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# CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed

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The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which has passed both the Senate and the House, includes important provisions to mitigate the sharp economic decline already unfolding. But policymakers' efforts should not end with this bill. They will need to do substantially more in subsequent bills to address urgent needs in areas like health coverage, food assistance for struggling families, and state fiscal relief.

The CARES Act includes, in addition to substantial resources for small businesses to help them retain their employees and a sizable fund that the Treasury can use to support larger businesses:

- A sizable expansion of unemployment benefits, including expansions of who is eligible for benefits and increases both in weekly benefit levels for the next four months and in the number of weeks of jobless benefits that someone can receive.
- Significant direct payments ("recovery rebates") to low- and middle-income families of $1,200 for most adults and $500 for children under age 17. Unfortunately, millions of low-income households that don't otherwise have to file a tax return will need to file to receive the payments, and certain immigrant families — including many with children who are U.S. citizens — are ineligible.
- A $150 billion Coronavirus Relief Fund to help address the large budget holes emerging in states and localities. This is an important first step, but less than states are likely to need to avoid making deep budget cuts and laying off teachers and other staff, actions that would worsen the recession and slow recovery.
- Substantial investments across a range of existing programs that can help respond to the current crisis, including important new investments in programs to serve people experiencing homelessness (among many others) and to prevent people from losing their housing.

However, the bill also has important shortcomings:

- It lacks any provisions to expand health coverage or pay for COVID-19-related treatment for the uninsured.
- It lacks a SNAP benefit increase, which is needed to help families afford food — and to boost overall consumer spending — while the economy remains weak.
- It lacks an emergency fund modeled after the successful TANF Emergency Fund in place during the Great Recession. Such a fund could quickly provide both families with children and others with cash assistance to meet their basic needs and other forms of crisis assistance. Such a fund also could provide funding to states to set up subsidized jobs programs after the health crisis diminishes and such programs can be undertaken safely.
- It lacks provisions to extend — or broaden — certain of its economic-relief provisions if economic conditions warrant. For example, its broad eligibility expansions for unemployment benefits expire December 31, and its unemployment benefit increase expires July 30. Similarly, states can only use the Coronavirus Relief Fund for spending through December 31, while the increase in the federal share of state Medicaid costs Congress provided in the previous COVID-19 response legislation ends at the end of the public health emergency, neither continuing nor increasing if the economy worsens.

The next legislative package needs to continue improvements in unemployment benefits and provide additional fiscal relief for states, including a larger increase in the federal share of Medicaid costs, for as long as the economy remains weak. Otherwise, we risk under-sizing and turning off key stimulus measures too early, lengthening and deepening the recession.

Accordingly, after enacting the CARES Act, Congress should turn its attention to putting together legislation to address these gaps and put in place policies that will remain in effect until an economic recovery takes hold.

Meanwhile, the Administration and state and local governments will begin making critical implementation choices that have a large impact on the success of the CARES Act. Policymakers, the media, and the public should monitor these implementation efforts very closely.

## Expanded Unemployment Insurance

The CARES Act includes a robust expansion in unemployment benefits that, in the near term, will enable more jobless workers to receive benefits and provide benefits that are more robust. This is critical, given both the sharp rise in unemployment we are already seeing and the underlying weakness in the basic Unemployment Insurance (UI) system.

Three million workers filed a claim for UI benefits during the week of March 21, according to the Labor Department — an unprecedented increase. Initial claims averaged under 240,000 over the previous four weeks.

Without the kinds of improvements in the CARES Act, the basic UI program would leave many workers out altogether and provide inadequate help to many others. Each state runs its own program and has significant discretion over eligibility and benefits. As a result, states vary widely in what share of jobless workers qualify for benefits and the level and duration of benefits. Nationally, fewer than 3 in 10 unemployed workers received UI over the 2010-2019 period.[1] Many do not qualify because they lack sufficient recent work history, are looking for part-time work in states that exclude part-time workers from UI, or left their job for a reason not covered by their state's program, such as needing to care for an ill family member. During a recession, the share of jobless workers who qualify for UI typically rises because more unemployed workers have longer work histories and more lose their jobs for reasons that qualify them for benefits (layoffs versus a health issue). But large numbers are still left out. During the Great Recession, the share of jobless workers receiving UI benefits peaked at about 40 percent.

