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Immediate and Robust Policy Response Needed in Face of Grave Risks to the Economy

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Executive Summary

The necessary public health measures that the nation is taking to reduce the spread of COVID-19, coupled with high levels of uncertainty about how long these measures — or even more serious ones — will need to remain in effect, are making a sharp economic decline very likely, with many economists noting that the economy is almost surely already in recession.

With schools closed, businesses shuttered, and a plea from public health officials for people to socially distance, workers from a broad swath of economy — from restaurants to barbershops to movie theaters to factory workers — can’t work because their businesses are closed entirely or facing sharp declines in demand.

An aggressive policy response is essential to mitigate the sharp drop in economic activity and increase in unemployment that are already underway. That response must include helping families pay their bills now, enabling states to avoid service cuts when the public and the economy can least afford them, bolstering access to health care, and shoring up consumer demand.

The just-enacted Families First Coronavirus Response Act takes important first steps. It increases the federal share of Medicaid funding; establishes new paid sick leave for some workers affected by the virus or school closures (as well as a new emergency family leave program for some workers affected by school closures); provides new flexibility and authorities in SNAP and other nutrition programs to meet new needs (such as children who have lost access to school meals); and supports state unemployment insurance programs. These policies, though, aim primarily to address the effects of the current public health emergency; much more needs to be done, particularly to mitigate the broad and damaging economic consequences of the pandemic.

Given the sharp rise in unemployment we will likely see in coming weeks, there is an enormous risk that our fiscal policy response will be too small to cushion the blow to individuals and families or to significantly affect the downward trajectory of the economy. The risk of an inadequate response — resulting in significant hardship to families that can’t make ends meet and a considerably deeper and longer recession — vastly exceeds the risk of doing “too much.”
The following are a set of high-priority proposals to help respond adequately to the health crisis and limit the severity and duration of the economic downturn by shoring up consumer purchasing power, addressing the needs of families hard hit by either COVID-19 or its economic fallout, and helping states avert damaging budget cuts that would make both the coming recession and widespread hardship worse.

Note that these are key policy responses that fall within our areas of expertise. Other areas, including addressing the child care needs of health care workers, ensuring that child care providers can stay in business, and proposals to address the needs of certain businesses and industries, are not addressed here.

**Strengthen Health Care and Provide States With Needed Fiscal Relief**

During an economic downturn, workers who lose their jobs often lose their employer-sponsored coverage, and the demands on the Medicaid program rise even as state budgets face new shortfalls. That dynamic is problematic in a typical recession, but it is even more important to address in the current public health emergency. The next policy response package should:

- **Further increase the federal share of Medicaid funding.** The Families First Coronavirus Response Act provided a modest but important temporary increase in the share of Medicaid costs borne by the federal government (known as the federal medical assistance percentage, or FMAP). The increase is less, however, than what economists estimate states will need to fill substantial budget shortfalls that will result from even a 1 percentage-point increase in unemployment.¹ Given the threat of a severe economic downturn, which would lead to much greater unemployment increases, and given that states will also face the direct Medicaid and public health costs associated with responding to COVID-19, the next package should include further increases in the FMAP that go into effect immediately. Those increases should continue until economic indicators signal that a recovery has taken hold. In other words, the FMAP increases should go into effect now but the package should include an economic trigger and the FMAP increase should trigger “off” once that measure shows that the economic downturn has ended and a recovery has taken hold.

Absent sufficient federal fiscal relief, states facing deteriorating budget conditions and balanced budget requirements may fail to take the steps needed for an effective public health response. They may also fail to implement aggressive social distancing measures if they lack sufficient resources to address the fallout — for example, to address financial hardship for residents and to ensure that essential services remain functional. And, states may cut Medicaid benefits, education funding, and other public services, harming state residents and further weakening the economy.

- **Help more people access health coverage.** During a public health emergency, it is more important than ever that everyone has access to affordable and quality coverage. Congress can take steps to improve access and take-up of Medicaid, encourage more states to adopt the Affordable Care Act’s (ACA) Medicaid expansion so there are fewer uninsured people amid the health crisis, and make it easier and more affordable for people to access ACA

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marketplace coverage, particularly if they lose their job and employment-based coverage or see their incomes fall. For those who fall through the cracks and remain uninsured, Congress could cover COVID-19-related treatment costs by broadening the Families First Coronavirus Response Act provision covering costs for COVID-19 testing.

- **Provide additional fiscal relief beyond what the FMAP provisions described above would provide, given the severe impact this crisis could have on state budgets.** Increasing the FMAP is the single most important way to get relief efficiently and quickly to states, but Congress should also enact additional emergency fiscal aid to states given the severe budget shortfalls they are likely to face. We recommend that this added fiscal relief take a similar form to the 2009 Recovery Act’s State Fiscal Stabilization Fund (SFSF).

**Assist Struggling Individuals and Families**

The impact of an economic downturn is harshest for those who lose their jobs and those who already were struggling to make ends meet, who often see their incomes decline and chances to secure better jobs dim. Helping those most impacted also provides the greatest stimulus per dollar spent, because those who have seen large drops in their income or who are on the edge financially will spend the dollars they receive, not save them. While the Families First Coronavirus Response Act took some modest initial steps, the next package needs to do far more. It should:

- **Improve the unemployment insurance (UI) system.** Many workers who lose their jobs do not qualify for UI at all, qualify for low benefits, or exhaust their benefits before they can find a job. These issues are even more problematic during a sharp downturn, when finding a new job often takes significantly longer (and especially now, when many businesses are closed). Strengthening unemployment insurance not only helps protect families but is among the most effective ways to bolster a flagging economy, because jobless workers typically use the money quickly to cover their expenses, providing stimulus to the economy. Given the likelihood of significant and rapid job losses, Congress should immediately expand access to UI so more workers who lose their jobs can qualify, through the regular program or a reformed Disaster Unemployment Assistance program. Congress also should provide for a federally funded increase in weekly UI benefits and increase the maximum number of weeks of UI benefits available. The threat to the economy warrants taking these steps now and continuing them as long as the economy is weak.

