

Budgeting for the Future: An Economic Impact Analysis of the \$3.5 Trillion Reconciliation Package

Regional Economic Models, Inc.

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what does *REMI* say?sm

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About Us



We are the nation's leader in dynamic local, state and national policy modeling.

From the start, REMI has sought to improve public policy through economic modeling software that informs policies impacting our day-to-day lives.

We were founded in 1980 on a transformative idea: government decision-makers should test the economic effects of their policies before they're implemented.

At REMI, we're inspired by a single goal: *improving public policies.*



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About Us



At REMI, we're inspired by a single goal: *improving public policies.*

Our models are built for any state, county, or combination of counties in the United States.

Our Representative Clients

Our model users and consulting clients use REMI software solutions to perform rigorous economic analysis that critically influences policy.



NORTH CAROLINA
Department of Commerce



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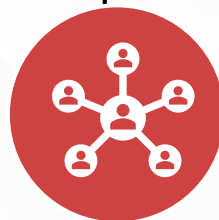
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What is the \$3.5 Trillion Reconciliation Package?

Enacting the 'Build Back Better' Agenda



Seeks to advance educational equity through targeted funding



Increase access to healthcare and childcare through cost reduction



Tackle climate change by creating jobs and tax credits



Lower the cost of housing and expand supply of affordable housing

Build Back Better Agenda



Lower Costs

- **Education:** Universal preschool, subsidized tuition, Pell Grant maximum extension, and 2 years of free community college
- **Healthcare:** Reduction of health insurance premiums and expansion of home care for older & disabled Americans
- **Housing:** Tax credits and government funding to bolster affordable housing

Cut Taxes

- **Workers with Children:** Increase Child Tax Credit from \$2,000 to \$3,000
- **Workers without Children:** Increase the Earned-Income Tax Credit from \$543 to \$1,502

Create Jobs

- **Workforce Training:** Investments in high-quality career, technical education pathways, and apprenticeships
- **Clean Energy Jobs:** Funding for establishing a clean energy standard and electric vehicle tax credits
- **Investments in Teachers and School:** Upgrading school infrastructure through investment in technology, teacher development, and increasing access to free school meals

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Appropriations – By Committee



Funding Item	Funding Level (billions USD)
Agriculture, Nutrition, & Forestry	135
Banking, Housing, and Urban Affairs	332
Commerce, Science, and Technology	83
Energy and Natural Resources	198
Environment and Public Works	67

Appropriations – By Committee (Cont.)



Funding Item	Funding Level (billions USD)
Health, Education, Labor, and Pensions	726
Homeland Security and Governmental Affairs	37
Judiciary	107
Indian Affairs	20.5
Small Business & Entrepreneurship	25

Appropriations – By Committee (Cont.)



Funding Item	Funding Level (billions USD)
Veteran Affairs	18

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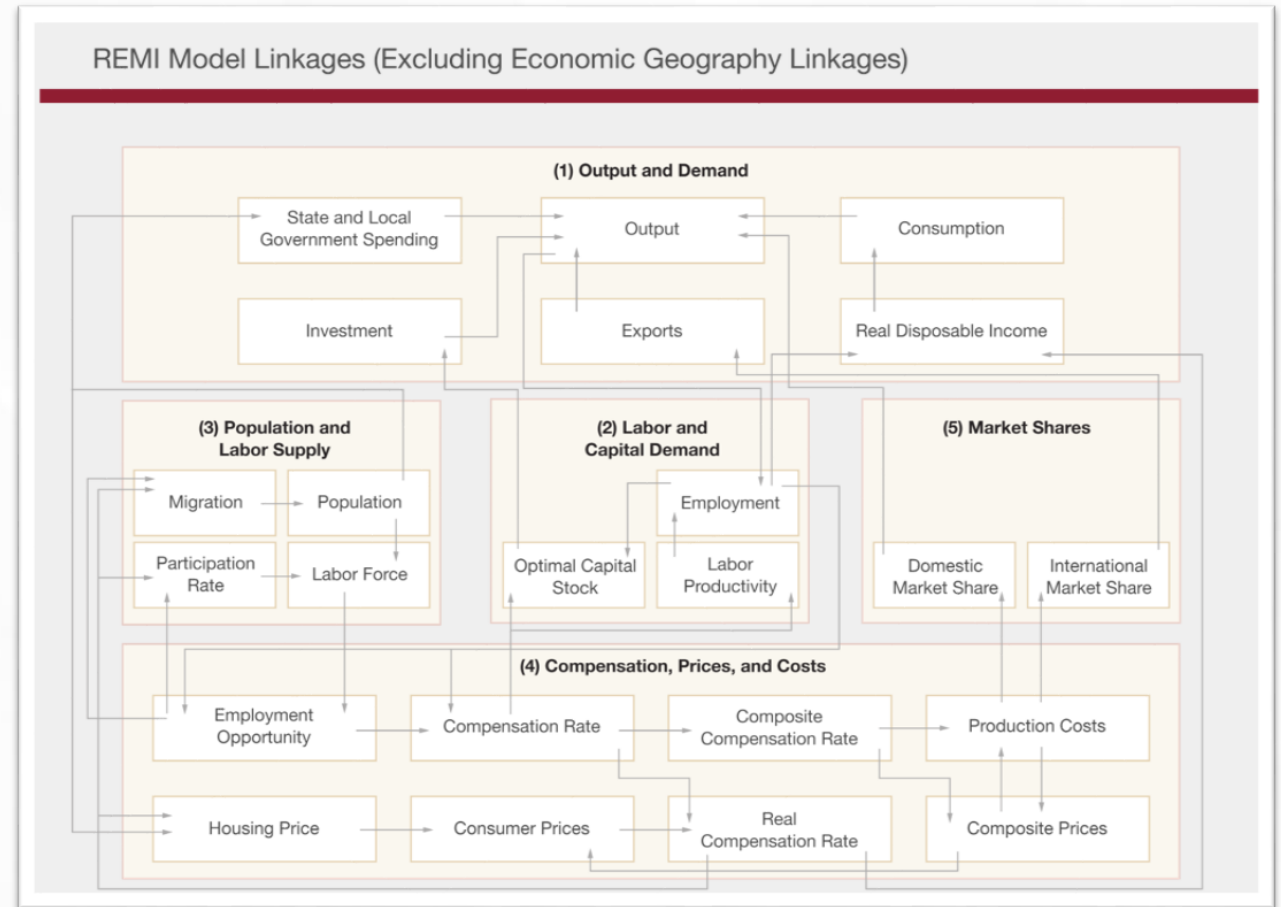
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Model Simulation: REMI PI⁺



