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## Recovery Legislation Provides Historic Opportunity to Advance Racial Equity

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The recovery legislation that policymakers will consider this year marks a historic opportunity to help drive an equitable recovery in which (1) all children can reach their full potential; (2) workers in low-paid jobs or facing weak labor market prospects have the supports they need; and (3) we take large strides toward universal health coverage.

Achieving these goals requires dismantling our nation’s long-standing racial disparities, deeply rooted in racism and discrimination, that have driven starkly unequal opportunities and outcomes in education, employment, health, and housing. As a result, the nation now needs to make investments in children, workers, and health care that will enable more people to reach their full potential.<sup>1</sup>

In addition, the recovery package should promote equity for people living in the five inhabited U.S. territories — Puerto Rico, Guam, the U.S. Virgin Islands, Northern Mariana Islands, and American Samoa — particularly by providing adequate and stable funding for Medicaid. People living in the territories, where poverty rates are far higher than in the states, often have inferior access to critical health, nutrition, and disability programs.

The nation can afford to make these investments by building a more adequate, equitable, and sustainable revenue system that collects more revenues from high-income and high-wealth

### Recovery Legislation Can Advance Racial Equity

Equitable recovery legislation must include:

- ✓ **Investments in children**, such as permanently expanding the Child Tax Credit; investing in housing vouchers, food assistance, child care, and education; and ensuring that families including immigrants can access supports.
- ✓ **Support for workers who are paid low wages or are out of work**, such as permanently expanding the Earned Income Tax Credit, reforming unemployment insurance, and investing in child care, workforce development, and subsidized jobs.
- ✓ **Progress toward universal health coverage** by closing the Medicaid coverage gap, maintaining marketplace affordability, and investing in home- and community-based caregiving jobs.
- ✓ **Greater equity for people living in U.S. territories** by providing adequate and stable funding for Medicaid.

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<sup>1</sup> For more details on why building an equitable recovery requires investing in these three areas, see Sharon Parrott *et al.*, “Building an Equitable Recovery Requires Investing in Children, Supporting Workers, and Expanding Health

households and profitable corporations that too often pay low or no taxes and by bolstering tax compliance efforts so that taxpayers actually pay more of what they owe.

To create such a revenue system after decades of tax cuts, policymakers will likely need to pursue a multi-year effort — and this year presents an important opportunity to start. That said, the nation’s investment needs in many areas cannot wait. Given the urgent need to build an equitable recovery, the high returns on many of these investments, and today’s low interest rates on borrowing, the nation stands to gain far more by financing some of these investments through borrowing than by jettisoning them if the funding offsets that are politically viable at the moment do not fully cover the total investment costs.

To the extent possible, this paper provides data for white, Black, Latino, Asian, American Indian and Alaska Native (AIAN), and Native Hawaiian and Pacific Islander (NHPI) populations. The limited size of some surveys complicates the task of drawing reliable conclusions about smaller populations, including the Asian, AIAN, and NHPI populations. Nonetheless, available data make clear that poverty rates are extremely high for the AIAN population, similar to the Black population.<sup>2</sup> In addition, while Asian poverty rates overall are lower than for other groups, inequality is very high within the Asian population.<sup>3</sup> As a 2015 report by Asian Americans Advancing Justice notes, “lower poverty rates among Asian Americans as a racial group cause many to overlook higher poverty rates among Southeast Asian Americans as distinct ethnic groups.”<sup>4</sup>

## Invest in Children’s Full Potential

Providing stronger, more equitable supports for children, particularly children facing financial hardship and structural disadvantage, can make an important difference in their lives and benefit the nation by strengthening the health and skills of a generation of future workers, parents, and community members. Income, housing, and food assistance as well as child care, early education, and other supports — by boosting a family’s economic security and stability and improving nutrition and well-being — can improve children’s long-term health and well-being, promoting equity across lines of race, ethnicity, and immigration status and adding to the nation’s future prosperity.

To be effective, investments in our future must include vigorous investments in children of color, who comprise 50 percent of the nation’s children. Some 13 percent are Black, 26 percent are Latino,

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Coverage,” Center on Budget and Policy Priorities, March 24, 2021, <https://www.cbpp.org/research/poverty-and-inequality/building-an-equitable-recovery-requires-investing-in-children>.

<sup>2</sup> According to the U.S. Census Bureau’s 2019 American Community Survey public use microdata sample, the poverty rate for people who identify as American Indian and Alaska Native alone or in combination, regardless of Latino ethnicity, was 20.4 percent. By comparison, the poverty rate for people who identify as Black only and not Latino was 21.1 percent.

<sup>3</sup> Rakesh Kochhar and Anthony Cilluffo, “Income Inequality in the U.S. Is Rising Most Rapidly Among Asians,” Pew Research Center, July 12, 2018, <https://www.pewresearch.org/social-trends/2018/07/12/income-inequality-in-the-u-s-is-rising-most-rapidly-among-asians/>; AAPI Data, “Poverty by Detailed Group (National),” <http://aapidata.com/stats/national/poverty-aa-aj/>.

<sup>4</sup> Asian Americans Advancing Justice, “A Community of Contrasts: Asian Americans, Native Hawaiians and Pacific Islanders in the West,” 2015, [https://www.advancingjustice-la.org/sites/default/files/A\\_Community\\_of\\_Contrasts\\_AANHPI\\_West\\_2015.pdf](https://www.advancingjustice-la.org/sites/default/files/A_Community_of_Contrasts_AANHPI_West_2015.pdf).

5 percent are Asian, 5 percent are multiracial, and 1 percent are American Indian and Alaska Native.<sup>5</sup> Policies that reduce children’s exposure to poverty represent an effective way to equip every child, regardless of race or ethnicity, with opportunities to thrive. Strong evidence links economic support for families with better outcomes for children, ranging from healthier birthweights and lower maternal stress to better academic performance, higher rates of high school graduation and college entry, higher future earnings, and other benefits.<sup>6</sup>

The risks of *not* providing adequate support are substantial. Even short periods of food insecurity may pose long-term health and developmental risks for children. Housing insecurity adds to stress on parents and children and can force frequent moves that disrupt schooling. Intense financial worries can interfere with parenting, adversely influence children’s mental health and behavior, and in some cases contribute to toxic stress — which is associated with measurable changes in brain structure, cognitive damage, and lifelong health problems such as diabetes and heart disease.<sup>7</sup>

In recent decades, income support programs have become increasingly effective at reducing children’s poverty while narrowing long-standing gaps in poverty by race, though the nation needs to make substantial improvement to reduce still-high poverty rates and wide disparities. From 1970 to 2017, poverty among Black and Latino children fell by 32 and 35 percentage points, respectively, compared to falling by 10 percentage points for white children, according to one measure. More than half of these declines reflected the increasing poverty-reducing effectiveness of government assistance at lifting families’ incomes above the poverty line.<sup>8</sup>

Poverty remains high, however, especially among Black and Latino children. Under current policies, poverty in 2022 will be 24.3 percent for Black children and 21.8 percent for Latino children, compared to 8.8 percent for white children, Columbia University researchers recently projected. If, however, President Biden’s American Families Plan were enacted, the poverty rates would be 12.8, 12.2, and 4.1 percent, respectively, substantially shrinking racial gaps in child poverty, the researchers estimate. The American Families Plan would also greatly reduce poverty among Asian children from 12.2 percent to 7.6 percent. The projected overall child poverty rate would shrink by nearly half, from 14.7 to 7.8 percent,<sup>9</sup> (see Figure 1) marking an important step toward improving the economic security for children of all races and ethnicities.

