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## Testimony of Maya MacGuineas

### Hearing Before the Pandemic Response Accountability Committee: "Stakeholder Perspectives on Federal COVID-19 Spending and Response" June 3, 2020

Chairman Horowitz, Vice-Chair Martin, and members of the Committee, thank you so much for inviting me here today to discuss the challenges of responding to this daunting crisis. The federal government will be disbursing a record amount of money in the coming months through grants, contracts, loans, tax cuts, subsidies, and other measures. An unprecedented outlay should be paired with an unprecedented amount of oversight and transparency. This is essential to maintain the trust of the American people that tax dollars are well spent.

I am Maya MacGuineas, president of the Committee for a Responsible Federal Budget. The Committee for a Responsible Federal Budget is a nonpartisan organization dedicated to educating the public and working with policymakers on fiscal issues. Our co-chairs are Purdue University President and former OMB Director Mitch Daniels, former Secretary of Defense and former OMB Director Leon Panetta, and former Congressman Tim Penny. Our board includes past directors and chairs of the Office of Management and Budget, the Congressional Budget Office, the Federal Reserve System, the Treasury Department, and the Budget Committees.

We have launched [CovidMoneyTracker.org](https://www.covidmoneytracker.org) to monitor every significant financial action taken to address the current crisis, whether by legislation, administrative action, or the Federal Reserve. We follow the dollars over time to provide valuable information on how much has been disbursed, who is receiving it, and how much is paid back.

I will touch on several main points today:

1. The pandemic and economic downturn is a crisis never before seen in the history of the country, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act was a rapid response.
2. The speed of the response makes tracking the dollars that much more important; tracking the actions in the Great Recession of 2008-09 offers a helpful template.
3. The Pandemic Response Accountability Committee can provide additional measures to give the public a complete picture of the response, as well as combatting waste, fraud, and abuse.



The money we have borrowed so far to combat this health and economic crisis was a rational response to this unprecedented situation. Dollars had to be injected into the economy quickly. That said, failing to spend them as efficiently and effectively as possible will abuse the public's trust.

### This Downturn is Sharper than Any Previous Recession, and the Response Rapid

The United States is currently facing an unprecedented economic and public health crisis. Unemployment is expected to remain at 15 percent for at least the next four months – higher than any time since the Great Depression. Real Gross Domestic Product (GDP) has likely fallen more than 12 percent since the crisis began, according to the Congressional Budget Office, and may not recover for several years.

**Fig 1. Unemployment Rate**



Source: Congressional Budget Office

Lawmakers responded quickly, enacting roughly \$3.6 trillion of gross spending, loans, grants, subsidies, tax cuts, and other measures to support the economy, with a projected net cost of \$2.4 trillion – \$1.6 trillion of which has been committed or disbursed so far. Meanwhile, the Federal Reserve has reduced short-term interest rates to the zero lower bound and announced nearly \$6 trillion in loans, equity purchases, and other activities, with \$2.4 trillion of support provided thus far. The administration has also taken action, such as delaying tax filing deadlines and student loan repayments, which could offer as much as \$400 billion in support to the economy.

Because of our mission to advocate for sound fiscal policy, we've been monitoring closely the government's fiscal response to the COVID-19 pandemic, issuing numerous analyses and summaries on proposals from Congress and the Trump Administration. Through our [COVID Money Tracker](#) initiative, we have discovered that [nearly half](#) of what's been authorized by



Congress and made available by the Federal Reserve has been committed or disbursed thus far, though the disbursement rates have varied by program.

Some of the funds have been allocated relatively quickly, such as the [Paycheck Protection Program](#) (PPP) – which exhausted its initial funding within 10 business days – or the economic impact payments, which are approximately 90 percent disbursed. Other programs, such as the \$500 billion lending program operated by the Treasury and Federal Reserve, are just beginning operations. Other economic support, such as increased unemployment benefits or payroll tax delays, will provide support over time.