PI⁺ is the premier software solution for conducting dynamic macroeconomic impact analysis of public policy.

As our flagship model, PI⁺ specializes in generating realistic year-by-year estimates of the total local, state, and national effects of any specific policy initiative.



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REMI SEI is the premium modeling solution for evaluating the socio-economic indicators (SEI) of project, programs, and policy changes.

Decision-makers employ REMI SEI to understand the relationship between public policies in their industry and the varying economic effects across demographic groups.

These core factors that can be assessed using REMI SEI includes:

- ☑ Jobs by Race/Gender
- ☑ Regional Disparities by County
- ☑ Labor Force by Race/Gender
- ☑ Jobs by Education Level
- ☑ Income by Quintile
- ☑ Inflation Impact by Income

Model Simulation: Variables and Levers



Model

- Forecast: 2022 – 2040
- States: Idaho, Pennsylvania, Texas, and Washington
- 70 sector industry
- SEI enabled

Federal Expenditures

- Direct Simulative Effects of Spending
- Government Demand
- Capital Stock
- Detailed Investment

Social Programs

- Consumer Price
- Production Costs
- Detailed Government Output

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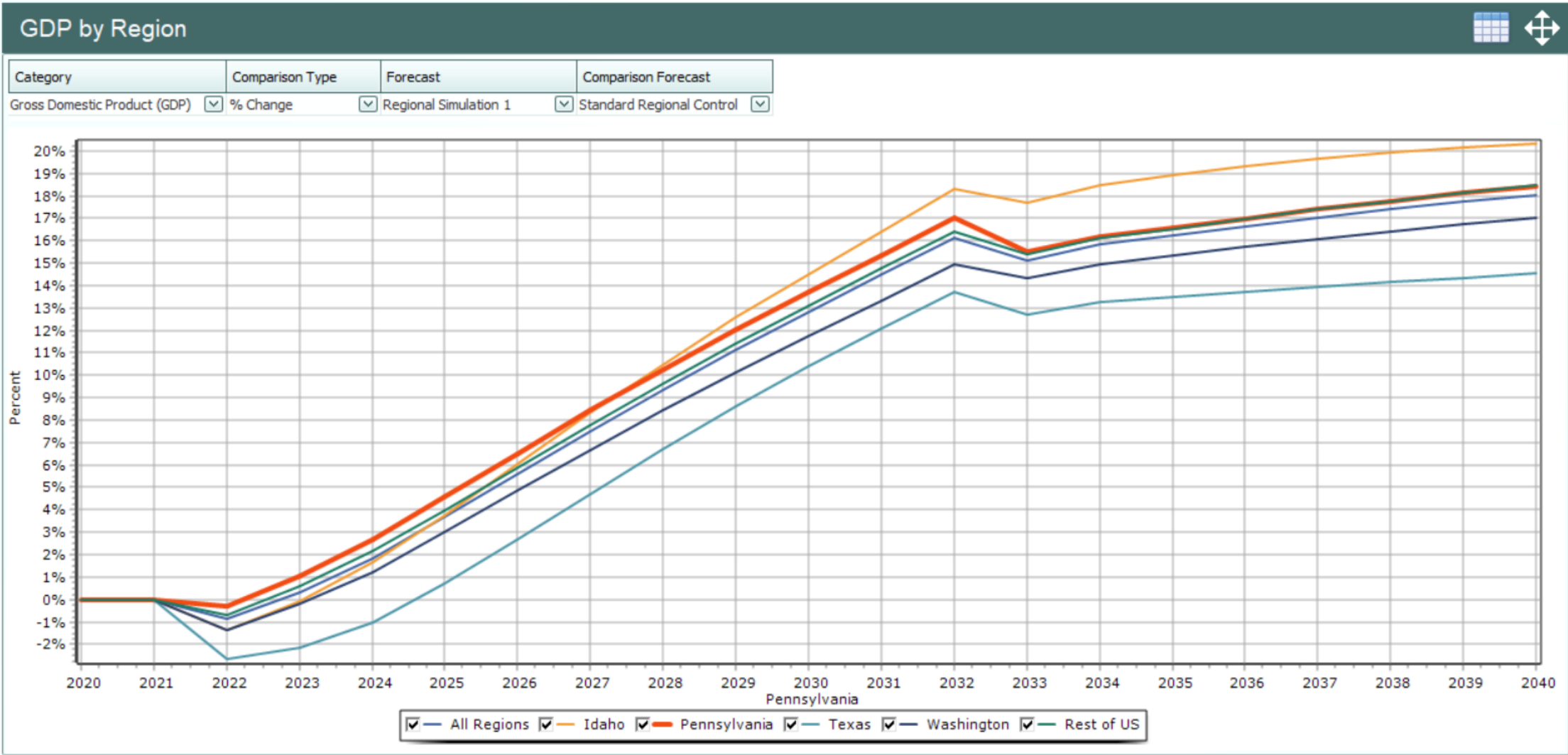
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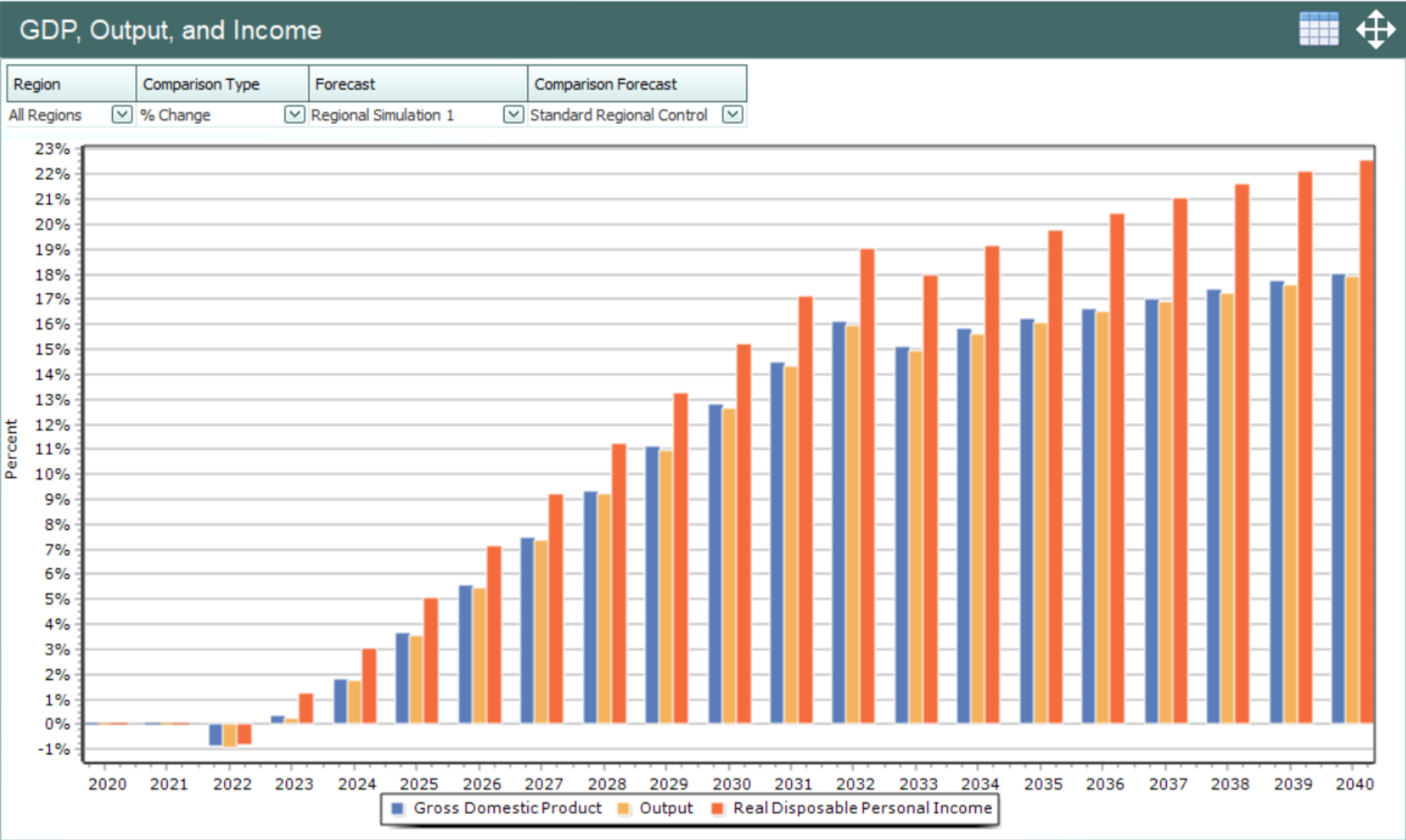
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Key Results – GDP by Region