- **Boost food assistance through SNAP (formerly food stamps).** The Families First Coronavirus Response Act expands emergency food assistance in a variety of ways during the public health emergency, but the threat of a sharp downturn calls for raising SNAP benefits both to help households weather this economic decline and to bolster the economy. The temporary benefit increase enacted in the Great Recession served as very effective stimulus and was critical to preventing far larger increases in poverty, the evidence shows. Congress also should suspend the three-month time limit on SNAP benefits for unemployed adults not raising minor children as long as the economy is weak, not just during the public health emergency as the Families First Coronavirus Response Act does. And Congress should halt implementation of new Trump Administration regulations that would cut SNAP benefits and take SNAP benefits away from 4 million people.

- **Provide needed assistance to avert housing crises and reduce homelessness.** A sharp downturn will increase the number of families facing stark economic hardship, including
those unable to pay the rent. More people will lose their jobs and have little savings to fall back on — and even with the UI improvements described above, many will not qualify for those benefits. Moreover, those who may have been out of work prior to this crisis will find that it takes significantly longer to find their next job.

Increased housing instability and homelessness would be particularly problematic during a pandemic, as those who lose their housing, particularly those forced to live on the street or in shelters, will face real challenges in staying healthy (as could those doubled up in overcrowded housing). Policymakers can reduce the likelihood of a sharp rise in severe hardship by immediately providing additional income (that is, cash) assistance to all households receiving SNAP: states already provide SNAP benefits electronically — via electronic benefit (EBT) cards that work like debit cards — to these struggling households. So, states could immediately provide a cash infusion through these cards (as long as the federal government reimburses the costs) to enable families to pay the rent for the months immediately ahead (until the stimulus payments discussed below begin to arrive).

States and localities also need additional resources for Emergency Solutions Grants and other crisis assistance to quickly help people afford and locate housing through rapid re-housing and rental assistance. These funds can also be used to expand shelter care (and rework shelter operations to minimize transmission of COVID-19) where needed and provide medical respite care to individuals without homes who are recovering from COVID-19, have been exposed to the virus, or are at risk of contracting the virus.

• Ensure that rental assistance programs do not face cuts. Many of the low-income working families served by the Department of Housing and Urban Development’s (HUD) affordable housing programs will see their incomes fall due to job loss or reductions in hours. As a result, the rental payments these families make (which are based on their income) will fall, straining the budgets of housing agencies, which must fill the gap without additional federal resources. Some agencies could be forced to reduce the number of families receiving Housing Choice Vouchers or pull back on needed maintenance and services within properties, even as need rises. Congress should provide funding to avert such cuts.

**Issue Broad-Based Payments to Bolster Households’ Finances, Boost Consumer Demand**

The pandemic and necessary public health response have dealt a serious blow to consumer spending, a key component of the nation’s economy. While the targeted assistance to those most in need (discussed above) is critical for mitigating severe hardship, broad-based payments to individuals and households are also a key policy tool for cushioning the blow for a broader swath of the country and for boosting consumer demand.

In an encouraging sign, there have been bipartisan discussions about providing direct and significant stimulus payments to households, by check or direct deposit. Such payments are sound policy and should be included in the next package, but how the payments are designed will determine their effectiveness in bolstering families’ finances and boosting consumer demand. Policymakers should ensure that such payments include poor and low-income individuals and households (including those who do not file a tax return) and that such individuals and households receive the same (or more) assistance than other households.
Congress also should enact improvements in two key tax credits, the Earned Income Tax Credit (EITC) and Child Tax Credit, which would provide targeted benefits to families that would come at next year’s tax filing season. It appears that restaurants and retailers will push for a change to address the so-called “retail glitch” in the 2017 tax law; any such relief should be accompanied by EITC and CTC improvements, which would provide crucial income support to millions of low-wage workers who work in restaurants, retail stores, and other low-wage jobs.

**Improve New Paid Leave Provisions of the Families First Act**

The Families First Coronavirus Response Act provides new paid sick leave and longer periods of paid family and medical leave to many workers, with the cost of those benefits reimbursed by the federal government. But it also leaves out important groups, such as low-wage workers in large companies, and fails to provide leave for caregivers for older adults and people with disabilities whose regular daily caregiving arrangements (such as adult day programs or personal care assistants) have ended because of the COVID-19 response. (Parents who cannot work because their children’s school is closed are eligible for such leave.) The Act also includes a mechanism that may inhibit timely reimbursement to employers for the leave they provide. The Act is a critical first step, but policymakers should address these problem areas.

We discuss each of these areas more detail below.

**Strengthen Health Care and Provide States With Needed Fiscal Relief**

The Families First Coronavirus Response Act includes important steps to strengthen health coverage programs to address the immediate public health emergency and the economic downturn that will likely result. It provides additional federal Medicaid funds to states, covers COVID-19 testing costs for people who are uninsured, and ensures that private health plans cover COVID-19 testing and treatment.

In the next round of legislation, Congress should take further steps to maintain and expand health coverage, including providing additional Medicaid funding for states, maximizing the number of people enrolled in comprehensive coverage, and covering other COVID-19 costs (beyond testing) for people who are uninsured.

**Providing Additional Medicaid Funding for States**

The Families First Coronavirus Act takes an important first step by providing a 6.2 percentage-point increase in the federal medical assistance percentage (FMAP) — the share of Medicaid costs paid by the federal government — for all states for the duration of the public health emergency. But that increase is much less than will almost certainly be needed.

