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3 Principles for an Antiracist, Equitable State Response to COVID-19 — and a Stronger Recovery

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COVID-19's effects have underscored the ways our nation's history of racism, bias, and discrimination are embedded in our health, social, and economic systems. Black, Indigenous, and Latinx people are experiencing higher rates of infection, hospitalization, and death, and people of color are also overrepresented in jobs that are at higher infection risk and hardest hit economically. Shaping these outcomes are structural barriers like wealth and income disparities, inadequate access to health care, and racial discrimination built into the health system and labor market. But recent, substantial federal aid and an improving revenue outlook in many states are offering states a historic chance: they can make policy choices that repeat and exacerbate these inequities, which also will slow the economy's recovery, or they can set another course — toward antiracist, equitable, and inclusive policies that build an economic recovery that extends to *all* people.

Three principles should guide state policymakers in these equity efforts:

- **Target aid to those most in need due to the COVID-19 and consequent economic crises.**
- **Advance antiracist and equitable policies — both short- and long-term — to dismantle persistent racial, ethnic, gender, and economic inequities and other barriers that non-dominant groups and identities experience.¹**
- **Strengthen state revenue systems to sustain transformative, long-term investments in Black, brown, Indigenous, immigrant, and low-income communities.**

Beyond the individual policy recommendations detailed below, states can make a broader commitment through steps such as requiring racial equity impact assessments for legislative proposals and appointing equity and inclusion officers or committees. Even hearings on how racism

¹ Non-dominant groups and identities can include Black and brown people, Indigenous people, immigrants, low-wage workers (who are often women and people of color), LGBTQ+ individuals, and families and individuals experiencing deep economic struggle, such as those who are homeless or face persistent barriers to work. See box, “A Brief Definition of Equity-Related Terms.”

has shaped state policy decisions can help set the stage for policymaking more focused on addressing the legacy of historical racism and ongoing forms of discrimination and bias.²

State fiscal policy choices help determine whether someone's race or ethnicity, gender, income, place of birth, or ZIP code affects their ability to achieve their potential and live unburdened by the hardships that poverty, racism, discrimination, and bias cause. That is true both in times of relative prosperity and in recession, when state and local finances are in crisis. But in good times and bad, state (and federal) policy choices often have excluded or done harm to those in non-dominant groups. (See text box, "A Brief Definition of Equity-Related Terms.") During the Great Recession, for example, states relied too heavily on cuts to services, which exacerbated unemployment and raised barriers to prosperity for low-income people and people of color.³ As revenues recovered post-recession, many states also pursued tax cuts that added to advantages enjoyed by wealthy (mostly white) households, worsening already large class and race inequities and reducing revenues that could have been used for investments that broaden opportunity and promote equity.

Today's health and economic crisis has brought a new and unprecedented set of challenges. Many millions of people, particularly low-income people and people of color, are struggling with hunger, have large unpaid rent bills, face mental health challenges as a result of the pandemic, or are enduring other forms of extreme hardship.⁴ Millions of children experienced several months of unfinished learning.⁵ While the pandemic's hit on state revenues has been less than feared, revenues in most states remain below pre-pandemic projections, and some states have experienced severe revenue losses.⁶ Substantial federal aid in the recently enacted American Rescue Plan offers states and localities an opportunity to both help people struggling due to the pandemic and begin to address the underlying structural inequities that made the pandemic worse, but only if they act on goals like those we outline in this paper.

Adhering to these three equity principles would help states take advantage of this moment. States can make transformative policy changes to drastically reduce the severe hardships that millions of people will otherwise experience in the months and years ahead, sharply reduce long-standing inequities rooted in historical racism and other forms of oppression, and build revenue systems capable of sustaining a future in which people no longer go hungry and get the housing, health care, and other supports they require.

² See Michael Leachman, "More State Lawmakers Should Consider How Racism Shapes Tax Policy," CBPP, March 23, 2021, <https://www.cbpp.org/blog/more-state-lawmakers-should-consider-how-racism-shapes-tax-policy>.

³ Michael Leachman and Erica Williams, "States Can Learn From Great Recession, Adopt Forward-Looking, Antiracist Policies," CBPP, February 11, 2021, <https://www.cbpp.org/research/state-budget-and-tax/states-can-learn-from-great-recession-adopt-forward-looking>.

⁴ CBPP, "Tracking the COVID-19 Recession's Effects on Food, Housing, and Employment Hardships," updated April 22, 2021, <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-recessions-effects-on-food-housing-and>.

⁵ Tiffany Zhao, Tomas Malfino, and Jonathan Travers, "THE COST OF COVID: Understanding the full financial impact of COVID-19 on districts and schools," Education Resource Strategies, January 13, 2021, <https://www.erstrategies.org/cms/files/4699-cost-of-covid-paper-final.pdf>. See also Education Trust, "Strategies to Solve Unfinished Learning," <https://edtrust.org/strategies-to-solve-unfinished-learning/>.

⁶ Michael Leachman and Elizabeth McNichol, "Despite Improved State Fiscal Conditions, Serious Challenges Remain, Including for Localities, Tribal Nations, and Territories," CBPP, February 26, 2021, <https://www.cbpp.org/research/state-budget-and-tax/despite-improved-state-fiscal-conditions-serious-challenges-remain>.

Pandemic Worsening Historical Inequities

States have a historic opportunity not only to support people struggling due to the pandemic but also to set them and their communities up for a better future by directly addressing the racial and economic inequities that have made the pandemic so much worse. Doing so, however, will require a principled approach that explicitly seeks to address these inequities.

The need for such principled choices has always existed. White supremacy and structural racism created — and perpetuate — disparities in power, resources, and opportunities that systematically disadvantage communities of color and preserve the privilege of an elite, largely white class. For example, some current state tax policies that limit the ability to raise resources to invest in shared opportunity — such as various property tax limits and supermajority requirements to raise revenue — hail directly in some states from efforts during the post-Reconstruction period of the late 1800s to reinforce white supremacy by making it harder to raise taxes on white property owners.⁷ Due to these and other barriers, the wealthiest 10 percent of white households hold nearly two-thirds of the country’s wealth, and other white households about another fifth, leaving only 13 percent for everyone else. (See Figure 1.) Disparities like these harm many Black and brown people, limiting their ability to provide for their families and see their communities thrive. They also undermine our collective well-being, preventing countless people from taking full advantage of their skills or accessing opportunities that would boost their economic contributions and make the economy stronger for everyone.

