

ISSUE BRIEF

STIMULUS PAYMENTS IN FLORIDA

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Introduction

After circulating through the House and Senate, the American Rescue Plan Act was signed into law by President Joe Biden on March 11th, 2021. Among other features, the bill will provide an economic impact payment of up to \$1,400 to individuals making up to \$75,000 annually, marking the third stimulus check the Federal Government has issued to American families since the onset of the Covid-19 pandemic. While stimulus payments represent much needed relief for many households, how they choose to use the economic impact payment will largely depend on the financial scenario the household is in.

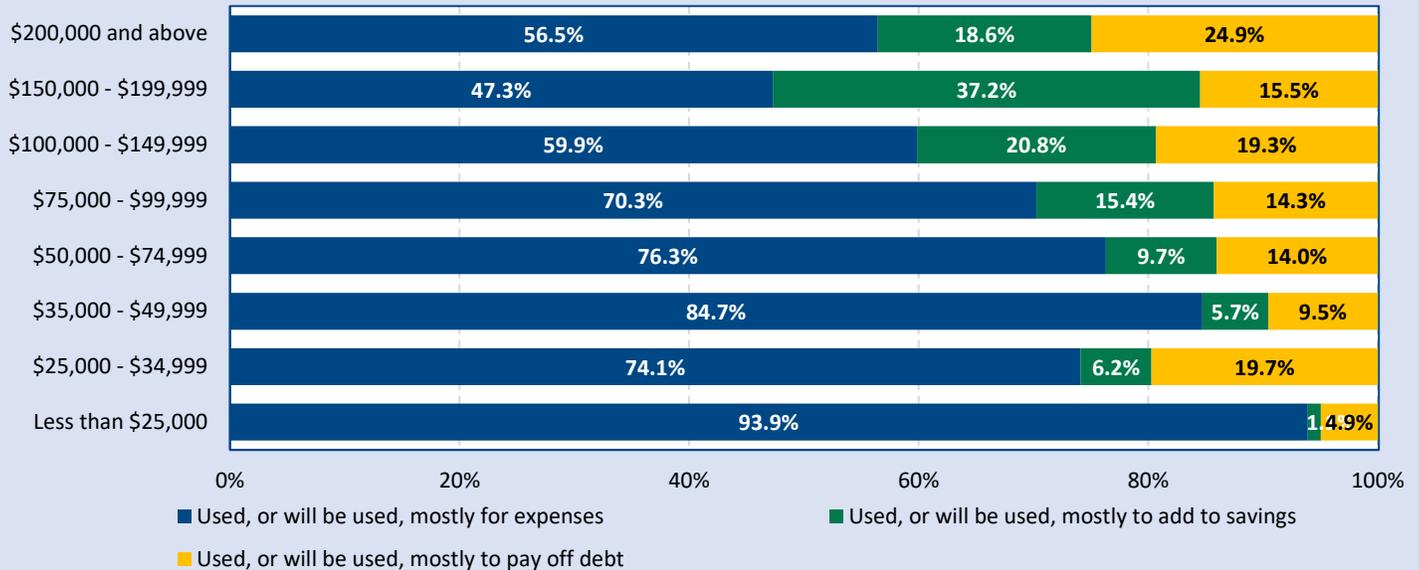
In this Issue Brief, we dive into data provided by the U.S. Census Bureau learn more about how Florida households have used past stimulus payments. For this Issue Brief, we use data from the Household Pulse Survey (HPS), an experimental product conducted by the U.S. Census Bureau in response to the Covid-19 pandemic. The HPS asks individuals about their experiences regarding employment status, spending patterns, food security, housing, physical and mental health, access to health care, and educational disruption. The survey is designed to produce estimates at the national level, state level, and MSA level for the 15 largest MSAs in the United States.

Overall, looking at the spending pattern of the stimulus checks by different income categories provides us with a clear picture: households in the lower part of the income distribution are more likely to spend the stimulus check than households in higher portion of the income distribution. Further, the expenditures from lower income households are concentrated in necessity items such as food, utilities, rent and household supplies. Even though the figures for the two first stimulus check are not directly comparable, there is one interesting pattern for all groups: savings and debt pay-offs increase. The increase in savings should be closely associated with a decrease in overall expenditures by households, especially given stay-at-home policies and practices since March. As for the debt pay-off share, it is not possible to disentangle from the data which type of debt each income group focuses on, i.e., new acquired debt on credit cards, past rent, student loan, among others; this should have an effect on outcomes for these households as the economy moves towards a recovery. Looking further into these issues remain a future exercise.