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<sup>5</sup> CBPP analysis of U.S. Census Bureau’s 2019 American Community Survey public use microdata sample.

<sup>6</sup> National Academies of Sciences, Engineering, and Medicine, *A Roadmap to Reducing Child Poverty*, National Academies Press, 2019, <https://www.nap.edu/read/25246>.

<sup>7</sup> Arloc Sherman and Tazra Mitchell, “Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find,” Center on Budget and Policy Priorities, July 17, 2017, <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-help-low-income-children-succeed-over>.

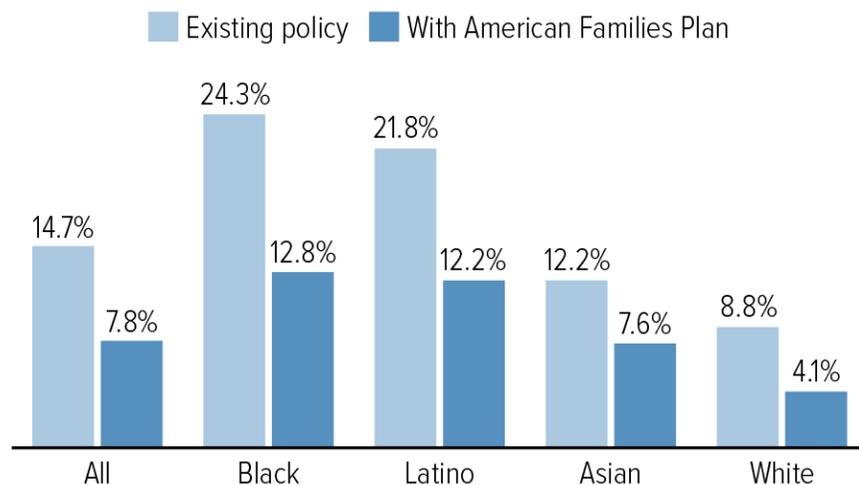
<sup>8</sup> Danilo Trisi and Matt Saenz, “Economic Security Programs Reduce Overall Poverty, Racial and Ethnic Inequities,” Center on Budget and Policy Priorities, January 28, 2021, <https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-reduce-overall-poverty-racial-and-ethnic>.

<sup>9</sup> Sophie Collyer *et al.*, “The Potential Poverty Reduction Effect of the American Families Plan,” Columbia University Center on Poverty and Social Policy, April 28, 2021, <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/6089abfe510bad33dcecc4c9/1619635200067/Poverty-Reduction-Analysis-American-Families-Plan-CPSP-2021.pdf>. Due to limitations of the Census data, the figures do not reflect program rules that limit eligibility for the Earned Income Tax Credit, Child Tax Credit, SNAP, and other

FIGURE 1

## Key Provisions of American Families Plan Would Cut Child Poverty Nearly in Half and Substantially Reduce Racial and Ethnic Gaps in Child Poverty

Percent of children in poverty in 2022



Note: Figures use the Supplemental Poverty Measure. This analysis includes the effects of an expanded and fully refundable Child Tax Credit, expansion of the Earned Income Tax Credit for workers without children, the Child and Dependent Care Tax Credit, the Summer Electronic Benefit Transfer (EBT) Program and Pell Grants. Due to limitations of the Census data, the figures do not reflect program rules that limit eligibility for certain immigrants. This omission likely has little effect on most of the estimates shown here; the poverty reduction for Latino and Asian children, however, may be somewhat overstated.

Source: Sophie Collyer et al., “The Potential Poverty Reduction Effect of the American Families Plan.” Columbia University Center on Poverty and Social Policy, April 28, 2021.

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In addition to income assistance programs, other careful investments in children, such as child care and early education, matter as well. “The literature is clear: Dollars invested in ECD [Early Childhood Development] yield extraordinary public returns,” such as fewer years of repeated schooling, higher future earnings, and less crime, a Federal Reserve Bank of Minneapolis analysis explains.<sup>10</sup> Early education appears to have even greater positive effects when high-quality preschool is followed by better-funded K-12 schools. (Similarly, K-12 spending is even more effective at boosting students’ future earnings and other outcomes when preceded by early childhood education.)<sup>11</sup>

benefits for certain immigrants. This omission likely has little effect on most of the estimates shown here; the poverty reduction for Latino and Asian children, however, may be somewhat overstated.

<sup>10</sup> Arthur J. Rolnick and Rob Grunewald, “Early Childhood Development: Economic Development with a High Public Return,” Federal Reserve Bank of Minneapolis, March 1, 2003, <https://www.minneapolisfed.org/article/2003/early-childhood-development-economic-development-with-a-high-public-return>.

<sup>11</sup> Cortney Sanders, “Research Note: Combining Early Education and K-12 Investments Has Powerful Positive Effects,” Center on Budget and Policy Priorities, February 28, 2019, <https://www.cbpp.org/research/state-budget-and-tax/research-note-combining-early-education-and-k-12-investments-has>.

The upcoming recovery package should make critical investments in children, including steps to:

**Make the American Rescue Plan expansion of the Child Tax Credit permanent.** Before the Rescue Plan, which the President signed in March, temporarily expanded the Child Tax Credit, some 27 million children — including roughly half of Black children and half of Latino children,<sup>12</sup> as well as a similar share of children in the nation’s racially diverse rural areas<sup>13</sup> — received only a partial Child Tax Credit or none at all because their parents’ earnings were too low or they were out of work during the year. The Rescue Plan makes the full credit available to all such children, increases its maximum amount to \$3,000 per child and \$3,600 for children under 6, and expands the credit to cover 17-year-olds. (The Rescue Plan’s increase in the maximum credit amount begins to phase out for single filers making \$75,000, heads of households making \$112,500, and married couples making \$150,000.) Policymakers should make these expansions permanent. That is projected to reduce poverty among Black and Latino children by over 40 percent each and among Asian American children by about 30 percent, lifting an estimated 4.1 million children above the poverty line, including roughly 1.6 million Latino children, 930,000 Black children, and 132,000 Asian American children. Children of color in middle-income families will benefit as well. In total, about 90 percent of children — or an estimated 65.6 million children — will benefit from the Child Tax Credit expansion, including 17.5 million Latino children, 9.4 million Black children, 2.8 million Asian American children, and up to 1.6 million American Indian and Alaska Native children.<sup>14</sup>

**Expand housing vouchers to move toward the goal of ensuring that all households that need rental assistance can get it.** Nearly 8 million children in low-income families face housing affordability challenges, and more than 1.3 million children experienced homelessness at some point during the 2018-2019 school year. More than half (53 percent) of all families with children experiencing homelessness on a single night in January of 2020 were Black, reflecting a long history of discrimination in housing, employment, and beyond that has helped make Black people and other people of color likelier to rent their homes, pay more than half of their incomes on rent, and experience homelessness. A broad body of research links homelessness, housing instability,

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<sup>12</sup> Jacob Goldin and Katherine Michelmore, “Who Benefits From the Child Tax Credit?” National Bureau of Economic Research Working Paper No. 27940, October 2020, <https://www.nber.org/papers/w27940>.