And, for those who qualify, benefits are low, averaging just $366 per week in the median state in February and even less in many states. (In Mississippi, Louisiana, Arizona, Alabama, and Tennessee, weekly benefits are below $250; benefits in another seven states are below $300.) And, while most states provide up to 26 weeks of jobless benefits, nine states offer fewer, with eight of them providing 20 weeks or fewer at the start of this downturn.

To address some of these shortcomings, the CARES Act:

- Creates a Pandemic Unemployment Assistance (PUA) program that provides federally funded unemployment benefits to many — though certainly not all — workers who lose their jobs but are ineligible for the state's regular UI program. This includes workers lacking an extensive enough work history or looking for part-time work as well as those who have exhausted their regular UI benefits. Workers can receive up to 39 weeks of PUA benefits. This program is only in effect through December 31.
- *Provides a $600 per week, federally funded benefit increase through July 31 for recipients of PUA or regular UI.* This sizable increase will help workers and their families stay afloat and boost overall consumer demand to mitigate the downward economic trends.
- *Extends the maximum number of weeks of regular UI benefits.* For those eligible for regular UI, the bill allows states to provide an additional 13 weeks of federally funded extended benefits; workers who exhaust those benefits can receive PUA benefits, but only as long as that program is in place.
- Provides funding to states that have approved short-time compensation (work-sharing) programs, in which employers reduce certain employees' hours in lieu of layoffs and the affected workers receive partial UI benefits. The bill also provides funding to help states establish such programs.

These measures constitute a strong response to the immediate job losses in the COVID-19 pandemic, but they are temporary and would not automatically continue beyond the end of the year (or beyond July 31 in the case of the benefit increase) if economic conditions warrant. The pandemic has exposed the inadequacies of our antiquated UI system, including its inability to respond quickly and automatically to assist unemployed workers and support a weakening economy. As discussed in more detail below, the next package needs to, at a minimum, put in place robust unemployment benefit expansions that will remain in place until the economy (nationally and in states) is in full recovery.

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[1] "Application and Recipiency," (chart), U.S. Department of Labor, https://oui.doleta.gov/unemploy/images/carousel/application_and_recipiency.png.

## Direct Payments to Households

The CARES Act includes sizable "recovery rebates" of $1,200 per adult ($2,400 for a married couple) and $500 per dependent child age 16 or younger. A married couple with two children is therefore eligible for $3,400. The rebates phase down gradually for couples with incomes above $150,000, heads of household with incomes above $112,500, and individuals with incomes above $75,000.

These rebates are larger than the 2008 stimulus payments of $600 for a single filer, $1,200 for a married couple, and an extra $300 per child. And, unlike the 2008 payments, they don't require households to have a minimum level of income to qualify. Senate Majority Leader Mitch McConnell's initial stimulus proposal would have required a minimum level of income to qualify for the rebate and would have gradually phased in the rebate with income, thereby making nearly 70 million households with incomes below about $50,000 ineligible for the full rebate — including roughly 9 million very low-income households who would have been left out entirely.[2] That proposal met swift bipartisan opposition.

While the final version is an improvement over earlier versions, it misguidedly:

- *Denies the entire rebate to certain immigrant families, including some with children who are U.S. citizens.* For a household to receive any rebate, each person in the household — including children — must have a Social Security number (SSN). (The only exception is for members of armed services, if one spouse has an SSN.) This is even harsher than the 2017 tax law's Child Tax Credit provisions, which require that a child have an SSN to qualify for the rebate but do not require parents to have an SSN. The CARES Act leaves out both children who have an SSN and those who do not whose parents brought them to the United States.

  Parsing immigration status during a pandemic and economic crisis will deny help to many families, children, and communities hardest hit by the loss of jobs during the pandemic.

- *Denies the rebate to tens of millions of dependents.* Filers may only claim the additional $500 for dependents for children under age 17. This means that filers who support other dependents — including elderly dependents, adults with disabilities living with family members who help care for them, and college students — won't get extra help based on these dependents. There's no clear policy rationale for this choice, which ignores the struggle of many families with dependents who are not minor children, and the added cost to rectify it would be quite modest.

- *Requires members of vulnerable groups to submit burdensome tax filings.* Treasury will send automatic stimulus payments to many people who filed a 2019 or 2018 tax return using the direct deposit information from their tax returns, where available. But tens of millions of people don't file a tax return: either their incomes are so low they don't have to or they receive the bulk of their income from untaxed sources such as Social Security, veterans benefits, or disability benefits. The CARES Act creates mechanisms to reach recipients of certain federal benefits but leaves much to Treasury's discretion to determine whether and how to get automatic payments to such individuals.