But the need for an equity focus is all the more imperative now as the pandemic has made the effect of such policy choices clearer.⁸ Research has found people of color to be overrepresented among coronavirus-related hospitalizations and deaths; in some places where disaggregated data are available, Black and Indigenous people are dramatically overrepresented among those who have died.⁹ In addition, positivity rates among those tested for COVID-19 were higher for LGBTQ+ people of color than for white people regardless of sexual or gender identity and for people of color outside of the LGBTQ+ community, survey data from the fall of 2020 find. This highlights that having multiple identities that fall outside of white, hetero-normative culture can exacerbate disparities in outcomes.¹⁰

⁷ Michael Leachman *et al.*, “Advancing Racial Equity With State Tax Policy,” CBPP, November 15, 2018, <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>.

⁸ Andre Perry, “Black Americans were forced into ‘social distancing’ long before the coronavirus,” Brookings Institution, March 20, 2020, <https://www.brookings.edu/blog/the-avenue/2020/03/20/black-americans-were-forced-into-social-distancing-long-before-the-coronavirus/>.

⁹ See Centers for Disease Control and Prevention, “Risk for COVID-19 Infection, Hospitalization, and Death by Race/Ethnicity,” updated April 16, 2021, <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>; and Kaiser Family Foundation “COVID-19 Deaths by Race/Ethnicity,” <https://www.kff.org/other/state-indicator/covid-19-deaths-by-race-ethnicity/?currentTimeframe=0&sortModel=%7B%22collId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

¹⁰ Brad Sears, Kerith J. Conron, and Andrew R. Flores, “The Impact of the Fall 2020 COVID-19 Surge on LGBT Adults in the US,” Williams Institute, February 2021, <https://williamsinstitute.law.ucla.edu/publications/covid-surge-lgbt/>; and Centers for Disease Control and Prevention, “Health Equity Considerations and Racial and Ethnic Minority Groups,” updated April 19, 2021, <https://www.cdc.gov/coronavirus/2019-ncov/community/health-equity/race-ethnicity.html>.

A Brief Definition of Equity-Related Terms

Policy is not race neutral. To the contrary, it is developed and implemented in a broader cultural context. Many long-standing policies that affect our ability to invest in people and communities to build shared prosperity were adopted within a culture in which the belief that white people are inherently superior to people of other racial groups was widely accepted and sometimes openly expressed. At times, in fact, white supremacy was an explicit policy goal.^a But today's policies need not be explicitly race-based to worsen or extend racial inequities. Policies can have those effects if they ignore the history of governmental and private actions that enforced racial segregation and held back people of color or ignore the continuing impact of racial bias and other forms of discrimination that ultimately hold all of us back.

Below we define terms used in this report that help contextualize the need to advance social and racial justice, a priority often missing from state and local fiscal policymaking. We hope these definitions help policymakers and advocates name and think through the racial, ethnic, and gender impacts of policy decisions to make better-informed choices that can dismantle barriers to opportunity and build healthier, equitable communities and economies.

Antiracist policies: policies that actively seek to dismantle the racism embedded in our social, economic, and political systems and structures, which results in persistent racial inequities.^b

Racial equity: what is achieved when racial and ethnic background no longer predicts a group's social or economic well-being.

Structural racism: “the historical, cultural, institutional and interpersonal policies or practices that routinely advantage whites while producing cumulative and chronic adverse outcomes for people of color.”^c

Non-dominant groups and identities: groups of people that in a broader society have historically had fewer resources and less power and influence than another group of people, in ways that are institutionalized.^d

People or communities of color: “Often the preferred collective term for referring to [racial groups that are not white].... It is important whenever possible to identify people through their own racial/ethnic group, as each has its own distinct experience and meaning and may be more appropriate.”^e

White supremacy: “The idea (ideology) that white people and the ideas, thoughts, beliefs, and actions of white people are superior to People of Color and their ideas, thoughts, beliefs, and actions...[and that are] ever present in our institutional and cultural assumptions that assign value...”^f

^a Michael Leachman *et al.*, “Advancing Racial Equity With State Tax Policy,” CBPP, November 15, 2018, <https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy>.

^b Ibram X. Kendi, *How to Be an Antiracist*, One World/Ballantine, 2019.

^c Keith Lawrence and Terry Keleher, “Structural Racism,” Race and Public Policy Conference, 2004, <http://www.intergroupresources.com/rc/Definitions%20of%20Racism.pdf>.

^d University of Minnesota, “Communication in the Real World: An Introduction to Communication Studies,” 2013, <https://open.lib.umn.edu/communication/chapter/8-1-foundations-of-culture-and-identity/>.

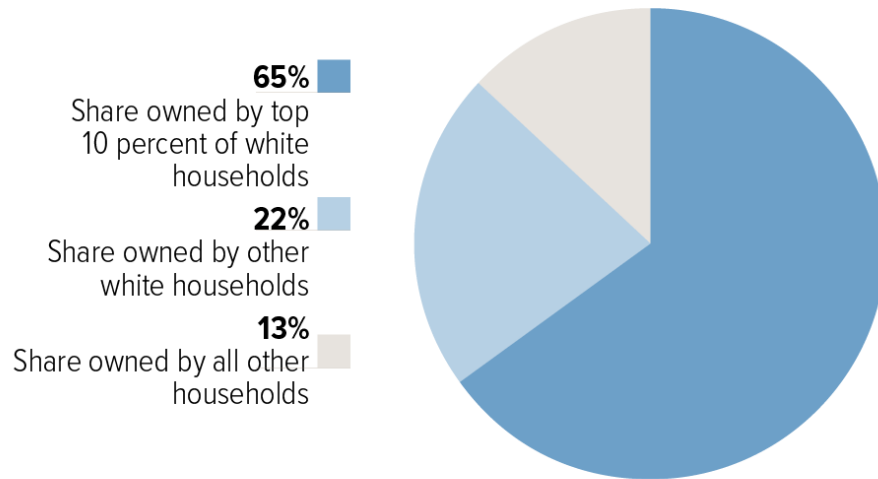
^e Race Forward, “Race Reporting Guide,” 2015, <https://www.raceforward.org/reporting-guide>.

^f Dismantling Racism Works Web Workbook, “Racism Defined,” <http://www.dismantlingracism.org/racism-defined.html>.

FIGURE 1

Wealthiest 10 Percent of White Households Own Two-Thirds of U.S. Wealth

87 percent of wealth owned by white households



Source: Federal Reserve's Survey of Consumer Finances

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Such disproportionate health outcomes are due in significant part to structural factors like inadequate access to health care, racial discrimination built into the health system,¹¹ and the social and economic legacies of the nation's racist past, particularly its history of oppression of Black people. In addition, job losses during the health and economic crisis have been concentrated in lower-wage industries such as the retail and hospitality industries, restaurants, and child care, where women and people of color — including immigrants — are overrepresented. Some 24 percent of both Black and Latinx people are in service industry jobs, compared to 16 percent of white people.¹² In addition, workers in these industries who continued to be employed have been at higher risk of

¹¹ For an overview of this issue, see Martha Hostetter and Sarah Klein, "In Focus: Reducing Racial Disparities in Health Care by Confronting Racism," Commonwealth Fund, September 27, 2018, <https://www.commonwealthfund.org/publications/newsletter-article/2018/sep/focus-reducing-racial-disparities-health-care-confronting>. For a review of studies on discrimination and bias in health care systems, see William J. Hall *et al.*, "Implicit Racial/Ethnic Bias Among Health Care Professionals and Its Influence on Health Care Outcomes: A Systematic Review," *American Journal of Public Health*, Vol. 105, No. 12, E60–E76, <https://doi.org/10.2105/AJPH.2015.302903>.

