ECONOMIC EFFECTS OF A SECOND STIMULUS BILL: STATE AND LOCAL GOVERNMENT

Agenda



- Background
- What is Tax PI?
- Methodology
- What's in the Bill
- Live Demo
- Conclusions
- Q & A

Background on Stimulus

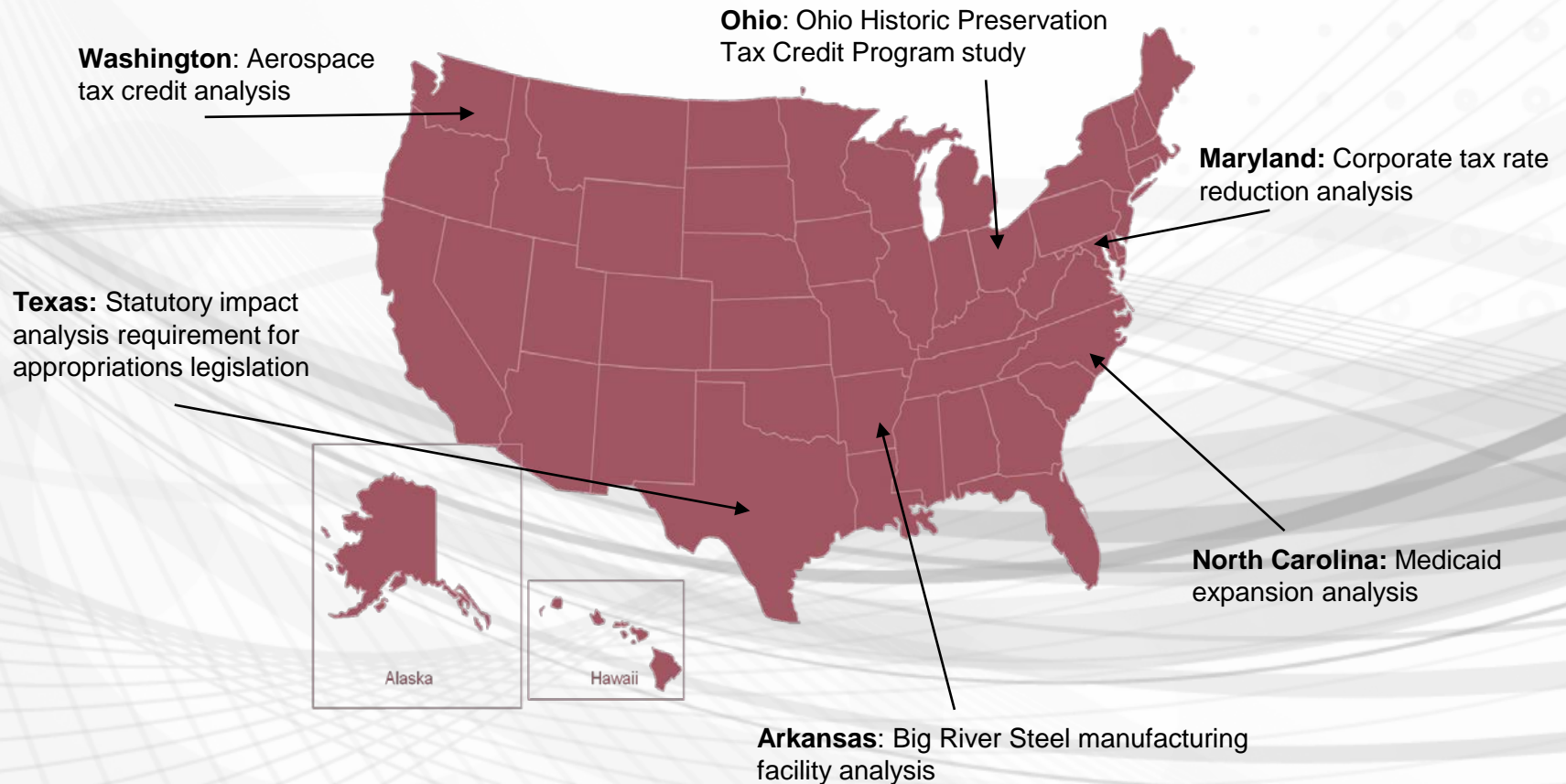


- Congress approved second stimulus bill (\$900 billion)
 - ▣ Dec 28th: bill signed after lengthy negotiations
 - ▣ Stimulus checks, small business aid, Covid-19 recovery
 - ▣ Possibly laying ground work for further stimulus
- Why does this matter?
 - ▣ Increases taxable economic activity
 - ▣ BUT state finances in dire straits
 - Does not give direct aid to the states
 - ▣ Democrats now hold House, Senate, and White House