Stimulus Payment Usage by Household Income

Week 7

If you or anyone in your household, already received, or plan to receive a “stimulus payment,” that is the coronavirus related Economic Impact Payment from the Federal Government, did or will you use it mostly to pay for expenses, mostly to pay off debt, or mostly to add to savings?



Source: U.S. Census Bureau, Week 7 Household Pulse Survey: June 11 - June 16. Stimulus Table 1: Stimulus Payment Usage, by Select Characteristics. Retrieved from www.census.gov.

First Stimulus Payment Usage

The first stimulus payment was part of the CARES Act, which was signed into law by then President Donald Trump on March 27th, 2020. The stimulus payment provided up to \$1,200 per adult for individuals whose income was less than \$99,000 (or \$198,000 for joint filers) and \$500 per child under 17 years old – or up to \$3,400 for a family of four¹. Distribution of the stimulus payments began during the week of April 13th, 2020 via direct deposit and paper checks.

To analyze the impact of the first stimulus payment, we look at data from the Week 7 HPS survey (spanning June 11th, to June 16th, 2020). This survey occurred approximately two months after stimulus payments were first distributed to American households. During this survey period, the HPS added the following two questions relating to economic stimulus payments:

1. If you or anyone in your household, already received, or plan to receive a “stimulus payment,” that is the coronavirus related Economic Impact Payment from the Federal Government, did or will you use it mostly to pay for expenses, mostly to pay off debt, or mostly to add to savings?
2. What did, or will, you and your household spend the “stimulus payment” on?

The above chart shows how Florida households of various income levels used their first stimulus payment. Ninety-four percent of households with less than \$25,000 income used (or planned to use) their stimulus for expenses, while only 5 percent used or planned to use the payment to pay off debt. As household income levels grow, households were more likely to use or plan to use their stimulus payment to save or pay off debt. Fifty-seven percent of households with income above \$200,000 used stimulus payments for expenses, while a quarter of the households used the stimulus payment to pay down debt.

¹ <https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families>

First Stimulus Payment Usage Categories

To further understand how households used their stimulus payments, we looked at the public use microdata provided by the U.S. Census Bureau. The table below shows how households with incomes below and above \$50,000 planned or had already used their stimulus payments. Households with incomes under \$50,000 were much more likely to use their stimulus payments on necessities than households with incomes of at least \$50,000. These necessities included food (74.2 percent of households with incomes under \$50,000 compared to 66.2 percent for households with incomes at or above \$50,000), clothing (16.9 percent versus 12 percent), and household supplies or personal care products (47.4 percent compared to 40.8 percent). Moreover, lower income households were more likely to spend stimulus checks on rent (48.8 percent) and utilities and communications (57.5 percent) compared to higher income households (14.6 percent and 45.4 percent, respectively). On the other hand, households with incomes of at least \$50,000 were more likely to use stimulus payments to make mortgage payments (29.5 percent versus 17.8 percent), pay down credit card, student loans, or other debts (24.5 percent compared to 19.5 percent for lower income households) or add to savings or investments (15.7 percent compared to 7.6 percent).