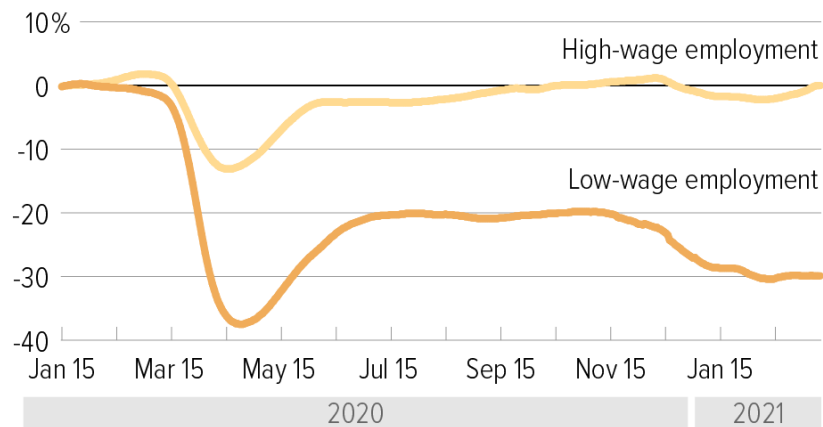
¹² U.S. Bureau of Labor Statistics, "Labor force characteristics by race and ethnicity, 2018," BLS Reports, October 2019, <https://www.bls.gov/opub/reports/race-and-ethnicity/2018/home.htm>; Hye Jin Rho, Hayley Brown, and Shawn Fremstad, "A Basic Demographic Profile of Workers in Frontline Industries," Center for Economic and Policy Research, April 7, 2020, <https://cepr.net/a-basic-demographic-profile-of-workers-in-frontline-industries/>; and Chad Stone, "People Already Facing Opportunity Barriers Hit Hardest by Massive April Job Losses," CBPP, May 12, 2020, <https://www.cbpp.org/blog/people-already-facing-opportunity-barriers-hit-hardest-by-massive-april-job-losses>.

contracting COVID-19 because their jobs generally did not allow work-from-home arrangements.¹³ While high-wage jobs, which are held disproportionately by white workers, largely rebounded from the initial downturn in the spring of 2020, low-wage jobs held more heavily by workers of color remain far below pre-pandemic levels. (See Figure 2.)

FIGURE 2

High-Wage Workers Have Recovered Most Lost Jobs, But Low-Wage Job Losses Persist

Change in employment rates, January 15, 2020 to March 12, 2021



Note: Low-wage employment defined as an annual salary of less than \$27,000. High-wage employment defined as an annual salary of greater than \$60,000 per year.

Source: Opportunity Insights

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States have critical choices to make that can do much to reverse these inequities. The decisions lawmakers make in the coming months will shape the duration of the health and economic crises they face and the strength and quality of their economic recovery. Three principles can guide them in their efforts.

1: Target Aid to Those Most in Need Due to Health, Economic Crises

States' near-term policy responses should prioritize supports for people and communities most in need due to the pandemic and accompanying economic crisis. They should target aid to essential workers and people who, due to a lack of public investment, economic inequality, and historical and current discrimination and bias,¹⁴ were experiencing health and economic insecurity even before the crisis began. That includes those with chronic health issues or without health insurance, people experiencing homelessness, immigrants and their families, people involved in the criminal justice system, and others facing major barriers to work or struggling on low pay. States should also target

¹³ American Civil Liberties Union of Massachusetts, "Data Show COVID-19 Is Hitting Essential Workers and People of Color Hardest," Data for Justice Project, April 8, 2020, <https://www.aclum.org/en/publications/data-show-covid-19-hitting-essential-workers-and-people-color-hardest>.

¹⁴ LaDonna Pavetti and Peggy Bailey, "Boost Safety Net to Help People With Fewest Resources Pay for Basics During Crisis," CBPP, April 29, 2020, <https://www.cbpp.org/research/poverty-and-inequality/boost-safety-net-to-help-people-with-fewest-resources-pay-for-basics>.

people who could face lasting harm due to the pandemic unless they receive effective assistance in the near term, including people with mental illnesses or substance use disorders that emerged or worsened during the health emergency and children who experienced months of unfinished learning due to school closures. Importantly, states and localities should use the American Rescue Plan funds to reduce barriers for COVID-19 testing and treatment by ensuring vaccination plans are equitable and that all individuals have access regardless of immigration status.¹⁵

A number of states took steps over the last year to help those most in need. For example, New Jersey removed a cap on Temporary Assistance for Needy Families (TANF) cash assistance for larger families; Massachusetts suspended work requirements for TANF families during COVID-19; and Virginia enacted a new work-sharing law to avoid layoffs during the downturn by allowing companies to reduce worker hours and allowing workers to receive partial unemployment benefits for their lost hours and income. Some states, including California, Illinois, and New York, have provided direct cash payments to people who were not eligible for federal stimulus payments due to their immigration status. The District of Columbia increased investments in homelessness prevention and housing affordability. New Mexico implemented policies to make child care available to some of the state's essential workers when the pandemic started and to provide needed health care to child care workers who were uninsured and contracted the coronavirus.¹⁶

The American Rescue Plan provides substantial emergency funding to help families afford their immediate and basic needs such as food, housing, and child care. Much of this funding will go directly to individuals in need or — for what goes to states — is designated for the provision of particular forms of support such as rental assistance or subsidies for child care providers. Maximizing the impact of these crucial emergency investments requires that people know about them and can navigate the processes needed to access them. As such, it's important for states to build robust outreach operations focused on publicizing the available benefits and connecting eligible people to them. More specifically, states should:

- **Build a robust outreach operation.** States should take particular care to design outreach efforts focused on those with unique challenges, such as people with disabilities, people of color, and immigrants and their family members, who may face a host of hurdles including language barriers and may have misplaced concerns that receiving help could have implications for their immigration status or ability to stay in the United States. More specifically, states can:
 - *Launch a public awareness campaign* that includes a centralized, one-stop-shop webpage at which people can learn about the various kinds of supports for which they may be eligible. The campaign should also include media outreach in languages targeted to particular communities and engage community-based groups in helping raise awareness and in directing people to the centralized site. States can also prioritize

¹⁵ Jennifer Sullivan, “States Can Reduce Barriers to COVID-19 Vaccines and Treatment, Especially for Immigrants,” CBPP, April 15, 2021, <https://www.cbpp.org/blog/states-can-reduce-barriers-to-covid-19-vaccines-and-treatment-especially-for-immigrants>.