<sup>13</sup> About a quarter of rural residents identify as Black, Latino, Asian, American Indian, Alaska Native, Native Hawaiian, or other Pacific Islander, or identify with more than one race. Chuck Marr *et al.*, “Expanding Child Tax Credit and Earned Income Tax Credit Would Benefit More Than 10 Million Rural Residents, Strongly Help Rural Areas,” Center on Budget and Policy Priorities, August 6, 2020, <https://www.cbpp.org/research/federal-tax/expanding-child-tax-credit-and-earned-income-tax-credit-would-benefit-more>.

<sup>14</sup> Figures for children identified as American Indian or Alaska Native (AIAN) are particularly sensitive to how the racial category is defined. Among the roughly 1.6 million children identified as AIAN alone or in combination, regardless of Latino ethnicity, 124,000 would be lifted above the poverty line by a permanent Child Tax Credit expansion and about 1.5 million would benefit from the expansion in total. (If we apply the non-overlapping categories this report uses for other groups, only 555,000 children are considered AIAN alone, not Latino; 50,000 of them would be lifted above the poverty line by this Child Tax Credit expansion and about 524,000 would benefit from this expansion in total.) CBPP analysis of the U.S. Census Bureau’s March 2019 Current Population Survey (for national total) allocated by race or ethnicity based on CBPP analysis of American Community Survey (ACS) data for 2016-2018, using 2021 tax parameters and incomes adjusted for inflation to 2021 dollars. These calculations use the Supplemental Poverty Measure, which counts more forms of income than the “official” poverty measure (among other differences). Chuck Marr *et al.*, “Congress Should Adopt American Families Plan’s Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent,” Center on Budget and Policy Priorities, May 24, 2021, <https://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child>.

overcrowding, and poverty to adverse effects on children’s health, development, and education, including cognitive and mental health issues, asthma, and difficulties in school.<sup>15</sup>

Housing vouchers make it less likely that a low-income family lives in crowded housing (by 52 percent) or is homeless (by 74 percent), and they reduce that family’s frequency of moving (by 35 percent)<sup>16</sup> — all of which helps reduce school disruption and other harmful outcomes for children. But just 1 in 4 eligible households receive any federal rental assistance due to limited funding. That prevents vouchers from reaching 24 million people, including nearly 8 million children, in low-income renter households that pay more than half of their income for rent and utilities. Most (62 percent) are people of color, including 6.8 million Latino people, 5.8 million Black people, 1.4 million Asian or Pacific Islander people, 725,000 multiracial people, and 242,000 American Indian or Alaska Native people.<sup>17</sup>

Providing vouchers to *all* eligible households would lift 9.3 million people above the poverty line, including 3.4 million children, thereby cutting child poverty by a third, according to a recent Columbia University study.<sup>18</sup> People of color would experience the steepest declines in poverty.<sup>19</sup> In particular, expanding vouchers to all eligible households would cut the poverty rate for Latino people by a third, for Black people by a quarter, and for Asian people and Pacific Islanders and American Indians and Alaska Natives by a fifth. Vouchers also can give people of color — whose housing choices have long been limited by segregation, redlining, and other structural racism — the option to live in a broader range of neighborhoods, including neighborhoods with high-performing schools.

**Invest in high-quality child care and early education.** Expanding child care subsidies; increasing Head Start, Early Head Start, and other high-quality preschool programs; and boosting the quality of care can advance equity and opportunity for children, promote future economic growth, and help make work possible for parents.<sup>20</sup> A recent study of Boston students, who were

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<sup>15</sup> Sonya Acosta, “Rental Assistance in Recovery Legislation Needed to Protect Children From Hardship and Help Build a More Equitable Future,” Center on Budget and Policy Priorities, April 26, 2021, <https://www.cbpp.org/blog/rental-assistance-in-recovery-legislation-needed-to-protect-children-from-hardship-and-help>.

<sup>16</sup> Michele Wood, Jennifer Turnham, and Gregory Mills, “Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation,” *Housing Policy Debate*, Vol. 19, No. 2, January 2008, pp. 367-412.

<sup>17</sup> Will Fischer, Sonya Acosta, and Erik Gartland, “More Housing Vouchers: Most Important Step to Help More People Afford Stable Homes,” Center on Budget and Policy Priorities, updated May 13, 2021, <https://www.cbpp.org/research/housing/more-housing-vouchers-most-important-step-to-help-more-people-afford-stable-homes>.

<sup>18</sup> Sophie Collyer *et al.*, “Housing Vouchers and Tax Credits: Pairing the Proposal to Transform Section 8 with Expansions to the EITC and Child Tax Credit Could Cut the National Poverty Rate by Half,” Columbia University Center on Poverty and Social Policy, October 7, 2020, <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/5f7dd00e12dfe51e169a7e83/1602080783936/Housing-Vouchers-Proposal-Poverty-Impacts-CPSP-2020.pdf>.

<sup>19</sup> Alicia Mazzara, “Expanding Housing Vouchers Would Cut Poverty and Reduce Racial Disparities,” Center on Budget and Policy Priorities, May 11, 2021, <https://www.cbpp.org/blog/expanding-housing-vouchers-would-cut-poverty-and-reduce-racial-disparities>.

<sup>20</sup> Christine Johnson-Staub, “Equity Starts Early: Addressing Racial Inequities in Child Care and Early Education Policy,” Center for Law and Social Policy, December 2017, [https://www.clasp.org/sites/default/files/publications/2017/12/2017\\_EquityStartsEarly\\_0.pdf](https://www.clasp.org/sites/default/files/publications/2017/12/2017_EquityStartsEarly_0.pdf).

over two-thirds low income and over 70 percent Black or Latino, found that public preschool enrollment boosts college attendance and high school graduation.<sup>21</sup> Investing in the early care and education workforce and boosting their pay also would promote equity for these valuable yet badly underpaid workers, who are overwhelmingly women and disproportionately women of color and immigrant women and whose wages average only a third of those of elementary school teachers.<sup>22</sup> (See below for more on expanding child care as a critical support for workers.)

**Strengthen food assistance to reduce food hardship among children.** Food hardship among Black and Latino households is more than twice the rate for white households,<sup>23</sup> a sobering situation that was true even before food hardship spiked during COVID-19.<sup>24</sup> Taken together, adults who identify as American Indian, Alaska Native, Native Hawaiian, Pacific Islander, or multiracial also reported higher food hardship than white adults.<sup>25</sup> Because people of color have higher poverty rates — which is rooted in historical employment and education discrimination and other structural racism — they participate in federal nutrition programs at disproportionately high rates. Strengthening nutrition programs, such as by expanding access to free school meals in schools that serve large numbers of low-income students and creating a permanent nationwide school meal replacement program for the summer when children aren't in school (known as “Summer EBT”) to end the usual summer rise in food insecurity, would likely reduce high rates of food hardship among Black and Latino households with children and improve their future health and well-being.

**Ensure that families that include immigrants can access the supports they need to thrive.** About 17 percent of all children, 42 percent of Latino children, and 48 percent of Asian children live in a family that includes a non-citizen.<sup>26</sup> Due to immigration-related eligibility restrictions that exclude them or their parents from public benefits, many of these children don't have access to the same supports as other children. Furthermore, even when they're eligible, families sometimes forgo signing up their children for benefits because they fear that doing so may result in negative immigration-related consequences for their parents or other family members, even if that's not likely.