Answers “what-if...?” questions about the dynamic economic and fiscal effects of policies

- ▣ State and local tax changes
- ▣ State and local fiscal budgets
- ▣ Education and infrastructure investment
- Draws on BLS, BEA, decennial census, and ACS
- Revenues: income, sales, corporate profits, etc.
- Expenditures: education, healthcare, public safety, public services, etc.

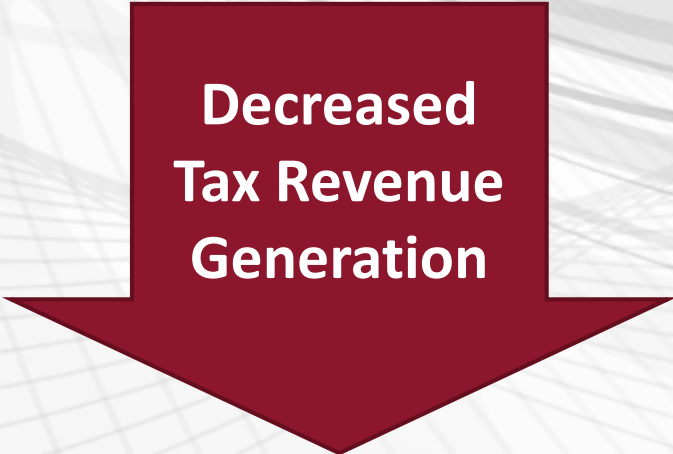
Applications of Tax-PI



Recession Impact on Fiscal Balance Sheet



- **Decreasing revenue** from slowdown in economic activity and shrinking of the tax base
- **Increasing government** spending demands for public welfare (Medicaid, Unemployment Insurance, etc.)



Decreased
Tax Revenue
Generation



Increased
Need for
Public
Expenditures

Methodology and Assumptions



- State of choice: Louisiana
- Baseline: November RSQE/CBO forecast
- Changes to Louisiana AND the rest of the nation
 - Otherwise runs the risk of overstating effects
- Budget figures from Louisiana Department of Administration