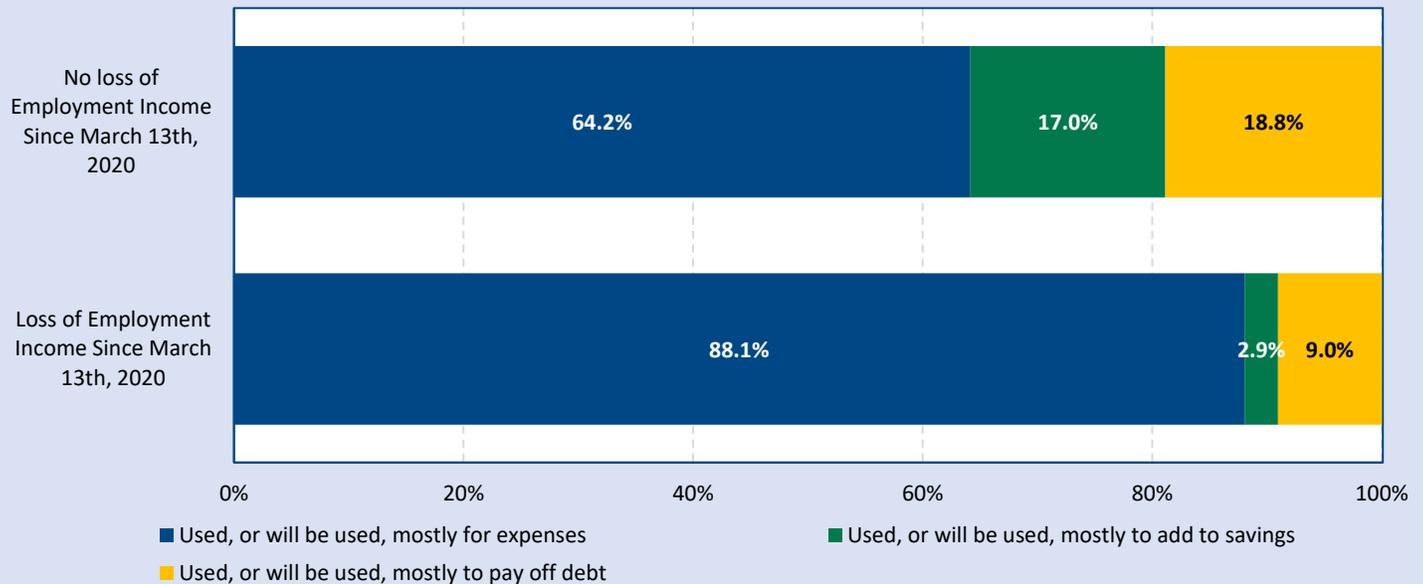
Stimulus Payment Use by Household Income		
Week 7		
What did, or will, you and your household spend the "stimulus payment" on?		
Response	Under \$50,000	Over \$50,000
Food	74.2%	66.2%
Clothing	16.9%	12.0%
Household supplies or personal care products	47.4%	40.8%
Household items	4.3%	5.5%
Recreational goods	0.6%	2.9%
Rent	48.8%	14.6%
Mortgage	17.8%	29.5%
Utilities and telecommunications	57.5%	45.4%
Vehicle payments	22.3%	23.9%
Paying down credit card, student loans, or other debts	19.5%	24.5%
Charitable donations or giving to family members	2.5%	4.6%
Savings or investments	7.6%	15.7%
Other	8.8%	7.0%
Total Stimulus Recipients	3,352,931	4,276,167

Source: U.S. Census Bureau, Week 7 Household Pulse Survey: June 11 - June 16. Public Use Microdata. Retrieved from www.census.gov.

Stimulus Payment Usage by Loss of Employment Income

Week 7

If you or anyone in your household, already received, or plan to receive a “stimulus payment,” that is the coronavirus related Economic Impact Payment from the Federal Government, did or will you use it mostly to pay for expenses, mostly to pay off debt, or mostly to add to savings?



Source: U.S. Census Bureau, Week 7 Household Pulse Survey: June 11 - June 16. Public Use Microdata. Retrieved from www.census.gov.

First Stimulus Payment Usage by Loss of Income

The initial Covid-19 impact on the United States forced many states, including Florida, to adopt stay-at-home measures to help curb the spread of the virus. One of the stay-at-home measures included the closure and reduced activities of non-essential businesses, resulting in layoffs and furloughs for many employees in the state. The result was an unemployment rate jumping from 3.1 percent in February 2020 to 14.3 percent in May 2020 for Florida.

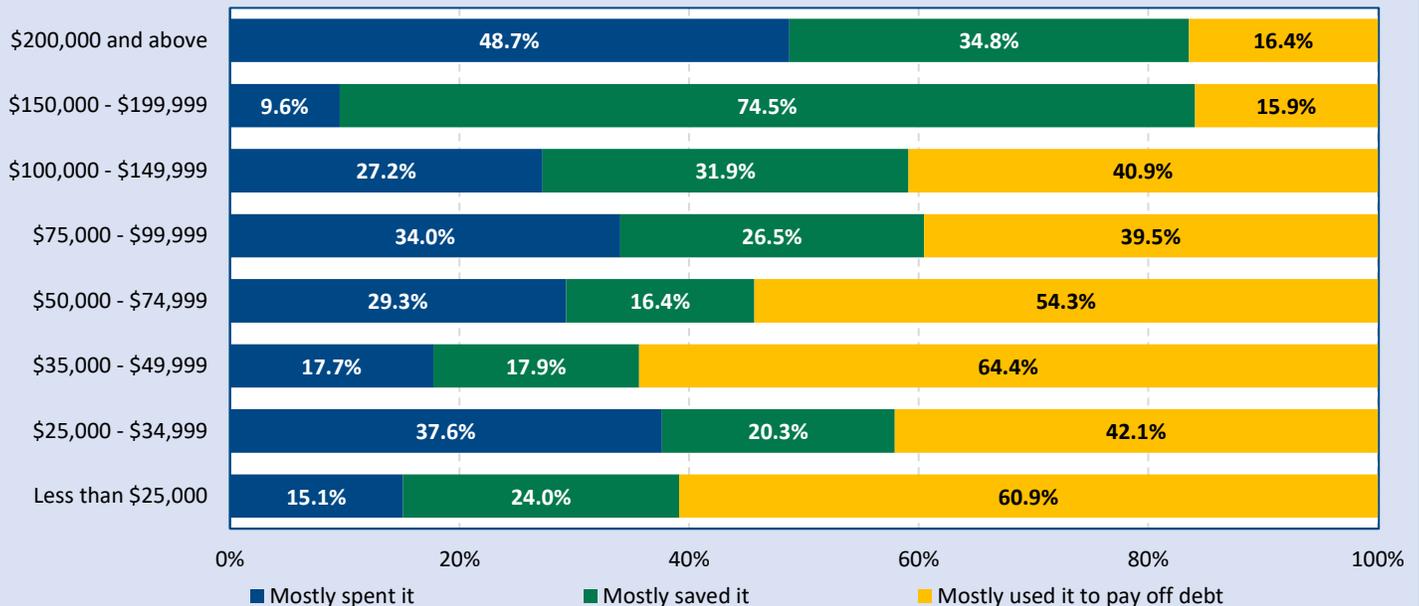
The above chart shows how households that experienced a loss in employment after March 13, 2020 used their stimulus payment, compared to households that did not experience a loss in income.² Eighty-eight percent of households that experienced a loss in employment used (or planned to use) their stimulus check for expenses, compared to only 64 percent of households that did not experience employment income loss. Furthermore, households that did not experience employment income loss were more likely to save or use their stimulus check to pay off debt (17 and 19 percent, respective) compared to households that did experience employment income loss (3 and 9 percent, respectively).

