States Use Fiscal Recovery Funds to Promote Income Security

By Iris Hinh, Ariana Hammersmith, and Samantha Wing

States across the country are using flexible State and Local Fiscal Recovery Funds (SLFRF) to boost income security, particularly for those who face structural barriers to building wealth and income and have been disproportionately impacted by the COVID-19 pandemic. Income security programs, such as one-time or monthly cash payments and savings accounts, help people with low incomes emerge from the worst of the pandemic. By strengthening and expanding these programs with FRF, states can continue to improve the current and long-term well-being of individuals and families.

As of August 2022, 50 states, Washington, D.C., and the U.S. Territories had allocated $157 billion of their FRF — about 79 percent of all states’ FRF allocations. States have used some of this federal aid to expand income security programs, for example by increasing cash benefits provided through Temporary Assistance for Needy Families (TANF) (the primary federal cash program), savings accounts for children from low-income families and people with low incomes, and one-time cash payments targeted to those with low incomes. States have until the end of 2024 to obligate the remaining $41 billion in FRF and until the end of 2026 to spend them.

States should use remaining federal aid to assist people with low incomes and address long-standing racial, ethnic, gender, and economic inequities. This is necessary because state policymakers, often drawing on racist and sexist narratives, have weakened some income security programs like unemployment insurance (UI) and TANF, harming many people, especially communities of color. For example, TANF provides low benefits in most states, and Black and Latinx children are likelier than white children to live in states with the lowest cash grants.2 While some states have focused their FRF on groups facing systemic barriers to economic stability, such as people with disabilities, and workers excluded from UI and federal pandemic relief programs

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(including many immigrants), expanding or creating more income security programs would help build an economy where everyone can thrive.³

FRF can support income security programs that meet low-income people’s basic needs and promote their long-term financial stability. There are a number of policies that can help families and individuals afford basic needs, including cash income supports and help with expenses such as child care, housing,⁴ and food assistance. Cash income supports provide people with the most flexibility and autonomy to make purchasing decisions for their families. This report focuses on cash income supports.

Programs directing cash aid should prioritize people hit hardest by the pandemic and those traditionally excluded from benefit programs, including Black, Indigenous, and People of Color;⁵ people with disabilities; people involved with the criminal legal system; and people without a documented immigration status.⁶ Targeting assistance will not only improve near-term well-being for groups that were disproportionately impacted by the pandemic, but will help adults, children, and communities build toward a stronger future. Income security assistance can stabilize households’ financial circumstances, reduce people’s likelihood of being evicted or experiencing homelessness, and have long-term positive impacts on children.

Treasury Encourages the Use of FRF to Address Racial and Economic Inequities

The American Rescue Plan, enacted in March 2021, included aid to reduce the extreme hardship many people and businesses faced during the pandemic. In addition to aid for child care, eviction prevention, and other services, it provided $350 billion in SLFRF for states, localities, tribal nations, and territories. These jurisdictions have flexibility to use the funds over several years to address pandemic-related budget gaps and to help people and businesses hit hardest.

The Rescue Plan allows states and other governments to spend these funds to:

- respond to the pandemic’s negative health and economic impacts;
- provide bonus pay to essential workers;


• prevent cuts in public services caused by pandemic-induced revenue losses and avoid additional cuts; and

• invest in water, sewer, or broadband infrastructure.

Guidance from the Treasury Department, which administers FRF, encourages states and localities to help people most affected by the pandemic and to address racial and economic inequities that predate but worsened in the pandemic. Treasury’s final rule on FRF clarifies that investments to support people or communities with low incomes are allowable and simplifies the process for making these kinds of investments. The federal guidance notes that some of the pandemic’s impacts may be long lasting — and may require investments for an extended period to be successful.

Income Security Programs Provide Stability in Times of Crisis

When families and people face tough times, their basic needs may change from month to month. Cash supports are highly flexible because they allow families the autonomy to prioritize and manage their needs. This is an important complement to other crucial programs such as food and housing assistance, which offer in-kind benefits to help recipients afford a good or service.