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Key Results – GDP, Output, and Income



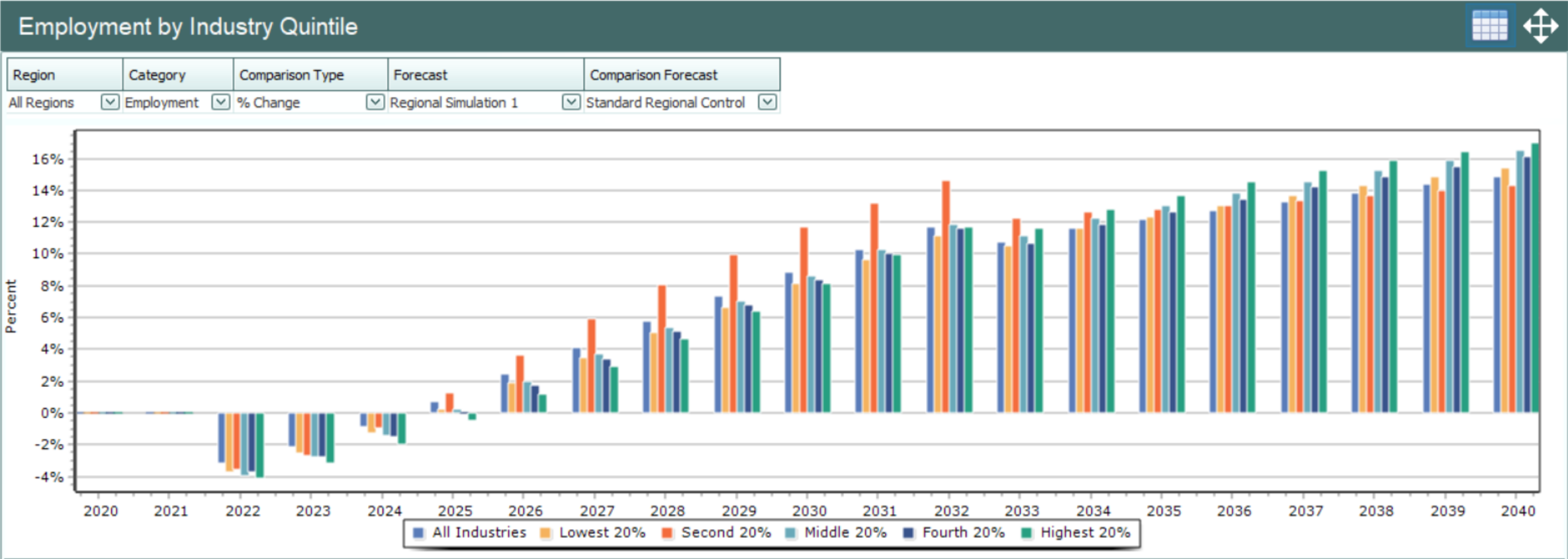
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Key Results – Population



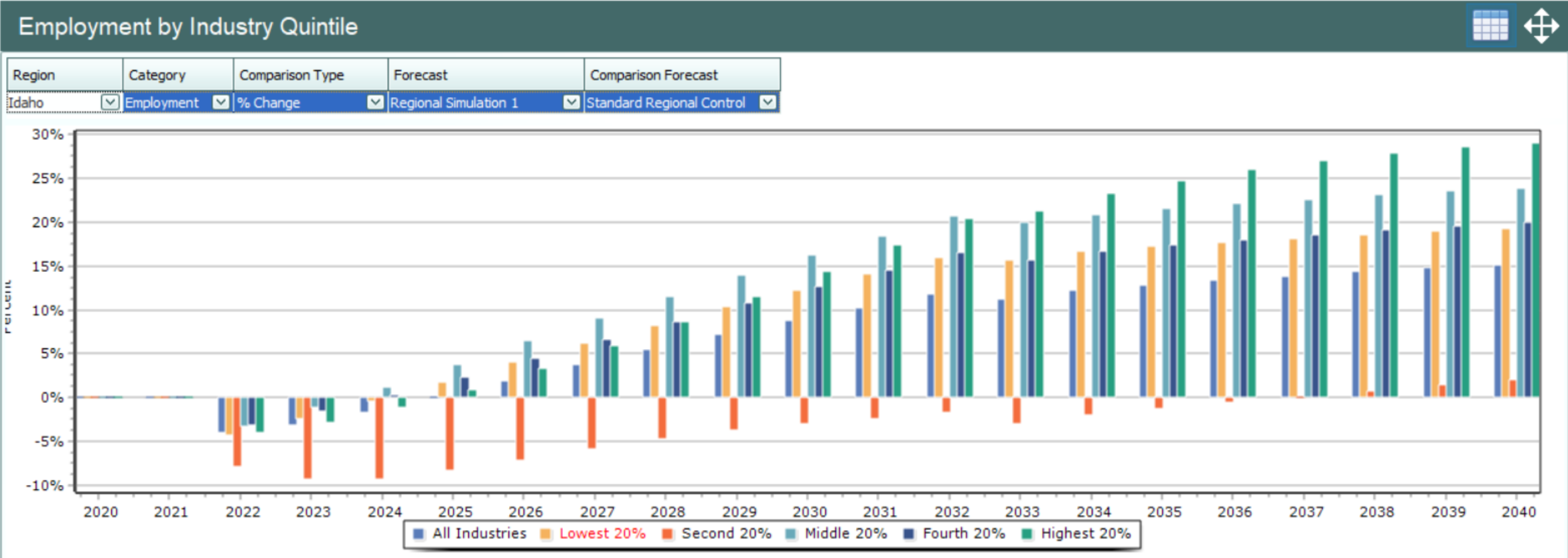
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Key Results – Employment by Industry Quintile (All)