¹⁶ Matt Bieber, “Governor orders agencies to develop child care plan for first responders, key personnel; encourages Medicaid enrollment,” New Mexico Children, Youth and Families Department, March 18, 2020, <https://cyfd.org/news/news/governor-orders-agencies-to-develop-child-care-plan-for-first-responders>.

working with telephone and online “helplines,” which can connect people to resources they may not otherwise know about.

- *Convene and train organizations that already help people access SNAP, Medicaid, or other supports.* The state can make these groups aware of the various forms of assistance now available and provide them with tools and resources such as outreach materials and directories of places people can go to get help. A key goal of these efforts should be to build more destinations around communities where people can learn about the full range of supports and how to get them. States should also train their own staff across a range of programs so that they can connect a person applying for one form of assistance to other supports for which they may be eligible.
- *Fund organizations that are well-positioned to reach people with particularly significant barriers to accessing support,* including immigrants and people of color with low incomes. States can provide outreach funds to community organizations — such as community action agencies, faith-based organizations, and religious institutions — that are most familiar with the needs of people in their communities as well as the resources available to help them. Funded groups should have the trust of their target communities and mechanisms in place for regularly communicating with the intended audience. They can use these mechanisms to build awareness and, in some cases, assistance with applications or with navigating other systems of support. These investments can also build on existing outreach investments to maximize their impact. For example, states can provide more funding to grantees that currently provide application assistance to help enroll people in Medicaid or the Children’s Health Insurance Program (CHIP).
- *Consider designing outreach efforts as part of a broader subsidized employment program* (discussed below), thereby providing jobs to unemployed workers while maximizing the benefits of the available federal aid.

States can also make the most of the American Rescue Plan’s housing, food, and child care assistance by minimizing the hassle involved in accessing the aid. They can do so by supplementing these federal supports with state-funded efforts when needed and by planning for the long term. For instance, states can:

- **Use rental assistance to stop evictions.** States should freeze evictions across the board for as long as economic conditions demand (while providing some compensation to owners) to prevent more people from losing their housing or living doubled up with other people or families.¹⁷ With the Rescue Plan’s new emergency rental assistance funding, as well as that from the December relief package, states can create or expand emergency rental assistance programs to help people struggling to pay rent or utilities during the pandemic.¹⁸ Such

¹⁷ National Alliance to End Homelessness, “A Framework for COVID-19 Homelessness Response: Responding to the Intersecting Crises of Homelessness and COVID-19,” <https://endhomelessness.org/a-framework-for-covid-19-homelessness-response-responding-to-the-intersecting-crises-of-homelessness-and-covid-19/>.

¹⁸ Douglas Rice and Ann Oliva, “Housing Assistance in American Rescue Plan Act Will Prevent Millions of Evictions, Help People Experiencing Homelessness,” Center on Budget and Policy Priorities, March 11, 2021, <https://www.cbpp.org/research/housing/housing-assistance-in-american-rescue-plan-act-will-prevent-millions-of-evictions>.

programs should have as little red tape and other barriers as possible to increase access for those who need it most, including immigrants without documentation.

States can complement these federal dollars with other resources (including the Rescue Plan’s Coronavirus State Fiscal Recovery Funds, discussed below) to avoid evictions and maintain such programs beyond the pandemic or provide longer-term housing assistance for people who face greater risk of homelessness or additional barriers to receiving federal, non-emergency rental assistance. That includes people leaving jail or prison, people with substance use disorders, people with mental health conditions, and immigrants and their families. States can also provide additional aid to shelters and create new non-congregate spaces for sheltering using state funds, to supplement federal resources in the Rescue Plan.¹⁹ And states can fund medical respite care for people leaving the hospital with no place to live.

- **Serve people who otherwise would go hungry.** Food hardship has especially affected Black and Latinx households (see Figure 3) and households with children. Between roughly 5 and 9 million children live in a household in which the children didn’t eat enough in the last seven days because they couldn’t afford enough food; by comparison, in December 2019 1.1 million children lived in households where the children didn’t get enough to eat at any point in the last 30 days.²⁰ While the Rescue Plan’s temporary 15 percent increase in SNAP (food stamp) benefits and other forms of emergency food assistance will reduce hunger in the next few months, states could ensure that the Pandemic EBT program’s school meal replacement benefits get to all children — including those in households with immigrants and younger children who had meals in child care settings — whenever school is not in person.
- **Build a high-functioning child care system with a focus on equity and essential workers.** States have a historic \$50 billion total in new federal investments in child care included in the Rescue Plan and the December relief package that they can use to help child care providers stay afloat, reopen, or expand capacity, and to help parents and caretakers afford child care.²¹ States should stabilize care providers, using the full flexibility of the added funding for the Child Care and Development Block Grant (\$10 billion from the December 2020 relief package and \$15 billion from the American Rescue Plan), plus the Rescue Plan’s \$24 billion for a child care stabilization fund, to ensure providers can quickly return to or expand operations safely.²² Additionally, states can subsidize providers that provide low-cost child care for essential workers and caretakers doing low-wage work, and make child care more affordable for low-wage workers who left the labor market due to child care responsibilities during the pandemic.²³

¹⁹ *Ibid.*

²⁰ CBPP, “Tracking the COVID-19 Recession’s Effects on Food, Housing, and Employment Hardships.”

²¹ Alycia Hardy and Katherine Gallagher Robbins, “Child Care Relief Funding in American Rescue Plan: State-by-State Estimates,” CLASP, updated March 10, 2021, <https://www.clasp.org/publications/fact-sheet/child-care-estimates-american-rescue-plan>.

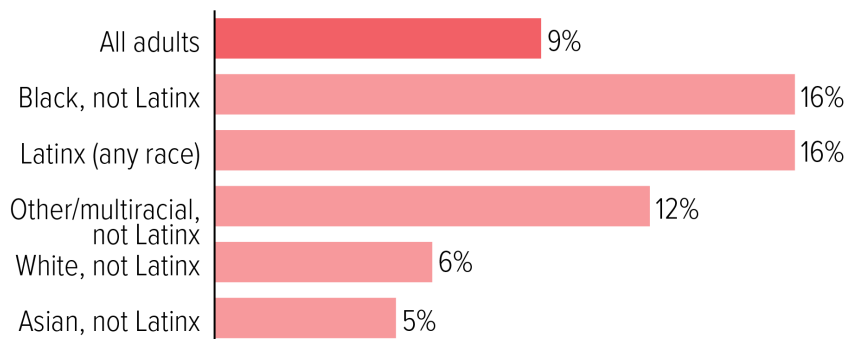
²² Danielle Ewen, Lauren Hogan, and Christine Johnson-Staub, “How States Can Spend \$10 Billion for Child Care Well, Wisely, & With Urgency,” National Association for the Education of Young Children (NAEYC), EducationCounsel, and CLASP, January 27, 2021, https://www.clasp.org/sites/default/files/publications/2021/01/policy_10billion_for_ccdbg.pdf; and NAEYC, “NAEYC Lauds \$39B in Child Care and Family Relief in American Rescue Plan,” March 10, 2021, <https://www.naeyc.org/about-us/news/press-releases/american-rescue-plan>.