For millions of families in financially precarious positions, the pandemic brought extensive hardship. Sudden job losses were concentrated in low-paid industries and among people of color, women, people without a bachelor’s degree, and workers born outside the U.S. In response, some states have invested FRF to help families weather the uncertainty and pay for necessities. Since the pandemic has disproportionately harmed Black and brown people and women — who are


and#:~:text=The%20majority%20of%20jobs%20lost,to%20Labor%20Department%20employment%20data.


overrepresented in low-paid work due to structural barriers such as wealth disparities and discrimination in hiring — states that make these kinds of investments can promote racial and gender equity.

Establishing or expanding opportunities to save and build long-term wealth are also essential for the future well-being of families. Historical and ongoing racism shape barriers to accumulating wealth and sharing its benefits across generations. For example, the wealthiest 10 percent of white households hold nearly two-thirds of the nation’s wealth. Lack of wealth leaves people of color and those paid low wages more vulnerable to income shocks. Thus, asset-building policies that are targeted to people with low incomes who have faced systemic barriers can help build financial security and address gaping wealth disparities.

Recovery Funds Support a Variety of Income Security Programs

States have adopted a range of strategies to deliver economic support, from expanding existing programs to offering one-time cash payments to low-income families. The following are examples of investments in income security that states and territories have made using FRF.

Support for Those Enrolled in Existing Public Benefits Programs

Some states and D.C. are using existing programs to identify people with the lowest incomes and deliver economic support to families and children. For example, states are allocating FRF for additional grants to TANF participants with at least one child under age 18. Some states are also using their FRF to support more families by providing cash payments to Supplemental Nutrition Assistance Program (SNAP), Medicaid, or Earned Income Tax Credit (EITC) recipients. Other states have designed their own programs to help families with child care costs and to provide economic stability to foster families.

- **Colorado** appropriated $21.5 million to the Colorado Works Reserve — the state’s long-term TANF fund — to fund increases in cash assistance grants. The state had not adjusted TANF payments for inflation since the program’s creation in 1996, so as a result, payments have not kept pace with the cost of living. Increased payments will prevent further erosion of these benefits and help families meet their basic needs.

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15 Shrivastava and Thompson.


• **Connecticut** used $42.3 million to provide one-time cash payments to state EITC recipients. An estimated 20,000 families with low to moderate incomes will benefit. 18 EITCs build on the success of the federal credit to help families afford necessities, reduce poverty, and improve maternal and child health outcomes. 19

• **Georgia** spent $1.2 billion to fund one-time cash payments of up to $350 to SNAP, Medicaid, and TANF participants. 20 This allocation makes up about 25 percent of the state’s total FRF allotment.

• **Maryland** invested $46 million to provide an additional $100 per recipient per month for the Temporary Cash Assistance (TCA) initiative — the state’s TANF program — which offers financial assistance to dependent children and other family members without support due to the death, incapacitation, underemployment, or unemployment of one or both parents. 21 Funding also extends TCA eligibility and the additional benefit to Temporary Disability Assistance Program (TDAP) recipients. TDAP provides cash payments to people with short-term disabilities, or as they await approval for federal disability support. 22

• **Michigan** appropriated $19 million for Child Welfare Mitigation Payments to be provided to licensed foster family homes, licensed foster group homes, and unlicensed relative caregivers in the amount of $1,500 per child.

• **Oregon** allocated $147 million to provide one-time assistance payments to address the pandemic’s impacts. 23 Payments of $600 were delivered to approximately 236,000 eligible households who received the state EITC on their 2020 tax filing. 24

• **Pennsylvania** recently appropriated $140 million for one-time payments of up to $1,658 for those with low incomes and who received the state property tax and rent credit. 25

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Pandemic and Economic Stability

Many states used FRF to help people with low incomes weather the pandemic’s economic downturn and the upward pressure on food and energy prices due to various factors including the ongoing Russian invasion of Ukraine and COVID-related supply chain disruptions.\(^\text{26}\) Some of these one-time allocations include cash assistance payments to respond to increased costs for basic needs. These payments have provided more immediate economic stability during uncertain times.