² March 13, 2020 is the day President Trump declared COVID-19 a national emergency.

Stimulus Payment Status by Household Income

Week 22

In the last 7 days, if you or anyone in your household received a "stimulus payment" that is a coronavirus related Economic Impact Payment from the Federal Government, did you:



Source: U.S. Census Bureau, Week 22 Household Pulse Survey: January 6 - January 18. Stimulus Table 1: Stimulus Payment Status and Use, by Select Characteristics. Retrieved from www.census.gov.

Second Stimulus Payment Usage

The second stimulus payment was part of a \$900 billion Covid-19 relief package signed into law by President Donald Trump on December 27th, 2020. The stimulus payment provided up to \$600 per adult for individuals whose adjusted gross income was less than \$75,000 (\$150,000 for married couples) and \$600 for each dependent.³ Distribution of the stimulus payments began during the week of December 30th, 2020 via direct deposit and paper checks.⁴

To analyze the impact of the second stimulus payment, we look at data from the Week 22 HPS survey (spanning January 6th, 2021 to January 18th, 2021). This survey occurred approximately one to two weeks after stimulus payments were distributed to American households. Like the Week 7 survey, the HPS added additional questions relating to economic stimulus payments. However, the questions they added differed slightly to their Week 7 counterparts, as the questions only focused on stimulus payments received in the last 7 days. The questions asked were the following:

1. In the last 7 days, if you or anyone in your household received a "stimulus payment," that is a coronavirus related Economic Impact Payment from the Federal Government, did you: mostly spend it, mostly save it, or mostly use it to pay off debt?
2. What did you and your household spend the most recent "stimulus payment" on?

The above chart shows how Florida households of various income levels used their second stimulus payments. Sixty-one percent of households with less than \$25,000 income used their stimulus to pay off debt, while only 15 percent used the payment for expenses. As household income levels grow, households were more likely to use their stimulus payment to save or use it on expenses. Nearly half of households with income above \$200,000 used stimulus payments for expenses, while a little over a third of the households saved the stimulus payment.

³ <https://www.wsj.com/articles/what-is-in-the-900-billion-covid-19-aid-bill-11608557531>

⁴ <https://www.irs.gov/newsroom/treasury-and-irs-begin-delivering-second-round-of-economic-impact-payments-to-millions-of-americans>

Second Stimulus Payment Usage Categories

The table shows how households with incomes below and above \$50,000 used their second stimulus payments. Similar to the first stimulus payment, households with incomes under \$50,000 were much more likely to use their stimulus payments on necessities than households with incomes of at least \$50,000. These necessities included food (60.1 percent of households with incomes under \$50,000 compared to 43.5 percent for households with incomes at or above \$50,000), rent (35.7 percent) and utilities and communications (45.6 percent). On the other hand, households with incomes of at least \$50,000 were more likely to use stimulus payments to add to savings or investments (20.6 percent compared to 9.3 percent for lower income households).

Stimulus Payment Use by Household Income

Week 22

What did you and your household spend the most recent "stimulus payment" on?

