
Greenstein: Senate Republican COVID Relief Proposal Fails to Meet Needs of Struggling Families, Economy

CBPP today released a statement from Robert Greenstein, president, on the Senate Republican proposal for the next round of COVID relief legislation:

The new Senate Republican COVID-19 plan announced today falls far short of meeting the needs of a nation reeling from a pandemic and economic crisis. It fails to provide anything close to the level of fiscal relief that states, territories, tribes, and localities need to avoid large-scale layoffs and budget cuts, which would prolong and deepen the recession. It fails to respond adequately to the millions of households struggling to afford food or pay the rent — particularly Black, Latino, and immigrant households, which have been hit especially hard. And, partly due to these inadequacies, it fails to provide the U.S. economy with sufficient support despite widespread projections that the economy will remain weak for a considerable time.

This approach of offering inadequate help for households and states appears to rest on the hope that state reopenings of the economy will lead to a rapid “v-shaped” economic recovery. Yet that strategy has already proven a public health failure; it has led to a spike in virus cases and deaths and is now causing a number of states to reverse course.

States face an estimated \$555 billion in revenue shortfalls over the next few years due to collapsing sales and income tax revenue; states’ reserves and the federal relief provided to date can fill only a modest fraction of that hole. Despite this, the new plan provides no new broad-based fiscal relief for states and localities, no additional funding for Medicaid, and only modest funding for education.

Although the Senate Republican plan trumpets additional “flexibility” for states — letting them use some CARES Act aid to help offset their massive revenue losses — most of that aid is needed to address the public health crisis, has already been allocated or promised to *local* governments, or is already being used to cover payroll for certain public workers. The new plan ignores the bipartisan call from the nation’s governors for substantial new fiscal relief, including further federal Medicaid funding for states as they confront rising costs due to the pandemic and the recession.

As noted, the plan does provide some aid for schools. But the bulk of those funds would be for schools that reopen irrespective of the health risks, and the funding cannot be used for expenses such as teachers’ salaries that states and localities have difficulty covering because of their depleted revenues. This could push many schools to reopen prematurely and leave districts that can’t reopen safely without the resources needed for adequate remote instruction. Moreover, teacher layoffs and other education cuts that result from state budget shortfalls will likely have the greatest impact on high-poverty schools, which disproportionately

serve children of color, as they already tend to receive less ongoing funding (due to their smaller property-tax bases) and often face higher costs to educate children with greater needs.

The Senate Republican plan is similarly inadequate in addressing rising hardship among those struggling to put food on the table. It doesn't raise SNAP benefit levels even though 26 million adults reported that their households, which include millions of children, often or sometimes didn't have enough to eat in the last seven days, according to Census data from early July. SNAP is America's most effective anti-hunger program. It's also one of the best ways to stimulate a weak economy, as people spend their benefits quickly in their local communities.

The lack of stronger SNAP provisions is made all the more striking by the package's inclusion of a measure *doubling* the tax deduction for business meals, popularly known as the "three-martini-lunch deduction." Under the Senate Republican plan, meals for corporate executives would be more heavily subsidized, but a strengthening of SNAP benefits for people facing hunger and food insecurity didn't make the cut.

The plan also falls far short in addressing the looming crisis of evictions and homelessness, providing little to help people now facing severe housing instability. It contains *no* funding for homelessness services or additional rental vouchers, and it fails to extend the federal eviction moratorium that expired Friday. One in 5 renters — 13.8 million adults— were behind on rent in the week ending July 14, Census data show, with roughly 7 million children living in a household behind on rent. Much more robust measures are needed here if millions of renters are to stay safely housed.

Hardship is particularly prevalent among Black, Latino, Indigenous, and immigrant households. Census data from earlier this month show that Black and Latino renters are more likely than white renters to be behind on rent, and Black and Latino adults are more than twice as likely as white adults to report that their household doesn't have enough to eat. These disproportionate impacts reflect harsh inequities, often stemming from structural racism in education, employment, housing, and health care. By neglecting to address hardship adequately, the Senate Republican plan would fail to prevent these inequities from becoming even more acute in the months ahead.

The plan's unemployment insurance provisions are also problematic. The CARES Act's financial support for unemployed workers has played a major role in enabling households to pay bills and buy necessities like food. The Senate Republican plan cuts this assistance sharply — dropping the federal unemployment-benefit supplement from \$600 a week to \$200 initially and then generally requiring states to use a more complicated formula under which federal and state unemployment benefits combined can't exceed 70 percent of a worker's prior earnings (which states have said would be difficult to implement and could lead to further delays in processing jobless benefits). The proposal also extends these federal unemployment benefits only through December 31, 2020, despite the fact that the Congressional Budget Office, Federal Reserve Chairman Jerome Powell, and economists across the political spectrum broadly concur that unemployment is likely to be close to or at double-digit levels in early 2021 and to remain high throughout next year.

Both cutting the supplement from \$600 to \$200 and the "70 percent" formula would result in sharp and sudden income losses. A low-paid worker employed full time at \$10 per hour before the crisis — above the federal minimum wage — would receive a benefit under the 70 percent formula of just \$280 per week in total from federal and state unemployment benefits *combined*. With job opportunities scarce, many workers

could be forced to live on sharply reduced benefits for a number of months and face financial distress as their modest savings are exhausted.

Cutting unemployed workers' incomes — and hence their spending — before it's safe to go back to work on a large scale and while job openings remain scarce will make the recession more severe, rather than less so. Cutting unemployment benefits sharply also will almost certainly increase further the number of households facing eviction and the number of children not getting enough to eat.

The proposal does include a second round of stimulus payments (or Economic Impact Payments), which should help many recipients. But these payments cannot replace strong, better-targeted policies to address hardship and boost the economy. With many middle-income families saving rather than spending much of the initial stimulus payments, these payments are less efficient as economic stimulus than relief focused on those who are struggling the most.

The CARES Act's stimulus payments were also made less efficient by the exclusion from them of millions of people in immigrant households, including mixed-status households (i.e., households in which people have different citizenship or immigration statuses and some but not all household members have a Social Security number), as well as the exclusion of dependents over age 16. The Senate Republican plan covers dependents over age 16 but continues to exclude many people in immigrant households. Republican senators Marco Rubio and Thom Tillis recently introduced legislation to narrow this exclusion to include some people in mixed-status households, but in crafting the new package, GOP leaders ignored their proposal.

In short, the Senate Republican proposal fails to come close to meeting the scale and nature of the challenges we face. The severity of the present crisis, not an arbitrary dollar limit, should determine the size of the legislative response. Until the pandemic is under control, there is no responsible alternative to addressing the public health crisis, the deep and widespread hardship, and the steep economic decline, all of which are interconnected. Policymakers should act now, in a bipartisan fashion, to craft and enact a more robust and effective COVID relief package.

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