- **Colorado** appropriated $2 million to issue fuel assistance payments to SNAP participants’ electronic benefit transfer cards.\(^\text{27}\) These payments were intended to defray the record-setting gas prices in June 2022 (which have since come back down)\(^\text{28}\) for Coloradans with low incomes who are not already receiving benefits from the state’s Low-Income Energy Assistance Program.

- **Guam** used $38 million to fund the All RISE program,\(^\text{29}\) which provides one-time payments of $800 to individuals with an adjusted gross income (AGI) of less than $40,000 and $1,600 to joint filers with an AGI of less than $80,000. The All RISE program builds on the Recovery Income Support and Empowerment (RISE) Act of 2020 by expanding eligibility to include government employees and retirees as well as private sector workers.\(^\text{30}\) While spending had originally been capped at $30 million, the governor’s office allocated an additional $8 million to accommodate all eligible applicants.\(^\text{31}\)

- **Maryland** appropriated $8 million to provide $1,000 grants to individuals who had not yet received UI benefits due to pending adjudication of their claims.\(^\text{32}\) These payments are in addition to any decisions on an individual’s UI case to provide immediate relief for claimants stuck in “adjudication purgatory.”\(^\text{33}\)

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\(^{32}\) Department of Legislative Services. Maryland General Assembly.

Northern Mariana Islands used $12.4 million to provide households assistance with food, housing, and other basic needs. A portion of these funds provided $500 to cover past-due utility bills and ongoing energy costs.

Aid to Individuals With Disabilities

States have leveraged FRF to provide financial support for people with disabilities, who experience poverty at almost twice the rate of those without disabilities (the rate is three times higher for women). Black and Latinx people with disabilities face additional marginalization and higher poverty rates (40 and 29 percent, respectively) compared to white people with disabilities (24 percent). States are providing cash assistance payments to people with temporary disabilities, and for youth with disabilities.

Hawai‘i appropriated $5.4 million to maintain general assistance payments to people with temporary disabilities who are unable to engage in substantial employment. Recipients may use the $348 monthly payments for food, clothing, shelter, and other essentials. The program aims to provide a minimum standard of living, prevent homelessness, and improve recipients’ health and safety.

Nevada appropriated $5 million in grants for individuals with disabilities under age 18 through the Nevada ABLE Savings Program. The grants help people who have been negatively impacted by the pandemic with expenses related to education, housing, employment training, personal support services, and other qualified disability expenses. Nevada’s ABLE savings account allows people with disabilities to save on a tax-deferred

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basis while still allowing them to collect benefits through Supplemental Security Income and other federal programs.\textsuperscript{42}

**Extending Benefits to Excluded Workers**

Excluded workers are typically ineligible for unemployment benefits, stimulus checks, or other federal assistance. While the term often refers to immigrants without work authorization, it also can encompass cash economy workers (such as independent contractors, gig workers, or domestic workers employed by private households paid in cash or personal checks) now that the Pandemic Unemployment Assistance program has ended. Financial assistance is vital for these workers, who faced unemployment, health risks, and economic instability during the pandemic, without the billions in federal relief afforded to others. Appropriating FRF for excluded workers prioritizes immigrants and other vulnerable workers left out of federal benefits and helps them pay for necessities. States can do more by providing these workers with more relief\textsuperscript{43} and ensuring the assistance is delivered with minimal delay.\textsuperscript{44}

- **Washington State** appropriated $340 million for the Washington Immigrant Relief Fund to provide a one-time payment of $1,000 per person\textsuperscript{45} for excluded workers who were significantly affected by the pandemic and ineligible for stimulus payments or unemployment benefits due to their immigration status.\textsuperscript{46}

- **Washington, D.C.** used $26.6 million to provide financial assistance\textsuperscript{47} of about $3,000 to $3,500 per person\textsuperscript{48} to residents who were left out of District and federal COVID relief. D.C.’s excluded worker program includes people who are undocumented, individuals who were formerly incarcerated, sex workers, and workers in the cash economy, all of whom are ineligible for unemployment insurance. A majority of excluded workers in D.C. are Black and brown, paid low wages, and work in sectors that were hit hardest by the pandemic.