A 6.2 percentage-point FMAP increase is less than what economists estimate states would need to fill budget shortfalls resulting from even a 1 percentage-point increase in unemployment. A more substantial economic downturn, which looks increasingly likely with each passing day, could lead to much greater unemployment increases. And on top of that, states will face the direct costs associated with responding to COVID-19. Absent sufficient federal fiscal relief, states facing deteriorating budget conditions and balanced budget requirements may fail to take the steps needed for an effective public health response.
We therefore recommend:

- **A larger nationwide FMAP increase.** Congress should increase the immediate, nationwide FMAP boost linked to the public health emergency to 10 percentage points, roughly what would be needed to fill state budget shortfalls from a 1.5 percentage-point increase in unemployment or to compensate for a smaller unemployment increase plus direct COVID-19 related costs. This is similar to the average FMAP increase under the 2009 Recovery Act.

- **Additional, longer-lasting FMAP increases based on economic conditions.** Given uncertainty about the extent, duration, and regional pattern of any economic downturn, it would make sense to provide additional FMAP increases based on state economic conditions. Such increases would automatically turn on and scale with the extent of the downturn and turn off as the economy improves.²

- **Increasing the Medicaid expansion match to 100 percent for the duration of the public health emergency.** The ACA’s Medicaid expansion covers over 4 million people aged 50-64 (about a quarter of the expansion population) as well as millions of people of all ages whose chronic health conditions put them at elevated risk for COVID-19. Convincing states that haven’t done so to expand Medicaid would be among the highest-impact ways to expand coverage, make sure more people get tested and treated for the virus, prevent sharp increases in uninsured rates if people lose their jobs due to an economic downturn, and provide additional fiscal stimulus.

**Maximizing Comprehensive Health Coverage**

Expanding coverage is critical to responding to this public health emergency and the loss of coverage that will accompany a sharp economic downturn. The following are steps policymakers should take to increase coverage.

*Expanding the availability and increasing take-up of Medicaid coverage*

As in past crises, individual states may seek amendments to their Medicaid state plans or waivers to expand Medicaid eligibility and use existing flexibilities to ensure people can easily enroll and stay enrolled. These waivers will be a positive step, but with certain legislative changes, coverage can be expanded to a larger agree. Policymakers should:

- **Broaden access to emergency Medicaid for the duration of the public health emergency.** Effectively addressing the public health emergency requires that all U.S. residents be able to access the care they need. Broadening access to emergency Medicaid would allow people with low incomes to access COVID-19 related care regardless of immigration status.

- **Broaden the use of presumptive eligibility.** Presumptive eligibility is a Medicaid policy option that permits states to authorize specific types of “qualified entities,” such as federally qualified health centers and hospitals, to make immediate, temporary Medicaid eligibility decisions. Broader use of presumptive eligibility can be an effective way to reach and quickly enroll people who are eligible but not enrolled in Medicaid and ensure that hospitals (and

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² Fiedler, Furman, and Powell, *op. cit.*, outline one sound structure for such a trigger.
other providers) receive payment for services. This may be especially important in coming weeks and months as state Medicaid and human services agencies face tremendous strain due to social distancing measures, with many offices closed and many staff unable to telework.

- **Encourage immediate expansion of Medicaid.** As discussed above, we recommend increasing the federal matching rate for the expansion population to 100 percent.

**Facilitating transitions from employer coverage to marketplace coverage**

Given the expected economic downturn, it will be critical for people losing job-based coverage and with incomes higher than Medicaid eligibility levels to transition smoothly to the ACA marketplaces. Congress should help facilitate these transitions by increasing the ACA’s premium tax credits. In addition to promoting enrollment, this would provide timely, well-targeted help to people who are at risk of serious financial hardship and would serve as effective stimulus.

**Covering Costs for Those Who Remain Uninsured**

Even with all the proposals above, some people will inevitably remain uninsured. The Families First Coronavirus Response Act took an important first step by instructing the Administration to use the National Disaster Medical System (NDMS) to cover uninsured people’s COVID-19 testing costs. But steps need to be taken to allow people who are uninsured to seek other COVID-19 related care without fearing bankruptcy, to ensure that providers serve them without considering their insurance status, and to protect providers that see a disproportionate number of uninsured patients from being saddled with high cost burdens.

One option would be to broaden the legislation’s NDMS provision to cover other COVID-19 related treatment costs. Congress should also include a requirement that providers that bill through NDMS accept government reimbursement as payment in full and not bill patients for additional costs.

**Providing Additional Needed State Fiscal Relief**

Given the severe threat to the economy — and the resulting threat to state finances — states will likely need additional fiscal relief beyond what the FMAP provisions described above would provide. During the last recession, states faced budget shortfalls totaling about $600 billion. The Recovery Act’s FMAP provisions provided roughly $100 billion in fiscal relief — a big help, but well short of what it would have taken for states to avoid laying off teachers and other workers and cutting services in other ways that deepened the recession. Increasing the FMAP is the single most important way to get fiscal relief efficiently to states, but Congress should also enact additional emergency fiscal aid to states. We recommend that this added fiscal relief take a similar form to the Recovery Act’s State Fiscal Stabilization Fund (SFSF), which provided roughly $60 billion in fiscal aid to states.

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Given the wide range of fiscal challenges states are facing, they should have significant flexibility over how to spend this aid. The SFSF required states to spend 82 percent of the aid on education, including both K-12 and higher education. A new version of the SFSF should allow states to spend a smaller percentage of the aid on education, so that states are free to best respond to the COVID-19 outbreak and its economic fallout, but still require that a substantial share be used to support state education systems. While many schools and universities will likely be closed in the next few weeks, teachers still need to be paid (to avoid hardship and further drag on the economy). And if revenues decline as sharply as expected, states will face serious difficulties in adequately supporting their schools in the coming fiscal year, when schools will be trying to make up for lost class time. Education accounts for roughly 40 percent of state spending, the single largest part of state budgets, making it very difficult for states to avoid cutting educational services when revenues decline sharply.