Eliminating discriminatory immigration-related restrictions on eligibility and investing in outreach to increase participation among immigrants and their families, would help them meet their basic needs, reduce hardship, and better position children, and the economy, for later success. Policymakers could start by restoring Child Tax Credit eligibility to children with Individual Tax

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<sup>21</sup> Guthrie Gray-Lobe, Parag A. Pathak, and Christopher R. Walters, “The Long-Term Effects of Universal Preschool in Boston,” National Bureau of Economic Research Working Paper No. 28756, May 2021, <https://www.nber.org/papers/w28756>.

<sup>22</sup> Caitlin McLean *et al.* “Early Childhood Workforce Index 2020,” Center for the Study of Child Care Employment, University of California, Berkeley, 2021, <https://csce.berkeley.edu/workforce-index-2020/>.

<sup>23</sup> Brynne Keith-Jennings, Catlin Nchako, and Joseph Llobrera, “Number of Families Struggling to Afford Food Rose Steeply in Pandemic and Remains High, Especially Among Children and Households of Color,” Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/food-assistance/number-of-families-struggling-to-afford-food-rose-steeply-in-pandemic-and>.

<sup>24</sup> Alisha Coleman-Jensen *et al.*, “Household Food Security in the United States in 2019,” U.S. Department of Agriculture, September 2020, <https://www.ers.usda.gov/publications/pub-details/?pubid=99281>.

<sup>25</sup> Keith-Jennings, Nchako, and Llobrera, *op. cit.*

<sup>26</sup> CBPP analysis of Census Bureau's March 2020 Current Population Survey (accessed via IPUMS-CPS).

Identification Numbers (ITINs, which the IRS issues to immigrants who do not qualify for a Social Security number), making the Earned Income Tax Credit (EITC) available to all families that include U.S. citizen children, and removing the restriction enacted in 1996 that makes many immigrants ineligible for such assistance as Medicaid and SNAP during their first five years in the United States. Of course, a key component to helping families that include immigrants is reforming our immigration laws so that immigrants without a documented status who are integral and long-standing members of our communities have a pathway to U.S. citizenship.

## **Support Workers Who Are Paid Low Wages or Out of Work**

In 2019 (that is, before the pandemic), 34 million people, including 15 million working adults, lived in families in which someone worked but the family's earnings were below the poverty line. That included 14 percent of Black workers and 13 percent of Latino workers, compared to 7 percent of white workers.<sup>27</sup> Raising the minimum wage is a key part of better supporting workers, but it's not sufficient. Policymakers also should make the investments below, which would markedly improve the economic security of those working in low-paid jobs or struggling to find work, as part of any recovery package.

**Make permanent the Rescue Plan's EITC expansion for low-paid adults without minor children at home.** Before the Rescue Plan, about 5.8 million workers aged 19 to 65, who are disproportionately Black and Latino workers, were taxed into or deeper into poverty, in part because their EITC was so small. That group included about 1.5 million Latino workers, 1 million Black workers, and 253,000 Asian American workers.<sup>28</sup> Making permanent the EITC expansion for workers without minor children at home, as President Biden's American Families Plan would do, would boost the incomes of an estimated 17.4 million low-paid adults, including roughly 3.6 million Latino workers, 2.7 million Black workers, 816,000 Asian American workers, and up to 530,000 Alaska Native and American Indian workers.<sup>29</sup>

**Reform unemployment insurance (UI).** Just before the pandemic, a large share of low-paid workers — who are disproportionately people of color — didn't qualify for *any* unemployment benefits when they lost their job, and those who did received very low benefits. Emerging from the

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<sup>27</sup> CBPP analysis of March 2020 Current Population Survey using the Supplemental Poverty Measure.

<sup>28</sup> CBPP estimates based on the U.S. Census Bureau's March 2019 Current Population Survey, using 2021 tax parameters and incomes adjusted for inflation to 2021 dollars. The estimates count all workers aged 19 to 65 (excluding full-time students aged 19 to 23) who are pushed below the Census poverty thresholds — or further below them — by their federal income tax liability (if any) and the employee share of the payroll tax. The estimate excludes full-time students aged 19 to 23 because, under current law, their parents can claim them as qualifying children for the larger EITC for families with children. Poverty status is determined at the level of the tax filing unit. We use the 2020 Census official poverty threshold that is appropriate for the tax unit based on the number and age of the tax unit members, inflated to 2021 dollars.

<sup>29</sup> Among the roughly 1.4 million workers aged 19 and over without children (excluding students under age 24 attending school at least part time) who identify as AIAN alone or in combination, regardless of Latino ethnicity, 365,000 would benefit from the EITC expansion in the American Families Plan. (If we apply the non-overlapping categories that this report uses for other groups, only 530,000 workers aged 19 and over without children, excluding students under age 24 attending school at least part time, identify as AIAN alone, not Latino; 140,000 of them would benefit from the Families Plan's EITC expansion.) CBPP analysis of the U.S. Census Bureau's March 2019 Current Population Survey (for national total) allocated by race or ethnicity based on CBPP analysis of ACS data for 2016-2018, using 2021 tax parameters and incomes adjusted for inflation to 2021 dollars. Marr *et al.*, "Congress Should Adopt American Families Plan's Permanent Expansions of Child Tax Credit and EITC, Make Additional Provisions Permanent," *op. cit.*

Great Recession of about a decade ago, an Urban Institute study found, Black workers had the lowest rate of receiving UI benefits among the unemployed; the UI reciprocity rate for Latino workers was also lower than that of white workers.<sup>30</sup> State actions after the Great Recession that made it harder to qualify for UI and in some cases cut weeks of benefits were particularly devastating for Black, Asian, Indigenous, and Latino people who lost their jobs.<sup>31</sup> The recovery package should include reforms to ensure that a broader swath of people who lose their jobs can qualify for UI benefits by modernizing eligibility criteria, requiring that all states provide at least 26 weeks of benefits, and raising benefit levels to replace a larger share of lost wages.<sup>32</sup>

More than 20 governors plan to prematurely end their states' participation in federally funded pandemic UI programs, including programs that boost benefits, broaden eligibility, and expand the number of weeks that benefits can be provided. Under federal law, these expansions run through September 6, but some states are ending them early<sup>33</sup> out of concern that the expanded benefits are prompting workers not to return to work quickly enough. These state actions are based on scant data, and they could hurt large numbers of workers who cannot quickly find suitable work. States and others are pointing to a single month of disappointing employment data that were collected before most adults were fully vaccinated and health concerns remained significant for many, when there is no clear evidence of broad labor shortages (as opposed to anecdotes, largely from restaurants and other hospitality-related employers), and when many schools and child care had not yet reopened for full, in-person services. A stronger underlying UI program with broader eligibility and more adequate benefits that expanded automatically when a recession hit — and that shrunk automatically when the labor market improved — would have meant that, during the recent deep recession, policymakers would have had to do less to put temporary measures in place and states would have had less flexibility to prematurely end benefits that people in their states need.

**Expand child care assistance to enable parents to work.** Child care is unaffordable and inaccessible for many working parents, especially for low-income and Black and Latino working parents.<sup>34</sup> But before the pandemic (and recent large temporary investments in child care), child care

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<sup>30</sup> Austin Nichols and Margaret Simms, "Racial and Ethnic Differences in Receipt of Unemployment Insurance Benefits during the Great Recession," Urban Institute, June 2012, <https://www.urban.org/sites/default/files/publication/25541/412596-Racial-and-Ethnic-Differences-in-Receipt-of-Unemployment-Insurance-Benefits-During-the-Great-Recession.PDF>.