²³ Christine Johnson-Staub, “State Implementation of the Historic COVID Child Care Relief and Stabilization Funds,” CLASP, March 2021,

FIGURE 3

Black and Latinx Households Likelier to Experience Food Insufficiency During Pandemic

Share of adults saying that their household sometimes or often did not have enough to eat in the last 7 days



Note: Other/multiracial, not Latinx = people identifying as American Indian, Alaska Native, Native Hawaiian or Pacific Islander, or more than one race. Percentages are based on reporting distributions and do not include the populations that did not respond to the question.
Source: CBPP analysis of Census Bureau Household Pulse Survey tables for March 17-29, 2021

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In addition to emergency assistance for people’s housing, food, child care, and other needs, the American Rescue Plan includes more flexible fiscal aid to states through a Coronavirus State Fiscal Recovery Fund. (Cities, counties, tribal nations, and U.S. territories also receive fiscal aid through Rescue Plan.) States may be able to use these Fiscal Recovery Funds to cover some of the supplementary costs described above. States should also use the Funds to provide a range of additional supports for people in need, especially households with Black, Indigenous, and immigrant members, which have long been overlooked. Treasury guidance expected soon will set official parameters for using these funds. For now, states can certainly use the Fiscal Recovery Funds to:

- **Avoid cuts in existing services for people in need and undo last year’s cuts.** States can use the Fiscal Recovery Funds to make up for revenue lost due to the pandemic, avoid cuts in services people need, and undo any harmful cuts they already imposed.
- **Provide premium pay to essential workers.** The Fiscal Recovery Funds can be used to provide up to \$13 per hour in bonus or “premium” pay to essential public and private workers, on top of their regular pay, up to a maximum of \$25,000 per worker. States should prioritize workers who need support the most, particularly workers earning less than \$15 per hour, and should provide the most premium pay to the lowest-wage workers, thus helping

https://www.clasp.org/sites/default/files/publications/2021/03/2021_State%20Implementation%20COVID%20CC%20Relief%20and%20Stabilization%20Funds%20.pdf

ensure that essential workers of color receive additional support in proportion to the pandemic's racially disparate impact.²⁴

Additional steps states should take might be permissible under the Fiscal Recovery Funds; in other cases their own resources will be needed. For example, they can:

- **Create subsidized jobs**, a proven strategy for advancing racial equity and boosting an economic recovery.²⁵ Higher unemployment in recessions widens racial gaps, worsening racial inequities and hurting the economy as a whole.²⁶ As decades of evidence show, subsidized employment dramatically improves participants' employment and wages.²⁷ Some programs improve employment outcomes long after they've ended, recent evaluations found.²⁸ And evidence from the TANF Emergency Fund, which funded 260,000 subsidized jobs in the recovery from the Great Recession, shows that with adequate funding and flexibility, states can scale up programs quickly to respond to an economic downturn.²⁹
- **Provide unrestricted cash payments to individuals and families with limited incomes.** Tens of millions of people are struggling to put food on the table, pay rent and utilities, or cover basic expenses. While the Rescue Plan provides aid to address some of these needs, some families and individuals will continue to experience high levels of hardship for the foreseeable future. Many of these families were already struggling to meet their basic needs before the pandemic and did not have savings or flexible resources in their tight budgets to cover the extra costs it imposed.

An efficient way to get additional income to these households is to provide unrestricted, direct cash payments for a limited period to households with little or no income, such as TANF recipients or SNAP households with incomes below some level, for example below 50 percent of the federal poverty level. These payments can be provided quickly and efficiently through state systems already in place to provide TANF or SNAP benefits. States can use the Pandemic TANF Emergency Assistance funds to provide such payments to families with children, and could use state funds or Fiscal Recovery Funds to reach more families and to provide such payments to households without children.

²⁴ Molly Kinder, "With federal aid on the way, it's time for state and local governments to boost pay for frontline essential workers," Brookings, April, 6, 2021, <https://www.brookings.edu/blog/the-avenue/2021/04/06/with-federal-aid-on-the-way-its-time-for-state-and-local-governments-to-boost-pay-for-frontline-essential-workers/>.

²⁵ Laura Meyer, "Subsidized Jobs: A Proven Strategy to Aid an Equitable Economic Recovery," CBPP, updated April 1, 2021, <https://www.cbpp.org/research/family-income-support/subsidized-employment-a-proven-strategy-to-aid-an-equitable-economic>.

²⁶ Pavetti and Bailey, *op. cit.*

²⁷ Indivar Dutta-Gupta *et al.*, "Lessons Learned From 40 Years of Subsidized Employment Programs," Georgetown Center on Poverty and Inequality, Spring 2016, <https://www.georgetownpoverty.org/wp-content/uploads/2016/07/GCPI-Subsidized-Employment-Paper-20160413.pdf>.

²⁸ Danielle Cummings and Dan Bloom, "Can Subsidized Employment Programs Help Disadvantaged Job Seekers?" MDRC, February 2020, <https://www.mdrc.org/publication/can-subsidized-employment-programs-help-disadvantaged-job-seekers>.

²⁹ LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, "Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund," CBPP and CLASP, February 16, 2011, <https://www.cbpp.org/sites/default/files/atoms/files/2-16-11tanf.pdf>.

States could also provide cash payments to other specific populations particularly likely to be struggling in the current economy, such as people returning from jail or prison and community college students with low incomes.

States should design these payments so that immigrants can receive them regardless of status. States can use their own funds for this purpose. Treasury may clarify under what circumstances the Fiscal Recovery Funds may be spent to support immigrants regardless of status and states should consider ways to do so. States may be able to fund nonprofit agencies to provide payments and other supports regardless of the immigration status of recipients, or even use the Fiscal Recovery Funds directly for this purpose.