As under the Recovery Act, states would be required to distribute funding to schools using their existing funding formulas, which favor low-income districts, or by distributing funding directly to Title I schools (schools that serve a large number of disadvantaged students). States should also be encouraged to use the funding to increase college tuition assistance for low-income people facing a tough job market and students whose families’ ability to help pay for school has diminished. Targeting state fiscal aid to protect education systems in the coming year would benefit the nation’s economy in the longer term by improving the educational outcomes of students, many of whom are now missing weeks of school. And requiring states to distribute a substantial share of this aid to schools would help protect against some states accepting the aid and then using it instead to cut taxes. As under the Recovery Act, this new version of the SFSF should include a maintenance-of-effort provision that requires states to maintain their own education spending at current levels.

Finally, Congress should also consider certain forms of direct aid to localities, whose own budgets will also be deeply harmed. For example, Congress should consider direct aid to public transit systems, whether buses or subways, which stand to lose much of their fare revenue in coming weeks — losses that many of these systems will likely have difficulty recovering from on their own and that will further strain local budgets, risking cuts in other needed public services.

**Assist Struggling Individuals and Families**

**Addressing Job Loss and Providing Economic Stimulus Through Unemployment Insurance**

Business closings, social distancing, and quarantines due to COVID-19 will likely produce substantial job losses, with some states reportedly already seeing significant increases in weekly claims for unemployment. Many workers won’t qualify for or receive regular state Unemployment Insurance (UI) benefits, however, for reasons such as lacking sufficient work history, being self-employed, or having exhausted their regular benefits — and many who do qualify will receive low benefits that replace only a modest portion of their prior earnings and benefits that run out before work becomes available again. Recently, average weekly benefits were about $385 nationwide but ranged from lows of $163 in Puerto Rico and $213 in Mississippi to $546 in Massachusetts.

Immediately strengthening the unemployment insurance system through temporary measures that respond to the economic crisis is critical to ensuring that those who lose their jobs can pay their rent or mortgage, put food on the table, and afford transportation. Because workers who lose their jobs
face a steep reduction in their income, unemployment benefits that they receive are spent quickly and, thus, are an important tool for bolstering a declining economy.

The Families First Coronavirus Response Act includes some modest improvements, but they are only a very small share of what is needed. It provides critically needed administrative resources to state unemployment insurance systems so they will have the capacity to process increased numbers of unemployment claims. And on a limited basis, it increases (to 100 percent) the federal matching rate for state spending on extended unemployment insurance benefits in high-unemployment states. The Act provides some new incentives for states to make their unemployment programs more robust and responsive, including waiving requirements that jobless workers search for work (which makes little sense at a time of quarantines and social distancing) and ensuring that employers are not penalized for increases in claims that stem from the health emergency.

These are positive steps, but modest ones; they are a shadow of the temporary UI changes adopted in the recession of a decade ago. There is an enormous risk now that economic activity will decline sharply and that unemployment will rise quickly. Important changes to unemployment insurance are essential to ensure that more jobless workers can qualify for benefits, that adequate weeks of benefits are available, and that benefit levels are increased using federal funds. These steps will protect workers hit hard by losing their jobs to either the COVID-19 illness itself or the economic fallout from the pandemic. And, by shoring up families’ ability to pay their bills, these steps are critical to supporting consumer spending and thereby mitigating a decline in economic activity that otherwise could spiral into many more layoffs and a deep and protracted recession.

Given the benefits to both families and the economy, the following UI policy changes should be made immediately:

• UI benefits should be raised by $50-$75 per week (or more), with the benefit increase fully federally funded. (The 2009 Recovery Act provides a precedent for this type of action.)

• The federal government should fully fund 13 additional weeks of unemployment benefits in all states, with additional, federally funded extended benefits provided in states where unemployment is particularly high or has risen particularly rapidly. Workers in states with unemployment rates of 7.5, 8.5, or 9.5 percent would have access to additional weeks in 13-week increments.

• All states should be required to temporarily lift work search requirements during the public health emergency, given the public health guidance to socially distance and the fact that many places of work are closing (the Families First Coronavirus Response Act only provides a financial incentive to do so).

• All states should be required to provide 26 weeks of coverage in their state programs (this is the norm, but some states reduced the number of weeks provided in recent years) and adopt policies that ensure that more workers have access to UI benefits. These policies include: using the most recent quarters of a worker’s work history in determining the individual’s UI eligibility, providing UI to those who are seeking part-time (rather than full-time) work, and providing UI coverage to those who lose their jobs for compelling family, caregiving, or medical reasons.
These provisions should be put in place immediately for a set period of time — such as through the end of the year — and then continued nationally if economic conditions warrant or in individual states that continue to face high unemployment rates. They should end when the economy is firmly in a recovery.

In addition, Disaster Unemployment Assistance (DUA), particularly if strengthened, provides a useful way to reach those not eligible for regular UI and should be implemented as quickly as possible. DUA provides federally funded unemployment benefits to certain workers in communities hit by natural disasters. The National Employment Law Project (lead experts on DUA) has suggested that DUA also be made available for areas hard hit by COVID-19 transmission and that the program be improved by increasing benefits, making it available to more workers (which can help reduce strain on state UI programs), and increasing federal funding for state administrative costs.4

**Providing Food Assistance to Those Who Need It**

The Families First Coronavirus Response Act provides — on a temporary basis — new flexibility and authorities in SNAP and other nutrition programs to supplement existing programs during the current public health emergency. The most important provisions include:

- Allowing states to provide SNAP benefits to households with children who attend a school that is closed and who would otherwise receive free or reduced-price meals.