Fiscal-Economic Link in Tax-PI

User Calibration

- Expenditures
- Revenues

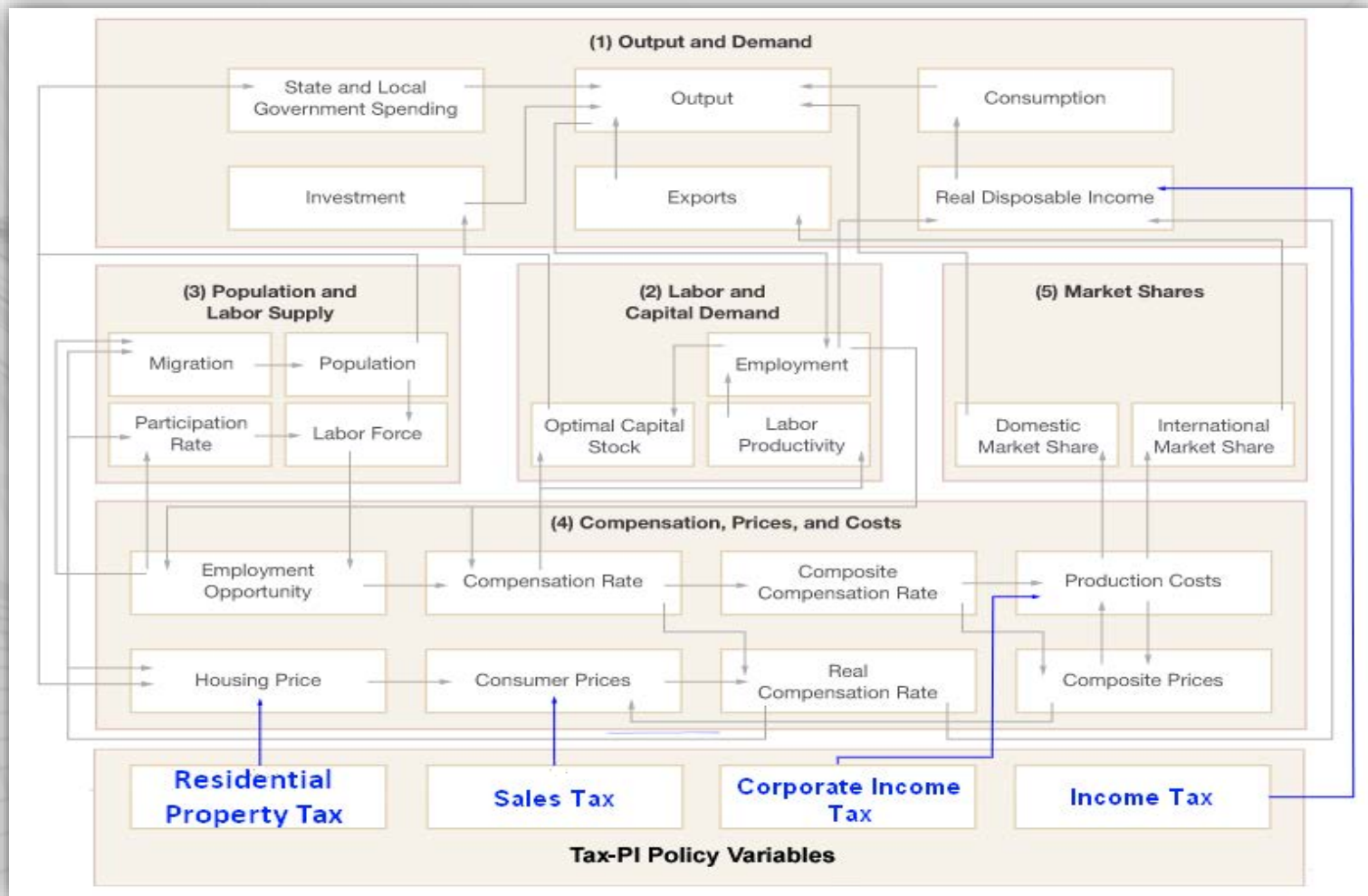
Build Simulation

- Economic development
- Tax policy

Dynamic Results

- Demographic
- Economic
- Fiscal

Model Diagram



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The Bill



Category	Amount in Bill ¹	Amount in LA	Amount for Rest of US	Notes
Individual Payments	\$600 per person making under \$75,000	\$1.95 billion	\$103.60 billion	Income distributions ^{2,3}
Expanded Unemployment Benefits	\$300 per week for 11 weeks	\$574 million	\$34.73 billion	Nov. 2020 BLS Employment Data ^{4,5}
K-12	\$54 billion	\$722 million	\$53.28 billion	K-12 population ^{6,7}
Colleges/ Universities	\$23 billion	\$198 million	\$22.80 billion	College enrollment ^{8,9}

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The Bill (Cont.)



Category	Amount in Bill	Amount in LA	Amount for Rest of US	Notes
Broadband	\$7 billion	\$99 million	\$6.9 billion	Population ^{10,11}
PPP	\$285 billion	\$3.65 billion	\$281.35 billion	Nov. 2020 BLS employment data
Vaccine Distribution	\$54 billion	\$722 million	\$53.28 billion	Population
Test and Trace	\$23 billion	\$198 million	\$22.80 billion	Population
Childcare Providers	\$10 billion	\$142 million	\$9.86 billion	Population
Rental Assistance	\$25 billion	\$354 million	\$24.65 billion	Population
SNAP	\$13 billion	\$184 million	\$12.82 billion	Population

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Demonstration

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Conclusion



- Crucial element of recovery, but not enough
- Questions going forward:
 - What does additional stimulus look like?
 - What will the federal government do about the debt?
 - How will states make up for budget shortfalls?

Citations



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 6. "Public Education in Louisiana." *Ballotpedia*, Public Policy in Louisiana, ballotpedia.org/Public_education_in_Louisiana#:~:text=The%20Louisiana%20public%20school%20system,schools%20in%20131%20school%20districts.
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Q&A

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