- **Help children catch up on unfinished learning.** By some estimates, students on average will lose nine months of learning by the end of the 2020-21 school year.³⁰ Students of color, who face particular barriers in education partly due to the historical legacy of discrimination, may well have lost a full year of learning. Helping these children make up the educational time they've lost will require a substantial and sustained effort, including efforts like high-quality tutoring and increased learning time (such as through an extended school day or school year). Education Resource Strategies, a nonprofit education research firm, estimates that in districts that serve high concentrations of students living in poverty, Black and Latinx students, or English-language learners, it could take five years of extended learning time and tutoring to put students back on track.³¹ The Rescue Plan's \$123 billion for schools will help a great deal,³² but states will need to supplement this crucial support using the Fiscal Recovery Funds or their own revenues if all students who need help over the next several years are to get the help they need.
- **Increase access to health coverage and services.** Depending on Treasury guidance, states may be able to use the flexible Fiscal Recovery Funds to implement state-funded health programs that provide health coverage to people ineligible for Medicaid or the Affordable Care Act's (ACA) marketplace coverage, like certain immigrants.³³ Making health coverage accessible to as many residents as possible is crucial to keeping people healthy and safe, and to further reining in the virus. States can also maximize use of the Medicaid provision requiring states to pay for emergency medical services provided to individuals who, but for their immigration status, would be eligible for Medicaid. Specifically, states can identify COVID-related medical concerns as an emergency and thus reimburse medical providers for COVID-related treatment and testing provided to this group.

States should also take advantage of other provisions in the Rescue Plan that strengthen Medicaid, including an enhanced Medicaid matching rate for mobile crisis intervention services, which help de-escalate behavioral health crises and connect people to community-based services, avoiding costly emergency department visits and hospitalizations. Mobile crisis

³⁰ Emma Dorn *et al.*, "COVID-19 and learning loss — disparities grow and students need help," McKinsey & Company, December 8, 2020, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/covid-19-and-learning-loss-disparities-grow-and-students-need-help>.

³¹ Zhao, Malfino, and Travers, *op. cit.*

³² Nicholas Johnson and Victoria Jackson, "American Rescue Plan Act Includes Much-Needed K-12 Funding," CBPP, March 15, 2021, <https://www.cbpp.org/research/state-budget-and-tax/american-rescue-plan-act-includes-much-needed-k-12-funding>.

³³ Erica Williams, Eric Figueroa, and Wesley Tharpe, "Inclusive Approach to Immigrants Who Are Undocumented Can Help Families and States Prosper," CBPP, updated December 19, 2019, <https://www.cbpp.org/research/state-budget-and-tax/inclusive-approach-to-immigrants-who-are-undocumented-can-help>.

services may also prevent the arrest and incarceration of people with mental health and substance use disorders, who are disproportionately represented in the nation's jails and prisons and among fatal police shootings.³⁴

2: Advance Long-Term Antiracist, Equitable Policies to Dismantle Persistent Inequities

States can use this moment to address inequities due to historical racism and various forms of ongoing bias and discrimination. Racism and other structural barriers to opportunity have created underlying social, economic, and health conditions that have left people of color, especially Black people, women, immigrants, and Indigenous people, particularly at risk of coronavirus infection and, in the case of Black, Latinx, and Native American people, death.³⁵ Black unemployment is roughly twice as high as white unemployment, on average over time, and it's not much better in the *best* of times than white unemployment is in the *worst* of times.³⁶

Undoing these inequities will require substantial, sustained investments in the education, health, and well-being of long-neglected communities. Many states took some steps in the right direction in the last year by advancing longer-term antiracist policies. States can take more transformational steps in the coming year, in part by jumpstarting new investments using Rescue Plan funds.

Voters in Oklahoma and Missouri approved measures in 2020 to expand Medicaid, which together will provide access to health coverage for more than 600,000 residents.³⁷ New Jersey lawmakers extended the state's earned income tax credit (EITC) to younger workers not claiming children; California and Colorado extended their EITCs to those filing taxes with an individual taxpayer identification number (ITIN), largely immigrants who are undocumented.³⁸ Voters in Colorado also approved a statewide paid family leave program, while lawmakers in California expanded their state's program.

New Mexico not only extended its EITC to ITIN filers and workers not raising children in the home but also increased the size of the credit and gave a one-time rebate to low-income essential workers who receive the state EITC.³⁹ Voters made Florida the eighth state to increase the state minimum wage to \$15 per hour.⁴⁰ California, New Mexico, New York, Oregon, and Washington

³⁴ Hannah Katch, Anna Bailey, and Judith Solomon, "American Rescue Plan Act Strengthens Medicaid, Better Equips States to Combat the Pandemic," CBPP, March 22, 2021, <https://www.cbpp.org/research/health/american-rescue-plan-act-strengthens-medicaid-better-equips-states-to-combat-the>.

³⁵ Pavetti and Bailey, *op. cit.*

³⁶ CBPP, "Chart Book: Tracking the Post-Great Recession Economy," updated April 8, 2021, <https://www.cbpp.org/research/economy/chart-book-tracking-the-post-great-recession-economy>.

³⁷ Jesse Cross-Call, "Missouri, Oklahoma Should Quickly Implement Medicaid Expansion Amid COVID-19," CBPP, August 18, 2020, <https://www.cbpp.org/blog/missouri-oklahoma-should-quickly-implement-medicaid-expansion-amid-covid-19>.

³⁸ Samantha Waxman, "States Should Follow California and Colorado, Extend EITC to More Immigrants," CBPP, August 4, 2020, <https://www.cbpp.org/blog/states-should-follow-california-and-colorado-extend-eitc-to-more-immigrants>.

³⁹ Office of the Governor, "Gov. Lujan Grisham enacts measure effectively slashing taxes for New Mexico working families," April 6, 2021, <https://www.governor.state.nm.us/2021/04/06/gov-lujan-grisham-enacts-measure-effectively-slashing-taxes-for-new-mexico-working-families/>.

⁴⁰ Sadaf Knight, "Statement on Amendment 2 Passage and State Policy Landscape," Florida Policy Institute, November 3, 2020, <https://www.floridapolicy.org/posts/statement-on-amendment-2-passage-and-state-policy-landscape>.

created relief funds for workers and families left out of federal relief measures. Georgia, Kentucky, and Oregon improved their unemployment insurance systems.

