April 20, 2020

H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) Public Law 116-136

The Congressional Budget Office and the staff of the Joint Committee on Taxation (JCT) have completed a preliminary estimate of the budgetary effects of H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which was enacted on March 27, 2020, as Public Law 116-136. CBO will provide a comprehensive analysis of this act and related legislation when it publishes its updated baseline budget projections later this year.

On a preliminary basis, CBO and JCT estimate that the act will increase federal deficits by about $1.8 trillion over the 2020-2030 period (see Table 1).

The estimate includes:

- A $988 billion increase in mandatory outlays;
- A $446 billion decrease in revenues; and
- A $326 billion increase in discretionary outlays, stemming from emergency supplemental appropriations.

Although the act provides financial assistance totaling more than $2 trillion, the projected cost is less than that because some of that assistance is in the form of loan guarantees, which are not estimated to have a net effect on the budget. In particular, the act authorizes the Secretary of the Treasury to provide up to $454 billion to fund emergency lending facilities established by the Board of Governors of the Federal Reserve System. Because the income and costs stemming from that lending are expected to roughly offset each other, CBO estimates no deficit effect from that provision.

The estimated budgetary effects of the CARES Act are uncertain for several reasons:

Related Practices

CARES Act Relief Resource Center
COVID-19 Resource Center
Michael Best Strategies LLC

How federal agencies will implement some provisions of the bill, including those establishing the Federal Reserve's emergency lending facilities, is not yet known in detail.

The effects of the novel coronavirus pandemic on economic output and the labor markets are difficult to predict, and those effects drive CBO's estimate of the act's changes to unemployment compensation benefits.

The duration of the emergency declarations related to the coronavirus pandemic and the number of hospitalizations for COVID-19 (the disease caused by the coronavirus) could differ significantly from what CBO has projected, and the budgetary effects of some provisions, such as those affecting Medicare, will depend on those factors.

The costs of some provisions depend on uncertain future developments. For example, CBO cannot estimate the cost of COVID-19 vaccines because no such vaccines are yet approved.

Uncertainties related to various provisions of the act are discussed in the relevant sections of this estimate. Actual costs could vary significantly from CBO's preliminary estimates. In cases where an estimate is not possible, this letter discusses but does not include costs for those provisions.

The nontax provisions of the act impose mandates on the private sector and on state and local governments. CBO estimates that the costs of those mandates will be substantial, exceeding the thresholds in the Unfunded Mandates Reform Act (UMRA). JCT has determined that the tax provisions of the act contain no intergovernmental or private-sector mandates.

Data and Supplemental Information

Discretionary Spending Under Division B of H.R. 748, the CARES Act, Public Law 116-136

Related People

Anne Canfield
Partner
accanfield@michaelbeststrategies.com
T 202.747.9570