<sup>31</sup> Nzingha Hooker and Alexa Tapia, "Slashing Unemployment Benefit Weeks Based on Jobless Rates Hurts Workers of Color," National Employment Law Project, May 14, 2021, <https://www.nelp.org/publication/slashing-unemployment-benefit-weeks-on-jobless-rates-hurts-workers-of-color>.

<sup>32</sup> Chad Stone, "Congress Should Heed President Biden's Call for Fundamental UI Reform," Center on Budget and Policy Priorities, May 5, 2021, <https://www.cbpp.org/research/economy/congress-should-heed-president-bidens-call-for-fundamental-ui-reform>

<sup>33</sup> Joseph Zeballos-Roig and Juliana Kaplan, "GOP-led states are cutting \$300 weekly federal unemployment benefits. Here are the 24 states making the cut this summer," *Business Insider*, May 25, 2021, <https://www.businessinsider.com/republican-states-cutting-unemployment-benefits-expanded-300-weekly-biden-stimulus-2021-5>.

<sup>34</sup> Maura Baldiga *et al.*, "Data-for-Equity Research Brief: Child Care Affordability for Working Parents," diversitydatakids, November 2018, [https://www.diversitydatakids.org/sites/default/files/2020-02/child-care\\_update.pdf](https://www.diversitydatakids.org/sites/default/files/2020-02/child-care_update.pdf); Rasheed Malik *et al.*, "America's Child Care Deserts in 2018," Center for American Progress, December 6, 2018, <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>.

subsidies were in very limited supply due to insufficient funding, with the Child Care and Development Block Grant reaching only 12 percent of potentially eligible children based on state income eligibility limits, according to the Center for Law and Social Policy.<sup>35</sup> Additional children are reached by other programs such as Head Start and public pre-kindergarten programs. Nevertheless, at current funding levels, the full array of available, publicly funded child care and early education programs surely are not robust enough to address all of the unmet need.

**Eliminate the SNAP three-month time limit.** Adults without a disability who are aged 18 to 49, not raising children at home, and not employed or in training 20 hours per week can get only three months of SNAP benefits out of every three years, unless the area they live in qualifies for a federal waiver — and their state applies for one — due to elevated unemployment. (Currently, the time limit is suspended nationally as long as the public health emergency remains in place.) The time limit, which essentially withholds food from such adults as punishment for not having a job, disproportionately affects people of color: over a quarter of adults potentially subject to the time limit are Black and about a fifth are Latino.<sup>36</sup> At the same time, nearly every study comparing the race and ethnicity of Temporary Assistance for Needy Families (TANF) recipients who are subject to work requirements finds that Black people are significantly likelier to be sanctioned — that is, lose some or all of their assistance — than their white counterparts.<sup>37</sup> That also likely occurs when the SNAP time limit is in effect as well.<sup>38</sup>

**Expand housing vouchers and invest in renovating and building affordable housing.** Due to low and stagnant wages, unpredictable hours, and rising rents, many working adults and families still face unsustainable housing costs. Over 8 million working adults live in a low-income renter household that pays more than half their income for rent and utilities.<sup>39</sup> Investing in housing vouchers and public housing will provide relief for many low-wage workers. Rental assistance also supports employment by providing stable housing, particularly for people leaving homelessness. Homelessness and housing instability, such as frequent moves or evictions, make it difficult for many people to find and maintain employment. In 2016, 89 percent of households in Department of Housing and Urban Development-assisted programs were elderly, had disabilities, worked, had recently worked, or likely were subject to work requirements through another program.<sup>40</sup>

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<sup>35</sup> Rebecca Ullrich, Stephanie Schmit, and Ruth Cosse, “Inequitable Access to Child Care Subsidies,” Center for Law and Social Policy, April 2019, [https://www.clasp.org/sites/default/files/publications/2019/04/2019\\_inequitableaccess.pdf](https://www.clasp.org/sites/default/files/publications/2019/04/2019_inequitableaccess.pdf).

<sup>36</sup> Joseph Llobrera, Catlin Nchako, and Lauren Hall, “SNAP Restricts Nutrition Assistance for Low-Income Non-Elderly Adults Not Living With Minor Children,” Center on Budget and Policy Priorities, January 28, 2021, <https://www.cbpp.org/research/poverty-and-inequality/a-frayed-and-fragmented-system-of-supports-for-low-income-adults#SNAP>.

<sup>37</sup> LaDonna Pavetti, “TANF Studies Show Work Requirement Proposals for Other Programs Would Harm Millions, Do Little to Increase Work,” Center on Budget and Policy Priorities, November 13, 2018, <https://www.cbpp.org/research/family-income-support/tanf-studies-show-work-requirement-proposals-for-other-programs>

<sup>38</sup> Erin Brantley, Drishti Pillai, and Leighton Ku, “Association of Work Requirements with Supplemental Nutrition Assistance Program Participation by Race/Ethnicity and Disability Status, 2013-2017,” JAMA Network Open, June 26, 2020, <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2767673>.

<sup>39</sup> Center on Budget and Policy Priorities, “Federal Rental Assistance Fact Sheets,” updated June 1, 2021, <https://www.cbpp.org/research/housing/federal-rental-assistance-fact-sheets#US>.

<sup>40</sup> Center on Budget and Policy Priorities, “Policy Basics: Federal Rental Assistance,” updated November 15, 2017, <https://www.cbpp.org/research/housing/federal-rental-assistance>.

As previously noted, expanding vouchers to all eligible households would cut the poverty rate sharply for Latino, Black, Asian, Pacific Islander, and American Indian and Alaska Native people. It also would significantly reduce homelessness, housing instability, and overcrowding among renters of color. People of color are overrepresented among the homeless population, including those identifying as Black, Latino, as well as Indigenous people (including Native Americans and Pacific Islanders). Black people account for nearly 40 percent of the homeless population and most homeless families with children.<sup>41</sup> Renovating public housing developments and other carefully designed affordable housing investments also would improve living conditions and health outcomes for residents of color. Some 43 percent of the heads of household in public housing are Black (non-Latino), while 25 percent are Latino, 3 percent are Asian or Pacific Islander, 1 percent are Native American, and 1 percent are multiracial.<sup>42</sup>

**Invest in workforce development and create subsidized jobs.** As the economy recovers, some workers and new labor market entrants will continue, for longer periods, to face challenges in finding jobs. Investments to help individuals improve their employment prospects can be particularly important for Black and Latino workers, who, due to structural racism, are likelier to experience low wages and barriers to employment, such as hiring discrimination.<sup>43</sup> Black and Latino unemployment rates are consistently higher than white rates. These gaps widen quickly in recessions and narrow more slowly after an economic recovery begins.<sup>44</sup> Creating an equitable recovery will require new targeted investments in evidence-based training for in-demand quality jobs, career navigation for those looking to enter new fields, and subsidized jobs for those who can't find work.<sup>45</sup> These investments are proven to boost earnings, employment, and other positive outcomes, providing pathways to those who would otherwise be left out of the recovery.<sup>46</sup> That's particularly true for adults, especially young adults (ages 18 to 24) who are involved in the criminal justice system and then return to their communities and seek employment. They may face barriers to qualify for

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<sup>41</sup> Meghan Henry *et al.*, "The 2020 Annual Homeless Assessment Report (AHAR) to Congress," U.S. Department of Housing and Urban Development, January 2021, <https://www.huduser.gov/portal/sites/default/files/pdf/2020-AHAR-Part-1.pdf>.