**Table 1: Summary of Federal Response to COVID, as of May 28.**

Response	Allowed	Disbursed/Committed	Deficit Impact
<b>Legislative Actions</b>	<b>\$3.6 trillion</b>	<b>\$1.6 trillion</b>	<b>\$2.4 trillion</b>
Coronavirus Preparedness & Response Supplemental Appropriations Act	\$8 billion	>\$2 billion	\$8 billion
Families First Coronavirus Response Act	\$192 billion	~\$48 billion	\$192 billion
CARES Act	\$2.7 trillion	\$1.4 trillion	\$1.7 trillion
Paycheck Protection Program and Health Care Enhancement Act	\$733 billion	\$203 billion	\$483 billion
<b>Administrative Actions</b>	<b>~\$380 billion</b>	<b>~\$307 billion</b>	<b>~\$80 billion</b>
Declare national emergency	~\$50 billion	Unknown	~\$50 billion
Delay tax filing deadline to July 15	~\$300 billion	~\$300 billion	\$0
Other executive actions	~\$30 billion	\$7 billion	~\$30 billion
<b>Federal Reserve Actions</b>	<b>&gt;\$5.8 trillion</b>	<b>\$2.4 trillion</b>	<b>N/A</b>
Interest rate changes	N/A	N/A	N/A
Asset purchases	\$1.8 trillion**	\$1.9 trillion	N/A
Liquidity measures	>\$1.9 trillion	\$473 billion	N/A
Emergency lending programs and facilities	>\$2.1 trillion	\$130 billion	N/A

Source: CRFB estimates, compiled from many different agencies' public disclosures.

Deficit impact is from 2020-2030.

\*\*Represents amount disbursed plus the amount scheduled to be purchased through the following week.

Some examples of our analyses so far:

- Because of the virus, airlines have experienced a sharp decline in passenger activity. To help assist airline employees, the CARES Act included the \$32 billion Air Carrier Worker Support program, which provides grants and loans to help passenger and cargo airlines – as well as ground service providers – retain and pay their workers. Public records have made it possible to monitor the [grants and loans airlines have received](#).
- Treasury data has allowed us to analyze the role the Federal Reserve is playing in supporting federal government borrowing demand. Since fiscal and monetary emergency measures were first undertaken, we've been able to see how the [Federal Reserve's purchasing of U.S. Treasuries](#) has absorbed the sharp increase in Treasury debt issuances to fund the CARES Act and other relief measures. We've also observed that the Federal Reserve recently exceeded its [one-week record of mortgage-backed securities purchases](#)



set during the Great Recession. This level of detail will prove useful in understanding how fiscal and monetary responses to the COVID-19 crisis complement each other and how the market is responding.

- One of the more heavily publicized efforts to support the economy is the PPP, administered through the Small Business Administration (SBA). Although SBA has issued regular updates on funds disbursed, their reporting has been inconsistent. Despite this, we [published a breakdown](#) of the first tranche of PPP loans authorized by the CARES Act, including how quickly the funding ran out and the distribution by state and by industry.

## **Policymakers Acted Quickly, Making Oversight More Important**

Given the severity of the economic downturn, a staggering amount of aid was necessary, and lawmakers acted appropriately in approving this economic support as fast as possible. However, approving such a large amount of aid in a matter of weeks makes the oversight process that much more important. Having entered this national emergency already facing \$1 trillion annual deficits, it's crucial that we use the fiscal space we have as prudently as possible. Extraordinary efforts by policymakers to respond to the pandemic will be all for naught if these new programs aren't administered as intended and the aid doesn't get where it needs to go in a timely manner.