- Giving the U.S. Department of Agriculture (USDA) Secretary new flexibility to approve state plans to 1) provide emergency SNAP benefits to participating SNAP households to address temporary food needs, and 2) adjust aspects of their SNAP operations and procedures to help states to manage their workload under current conditions.

- Temporarily suspending nationally the three-month limit on SNAP benefit receipt that applies to unemployed adults under age 50 without children in the home.

- Giving additional flexibility for schools, community-based organizations, and child care providers to serve meals while allowing for social distancing.

- Providing new flexibility in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for states to seek waivers of rules that would impede enrolling and serving families remotely while WIC clinics are closed.

- Funding additional commodity purchases and boosting funding for the nutrition block grants in Puerto Rico, American Samoa, and Northern Mariana Islands.

If implemented quickly, these measures will be an important temporary tool to help many who experience an economic shock as a result of the public health emergency and may struggle to meet their food needs. Many children and seniors eat meals at school, child care centers, and adult day programs, and the Families First Coronavirus Act provides new tools to states to fill in when those programs are closed.

However, given the serious risk of a sharp economic decline and the fact that SNAP is one of the most effective mechanisms available both for reaching low-income households and for providing counter-cyclical help in recessions, we recommend additional SNAP-based measures, both to help families afford food during the downturn and to boost the economy. There is significant evidence that SNAP benefits are too low to help families afford a basic diet. During a recession, when households face longer periods of low earnings or no earnings, the fact that SNAP benefits are inadequate becomes a larger problem.

SNAP benefits are one of the fastest, most effective forms of economic stimulus because they get money into the economy very quickly. Low-income individuals generally spend all of their income meeting daily needs such as shelter, food, and transportation, and every dollar in SNAP that a low-income family receives enables the family to spend an additional dollar on food or other items. Some 80 percent of SNAP benefits are redeemed within two weeks of receipt; 97 percent are spent within a month.

The Congressional Budget Office (CBO) and Moody’s Analytics rate SNAP expenditures as one of the most effective supports for the economy during economic downturns. CBO has observed that increases in SNAP expenditures during economic slumps have one of the biggest “bangs for the buck” of any of a broad range of possible fiscal policies for shoring up a weak economy; in other words, SNAP’s expansion in recessions produces some of the largest increases in economic activity and employment per budgetary dollar expended.

Accordingly, we recommend a temporary, 15 percent increase in the SNAP maximum allotment level (known as the Thrifty Food Plan, or TFP). This would amount to an increase of approximately $25 per person per month, or just under $100 per month in food assistance for a family of four. It would increase SNAP by about $5 billion in the remainder of fiscal year 2020. (These figures reflect current assumptions about the number of participating SNAP households. The impact will be somewhat larger if more households apply for SNAP, as is likely to occur during a recession.)

Increasing SNAP benefits has yet another virtue — it’s among the most rapid (as well as the most efficient) forms of stimulus we can enact. If stimulus legislation is enacted in the next couple of weeks, states could modify their SNAP programs to provide the benefit increase for May benefits.

The temporary measures in the Families First Coronavirus Response Act are authorized to operate during the public health emergency. As long as the emergency persists and schools remain closed, it will be appropriate for households with school-age children to receive a supplement for the cost of school breakfasts and lunches they aren’t receiving at school, alongside the increased

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SNAP benefit their family would receive. Otherwise, the economic stimulus from the increased SNAP benefit level would lose much of its intended effect.

We recommend continuing the SNAP stimulus benefit increase and the suspension of certain SNAP rules until the economy improves. Legislation providing the benefit increase should include an economic trigger (as should various other policies we recommend here) so that the additional benefits (and the suspension of SNAP rules) turn off when economic measures show that economic conditions have improved.

We also recommend:

• **Suspension of the three-month limit on SNAP benefit receipt.** The three-month limit for adults aged 18-50 who aren’t working or in training 20 hours per week and aren’t raising children at home should be suspended in all states. The Families First Coronavirus Act suspends the time limit until the end of the month after the public health emergency declaration is lifted. The effects of the economic slowdown on labor-market opportunities for workers in low-wage occupations, however, will likely remain longer, so the suspension should stay in effect until the economy improves.

• **Suspension of implementation of Administration regulations.** The Administration currently is seeking three large SNAP cuts through regulations. If all were to go into effect, these regulations would take away food assistance from 4 million low-income individuals. Contracting eligibility for SNAP during a downturn runs counter to the goal of boosting demand.

• **Supplemental funding for states’ SNAP administrative costs.** To help states accommodate the costs of rising demand for services and implementing programmatic changes, we recommend the stimulus package make available to states an amount equal to 10 percent of federal payments for state administrative costs in the most recent fiscal year, which should be in effect during the period the SNAP benefit increase is in effect. (This also was done in the 2009 Recovery Act.) As in the Recovery Act, the funds would be allocated among states, with 75 percent of the allocation based on the number of SNAP households in the state and 25 percent based on recent state caseload growth.

**Assisting Families and Individuals With Immediate Hardships**

As the public health crisis and resulting economic dislocation unfold, states will need resources to provide basic income assistance and emergency aid to families and individuals facing serious economic hardship, which may be brought on by a rapidly deteriorating employment situation. For individuals and families that work in low-paying and unstable jobs that, in the best of times, leave them struggling to meet their basic needs, any reduction or disruption in income could quickly put them in a position of not being able to make ends meet. Of particular concern is their inability to pay their rent or utilities, which could lead to an increase in personal debt, evictions, and homelessness.

An Emergency Assistance and Subsidized Employment Fund (hereafter referred to as the Emergency Fund), building on the success of — and lessons learned from — a successful program in the Recovery Act that governors of both parties embraced, would provide states with resources to provide immediate cash assistance to households with the lowest incomes and flexible funds that
would allow them to tailor programs that prevent eviction and other immediate hardships. The Emergency Fund would include three parts: crisis avoidance payments, funds to reduce homelessness, and broader-purpose emergency assistance funding.