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[2] Tax Policy Center Table T20-0115, https://www.taxpolicycenter.org/model-estimates/senate-republican-economic-recovery-proposal-march-2020/t20-0115-senate-republican.

Treasury should use this authority to act quickly and aggressively to get as many of these people automatic payments as possible. Requiring them to file a tax return during a pandemic would be a barrier to many people who are self-isolating, have low incomes or disabilities, or are otherwise vulnerable, and who lack access to in-person help from family, government offices, nonprofit organizations, or even for-profit preparers while physical distancing is in place to reduce virus transmission. Treasury and the IRS will likely quickly issue guidance after the law is enacted to provide further guidance on who will need to file a tax return or provide updated bank account or other information.

Even if Treasury exercises its full discretion, millions of very low-income people will very likely have to file a tax return to receive the stimulus payment. The Volunteer Income Tax Assistance (VITA) program will be essential in reaching these people, and is likely to see a surge in need to help millions more people who have not previously been required to file a tax return — while facing the enormous task of shifting to online service in the middle of a pandemic and an extended 2019 tax filing season. The CARES Act appropriated modest additional resources to the IRS and Treasury to implement the stimulus payments, and the Administration should ensure that VITA has the resources needed to meet this challenge.

## State Fiscal Relief

The CARES Act includes $150 billion in a new Coronavirus Relief Fund that states, and local governments with populations over 500,000, can draw down to meet virus-related costs in calendar year 2020. (Under the Act, the Treasury Secretary is required to release funds to states within 30 days of the bill's enactment.) It also contains $30 billion specifically for elementary and secondary schools and colleges and universities, $25 billion for mass transit systems, $5 billion for community development block grants, $3.5 billion for child care, and $400 million to prepare for elections, among other funding directed to states.

This much-needed relief will help state and local governments over the coming months. But it likely will not be enough over the course of the downturn. State and local governments are incurring huge new costs as they seek to contain and treat the coronavirus and respond to the spike in joblessness and related needs of their residents. At least 14 states have already enacted supplemental appropriations or made withdrawals from their reserve funds to address the crisis.

At the same time, states anticipate sharply lower tax revenues — beginning right now — than they had expected, because the virus has caused economic activity to plummet. Most state revenue comes from sales taxes and personal income taxes, so when economic activity declines, so do revenues. Last week, Goldman Sachs projected the national unemployment rate will reach 9 percent, an increase of more than 5 percentage points since before the crisis.[3] Historically, each 1 percentage-point increase in unemployment translates into roughly $40 billion less in state tax revenues.[4] As discussed below, because of physical distancing measures and direct costs to respond to the virus, this recession is likely to result in even deeper revenue declines, as well as larger increases in state costs, than that rule of thumb would suggest.

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[3] Goldman Sachs, "US Daily: A Sudden Stop for the US Economy," March 20, 2020.

[4] Matthew Fiedler, Jason Furman, and Wilson Powell III, "Increasing Federal Support for State Medicaid and CHIP Programs in Response to Economic Downturns," https://www.brookings.edu/wp-content/uploads/2019/05/ES_THP_FFP_web_20190506.pdf.

States whose economies rely on particularly affected sectors of the economy, such as tourism and oil and gas production, will be especially hard hit. And their reserve funds generally are well below what they would need for a crisis of this magnitude.[5]

Without the CARES Act's considerable federal aid, states would have needed to start cutting basic core services — or enact massive tax increases — very quickly just to keep functioning. That would have worsened the recession and delayed the eventual recovery.

That said, the CARES Act's federal aid is unlikely to be sufficient, even over the next year. State budget shortfalls reached about $227 billion in the worst year of the last recession (adjusted only for inflation, and not including city and county shortfalls) and will likely be even larger in this recession. That's both because unemployment is rising much more rapidly in this recession, causing steeper drops in income and sales tax revenues, and because states and localities face substantial direct costs related to the virus.

The federal government will have opportunities in coming weeks and months to provide states additional aid as the scale of the crisis becomes clearer. One targeted approach would be to increase the federal share of state Medicaid expenditures, with the extent and duration of the increase tied to state-specific economic indicators. The Families First Coronavirus Response Act, enacted about a week ago, included an increase in the federal share of Medicaid costs, but the increase is modest and time-limited.[6] The Take Responsibility for Workers and Families Act, introduced in the House, would provide additional increases in federal Medicaid match rates that would be scaled based on state unemployment rates and would end only when unemployment rates return to normal levels.