Seven states (Hawai‘i, Maryland, Michigan, New York, Oregon, Virginia, and West Virginia) passed legislation since the start of the pandemic to stop driver’s license suspensions for unpaid fees and fines. Also, California repealed some county criminal and legal fees and eliminated the related unpaid debt on them.⁴¹

In addition, the Rescue Plan includes substantial aid that states can use to make major progress toward dismantling long-standing inequities. For instance, states can:

- **Invest in broadband, water, and sewer infrastructure projects.** States can use the Fiscal Recovery Funds to make these investments, and should design them to maximize the long-term benefits for reducing racial and economic inequities. For example, they can make broadband investments that provide better job access in Indian Country and low-income rural communities and modernize clean water systems in neighborhoods where lead poisoning from neglected pipes is prevalent.
- **Adopt the ACA’s Medicaid expansion.** At least 4 million uninsured people, nearly 60 percent of them people of color, would become eligible for Medicaid if the 12 remaining states adopted the expansion. Expansion has narrowed long-standing disparities in health coverage and access to care for people of color, and preliminary evidence suggests it is also improving their health outcomes. These improvements are all the more crucial during the COVID-19 pandemic; as noted, in most states infection rates and deaths from the virus are higher among Black and Latinx people and American Indians and Alaska Natives.⁴² The Rescue Plan provides a substantial incentive by giving funds to states that expand their Medicaid programs, making expansion even more attractive.⁴³

Other steps that states can take to dismantle long-standing inequities and sustain those gains in the future include the following:

- **Make state unemployment insurance (UI) systems more inclusive.** The American Rescue Plan extended through September 6 earlier federal provisions that provided more weeks of unemployment benefits so that jobless workers wouldn’t lose them while the nation struggled with COVID-19 and its economic fallout, as well as the Pandemic Unemployment Assistance program, which expands benefit eligibility to more jobless workers. These federal UI expansions have been critical because many state UI systems provide meager benefits and exclude many workers with low wages and part-time or contingent schedules, including many

⁴¹ Cortney Sanders, “California Criminal Fee Repeal a Big Step for Racial Justice, Equitable Policy,” CBPP, October 14, 2020, <https://www.cbpp.org/blog/california-criminal-fee-repeal-a-big-step-for-racial-justice-equitable-policy>

⁴² Jesse Cross-Call, “Medicaid Expansion Has Helped Narrow Racial Disparities in Health Coverage and Access to Care,” CBPP, October 21, 2020, <https://www.cbpp.org/research/health/medicaid-expansion-has-helped-narrow-racial-disparities-in-health-coverage-and>.

⁴³ Robin Rudowitz, Bradley Corallo, and Rachel Garfield, “New Incentive for States to Adopt the ACA Medicaid Expansion: Implications for State Spending,” Kaiser Family Foundation, March 17, 2021, <https://www.kff.org/coronavirus-covid-19/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending>.

laid off due to the pandemic.⁴⁴ These workers are disproportionately women and people of color. States should reform their UI systems to expand eligibility to as many workers as possible. They should also consider ways to assist immigrants who are undocumented and who have been laid off due to the virus but are ineligible for existing federal and state benefits.⁴⁵ New York's provision of economic assistance payments for immigrants left out of federal stimulus payments and unemployment insurance is a good model.⁴⁶

- **Adopt state-level emergency and permanent paid leave policies.** Such policies should be responsive to workers' heightened caregiving responsibilities and workers' needs related to COVID-19 vaccination or testing during the pandemic. The Rescue Plan extended tax credits available to employers offering paid leave and added new qualifying reasons for paid leave, including getting vaccinated for COVID-19, recovering from the vaccination, and seeking (or awaiting results from) a COVID-19 test; states can publicize these provisions and otherwise encourage employers to take advantage of them.⁴⁷ In addition, once the health crisis has ended, states should craft robust paid leave policies and make sure they cover workers least likely to have access, a group that includes many women, people of color, part-time workers, and immigrants.⁴⁸ In crafting these policies, states can look to the District of Columbia and six states that have already enacted paid family and medical leave programs. (Those six states are California, Massachusetts, New Jersey, New York, Rhode Island, and Washington. Three more states — Connecticut, Oregon, and Colorado — will begin paying benefits in upcoming years.) States can learn from these programs and improve upon them since even in these states, barriers to access remain.
- **Boost incomes through state EITCs or state child tax credits.** States can adopt and expand their own versions of the federal EITC,⁴⁹ including by increasing the size of their credits and extending them to workers without Social Security numbers, largely immigrants who are undocumented. These credits help address the disparate racial impact of regressive taxes like sales taxes by boosting the after-tax incomes of low-wage households struggling to make ends meet. And while state and federal EITCs serve a larger *number* of white households than of any other racial or ethnic group (because there are more white households in the United States), they serve a larger *proportion* of people of color. *For example, more than a quarter of Latina women and a fifth of Black women aged 18 to 64 are eligible for the federal*

⁴⁴ See Michael Leachman and Jennifer Sullivan, "Some States Much Better Prepared Than Others for Recession," CBPP, March 20, 2020, <https://www.cbpp.org/research/state-budget-and-tax/some-states-much-better-prepared-than-others-for-recession>.

⁴⁵ National Immigration Law Center, "State and Local Advocacy for an Immigrant-Inclusive Response to the COVID-19 Crisis," April 2020, <https://www.nilc.org/resources-covid19-crisis-and-consequences/covid-19-shared-crisis-shared-solutions>.

⁴⁶ Annie Correal and Luis Ferre-Sadurni, "\$2.1 Billion for Undocumented Workers Signal's New York's Progressive Shift," *New York Times*, updated April 19, 2021, <https://www.nytimes.com/2021/04/08/nyregion/covid-relief-undocumented-workers-nyc.html>.

⁴⁷ Sapna Mehta, "Paid Family and Medical Leave and Paid Sick Leave Provisions in the American Rescue Plan Act," CLASP, March 2021, https://www.clasp.org/sites/default/files/publications/2021/03/ARPProvisions_2021.pdf.

⁴⁸ Pronita Gupta and Tanya Goldman, "Low Job Quality Leaves Workers and Our Economy More Vulnerable to the Next Recession," Center for Law and Social Policy, September 2019, https://www.clasp.org/sites/default/files/publications/2019/09/2019_nextrecession.pdf.

⁴⁹ States considering adopting or expanding a state EITC should review Treasury guidance detailing how the Secretary will enforce a provision about tax cuts connected to the Rescue Plan's Coronavirus State Fiscal Recovery Funds. That provision may Samantha Waxman and Juliette Legendre, "States Can Adopt or Expand Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies," CBPP, updated March 11, 2021, <https://www.cbpp.org/research/state-budget-and-tax/states-can-adopt-or-expand-earned-income-tax-credits-to-build>.

EITC, compared to 11 percent of white women. (See Table 1.) EITCs also have a disproportionate impact in reducing poverty rates among households of color. And state EITCs work particularly well when combined with increases in the state minimum wage.⁵⁰

States can also create or expand their own version of the federal child tax credit. The few states with child tax credits today should make them fully available to families with low earnings or that lack earnings in a year (that is, states should make them “refundable”). The remaining states can create a new child tax credit that’s a percentage of the federal credit, similar to most state EITCs, or enact one that provides families a set amount based on family size. State child tax credits should also extend to ITIN filers, many of whom are immigrants.