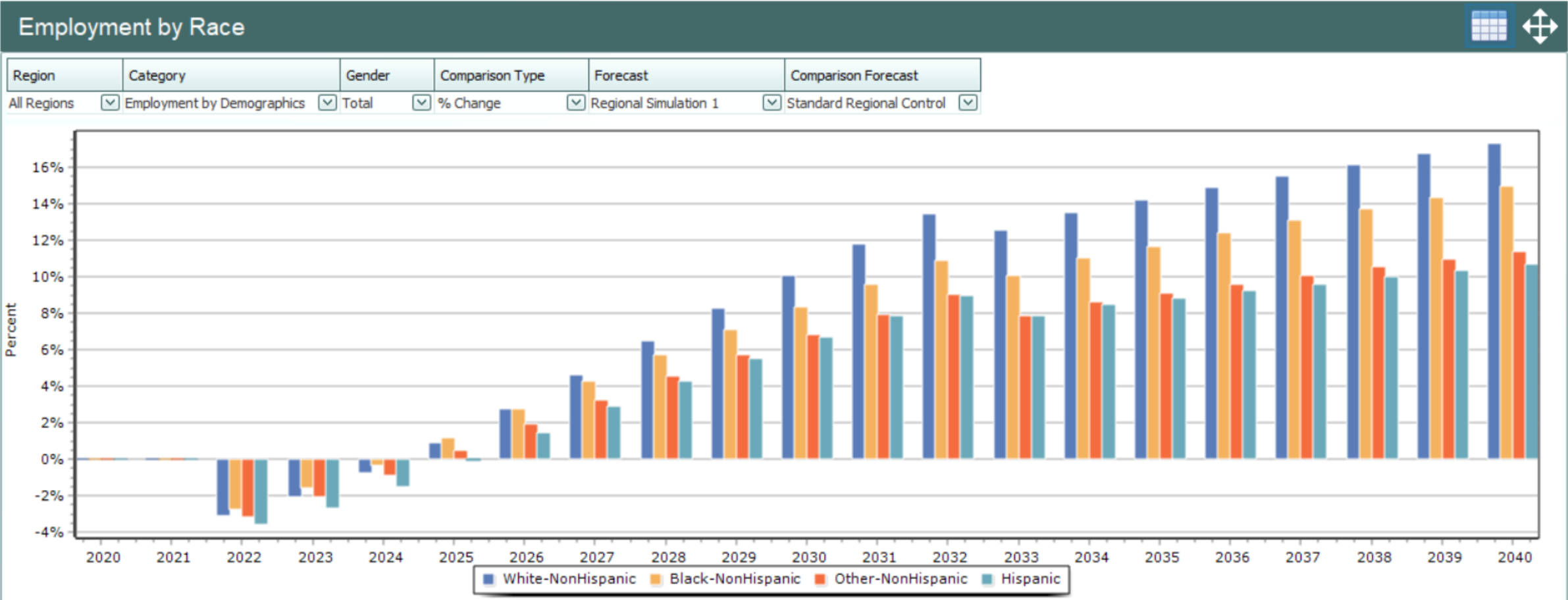
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Key Results – Employment by Industry Quintile (Idaho)