The last time we faced anything of this magnitude was during the Great Recession of 2008-09. Recognizing the enormity of the fiscal and monetary actions taken to counter that downturn, in 2009 the Committee launched [Stimulus.org](#), a landmark effort to track spending and financing called for under the American Recovery and Reinvestment Act, the Troubled Asset Relief Program, new loan facilities and quantitative easing regimes, and other actions taken by the federal government and Federal Reserve. It remains the only comprehensive source compiling and tracking all measures undertaken as part of the Great Recession. It was regularly cited by policymakers, outside experts and the media, and had millions of individual views during the height of the crisis.

In the current crisis, with so much money being disseminated in so many novel ways, billions of dollars could be lost in the shuffle. Transparency and oversight can play a vital role in promoting fairness and efficacy. That's why [COVID Money Tracker](#) will catalog every policy enacted, trace how, when, and on whom each dollar is spent, and offer a user-friendly interface for researchers and ordinary citizens to view and understand this data. Over time, this tool will track and record every significant financial action that is taken to address the current crisis by Congress, the executive branch, and the Federal Reserve.

Within each policy, we'll also track what states, industries, or sectors of the economy receive assistance and what, if anything, is expected in return for the money. This data will be as granular as possible but sorted and categorized into a digestible and easy-to-understand format.



## This Committee Is Uniquely Empowered to Help Transparency

I want to say thank you to this Committee. The work of the Pandemic Response Accountability Committee (PRAC) is incredibly important to the success of current and future stimulus efforts. Future borrowing may be needed to combat the health and economic crisis, and a future package will be much easier for lawmakers to craft if the American people have faith that previous packages have been relatively well-targeted to the individuals and businesses most in need of assistance, and with as little waste, fraud, and abuse as possible.

The most important thing to do is track where federal funding is distributed and ultimately allow determinations of whether the relief provided the return on investment policymakers were seeking. The 17 reports PRAC has posted up to now are such an important first step, reminding agencies where they ought to improve distributing funds in a way that matches the intended purpose of lawmakers.

In particular, I'd like to commend PRAC for its commitment to publish detailed data on grants, awards, and contracts offered across the federal government. Without PRAC's action to do so, such data could be nearly unusable to researchers, as agencies may not make it available at all or may fail to make it accessible. Similarly, PRAC's commitment to provide a central hotline for waste, fraud, and abuse tips spanning the entire pandemic response will be a valuable source of information.

The Congressional Oversight Commission, another oversight committee, has a much narrower mission, focused on oversight of the \$500 billion in lending by the Treasury and associated lending by the Federal Reserve. While that amount could be a significant portion of the loans made available, there are many other tax and spending relief programs enacted in law and by regulation outside the Congressional Oversight Commission's purview.

Transparency efforts by federal entities thus far have been helpful but imperfect. The work we have done at [COVID Money Tracker](#) relies on the disclosure by individual agencies, yet compiling that information from dozens of different data sources to make it usable for the public has been a daunting task. Relying on agencies to disclose only the information they want to disclose will not tell the whole story.

For instance, the PPP has received a great deal of public attention thus far. While the SBA's initial reports showed loans broken down by industry, its recent reports have neglected that level of detail. Industry breakdowns of PPP lending would offer much-needed insight into how this program is performing and whether the financial aid is getting to businesses most in need during the downturn. Likewise, no data has been released about the number of loans that have been cancelled or returned, despite public interest. PRAC has the ability and the duty to ensure that data is reported consistently and fairly. This way, the public can get an accurate portrayal of the successes and failures of relief efforts thus far, not necessarily the rosy picture that an agency wishes to portray.



The impact of these federal dollars only goes as far as the due diligence of the agencies in charge of disbursing and tracking each dollar approved. PRAC's reports are a key backstop to ensure programs aid the individuals and businesses most in need that Congress intended to reach. The work of PRAC will not only improve the results of federally-approved COVID-19 fiscal relief, but also better allow projects like [COVID Money Tracker](#) to give lawmakers and the public additional understanding of the unprecedented relief efforts underway. With trillions of dollars authorized and more potentially on the way, that level of oversight is more important than ever.