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\textsuperscript{48} Crawford, op. cit.
Building Long-Term Savings and Wealth

A few states have established savings accounts for children from families with low incomes and people with low incomes to build long-term wealth. Structural disparities from wealth and income undermine collective well-being and opportunities for people of color to thrive. Through these savings accounts, children and individuals with low wages are better equipped to cover essential costs related to their health, housing, and education in the future.49

- **California** invested $1.8 billion in the California Kids Investment and Development Savings Program (CalKIDS),50 a scholarship program to help kids and their families save for college or postsecondary career training. All children born in California on or after July 1, 2022, will receive up to an initial $100 deposit in a CalKIDS account regardless of citizenship status.51 Currently enrolled low-income students and all low-income students entering first-grade in K-12 public schools will automatically receive one-time $500 deposits, separate from the deposit for newborns. Children who are living with foster parents or who experience homelessness will receive an additional $500 deposit.

- **Washington, D.C.** allocated $3.2 million to fund 300 additional Opportunity Accounts — a 4-to-1 matched-savings program for income-eligible District residents — over the next three years.52 The D.C. Opportunity Accounts program helps participants save up to $7,500, providing a $6,000 match for participants who save $1,500. Upon withdrawal, participants may use the funds for education-related costs, first-time home purchases, small business development, medical emergencies, and retirement.

It is important to note that asset development can provide important longer-term benefits, but families currently unable to afford their basic needs, including housing, food, transportation, and clothing, should first be provided aid that can address these needs. Material hardship and poverty have long-term negative impacts on children and are a high priority to address.

**Other Long-Term Income Security Initiatives**

The Rescue Plan provided $65 billion to counties, $45.6 billion to larger cities, and $19.5 billion to smaller cities. Some cities and counties have used FRF or state funds for programs with the long-term income security of residents in mind. For example, Cook County in Illinois used $39 million for its Guaranteed Income Program to provide monthly payments of $500 to 3,250 households at or

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52 Government of the District of Columbia.
below the federal poverty line over the course of two years. The program aims to improve economic mobility and participants’ mental and physical health, and to understand the broader impacts of guaranteed income on the community. San Diego, California, also recently launched a guaranteed basic income program funded from the state budget for households with a child aged 12 or under to receive monthly installments of $500 for two years. It prioritizes communities of color, who are more likely to experience childhood poverty, rental burden, food insecurity, and environmental pollution.

Meanwhile, states have created or improved income security programs using their own revenues. For example, in 2021, the New York legislature approved $2.1 billion in the state budget to provide one-time payments of up to $15,600 to over 128,000 workers who lost income during the pandemic but were not eligible for programs such as unemployment insurance or federal COVID relief programs due to their immigration status or other factors. The payments were particularly large compared to other excluded worker’s funds because New York designed its program to close the gap between the average state UI benefits received by an individual who was unemployed for a year and an excluded worker. Coalition leaders are actively working to make New York’s Excluded Worker’s Fund permanent and continue the momentum for more inclusive economic benefits.

During its legislative session, Illinois increased its state EITC from 18 percent to 20 percent of the federal credit and extended it to those filing with an Individual Tax Identification Number, as well as to people aged 18-24 and 65 and over who don’t claim children on their tax return. Additionally, Vermont recently created a substantial state Child Tax Credit, which is worth $1,000 maximum per child aged 5 and under. California expanded its Young Child Tax Credit so that families with children under age 6 and without earnings can receive the $1,000 credit. Credits such as the EITCs and Child Tax Credits help families afford basic needs, reduce poverty, improve child and maternal health, and boost future economic stability.

There are a broad range of equity-expanding strategies to improve financial stability for individuals and families who are facing an uncertain economic outlook due to the pandemic. States and U.S. Territories have allocated their flexible federal aid through a variety of initiatives to improve economic stability, including by supporting access to basic needs and strengthening savings. And there are many policies they can continue to consider to build long-term, shared prosperity.

56 The most recent bill would have provided up to six monthly payments of $1,200 a month in 2022 for those who were at least partially unemployed the previous month and increases at the same rate of the state’s average weekly wage.