ECONOMIC IMPACT OF PANDEMIC RELIEF PROGRAMS IN MARYLAND

PANDEMIC SPENDING WORKGROUP
MAY 2021

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## Evolution of Estimates for Ongoing General Fund Revenues

(Key State Revenues Not Included: Casinos, Motor Fuel, Vehicle Titling, others)

**Dollars in Millions**

<table>
<thead>
<tr>
<th>Last “Pre-Covid” Estimate¹</th>
<th>Fiscal Year 2020</th>
<th>Fiscal Year 2021</th>
<th>Fiscal Year 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2020</td>
<td>18,763</td>
<td>19,367</td>
<td>19,998</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Estimate²</th>
<th>Fiscal Year 2020 4</th>
<th>Fiscal Year 2021</th>
<th>Fiscal Year 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Change From March 2020</td>
<td>% Change From March 2020</td>
<td>$ Change From March 2020</td>
</tr>
<tr>
<td>May 2020 –Baseline³</td>
<td>(925)</td>
<td>-4.9%</td>
<td>(2,061)</td>
</tr>
<tr>
<td>May 2020 –Pessimistic³</td>
<td>(1,125)</td>
<td>-6.0%</td>
<td>(2,629)</td>
</tr>
<tr>
<td>September 2020 –Baseline</td>
<td>(144)</td>
<td>-0.8%</td>
<td>(673)</td>
</tr>
<tr>
<td>September 2020 – Pessimistic</td>
<td>(144)</td>
<td>-0.8%</td>
<td>(1,390)</td>
</tr>
<tr>
<td>December 2020</td>
<td>NA</td>
<td>NA</td>
<td>(609)</td>
</tr>
<tr>
<td>March 2021</td>
<td>NA</td>
<td>NA</td>
<td>(185)</td>
</tr>
</tbody>
</table>

Source: Comptroller of Maryland, Bureau of Revenue Estimates

**Notes:**

1. This row includes that actual general fund dollars estimated in March 2020, as the emergence of COVID was unfolding
2. The table below includes the change for that fiscal year’s estimate relative to the Pre-Covid estimate
3. This was an unofficial forecast, it was meant to put a ballpark estimate for the potential impact
4. Fiscal Year 2020 finished off the official estimate by just $144 million
Monetary Policy – Federal Reserve

• **Interest Rate Target**
  • Significant and pre-emptive reduction in rate target

• **Quantitative Easing**
  • Larger than any single round during Great Recession

• **Forward Guidance**
  • Keep rate target low
  • Inflation target is an average over time, not a ceiling
    • Promise to make up for past misses

• **Lending programs**
Major Covid-19 Relief Bills – Federal Fiscal Policy

- **Coronavirus Preparedness and Response Supplemental Appropriations Act (CPARSA):**
  - Passed – 03/06/2020
  - $8.3 billion in for Covid-19 response and vaccine research.
    - $3 billion for Covid-19 Vaccine R&D
- **Families First Coronavirus Response Act (FFCR):**
  - Passed – 03/18/2020
  - $104 billion in direct spending
    - Expanded sick leave
    - Free Covid-19 testing
    - Economic support for states
- **Coronavirus Aid, Relief, and Economic Security Act (CARES):**
  - Passed – 03/27/2020
  - $2.2 trillion in economic stimulus
    - $1,200 stimulus checks
    - Expanded UI benefits & eligibility
    - PPP funding
- **Consolidated Appropriations Act of 2021 (CAA):**
  - Passed – 12/27/2020
  - $900 billion in economic stimulus
    - $600 stimulus checks
    - Extending UI benefits & eligibility
    - Second round of PPP funding
- **American Rescue Plan Act of 2021 (ARPA):**
  - Passed – 03/11/2021
  - $1.9 trillion in economic relief
    - $1,400 stimulus checks
    - Extends expanded UI through September
    - Extends previous relief programs
    - Additional economic support for states
    - Expanded Child & Dependent related tax credits
Estimated Stimulus Amounts by Key Programs By Month

Key Amounts and Metrics
1. Estimated MD total through Mar - $34 Billion
   a. Equals 7.9% of 2019 State GDP
2. By end of August, total MD Stimulus likely to exceed
   $45 to $50 Billion

Note: This does not include all stimulus efforts (including much of the stimulus sent directly to governments), this represents the largest dollar categories for which we could find publicly available data.
Sources: U.S. Bureau of Economic Analysis; U.S. Small Business Administration; Comptroller of Maryland, Bureau of Revenue Estimates
Unemployment Response Has Been Significant

Maryland UI Claims by Type Per Week

- **Peak was 1.3M Marylanders:** 22% of Total Population 33% of Population Aged 18-69
- **EB** - Extended Benefits, option of last resort after exhausting all others, lasts up to 13 weeks
- **PEUC** - Pandemic Unemployment Emergency Compensation - Used after exhausting initial 26 weeks
- **PUA** - Pandemic Unemployment Assistance, UI for individuals directly impacted but not typically covered, lasts up to 39 weeks
- **Standard** - Standard UI available before Covid-19, lasts up to 26 weeks

Source: U.S. Department of Labor
Note: Claims in this chart are the sum of initial and continuous claims.
# Economic Impact Payments (Stimulus Checks) - Significant

