

U.S. Municipal Bond Market

Something is Better than Nothing As President Attempts to Assist But Offers No Adequate Alternative to Congressional Action

Summary

- President Donald Trump stepped in over the weekend and tried to do what Congress has not been able to accomplish since returning from their Fourth of July break on July 20.
- Four executive actions were signed this weekend, but it is not likely these actions will serve as any meaningful force to stimulate growth. They should not be considered an adequate alternative to congressional action.
- The President reinstated \$400/week of unemployment benefits, replacing those that expired July 31; provided a payroll tax holiday; signed an Executive Order in an effort to protect some Americans from residential evictions; and extended federal student loan payment relief.
- Expecting state governments to pay for \$100 of the \$400 of unemployment benefits is an unrealistic expectation considering states are experiencing significant budget gaps and are asking for their own federal relief.

Executive Branch Steps in to Support the Economy

President Donald Trump stepped in over the weekend and tried to do what Congress has not been able to accomplish since returning from their Fourth of July break on July 20.

Washington lawmakers had three weeks to debate and come to an agreement on the fifth phase of COVID-19 relief before the Senate was scheduled to adjourn on Friday, August 7. Friday came and went, and legislators remain at least \$1-2 trillion apart on what the next stage of federal relief is likely to look like.

Congressional leaders are expected to make a last-ditch effort at the beginning to middle of this week, but the executive branch of the government left no time to waste. On Saturday, President Trump signed executive actions as attempts to assist the U.S. economy, which has been decimated by a combination of the initial March and April waves of economic shutdowns and the reopening rollbacks that began at the end of June. The problem is these executive actions are limited in their abilities to actually impact change and some are legally controversial as well.

President Trump's Executive Actions (Orders, Memoranda)

President Trump took executive action on Saturday, signing one executive order and issuing three executive memoranda.¹ A key issue, as we will detail more below, is that these executive actions do not have the influence of potential congressional policy. We include more details by action below.

1. The first executive memorandum reinstates \$400/week of unemployment benefits, replacing those that expired July 31.²

A key difficulty is that the president does not have the power of the federal purse. He only has the ability to move money that has already been approved from one resource

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to another which is essentially the end impact of the action. To pay for \$300/week of this unemployment benefit, President Trump is utilizing about \$44 billion of Federal Emergency Management Agency (FEMA) funds. These FEMA funds are only likely to be able to pay claims for about a month to a month and a half. In addition, the other \$100/week is expected to come from individual state governments.

Expecting state governments to come up with the last \$100/week of unemployment benefits is a very unrealistic and potentially budget-busting recommendation.

We should highlight that expecting state governments, who are facing a \$555 billion budget gap through 2022 according to the Center on Budget and Policy Priorities,³ to come up with the last \$100/week of unemployment benefits is a very unrealistic and potentially budget-busting recommendation. It should be considered counterintuitive for policymakers to consider that state governments are in a financial position to support this effort in any way. State and local governments are requesting relief and need more. Considering the circumstances, they cannot afford additional expenditure line items without federal relief. This should not be considered relief for U.S. state governments, but an additional burden they cannot afford.

2. The second executive action is another executive memorandum that seeks to provide a payroll tax holiday for those workers earning less than \$100,000 from September to the end of December 2020.⁴

The problem is that what the president offered is only a deferral of the collection of payroll taxes. Only Congress has the authority to actually change or adjust tax law. Payroll taxes will likely continue to be collected, therefore this theoretical deferral or pause in collections will not have much, if any, economic impact.

3. The third executive action taken on Saturday was the signing of an executive order in an effort to protect some Americans from residential evictions.⁵

However, this executive action lacks any real authority and its final effectiveness is also open to question. The order the president signed only:

The fourth executive action the President signed this weekend was a memorandum to continue student loan payment relief, which is probably the most meaningful of Saturday's four executive actions.

- Asked the Secretary of Health and Human Services and the Director of CDC to "consider...measures";
 - Requested the Secretary of the Treasury and the Secretary of Housing and Urban Development "identify...any and all available Federal funds";
 - Asked the Secretary of Housing and Urban Development to "take action...to promote";
 - And then requested the Secretary of the Treasury, the Director of FHFA to "review all existing authorities and resources."⁶
4. Finally, the fourth executive action the President signed this weekend was a memorandum to continue student loan payment relief,⁷ which is probably the most meaningful of Saturday's four executive actions. It waives interest and defers principal payment through the end of the year on federal student loans.

Conclusion on Recent Executive Actions

The potential financial effectiveness of the three presidential memoranda and the executive order are debatable. The measurable economic impact from the President's executive actions is likely to be much less than the \$1-3 trillion that was being considered by Congress. The actions may also come under legal scrutiny. There is more downside to the economy in thinking that these actions will serve as any meaningful force that could stimulate growth. They should not be considered an adequate alternative to congressional action.

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¹ See more here about the difference between Presidential Executive Orders, Proclamations and Executive Memorandum; [Executive Order, Proclamation, or Executive Memorandum? A Beginners Guide](#); Library of congress; Accessed last on August 10, 2020. More on executive actions can be found in: [Executive Orders: Issuance, Modification, and Revocation](#); Congressional Research Service; April 16, 2014.

² [Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease](#); Presidential Memoranda; The White House; August 8, 2020.

³ McNichol, Elizabeth and Michael Leachman; [States Continue to Face Large Shortfalls Due to COVID-19 Effects](#); Center on Budget and Policy Priorities; July 7, 2020.

⁴ [Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster](#); Presidential Memoranda; The White House; August 8, 2020.

⁵ [Executive Order on Fighting Spread of COVID-19 by Providing Assistance to Renters and Homeowners](#); Executive Order; The White House; August 8, 2020.

⁶ Ibid.

⁷ [Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic](#); Presidential Memoranda; The White House; August 8, 2020.

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