<sup>42</sup> Will Fischer, Sonya Acosta, and Anna Bailey, "An Agenda for the Future of Public Housing," Center on Budget and Policy Priorities, March 11, 2021, <https://www.cbpp.org/research/housing/an-agenda-for-the-future-of-public-housing>.

<sup>43</sup> Laura Meyer, "Subsidized Employment: A Proven Strategy to Aid an Equitable Economic Recovery," Center on Budget and Policy Priorities, updated April 1, 2021, <https://www.cbpp.org/research/family-income-support/subsidized-employment-a-proven-strategy-to-aid-an-equitable-economic>.

<sup>44</sup> Chad Stone, "Robust Unemployment Insurance, Other Relief Needed to Mitigate Racial and Ethnic Unemployment Disparities," Center on Budget and Policy Priorities, August 5, 2020, <https://www.cbpp.org/research/economy/robust-unemployment-insurance-other-relief-needed-to-mitigate-racial-and-ethnic>.

<sup>45</sup> For additional details on subsidized jobs, see Caitlin C. Schnur, Chris Warland, and Melissa Young, "Framework for an Equity-Centered National Subsidized Employment Program," Heartland Alliance, January 12, 2021, <https://nationalinitiatives.issuelab.org/resource/framework-for-an-equity-centered-national-subsidized-employment-program.html>. For additional details on training and career navigation, see Larry Good and Earl Buford, "Modernizing and Investing in Workforce Development," Corporation for a Skilled Workforce, March 2021, <https://skilledwork.org/wp-content/uploads/2021/03/Modernizing-and-Investing-in-Workforce-Development.pdf>.

<sup>46</sup> Laura Meyer and LaDonna Pavetti, "TANF Improvements Needed to Help Parents Find Better Work and Benefit From an Equitable Recovery," Center on Budget and Policy Priorities, January 28, 2021, <https://www.cbpp.org/research/family-income-support/tanf-improvements-needed-to-help-parents-find-better-work-and>.

jobs because of their criminal record or because their involvement in the criminal justice system interrupted their education at a young age.<sup>47</sup>

**Create a national paid leave program.** No one should be forced to choose between their paycheck and caring for their family or their own health. Workers of color are less likely to have access to *any* family and medical leave, paid or unpaid.<sup>48</sup> Latino workers are particularly unlikely to have access to paid leave. Workers of color also are likelier to have to forgo needed time away from work, mainly because they cannot afford to take an unpaid leave. Policymakers should establish a permanent, broad-based, comprehensive, and progressive program of paid family and medical leave.<sup>49</sup>

## Achieve Historic Progress Toward Universal Health Coverage

The Affordable Care Act (ACA) cut the nation’s uninsured rate nearly in half, from 16 to 9 percent.<sup>50</sup> This historic achievement improved health care access, financial security, and health outcomes — including reductions in premature deaths<sup>51</sup> — and narrowed racial gaps in coverage and access to care.<sup>52</sup> But some 29 million people under age 65 remain uninsured, and they are disproportionately people of color. The nonelderly uninsured rates for Latino people (20.0 percent), Black people (11.4 percent), American Indian or Alaska Native people (21.7 percent), and Native Hawaiians and other Pacific Islander people (12.7 percent) are significantly higher than for white people (7.8 percent).<sup>53</sup> (See Table 1.)

A top priority of the recovery package should be extending coverage to more uninsured people and improving affordability and accessibility so that uninsured people who are eligible for coverage but not enrolled can get and maintain coverage. Covering the uninsured is an essential step toward addressing the nation’s persistent pattern of racial inequities in health care and health outcomes —

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<sup>47</sup> Johanna Lacoë *et al.*, “Supporting Reentry Employment and Success: A Summary of the Evidence for Adults and Young Adults,” Mathematica, September 2019, <https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/REOSupportingReentryEmploymentRB090319.pdf>.

<sup>48</sup> Pronita Gupta *et al.*, “Paid Family and Medical Leave is Critical for Low-wage Workers and Their Families,” Center for Law and Social Policy, December 19, 2018, <https://www.clasp.org/publications/fact-sheet/paid-family-and-medical-leave-critical-low-wage-workers-and-their-families>.

<sup>49</sup> Kathleen Romig and Kathleen Bryant, “A National Paid Leave Program Would Help Workers, Families,” Center on Budget and Policy Priorities, April 27, 2021, <https://www.cbpp.org/research/economy/a-national-paid-leave-program-would-help-workers-families>.

<sup>50</sup> Robin A. Cohen *et al.*, “Health Insurance Coverage: Early Release of Estimates from the National Health Interview Survey, 2018,” National Center for Health Statistics, May 2019, <https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201905.pdf>.

<sup>51</sup> Center on Budget and Policy Priorities, “Chart Book: Accomplishments of Affordable Care Act,” March 19, 2019, <https://www.cbpp.org/research/health/chart-book-accomplishments-of-affordable-care-act>; Jacob Goldin, Ithai Z. Lurie, and Janet McCubbin, “Health Insurance and Mortality: Experimental Evidence from Taxpayer Outreach,” *Quarterly Journal of Economics*, February 2021, <https://academic.oup.com/qje/article/136/1/1/5911132>.

<sup>52</sup> Jesse C. Baumgartner *et al.*, “How the Affordable Care Act Has Narrowed Racial and Ethnic Disparities in Access to Health Care,” Commonwealth Fund, January 16, 2020, <https://www.commonwealthfund.org/publications/2020/jan/how-ACA-narrowed-racial-ethnic-disparities-access>.

<sup>53</sup> Jennifer Tolbert, Kendal Orgera, and Anthony Damico, “Key Facts about the Uninsured Population,” Kaiser Family Foundation, November 6, 2020, <https://www.kff.org/uninsured/issue-brief/key-facts-about-the-uninsured-population/>

disparities on stark display during the pandemic, featuring higher hospitalization and death rates among people of color.<sup>54</sup>

TABLE 1

## Most Who Remain Uninsured Are People of Color

Health insurance coverage of people under 65 years old, 2019

|  | Uninsured<br>(millions) | Percent of Uninsured | Uninsured Rate |
|--|-------------------------|----------------------|----------------|
| <b>All races and ethnicities</b>                     | 28.9                    | 100.0%               | 10.9%          |
| <b>White</b>   | 11.9                    | 41.1%                | 7.8%           |
| <b>Black</b>   | 3.9                     | 13.4%                | 11.4%          |
| <b>Latino</b>  | 10.9                    | 37.6%                | 20.0%          |
| <b>Asian</b>   | 1.1                     | 3.9%                 | 7.2%           |
| <b>American Indians and<br/>Alaska Natives</b>       | 0.4                     | 1.4%                 | 21.7%          |
| <b>Native Hawaiian or Other<br/>Pacific Islander</b> | 0.1                     | 0.2%                 | 12.7%          |
| <b>Two or more races</b>                             | 0.7                     | 2.4%                 | 8.2%           |

Note: Categories are mutually exclusive. All individuals who identify as Latino are in the Latino category regardless of selected race. All respondents who self-identify as mixed race who do not also identify as Latino are part of the "Two or more races" category.

Source: Kaiser Family Foundation analysis of the U.S. Census Bureau's 2019 American Community Survey.

Black, Latino, and American Indian and Alaska Native workers are much less likely to have employer coverage than white workers;<sup>55</sup> facing structural barriers such as income and wealth inequities, they are disproportionately likely to work in lower-paid jobs that often don't come with health benefits. Strengthening Medicaid and subsidized marketplace coverage should be an important part of a recovery package that strives to make the economy work better for everyone, promote health, and narrow racial and ethnic disparities, including in health care.