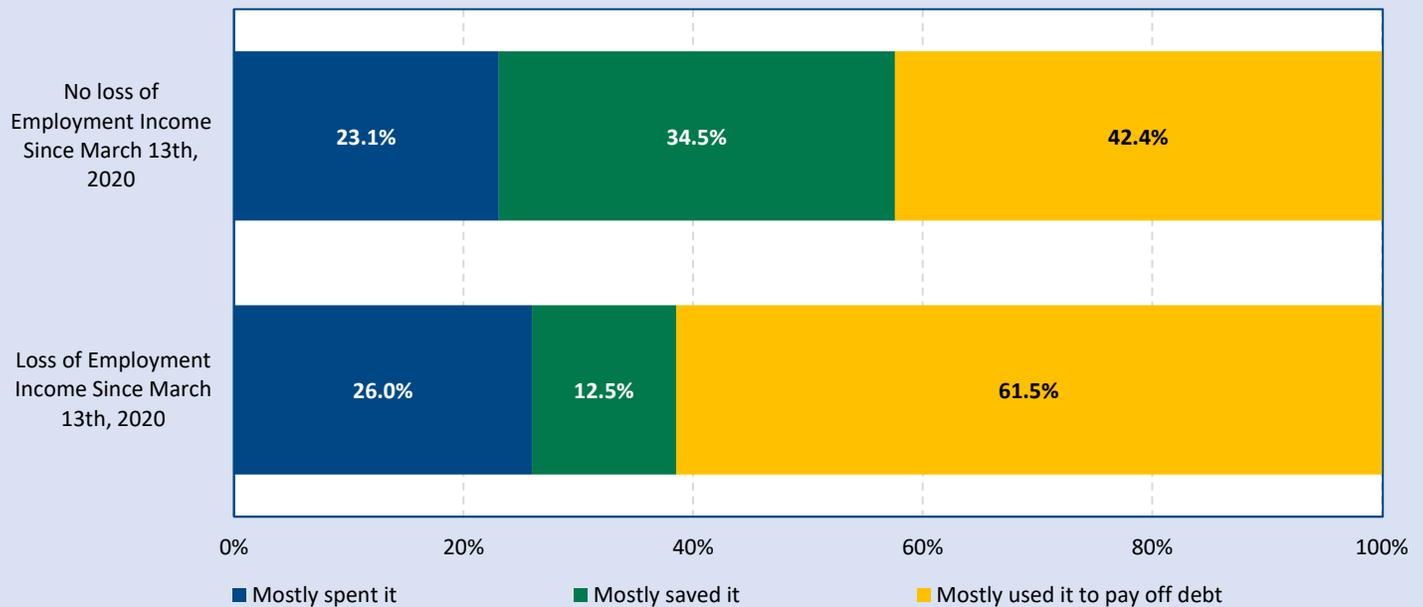
Response	Under \$50,000	Over \$50,000
Food	60.1%	43.5%
Clothing	6.3%	9.6%
Household supplies or personal care products	30.8%	31.6%
Household items	2.6%	3.6%
Recreational goods	1.5%	1.8%
Rent	35.7%	16.4%
Mortgage	11.4%	14.2%
Utilities and telecommunications	45.6%	35.9%
Vehicle payments	22.9%	16.7%
Paying down credit card, student loans, or other debts	30.4%	32.7%
Charitable donations or giving to family members	2.6%	3.2%
Savings or investments	9.3%	20.6%
Other	6.1%	8.6%
Total Stimulus Recipients	3,352,931	4,276,167

Source: U.S. Census Bureau, Week 22 Household Pulse Survey: January 6 - January 18. Public Use Microdata. Retrieved from www.census.gov.

Stimulus Payment Usage by Loss of Employment Income

Week 22

In the last 7 days, if you or anyone in your household received a "stimulus payment" that is a coronavirus related Economic Impact Payment from the Federal Government, did you:



Source: U.S. Census Bureau, Week 22 Household Pulse Survey: January 6 - January 18. Public Use Microdata. Retrieved from www.census.gov.

Second Stimulus Payment Usage by Loss of Income

Florida's unemployment rate has dropped since it peaked at 16 percent in April 2020, registering at 4.1 percent in January 2021. The above chart shows how households that experienced a loss in employment after March 13, 2020 used their second stimulus payment in Week 22, compared to households that did not experience a loss in income. Sixty-two percent of households that experienced a loss in employment used their stimulus check to pay down debt, compared to only 42 percent of households that did not experience employment income loss. Furthermore, households that did not experience employment income loss were much likely to save their stimulus check (35 percent) compared to households that did experience employment income loss (13 percent).