## Simulation of ARPA Economic Impact Payments

<table>
<thead>
<tr>
<th>Income_Amount</th>
<th>Count</th>
<th>Count - EIPs</th>
<th>Sum - EIPs</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal 0</td>
<td>17,912</td>
<td>17,167</td>
<td>38,271,800</td>
<td>2,229</td>
</tr>
<tr>
<td>Between 1 and 25,000</td>
<td>771,547</td>
<td>616,787</td>
<td>1,338,334,200</td>
<td>2,170</td>
</tr>
<tr>
<td>Between 25,001 and 50,000</td>
<td>610,714</td>
<td>604,885</td>
<td>1,477,950,600</td>
<td>2,443</td>
</tr>
<tr>
<td>Between 50,001 and 75,000</td>
<td>406,565</td>
<td>405,932</td>
<td>1,016,439,200</td>
<td>2,504</td>
</tr>
<tr>
<td>Between 75,001 and 100,000</td>
<td>279,246</td>
<td>185,237</td>
<td>622,937,140</td>
<td>3,363</td>
</tr>
<tr>
<td>Between 100,001 and 150,000</td>
<td>340,849</td>
<td>230,884</td>
<td>923,315,470</td>
<td>3,999</td>
</tr>
<tr>
<td>Between 150,001 and 200,000</td>
<td>167,584</td>
<td>33,296</td>
<td>71,369,564</td>
<td>2,143</td>
</tr>
<tr>
<td>Between 200,001 and 250,000</td>
<td>85,011</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between 250,001 and 300,000</td>
<td>44,242</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between 300,001 and 500,000</td>
<td>55,449</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Between 500,001 and 1,000,000</td>
<td>22,241</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Greater than 1,000,000</td>
<td>9,720</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,811,080</strong></td>
<td><strong>2,094,188</strong></td>
<td><strong>5,488,617,974</strong></td>
<td><strong>2,621</strong></td>
</tr>
</tbody>
</table>
Federal Support Has Sustained Income in the Aggregate

US Personal Income Dollars - Total versus No Transfer Payments

Sources: U.S. Bureau of Economic Analysis; Comptroller of the Currency, Bureau of Revenue Estimates
Federal Support Has Supported Spending in the Aggregate

National Personal Consumption Expenditures - Indexed to 2019Q4

Sources: U.S. Bureau of Economic Analysis, Comptroller of Maryland, Bureau of Revenue Estimates
Federal Spending Also Intended to Support S&L Employment
Stimulus Minimized Contagion

Contribution to Year-Over-Year Growth of Total Withholding (CY2020)

- Accommodation & Food Services
- Management of Companies & Enterprises
- Other Services (except Public Admin)
- State Government
- Arts Entertainment & Recreation
- Mining Quarrying & Oil & Gas Extraction
- Wholesale Trade
- Real Estate & Rental & Leasing
- Agriculture Forestry Fishing & Hunting
- Utilities
- Other State & Local Governments
- Construction
- Other
- Information
- Educational Services Excl. Local
- Transportation & Warehousing
- Admin & Support & Waste Mgmt & Remediation Services
- Manufacturing
- Retail Trade
- Health Care & Social Assistance
- Finance & Insurance
- Local Governments
- Professional Scientific & Technical Services
- Federal Government
- Unemployment Insurance

Source: Bureau of Revenue Estimates

Y-O-Y Growth

Total Withholding: 5.1%
Total Withholding - Excl UI: 3.4%
Total Withholding - Excl UI & Local Rates: 2.4%
Labor Impact Still Significant – 5.4% fewer workers than Pre-Covid

Jobs Lost From Feb 2020 to Mar 2021: Top 5 Private Sector; S&L Gov; & All Others

- Total; Avg Wage = $66,000: $(150,900)
- All others; Avg Wage = $113,000: $(34,600)
- State & Local Government; Avg Wage = $61,000: $(17,200)
- Accommodations and food services; Avg Wage = $24,000: $(52,500)
- Health care and social assistance; Avg Wage = $59,000: $(19,600)
- Other Services; Avg Wage = $47,000: $(3,600)
- Retail trade; Avg Wage = $38,000: $(12,400)
- Arts; entertainment; and recreation; Avg Wage = $46,000: $(11,000)

Note: Average wages listed by industry are that industry’s average wage from 2019Q4, before COVID. They do not represent the actual average wage of the lost jobs.

Sources: U.S. Bureau of Labor Statistics; Maryland Department of Labor, Comptroller of Maryland, Bureau of Revenue Estimates.
High Expectations for Future Spending

National Savings & Outstanding Credit Card Balances

Savings (Left Axis)  Credit Card Balances (Right Axis)

Sources: U.S. Bureau of Economic Analysis, Federal Reserve Bank of New York, Comptroller of Maryland, Bureau of Revenue Estimates
Final Thoughts – Recent Events Are Encouraging, But Long Way to Go

• FREE LUNCH? What is the cost for our stimulus???
  • Short-Term Inflation versus Long-Term Inflation
  • Higher Interest Rates – slower future economic growth

• What happens to the broader financial economy with delayed and perhaps delinquent mortgage and rent payments?

• Local budgets to be more impacted due to heavier reliance on property tax? (Commercial property to undergo valuation correction)

• Accelerated shifts to AI and robotics?
Thank You

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