Indeed, the ACA's Medicaid expansion is critical to achieving an equitable recovery. If the 12 states that have not expanded Medicaid did so, nearly 4 million uninsured low-income adults could gain coverage. People of color would disproportionately benefit: 28 percent of the uninsured people who would gain Medicaid eligibility are Latino and 28 percent are Black.<sup>56</sup> The American Rescue

<sup>54</sup> See Centers for Disease Control and Prevention, "Risk for COVID-19 Infection, Hospitalization, and Death by Race/Ethnicity," updated May 26, 2021, <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>; and Kaiser Family Foundation "COVID-19 Deaths by Race/Ethnicity," <https://www.kff.org/other/state-indicator/covid-19-deaths-by-race-ethnicity/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

<sup>55</sup> Kaiser Family Foundation, "Employer-Sponsored Coverage Rates for the Nonelderly by Race/Ethnicity," accessed May 2021, <https://www.kff.org/other/state-indicator/nonelderly-employer-coverage-rate-by-raceethnicity/>.

<sup>56</sup> Judith Solomon, "Federal Action Needed to Close Medicaid 'Coverage Gap,' Extend Coverage to 2.2 Million People," Center on Budget and Policy Priorities, May 6, 2021, <https://www.cbpp.org/research/health/federal-action-needed-to-close-medicaid-coverage-gap-extend-coverage-to-22-million>.

Plan included strong new incentives for states to expand Medicaid — on top of those already in place — but to date no state has moved to expand.<sup>57</sup>

The recovery package should:

**Close the Medicaid “coverage gap” and implement continuous eligibility in Medicaid.**

Given the lack of movement to adopt the Medicaid expansion in most states that haven’t done so already, one of the most important steps that policymakers can take to reduce racial disparities in health coverage is to create a federal fallback to provide health coverage for the 2.2 million uninsured people who are in the “coverage gap” — that is, they aren’t eligible for Medicaid because their states haven’t adopted the expansion and their incomes are too low to receive subsidized coverage through the ACA marketplace. (Another 1.8 million uninsured people in non-expansion states have incomes between 100 and 138 percent of the poverty line; they can buy subsidized coverage in the marketplace already, but they would qualify for Medicaid — which often has better coverage and lower cost-sharing requirements — if their states expanded.<sup>58</sup>) In addition, to make health coverage more stable, continuous, and accessible, policymakers should require or allow states to keep people who qualify for Medicaid enrolled for 12 months regardless of fluctuations in their income, reducing the likelihood that they will lose coverage due to small changes in income or administrative challenges.<sup>59</sup>

**Build on the latest improvements to the ACA marketplaces,** including by permanently extending the improvements in American Rescue Plan to reduce the costs of marketplace premiums for millions of people and by permanently boosting financial help to reduce people’s deductibles and other out-of-pocket costs.<sup>60</sup> About 8.9 million uninsured people were likely eligible for a federal premium tax credit under prior law, the Kaiser Family Foundation estimates. More than half of them are people of color, including 31 percent who are Latino and 15 percent who are Black.<sup>61</sup> And research shows that high cost-sharing charges can magnify racial and ethnic health inequities in access to care, while lowering cost-sharing charges can reduce these inequities.<sup>62</sup> The recovery

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<sup>57</sup> Tara Straw *et al.*, “Health Provisions in American Rescue Plan Act Improve Access to Health Coverage During COVID Crisis,” Center on Budget and Policy Priorities, March 11, 2021, <https://www.cbpp.org/research/health/health-provisions-in-american-rescue-plan-act-improve-access-to-health-coverage>.

<sup>58</sup> Rachel Garfield, Kendal Orgera, and Anthony Damico, “The Coverage Gap: Uninsured Poor Adults in States that Do Not Expand Medicaid,” Kaiser Family Foundation, January 21, 2021, <https://www.kff.org/medicaid/issue-brief/the-coverage-gap-uninsured-poor-adults-in-states-that-do-not-expand-medicaid/>.

<sup>59</sup> Jennifer Wagner and Judith Solomon, “Continuous Eligibility Keeps People Insured and Reduces Costs,” Center on Budget and Policy Priorities, May 4, 2021, <https://www.cbpp.org/research/health/continuous-eligibility-keeps-people-insured-and-reduces-costs>.

<sup>60</sup> Sarah Lueck and Tara Straw, “Recovery Legislation Should Build on ACA Successes to Expand Health Coverage, Improve Affordability,” Center on Budget and Policy Priorities, April 8, 2021, <https://www.cbpp.org/research/health/recovery-legislation-should-build-on-aca-successes-to-expand-health-coverage>.

<sup>61</sup> Daniel McDermott and Cynthia Cox, “A Closer Look at the Uninsured Marketplace Eligible Population Following the American Rescue Plan Act,” Kaiser Family Foundation, May 27, 2021, <https://www.kff.org/private-insurance/issue-brief/a-closer-look-at-the-uninsured-marketplace-eligible-population-following-the-american-rescue-plan-act/>.

<sup>62</sup> Sarah Lueck, “Recovery Legislation Should Reduce Marketplace Deductibles, Other Cost Sharing,” Center on Budget and Policy Priorities, May 19, 2021, <https://www.cbpp.org/blog/recovery-legislation-should-reduce-marketplace-deductibles-other-cost-sharing>.

package should also expand affordable coverage to more low-paid workers and their families, millions of whom are “firewalled” from accessing subsidized marketplace coverage because they have an offer of employer coverage that disqualifies them even though, in practice, the employer coverage is not affordable.<sup>63</sup> (Among other problems with the affordability standard under current rules, if an employer offers health coverage and the cost of coverage for an individual is technically affordable under the standard, then the entire family is barred from ACA marketplace subsidies even if *family* coverage isn’t affordable.)

**Improve continuity of care for people leaving jail or prison.** Many people go without needed health care while incarcerated, leave jail or prison without adequate access to medications, or don’t get needed health care when they return to the community. Addressing these gaps in care will improve health outcomes for those returning to communities, which includes a disproportionate number of Latino and Black people who are incarcerated at disproportionately high rates because of deeply flawed and racist criminal justice practices and policies. One solution is “in-reach” services through which case managers, clinicians, or peer support professionals visit people in jail or prison to help them prepare to return home. Recovery legislation should invest in reentry services — including in-reach services — especially to better serve people with chronic conditions, substance use disorders, and serious mental illness.<sup>64</sup> The recovery package should enable states to receive Medicaid funding for the Medicaid services they provide to people during their last 30 days in prison or jail, which would allow community providers to begin providing care and establish a plan for continuing necessary health care services in the community.

**Broaden the availability of home- and community-based services.** As the President proposed in his American Jobs Plan, the recovery package should provide additional funding for states to both expand home- and community-based services for seniors and people with disabilities who need that care *and* ensure that the growing number of caregiving jobs are good jobs that can support families. That will require better training and working conditions and higher pay. Most adult care workers are people of color (typically women of color), including 25 percent who are Black and 17 percent who are Latino.<sup>65</sup>

## Promote Equity for People Living in U.S. Territories

Unlike most other parts of the United States, its five inhabited territories — Puerto Rico, Guam, the U.S. Virgin Islands, Northern Mariana Islands, and American Samoa — often have convoluted and inferior access to federal government programs, including to such critical supports as Medicaid and SNAP. In addition, the territories only recently gained fuller access to other programs like the Child Tax Credit and the Earned Income Tax Credit after several decades of inferior treatment. These disparities are especially worrisome because the territories have some of the nation’s highest

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<sup>63</sup> Tara Straw, “Trapped by the Firewall: Policy Changes Are Needed to Improve Health Coverage for Low-Income Workers,” Center on Budget and Policy Priorities, December 3, 2019, <https://www.cbpp.org/research/health/trapped-by-the-firewall-policy-changes-are-needed-to-improve-health-coverage-for>.