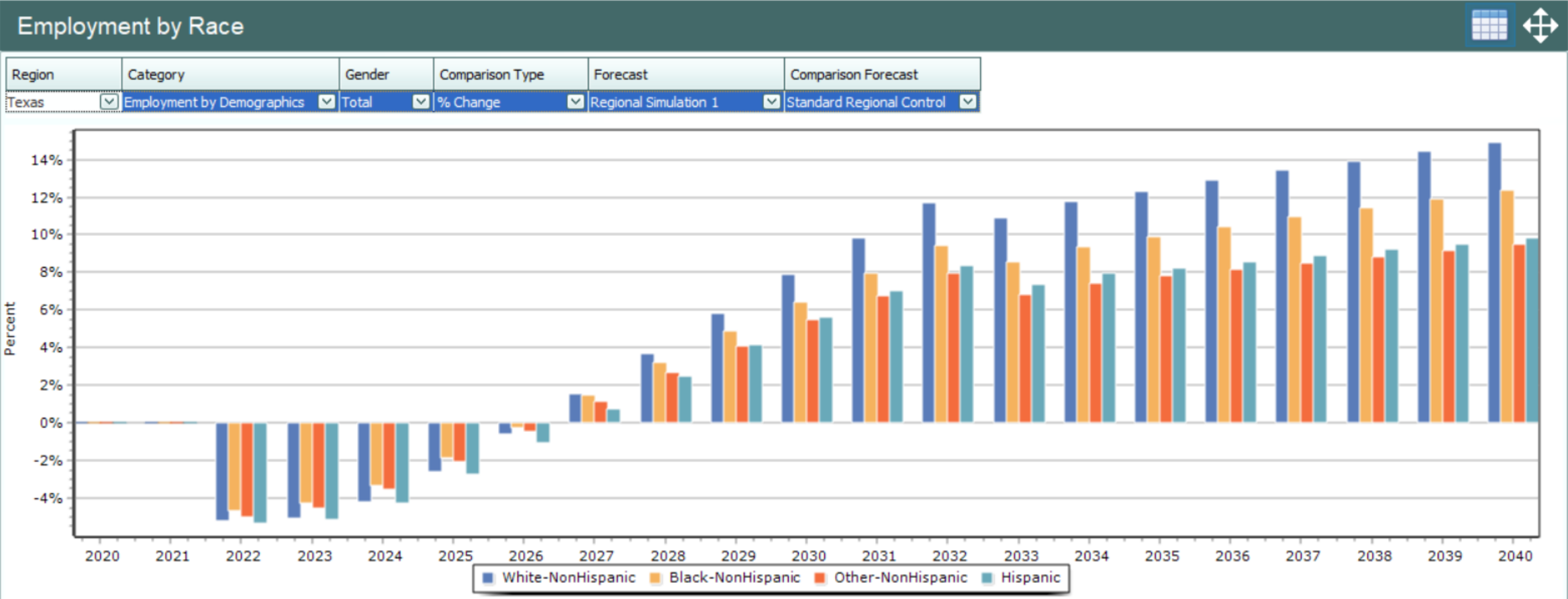
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Key Results – Employment by Race (All)



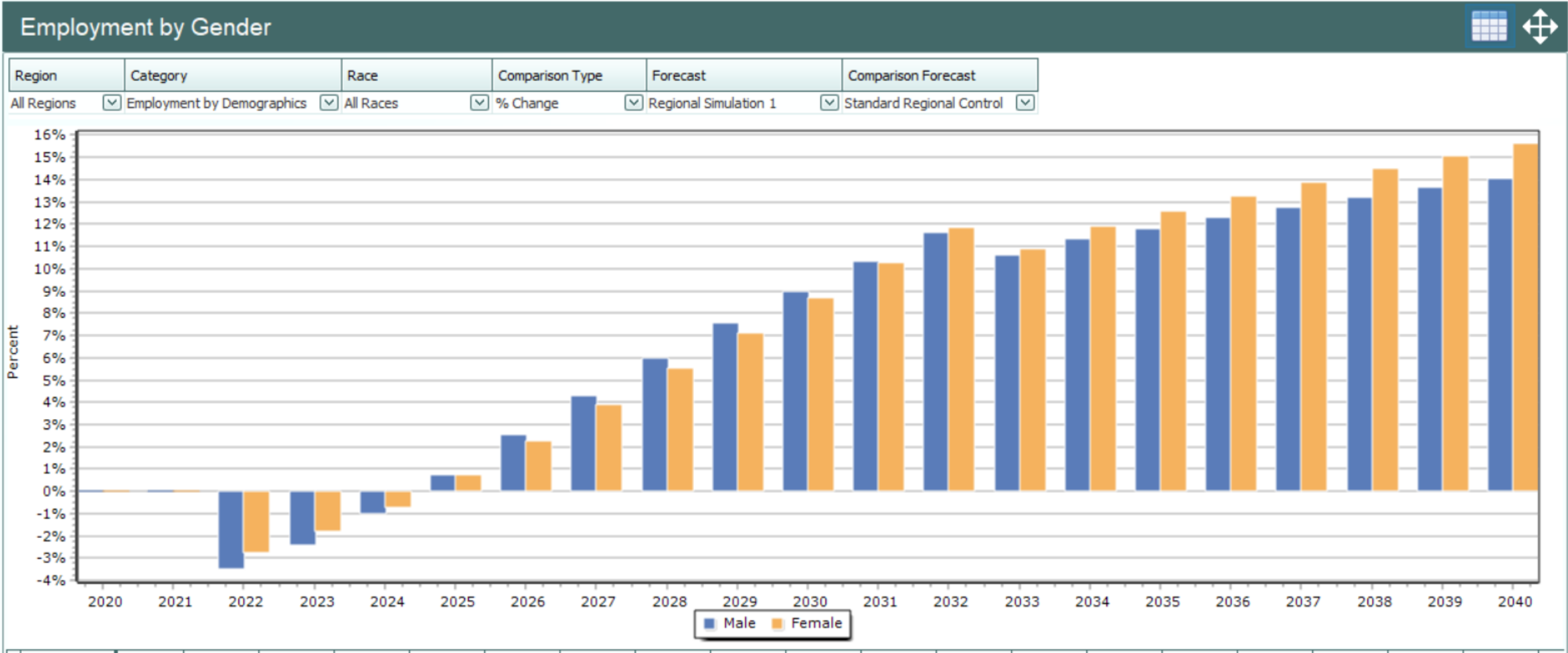
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Key Results – Employment by Race (Texas)



