The Hutchins Center Fiscal Impact Measure shows how much fiscal policy adds to or subtracts from overall economic growth, and provides a near-term forecast of fiscal policies’ effects on economic activity. Use the graph below to explore the total quarterly fiscal impact as well as its components: taxes and spending at the federal, state and local levels. ([*Methodology »*](https://www.brookings.edu/research/the-hutchins-centers-fiscal-impact-measure/))

***Editor’s Note:*** *On July 26, the Hutchins Center began regularly publishing a near-term forecast of the FIM and updated the methodology for the FIM. MAKE NOTE ABOUT HOW METHDOLOTY CHANGED. CONTRIBUTION language.*

**TAKEAWAYS FROM THE SECOND QUARTER UPDATE, 7/26/2019**   
By Sage Belz and Louise Sheiner

Government spending and tax policies added [0.5] percentage points to growth in inflation-adjusted Gross Domestic Product (GDP) in the second quarter of 2019, according to the Hutchins Fiscal Impact Measure. Strong state and local investment and an increase in federal transfers helped lift the FIM this quarter. Looking forward, tax and spending policies at all levels of government are expected to add about [0.6] percentage points to growth in each of the remaining quarters of 2019.

After neither adding nor subtracting much from GDP growth between 2015 and 2017, the combination of federal legislation and increased state and local spending added to the pace of growth through 2018. The most recent data indicate that investment by state and local governments has continued to contribute to growth in 2019 even as the waning effects of federal tax legislation and the partial government shutdown in January 2019 weighed on some components of the FIM.

Despite legislation that expanded the spending capacities of federal entities this year, federal spending has risen only modestly over the last four quarters and made [a small] contribution to GDP growth in the second quarter. The FIM forecast indicates that under the spending deal reached in July, federal spending will add about [0.2] percentage points to GDP in the fiscal year that begins on October 1st.

State and local government activity expanded in the second quarter and added [0.15] percentage point to GDP growth. State and local investments in structures, equipment and intellectual property by rose by [26 (going to be something big)] percent from the previous quarter. Employment growth at this level of government has been positive but modest in recent quarters, continuing a slow but steady recovery from its post-2010 lows. Looking ahead, state and local spending is expected to slow and fall in line with its longer-run trend, implying that the sector would have about a net zero impact on the pace of growth in the coming year.

Tax and transfer policies have added to the pace of growth since the beginning of 2019, driven mostly by unexpected increases in federal social welfare and tax credit payments. Because the FIM assumes that taxes and transfers affect household spending with a lag, those payments are expected to continue to boost the FIM by about [0.6] percentage points in the next two quarters.