<sup>64</sup> Anna Bailey, “An Equitable Recovery Needs Investments in Connecting People Leaving Jail or Prison to Health Care,” Center on Budget and Policy Priorities, April 14, 2021, <https://www.cbpp.org/blog/an-equitable-recovery-needs-investments-in-connecting-people-leaving-jail-or-prison-to-health>.

<sup>65</sup> Heidi Hartmann *et al.*, “The Shifting Supply and Demand of Care Work: The Growing Role of People of Color and Immigrants,” Institute for Women’s Policy Research, June 2018, [https://iwpr.org/wp-content/uploads/2020/08/C470\\_Shifting-Supply-of-Care-Work-Immigrants-and-POC.pdf](https://iwpr.org/wp-content/uploads/2020/08/C470_Shifting-Supply-of-Care-Work-Immigrants-and-POC.pdf).

poverty rates and their economic development has historically lagged behind the rest of the country. Moreover, the territories are still grappling with the compounded effects of many years of economic decline and the devastation from recent natural disasters.

In light of the above, the recovery package should:

**Provide adequate, stable Medicaid funding for Puerto Rico and the other territories.**

Unlike the states — for which the federal government covers between 50 and 78 percent of all Medicaid costs on an ongoing basis, with the percentage dependent on state per capita income — Puerto Rico and the other territories receive Medicaid funds through a fixed, inadequate block grant. Temporary increases in the territories’ allotments expire at the end of September 2021. The recovery package should include a permanent fix that gives the territories stable, adequate funding and puts them on a path to align their Medicaid programs with the program that operates in the states as quickly and completely as possible.

**Make the American Rescue Plan expansion of the Child Tax Credit permanent.** The Rescue Plan permanently fixed long-standing eligibility and funding inequities to make the Child Tax Credit available to families in the territories in the same way as families in the states. That means that the territories can receive the full benefits of the Rescue Plan’s Child Tax Credit expansion, which increases the credit’s maximum amount to \$3,000 per child and \$3,600 for children under 6 and expands the credit to 17-year-olds (as discussed above). Making the increased tax credits permanent would greatly help the territories, especially since average incomes are lower, and poverty rates much higher, there than in most parts of the country.

Because the recovery package may not immediately address territories’ total safety net inequities, future legislation should seek to redress critical gaps in the nutrition and disability assistance that they receive. Currently, only two of the five territories can participate in SNAP on the same basis as states, and just one of them fully participates in Supplemental Security Income. The federal government provides block grants to most territories to run alternative versions of these programs, but the block grants are too small to provide the same level of assistance as the entitlement versions of these programs in the 50 states. In light of the territories’ crippled economies and high poverty rates, policymakers should soon pursue permanent solutions to these gaps to better aid the territories’ recoveries.

## **Failure to Make These Investments Would Be Costly**

The nation needs to make important investments in children, workers, health care, and the residents of U.S. territories that will address glaring racial and ethnic disparities, enable more children to reach their full potential, help workers who are unemployed or struggling in low-paid jobs, improve health, and promote equity for those in the territories, where poverty is far higher than in the states and people have less access to the help they need to thrive. Policymakers should finance as much of these high-priority investments as possible with robust new revenues and health care cost savings, but they should not reduce these investments if they fall short of finding offsets to fully cover the costs in the near term. Given the urgent need to build an equitable recovery, the high return on investment of many of these policies, and today’s low interest rates, the nation stands to gain far more by financing some of these investments through borrowing in the near term than by jettisoning them if the funding offsets that are politically viable at the moment fall short of total investment needs.

Raising revenues in a progressive manner and investing these revenues to expand economic opportunity can help reduce racial and ethnic disparities, as can overhauling regressive or unproductive tax breaks and giving the IRS the tools it needs to collect more of the taxes that are owed. The 2017 tax-cut law worsened racial and ethnic inequities because its core provisions — including a deep cut in the corporate tax rate, tax cuts for heirs of multi-million-dollar estates, a cut in the top income tax rate, and a special deduction for a certain type of business income (for the owners of S corporations and other specific types of businesses) — were highly tilted to households at the top in terms of income.<sup>66</sup> The law provided a larger share of tax cuts to white households in the top 1 percent than to households of all races in the bottom 60 percent. Moreover, white households are three times likelier than Black and Latino households to be in the top 1 percent (after accounting for their relative shares of the overall population).<sup>67</sup>

The nation’s pursuit in recent decades of ever-lower taxes, especially on wealthy households — which are disproportionately white — has severely weakened its ability to invest in critical priorities and close disparities across lines of race, ethnicity, and immigration status. In 2019, after two decades and two large regressive tax cut packages, revenues stood at just 16.3 percent of the economy (as measured by gross domestic product, or GDP), compared to 20 percent of GDP in 2000, at a similar stage in the business cycle. The Congressional Budget Office projects that revenues as a share of GDP will edge up modestly in the coming decade under current law but will only average 17.3 percent while the 2017 tax cuts are in full effect. The revenue proposals in the American Jobs Plan and American Families Plan would partially reverse the deep corporate tax rate cut in the 2017 tax law, tax wealth more like wages, and advance a comprehensive proposal to improve tax compliance.<sup>68</sup> By asking the wealthiest households to pay a fairer amount in federal taxes, the Biden plans would help make our tax system more equitable, adequate, and sustainable and would provide the resources needed to invest in a more equitable recovery.<sup>69</sup>

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<sup>66</sup> Chye-Ching Huang, “Fundamentally Flawed 2017 Tax Law Largely Leaves Low- and Moderate-Income Americans Behind,” Center on Budget and Policy Priorities, February 27, 2019, <https://www.cbpp.org/research/federal-tax/fundamentally-flawed-2017-tax-law-largely-leaves-low-and-moderate-income>.

<sup>67</sup> Roderick Taylor, “ITEP-Prosperity Now: 2017 Tax Law Gives White Households in Top 1% More Than All Races in Bottom 60%,” Center on Budget and Policy Priorities, October 11, 2018, <https://www.cbpp.org/blog/itep-prosperity-now-2017-tax-law-gives-white-households-in-top-1-more-than-all-races-in-bottom>.

<sup>68</sup> Chuck Marr *et al.*, “Biden Proposals Would Reduce Large Tax Advantages for Those at the Top, Address Tax Gap,” Center on Budget and Policy Priorities, May 11, 2021, <https://www.cbpp.org/research/federal-tax/biden-proposals-would-reduce-large-tax-advantages-for-those-at-the-top-address>.

<sup>69</sup> Chuck Marr *et al.*, “Asking Wealthiest Households to Pay Fairer Amount in Tax Would Help Fund a More Equitable Recovery,” Center on Budget and Policy Priorities, April 22, 2021, <https://www.cbpp.org/research/federal-tax/asking-wealthiest-households-to-pay-fairer-amount-in-tax-would-help-fund-a>.