- **Crisis avoidance payments.** Households with the lowest incomes are the least likely to be able to meet their basic needs when their incomes are reduced. If (as we recommend below) stimulus payments (i.e., checks or their equivalent) are provided to households, those payments will likely take a while after enactment to actually reach people — particularly those who are not tax filers — which will be too long for many already struggling to make ends meet. To help these households stay current on paying their rent, utilities, and other major expenses, we propose providing states with resources to provide direct cash payments of something like $500 per month for a few months to all SNAP households (and to households in comparable programs in Puerto Rico, on Indian reservations, and in the other territories). The payments would be fully federally funded, and benefits would generally be provided on EBT cards — the same debit cards that households use to access their SNAP benefits. Many states can get these payments out in as little as two weeks, and the administrative costs for delivering such a benefit would be minimal. Because these benefits would go out to all SNAP households through existing mechanisms, providing them would place no additional burden on human service agency staff, who will be facing significant increased demands due to the crisis. These benefits also could be provided to Medicaid beneficiaries who don’t receive SNAP but have incomes below a certain percentage of the poverty line, like 133 percent. This would ensure that individuals who participate in Medicaid but not SNAP also receive these crisis avoidance payments.

If policymakers provided $500/month for three months to SNAP households, the cost would be $30 billion. The amount of the monthly cash supplement is dialable.

- **Expansion of Emergency Solutions Grants.** The second component of the fund would provide $4 billion to expand HUD’s Emergency Solutions Grants (ESG) program. The network of state and local agencies that assist people experiencing homelessness is facing urgent challenges. People living on the street or in shelters are highly vulnerable to COVID-19, are more likely to seek treatment in emergency rooms, and have no place to go to recover or receive follow-up care after receiving treatment. In addition, emergency shelters are scrambling to clean and reconfigure their facilities to limit COVID-19’s spread. And they may soon be dealing with a wave of additional people seeking shelter because they have been evicted following job losses. To address these challenges, ESG funding would enable communities to:
  - Provide rental aid (including temporary rental assistance and housing search assistance) to prevent evictions and homelessness, as well as to help people who are already experiencing homelessness to move rapidly from crowded shelters into permanent housing;
  - Expand emergency shelter capacity where needed, and configure shelter spaces in accordance with guidance from public health officials to better protect the health and safety of people experiencing homelessness; and
  - Increase funding for health care for the homeless clinics to provide temporary housing and medical services (known as “medical respite care”) to people without homes who are recovering from COVID-19, have been exposed to the virus, or are at risk of
contracting the virus, and have been discharged from hospitals or other health facilities. This will prevent recovering or high-risk patients from being discharged back into the streets or shelters, where they cannot be properly quarantined or receive health services they need.

The available funds would be allocated to Emergency Solutions Grantees using the same formula as the current ESGs. A key advantage of using the ESG infrastructure is that it already allocates funds to local areas, making it a quicker way to get resources to sub-state areas. The grantees also have experience operating these programs, which will make it easier for them to deploy the resources quickly. Given how fast COVID-19 spreads, it is important to do as much as possible to move individuals and families out of shelters or to reconfigure shelter spaces to promote social distancing and to reduce the chances of COVID-19 spreading rapidly among the homeless population (and beyond).

- **Emergency Assistance Grants to States.** It is impossible to anticipate all the emergency needs that may result from the current crisis, and those needs will likely change as the situation progresses. We propose providing $4 billion for Emergency Assistance Grants to states, the territories, and the tribes. The funds would be available to address other unmet emergency needs, including providing subsidized jobs once the health crisis is behind us and people are once again able to work but the economy is still weak. These funds also could be used to pay for the costs of providing monthly cash assistance to an increased number of families and for expanding existing or creating new emergency assistance programs (which could serve single individuals as well as families). States could transfer the funds to expand existing programs or create new programs to address needs that emerge from the pandemic but are not addressed through other funding streams. The funds would be allocated to the states and territories based on each state’s share of the number of people in poverty. At the federal level, the funds would be managed through the Department of Health and Human Services. The funds would be targeted to families with incomes below 200 percent of the federal poverty line.

**Preventing Hardship and Addressing Health Needs in HUD- and USDA-Assisted Housing**

Federal rental assistance provides stable homes to more than 5 million vulnerable low-income households, and is therefore a critically important resource during the current crisis. Rents are generally based on 30 percent of a household’s income, with the rent being adjusted as a family’s income changes, so rental assistance is well designed to respond to the widespread economic disruption and loss of earnings that will accompany the virus’s spread. To effectively assist low-income households, however, agencies and owners will require added funding to offset these rent reductions and cover added costs from providing services to quarantined residents, encouraging social distancing, regularly sanitizing developments, and transitioning to remote operations.

We recommend providing a total of at least $2 billion for these purposes, broken down as described below. These amounts would cover modest added COVID-19 related costs for a period of two to three months and offset the loss of 20 percent of earnings-based rents on average over the last ten months of the calendar year. It is difficult, however, to predict the duration or intensity of the pandemic and its economic effects, or the amount of added costs that owners and housing agencies will need to incur in response to this unprecedented situation. It’s possible that
considerably more than $2 billion could ultimately be needed to avoid serious adverse consequences for vulnerable low-income people.

- **Housing Choice Voucher renewal funds — $1 billion.** The voucher program assists large numbers of working families, and the cost of subsidies for these families will rise quickly as their earnings (and consequently the rents they can afford) drop. Without supplemental funds, many local housing agencies will have to reduce the number of families they assist, leaving families unable to afford homes in the midst of the pandemic. As a result, this is the most critically important funding need for existing rental assistance programs. We recommend that HUD provide half of the proposed funds as a pro rata funding increase for all local housing agencies to put the funds to use promptly and award the remainder in response to requests from agencies with particularly urgent needs.