## Increased Resources for Programs That Can Help Respond to Current Crisis

The CARES Act boosts funding for a broad range of existing programs that will see increased need or play a special role in responding to the health and economic crises. These include the Federal Emergency Management Administration, the Centers for Disease Control and Prevention, child care, veterans' medical care, and various transportation programs.

It also boosts funding for several housing programs that will reduce evictions of low-income renters, help communities reconfigure their homeless assistance systems to mitigate COVID-19-related health risks, and help more people move from homelessness into healthy, stable housing. While not sufficient given the need, this funding is an important down payment.

- The bill dedicates $4 billion toward helping people experiencing or at risk of homelessness. These funds can increase shelter capacity, allow communities to reconfigure shelter space to adhere to physical distancing guidelines, deliver medical care to people who acquire the virus or may be at higher risk, and provide short-term rental or utility payment assistance so that

[5] Last year Moody's found that most states were not financially prepared for a deep recession. See "Stress-Testing States 2019," October 2019, https://www.moodysanalytics.com/-/media/article/2019/stress-testing-states-2019.pdf.

[6] Jennifer Sullivan, "Medicaid Funding for States Can't Wait," Center on Budget and Policy Priorities, March 12, 2020, https://www.cbpp.org/blog/medicaid-funding-boost-for-states-cant-wait.

people who have lost jobs or income don't also lose their housing or access to public services like electricity and water.

- The bill provides almost $3 billion to help ensure that the more than 10 million recipients of federal rental assistance continue to have access to decent, stable housing. The funds will cover added program costs, such as deep cleaning and services for quarantined residents, and offset reductions in rental payments by families that have lost incomes.
- The bill includes over $450 million to help various groups of people who will have special housing needs at this critical time. They include veterans, people experiencing domestic violence at home, youth experiencing homelessness, people with disabilities, seniors, and Native Americans.

Funding for these housing-related services is critical. During this crisis, people will have even greater difficulty working, caring for their children, and staying healthy if they don't have a safe place to live or are worried about losing their housing.

In light of the coronavirus' impact on job stability and the economy broadly, it is already clear that policymakers must do more to help people facing housing crises. The homelessness system alone requires at least $11.5 billion to address urgent needs in emergency shelters, experts estimate — only a portion of which will be covered by the CARES Act.[7] And, if the economy continues to decline and earnings reductions persist, many more people will need rental assistance.

## CARES Act Omits Urgent Needs That Next Legislation Must Address

The CARES Act fails to address several high-priority policies to help respond adequately to the health crisis and limit the downturn's severity and duration.

### Health Coverage

While the CARES Act provides critical resources to hospitals and states to help cover COVID-19-related costs, it does not expand health coverage or cover COVID-19 treatment for the uninsured. Strengthening health coverage programs is crucial to letting people access needed health care during a public health crisis and preventing severe hardship during an economic crisis.

The next response package should incorporate the following important provisions from the Take Responsibility for Workers and Families Act, introduced in the House.

- **Incentives for states to adopt or immediately implement the Affordable Care Act's expansion of Medicaid to low-income adults.** Under the House bill, the federal government would temporarily cover 100 percent of the cost of expansion, up from the current 90 percent. Several states are close to adopting or implementing expansion, and financial incentives could get them over the hump, opening up comprehensive coverage to

[7] Dennis Culhane *et al.,* "Estimated Emergency and Observation/Quarantine Capacity Need for the US Homeless Population Related to COVID-19 Exposure by County; Projected Hospitalizations, Intensive Care Units and Mortality," published by The National Alliance to End Homelessness, March 2020, https://endhomelessness.org/wp-content/uploads/2020/03/COVID-paper_clean-636pm.pdf.

hundreds of thousands of people who are already uninsured and many others who risk becoming uninsured in coming months.

- **Policies to help people who lose their jobs transition to marketplace coverage.** The House bill would increase premium tax credits, making coverage more affordable for at least 9 million currently uninsured people and many others likely to become uninsured in the coming months.[8] In addition to promoting enrollment, an immediate increase in premium tax credits would provide timely, well-targeted help to people at risk of serious financial hardship and serve as effective stimulus. Because people losing jobs and income may have trouble correctly estimating their incomes (which helps determine the size of their premium tax credits), the House bill also gives them added protection against owing large repayments of their credits if their estimates prove incorrect.
- Enabling Medicaid to cover costs of COVID-19 treatment for people who remain uninsured despite the above policies, including people now ineligible for Medicaid due to their immigration status. Without such changes, people with low incomes may be afraid to seek COVID-19 treatment or even testing because they fear they can't afford it.