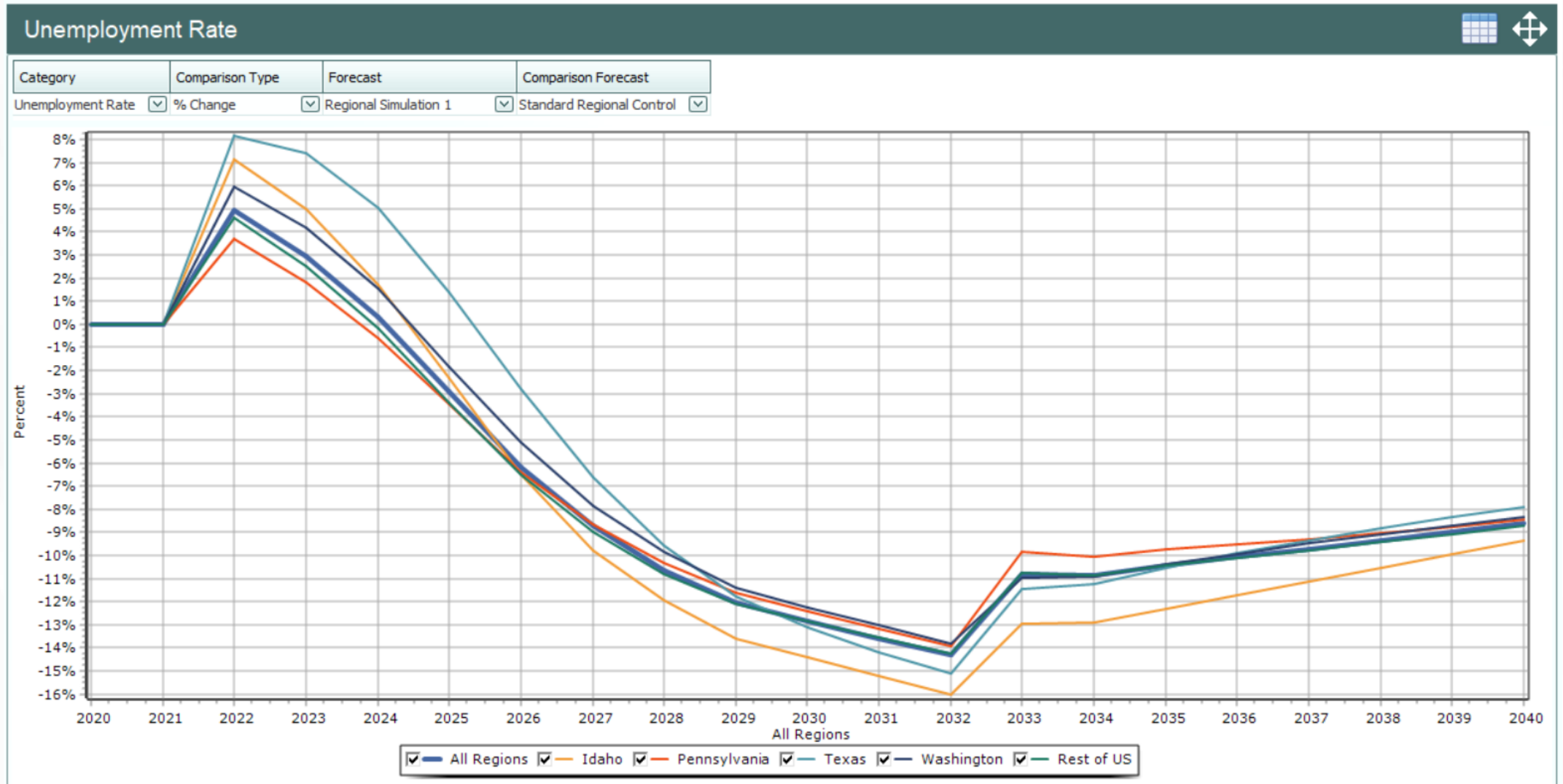
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Key Results – Employment by Gender (All)



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Key Results – Unemployment Rate



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Overall

- The \$3.5 Reconciliation Package created significant gains in GDP and middle-income industries relative to the baseline
- Increased labor force participation and access due to structural investments (education and social programs)

Regions

- Significant population increases were observed in Idaho and Pennsylvania, along with record GDP % change
- Washington and Texas gained the least

Industries

- Benefits most industries, but created relative winners and losers due to targeted funding
- Production loss was observed until 2024. Afterwards, most industries fare well, particularly construction and manufacturing fare well throughout the simulation.

Population

- Men initially left the workforce at a higher rate than women, then gradually began to participate at a higher percentage
- All racial categories benefited significantly by gaining access to the labor market after 2024

Economic Modeling: Why does it matter?