- **Voucher administrative funds — $100 million.** This amount would provide supplemental administrative funding to support voucher agencies’ transition to remote operations (including, crucially, providing rent adjustments over the phone or online for families whose incomes drop) and other measures to adapt to the emergency. Half of this funding should be awarded as a pro rata funding increase for local housing agencies, and half in response to applications from agencies.

- **Public housing operating funds — $500 million.** Local public housing agencies rely on a combination of tenant rent payments and federal operating subsidies to cover the cost of administering and maintaining public housing developments. The pandemic will reduce their rent revenues as tenant incomes drop, leaving agencies with substantial immediate shortfalls. Without supplemental funding, agencies will be compelled to cut back on needed expenditures such as maintenance and security, and could feel pressure to slow downward rent adjustments or take punitive measures against residents who can’t pay their rent — steps that would risk displacing vulnerable households from their homes.

  The proposed amount would offset reductions in the rental revenues the agencies receive as a result of tenants’ earnings losses and would provide some added resources to cover increased expenditures needed to adequately assist residents during the pandemic. Half of these funds should be provided as a pro rata increase for all agencies, and half awarded by HUD in response to requests from agencies with particularly urgent needs.

- **Subsidize housing support funding — $450 million.** These funds would allow private owners to cover added administrative costs and provide services to quarantined residents in three programs: Sections 8 Project-Based Rental Assistance (PBRA), Section 202 Supportive Housing for the Elderly, and Section 811 Supportive Housing for People with Disabilities. The funds would also offset the loss of rent revenues due to earnings declines, particularly in PBRA (which, unlike the Section 202 and 811 programs, serves a sizable population of working-age adults without disabilities). HUD should award these funds in response to applications from owners.

- **Rural housing support funding — $100 million.** This would offset losses of rental revenue and cover added costs at housing developments that receive rural rental assistance through USDA.

In addition to providing these funds, lawmakers should prohibit agencies and owners that administer rental assistance from evicting tenants or terminating their subsidies during the
coronavirus emergency (with narrow exceptions, such as for tenants that engage in violent behavior).

**Issue Broad-Based Payments to Bolster Households’ Finances, Boost Consumer Demand**

In an encouraging sign, there is growing bipartisan discussion of the importance of providing direct payments to a broad swath of U.S. households as a way to reduce hardship for people who are directly hurt during this crisis and to inject consumer demand to help offset the sharp downward economic pressure. Direct payments to households are a key way to achieve these goals, but the design of the payments is critical to their success.

We recommend payments be robust enough to affect households’ spending, include low- and moderate-income households even if they do not file an income tax return, and be delivered as soon as possible. We also recommend that policymakers consider enacting a second payment that would be timed several months after the first one and go out if economic indicators show that the economy is still flagging. Finally, we recommend enacting improvements in the Earned Income Tax Credit (EITC) and Child Tax Credit that would go into effect at next year’s tax filing season.

Key design considerations for these payments include size, reach, and speed.

- **Size:** The stimulus payments need to be large enough to provide meaningful relief to families that have lost income due to the crisis, either because of a job loss or missed time from work, and to families that may not have lost income yet but are concerned about that occurring and are reducing their spending now. Such a payment should be significant enough to make a short-term difference in a family’s ability to pay some rent, utility bills, or food or medical costs. The amounts need to be large enough in the aggregate to significantly boost consumer demand to help limit the damage of the downward economic pressure.

- **Reach:** These benefits need reach as many low-, moderate-, and middle-income households as possible, both to provide broad protection against the impacts of the downturn for individuals and households and to ensure that the stimulative impact on the economy is large. This means there should be no minimum income test for the payments, and low-income families should receive the same or greater amounts as people with higher incomes. Low-income families are the most vulnerable during severe economic times. They are often more likely to see their earnings fall, and are less likely to have a financial cushion to rely on. Consider, for example, the millions of low-wage workers who wait tables, serve food, or wash dishes in the restaurants that are shutting down or operating at far lower capacity than previously. Stimulus payments made in 2008 and 2009 recognized the need for a broad approach; they included people who receive Social Security, Supplemental Security Income (SSI), and veterans’ benefits. (The 2008 payment excluded SSI recipients.)

To address the current crisis, we recommend that payments be made available to everyone who files a tax return, people who receive Social Security, SSI, and veterans' benefits, as well as individuals who receive benefits such as Medicaid, SNAP, or Temporary Assistance for Needy Families (TANF) — with data matching used to avoid duplicate payments. And there should be a mechanism for allowing other non-tax
filers to benefit as well.\textsuperscript{7} Payments should also be extended to Puerto Rico and other territories, as in 2008.

Finally, while breadth is important, it would be preferable to phase the payments out at higher income levels, based on adjusted gross income (AGI). High-income people are less likely to spend marginal dollars and are better positioned to handle reductions in their incomes.

- **Speed:** The economy is in sharp decline, and a fast-acting response is needed to try to reduce the likelihood of a deep recession. These benefits should be delivered as soon as possible. For example, providing money through direct deposit is faster than through a paper check. Direct deposit should be used to deliver the stimulus payments where possible, though only when it is clear that the funds will reach the intended individual. The legislation also should give the IRS the resources it needs to implement these provisions.