As discussed above, Congress should also increase the federal share of Medicaid costs until the economy improves. This would help avert state cuts not only in education and other key services (which would harm residents and worsen the downturn) but also in health coverage and services, exactly when need is greatest.

## SNAP

The CARES Act also fails to increase SNAP benefits, one of the most effective stimulus policies of the Great Recession.

SNAP benefits are extremely modest, averaging about $1.40 per person per meal. This is especially problematic during downturns, when many people's incomes drop and it takes those who are out of work more time to find a job.

The House's Take Responsibility for Workers and Families Act calls for raising SNAP benefits by 15 percent for the duration of the downturn. This temporary increase, of just under $100 per month for struggling families, would help families put food on the table and effectively boost the economy. A similar temporary increase in the Great Recession served as very effective stimulus and was critical to preventing far larger increases in poverty, data show. That's because SNAP households, with very tight budgets, tend to spend any additional income or resources they receive. 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. Put another way, expanding

[8] The package would increase premium tax credits for those who currently qualify for them and would extend them to some people with incomes over the current limits. See Center on Budget and Policy Priorities, "Policies Can Make Health Coverage More Affordable, Accessible to Reach the Remaining Uninsured," January 25, 2019, https://www.cbpp.org/research/health/policies-can-make-health-coverage-more-affordable-accessible-to-reach-the-remaining.

SNAP in a recession causes some of the largest increases in economic activity and employment per dollar spent.

The Families First Coronavirus Response Act (enacted previously) gives states important flexibility to expand SNAP benefits, but these expansions are only available during the public health emergency. Many CARES Act provisions assume that the economic fallout will outlast the public health emergency; assistance for families facing food insecurity needs to be expanded throughout the course of the downturn. Congress should raise the basic SNAP benefit until the economy has turned around.

In addition to raising SNAP benefits (as well as nutrition funding for Puerto Rico and the territories), policymakers 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.

### Flexible Emergency Assistance Grants

As the public health crisis and resulting economic dislocation unfold, states will need additional, flexible 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 workers in low-paying and unstable jobs that leave them struggling to meet their basic needs in the best of times, any reduction or disruption in income could quickly make it impossible to make ends meet. Of particular concern, the inability to pay rent or utilities could lead to more personal debt, evictions, and homelessness. While the CARE Act's UI expansions and homelessness prevention funds will help some people, it is impossible to anticipate all the emergency needs the current crisis will produce, and those needs will likely change as the situation progresses.

Policymakers should therefore provide flexible Emergency Assistance Grants to the states, territories, and tribes to address unmet emergency needs, including providing subsidized jobs once the health crisis is behind us and individuals can once again work though the economy is still weak. These funds also could pay for monthly cash assistance to a higher number of families and for 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 that other funding streams don't address. The grants should be targeted to individuals and families with the lowest incomes who are at the greatest risk of significant hardship without assistance that reflects their personal circumstances and individual needs.

## Duration of Relief Provisions Should Be Tied to State of Economy, Not Artificial Timelines

As noted, some policies — such as the CARES Act's unemployment benefit expansions and state fiscal relief and the Families First Coronavirus Response Act's expanded SNAP flexibility — are temporary and slated to end in a fixed period of time (rather than being tied to economic conditions). But this downturn may be long-lasting and deep. Policies such as these should not have an arbitrary end date; they should remain in place until economic indicators signal that a robust recovery is underway.

The next response package should tie further relief measures automatically to the economy and not end economic stimulus prematurely as in the Great Recession, when protracted high unemployment and underemployment after the recession officially ended in June 2009 continued to generate hardship and hurt long-term growth. One option is to create "triggers" based on economic conditions to guide how and when particular measures phase up or phase out. For example, the duration and extent of various relief policies — such as expanded unemployment benefits, needed state fiscal relief through a higher federal share of Medicaid costs, increased SNAP benefits, and access to Emergency Assistance Grants to provide assistance and subsidized jobs to those hard hit by the downturn — should be tied to appropriate indicators of economic conditions such as the level and rate of change of the unemployment rate or other indicators of labor market stress both nationally and, where appropriate, in states.