Clarify

- Understand economic, fiscal and demographic implications of policies before implementation
- Ensure that public policy serves the broad-based interests of the public



Predict

- Make predictions about the effects of policies before implementation
- Avoid unwanted negative impacts
- Make effective use of resources



Inform

- Inform policy with standard metrics rather than ideology or intention
- Address stakeholders with evidence that communicates how policy benefits or disadvantages their communities broadly

The REMI Model: Our Approach & Applications



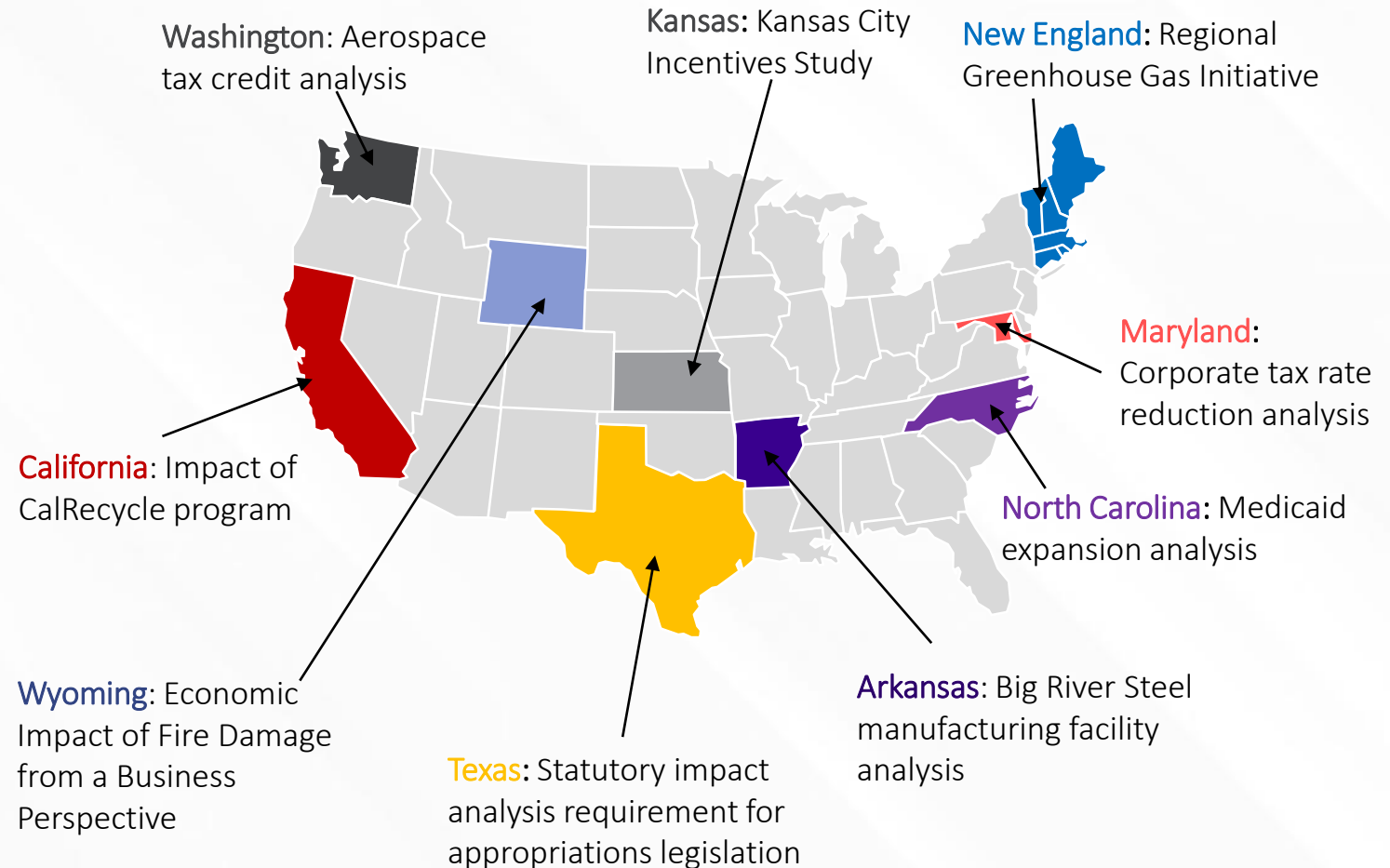
Our Approach

You need a *software solution* that can clarify, calculate and communicate a *quantitative narrative* to policy makers and the general public about policies for your economy.

Rigorous Economic Analysis

- Since 1980
- Peer Reviewed
- Multiple Reputable Data Sources
- Public Equations

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Why Economic Modeling?



- Economic policy modeling can help agencies forecast the effects of policies before they are implemented
- Guide Policy-making Process
 - Formalize your decision-making process
 - Get policy right
 - Pass/Block legislation
 - Modernize and advance your agency
- Bidders for grants, contracts from the infrastructure bills will want to demonstrate that their proposals will have a positive economic impact in host communities and remain competitive
- Policy organizations and regional planners can use models to add quantitative rigor to their proposals, making the benefits more clear to stakeholders and decision-makers

Thank you for attending!

For more information, please contact
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