Given the increased risk that low-income people will face significant hardship as a result of a potentially sharp downturn, some targeted improvements to the EITC and Child Tax Credit also should be enacted. There are roughly 26 million children in low-income families today who are partially or entirely shut out of the $2,000-per-child Child Tax Credit. The Child Tax Credit should be made fully available to these children in tax year 2020 — a benefit that families would receive when they file their taxes in early 2021. Second, more than 5 million low-wage workers are taxed into, or deeper into, poverty because their EITC (if they even receive it) is too small to offset their federal payroll and income taxes. They should receive an EITC boost for tax year 2020. Also, U.S. citizens in Puerto Rico who earn low wages do not have access to a robust EITC; a federally funded boost to the EITC in Puerto Rico should be included in the package.

There are bills pending in Congress that would make improvements to the credits, including the Economic Mobility Act, which passed the House Ways and Means Committee last year and then was part of unsuccessful congressional negotiations late last year to couple a tax improvement the restaurant and retail industries are seeking with provisions of the Economic Mobility Act. The restaurant and retailer industries are likely to again seek relief in the current legislation. Lawmakers could try to reach agreement this time on pairing that relief with refundable credit improvements and including that in the large economic package they’re now discussing. Such improvements in the EITC and Child Tax Credit would provide important income support to millions of low-wage workers who have been working in restaurants, retail stores, and other low-wage jobs.

**Improve New Paid Leave Provisions of Families First**

As the unfolding public health situation is demonstrating, when workers lack paid sick leave, there can be significant harm to them as well as to their co-workers, families, and communities, because often financial pressures lead ill workers to come to their workplace. Many workers already need longer-term paid family and medical leave, as more than half of American schoolchildren are now home for an indefinite period, and severe cases of the novel coronavirus are causing hospitalizations and lengthy recovery periods.

\textsuperscript{7} Some workers are not required to file an income tax return because their earnings are lower than the filing threshold. In some cases, such workers do not receive benefits from programs like SNAP, Medicaid, and TANF; this is particularly true of childless adults. There should be a mechanism so that such individuals also can benefit.
Providing paid sick leave as well as broader paid family and medical leave is important not only during a crisis such as the one we are experiencing, but also in everyday circumstances where workers lose income and jobs due to illness or caregiving responsibilities — or come to work sick.

The Families First Coronavirus Act takes important steps to expand access to paid sick days across the country during this crisis and creates the first nationwide paid family and medical leave program for the immediate emergency period. The new leave benefits would be initially paid by employers and then reimbursed by the federal government. However, the new law would exclude many workers from both the paid sick leave and longer-term paid family leave policies, and revisions to the bill that were adopted by the House on March 16 would restrict coverage further.

To expand access to paid sick days and paid family leave, we recommend that Congress make the following changes to the provisions of the Families First Coronavirus Response Act:

- **Accelerate the reimbursement mechanism to help businesses stay afloat and avoid layoffs.** The new law specifies that businesses would be reimbursed on a quarterly basis for their expenses for the emergency paid sick and family leave. However, many businesses are already facing cash flow problems due to plummeting demand, and a delayed reimbursement mechanism could pressure firms to avoid paying out benefits by laying off workers (or harm the firms in other ways). Treasury Secretary Steven Mnuchin has asserted that employers will be able to use existing cash deposited with the IRS to cover benefit costs and promised that Treasury would make advances to businesses with insufficient balances. Congress should determine whether these Treasury actions will be sufficient, and if not, take immediate action to make it easier for employers to receive reimbursement quickly. (One potential mechanism would be to allow employers to more frequently reduce the tax payments they make to the federal government to cover the cost of the leave.) Congress also should explore using the small business disaster loan program as a backstop.

Attention also needs to be given to self-employed workers, including independent contractors. For them, the reimbursement mechanism may not be quick enough or large enough to provide adequate relief. Under the new law, reimbursement will be based on current earnings, which will be depressed by the response to the pandemic and thus provide an underestimate of lost income. Moreover, there is no provision to advance the credit, so some self-employed persons may not receive assistance until they file their 2020 tax return in early 2021.

- **Provide the new leave benefits to workers in large companies, with the federal government paying for the benefits (as is the case for workers in smaller businesses).** Among private-sector workers, a little less than half (about 60 million) work in establishments with 500+ workers, according to the Bureau of Labor Statistics. They are excluded from both the paid sick leave and the longer paid family leave benefits in the Families First Coronavirus Act, and their employers will receive no federal reimbursement for any emergency leave they provide. Even though most large employers provide some paid sick days, few workers at those firms will have enough paid time off to cover long-term school closures — or even, in many

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cases, the 14-day quarantine that the Centers for Disease Control and Prevention recommends for people exposed to or infected with coronavirus.

The typical (median) employer with 500 or more employees offers seven days of paid sick leave per year, and many workers at those firms will not have accrued that many days or will have spent them down, at least in part, before the coronavirus crisis. And, there are many examples of large companies that did not already have sick leave policies in place for their employees. While some of these large employers say they are creating their own emergency paid sick leave benefits, a number of them appear to be using loopholes to cover fewer workers than they should — such as not extending sick leave to employees at franchises. Some are taking no action at all.

- **Expand the list of acceptable uses for emergency paid sick days.** Under the new law, employees are entitled to paid sick time only if they are subject to a federal, state, or local quarantine order, advised by a health care provider to self-quarantine, experiencing symptoms and seeking a medical diagnosis, or caring for their minor son or daughter facing school or day care closures. We recommend that provision be somewhat broadened to include workers who need to fill in for home care workers or adult day programs for the elderly or people with disabilities (children are not the only population that require caregiving).

- **Expand the list of acceptable uses for the 12 weeks of paid family leave.** The new law provides longer-term family leave only for caregiving for children whose schools have closed due to the coronavirus. The program does not cover any longer-term medical leave related to the coronavirus itself, or any caregiving for family members suffering from the disease. Like paid sick leave, it does not cover family caregivers of elders or people with disabilities when their normal care providers are unavailable due to the coronavirus. Expansions here increase the importance of ensuring that the mechanism for paying employers is timely and robust.