TABLE 1

Women (Filers and Spouses) Eligible for Federal EITC

	Women Eligible for the EITC	Average EITC Amount	Share of Women Aged 18 to 64 in Racial and Ethnic Group Eligible for the EITC
White	6,379,000	\$2,100	11%
Latina (of any race)	4,884,000	\$2,800	27%
Black	2,870,000	\$2,500	22%
Asian American	825,000	\$2,300	12%
Not listed above or multiple races	500,000	\$2,300	18%
Total	15,457,000	\$2,400	15%

Note: The racial and ethnic categories above do not overlap; figures for each racial group do not include women who identify as multiracial or of Latina ethnicity. Latina includes all women of Hispanic, Latina, or Spanish origin regardless of race. The American Indian or Alaska Native (AIAN) population is much more likely than other racial groups to overlap with other racial or ethnic groups in the Census data. We calculate AIAN figures using a separate approach that includes AIAN women who identify as multiracial or Latina. These calculations show that about 22 percent of all AIAN women are eligible for the EITC. These 468,000 women receive an estimated average EITC of \$2,400 each. (If we apply the non-overlapping categories used for other groups, 189,000 women who identify as AIAN alone (no other race) and not Latina – approximately 23 percent of all women in that group – are eligible for an average EITC of \$2,500.) Due to limitations of the Census data, the figures do not reflect IRS rules that require all EITC family members to have a Social Security number. This omission likely has little effect on most of the estimates shown here; the Latina share of those benefitting, however, may be somewhat overstated. Data are not available for people living in the territories.

Source: CBPP estimates based on U.S. Census Bureau’s March 2019 Current Population Survey.

- **Release youth from confinement and support reentry into schools and communities while social distancing.**⁵¹ States should downsize their juvenile facilities by releasing youth with low-level offenses or technical probation violations, encourage courts to prioritize cases for pre-adjudication so youth are not detained longer than necessary, and halt new admissions

⁵⁰ Erica Williams, Samantha Waxman, and Juliette Legendre, “State Earned Income Tax Credits and Minimum Wages Work Best Together,” CBPP, updated March 9, 2020, <https://www.cbpp.org/research/state-budget-and-tax/state-earned-income-tax-credits-and-minimum-wages-work-best-together>.

⁵¹ Bill McBride, “COVID-19 Responses in the Juvenile Justice System,” National Governors Association, March 30, 2020, https://www.nga.org/wp-content/uploads/2020/04/Memorandum_COVID-19-Responses-in-the-Juvenile-Justice-System.pdf.

to juvenile detentions or correctional facilities. States should also dedicate funds to help youth exiting confinement meet basic needs such as food, medical supplies, and educational resources as part of their transition back into the community. And they should eliminate in-person court and probation meeting requirements, eliminate court payments for probation, and avoid incarcerating youth for technical violations of probation. For the thousands of youth who remain in facilities, states and localities should continue operating educational programming with online learning when in-person learning is unavailable and invest in extra resources to help youth make up learning time they lost. States and localities also should provide free, unlimited online and telephone communication to avoid disruptions in mental health services and in visitation from legal counsel, families, or community partners.

- **Eliminate criminal legal fees and base fines on ability to pay.** During the pandemic states and localities should discharge all outstanding fines, fees, and court debt or at least stop penalizing and jailing individuals for unpaid fines and fees.⁵² States should also stop suspending driver’s licenses for unpaid fees and fines, a practice that can hurt people’s ability to work and engage with their families and communities. Going forward, states and localities should eliminate criminal legal fees, base fines on ability to pay, and use general funds to support their courts and police departments.⁵³ Since the Rescue Plan’s Fiscal Recovery Funds can be used to pay for courts and other existing public services, up to the amount of pandemic-induced revenue loss, states with that sort of revenue loss could use the funds to help permanently transition away from reliance on fees and fines. That is, they could eliminate or scale back fee revenue and replace the lost funds temporarily with Fiscal Recovery Funds to ease their transition away from criminal legal fees. (Since eliminating or reducing fee and fine revenue would not result in a reduction in tax revenue, it does not appear to run afoul of the Rescue Plan’s provision restricting states from using the funds to reduce taxes.⁵⁴) In addition, states should reform or eliminate mandatory minimums and other sentencing laws that have led to extremely high rates of incarceration, especially those that harmed Black and brown communities, and left those in detention facilities at greater risk of infection.
- **Invest in high-poverty school districts.** The American Rescue Plan provides \$123 billion to help schools educate children safely and to make up for lost learning time. These funds will help schools cover the substantial costs the pandemic has imposed but won’t improve the long-term funding picture for underfunded, high-poverty districts. States can help by protecting these districts from budget cuts, improving school funding formulas to better target dollars to children of color and those in lower-income households, and raising new revenue to transform currently under-resourced schools over the long term. In many states, wealthier districts receive more state and local K-12 funding per student than poorer ones; some other states make little to no distinction between wealthy and poor districts when allocating funding.⁵⁵ Yet children in poorer neighborhoods and in communities of color need *more* resources to combat the effects of racism and economic hardship on their educational

⁵² Fines & Fees Justice Center, “COVID-19 Crisis: FFJC Policy Recommendations and Policy Tracker,” May 6, 2020, <https://finesandfeesjusticecenter.org/articles/ffjc-policy-recommendations-for-the-covid-19-crisis/>.

⁵³ Cortney Sanders, “California Criminal Fee Repeal a Big Step for Racial Justice, Equitable Policy,” CBPP, October 14, 2020, <https://www.cbpp.org/blog/california-criminal-fee-repeal-a-big-step-for-racial-justice-equitable-policy>.

⁵⁴ Nicholas Johnson, “Rescue Plan Protects Against Using Federal Dollars to Cut State Taxes,” CBPP, March 11, 2021, <https://www.cbpp.org/blog/rescue-plan-protects-against-using-federal-dollars-to-cut-state-taxes>.

⁵⁵ Danielle Farrie, Robert Kim, and David G. Sciarra, “Making the Grade 2019,” Education Law Center, <https://edlawcenter.org/assets/Making-the-Grade/Making%20the%20Grade%202019.pdf>.

outcomes. School districts with children from lower-income households often coordinate with broader community resources to provide essential supports like mental health services, food, health care, and after-school care. Increasing investment in schools in high-poverty neighborhoods can give families greater access to these service “hubs,” whereas most students from wealthier (often white) households can already afford these services.⁵⁶

- **Invest in higher education for those from non-dominant groups.** States should sharply reduce college tuition and other college-related costs for low-income students and prioritize funding for regional colleges and universities that educate more students from lower-income areas, including rural areas, and students of color. States can also prioritize need-based student aid above merit-based programs, which can direct resources to college students from privileged backgrounds — typically white students and students from high-income and wealthier communities. States deeply cut higher education funding and sharply raised tuition in the years after the Great Recession hit, especially burdening students of color. The net price of a four-year institution of higher education now equals 40 percent or more of the median household income for Latinx and Black households in many states, a much greater burden than for the median white household.⁵⁷ (See Figure 4.) States may be able to use Fiscal Recovery Funds to increase need-based aid for these students.

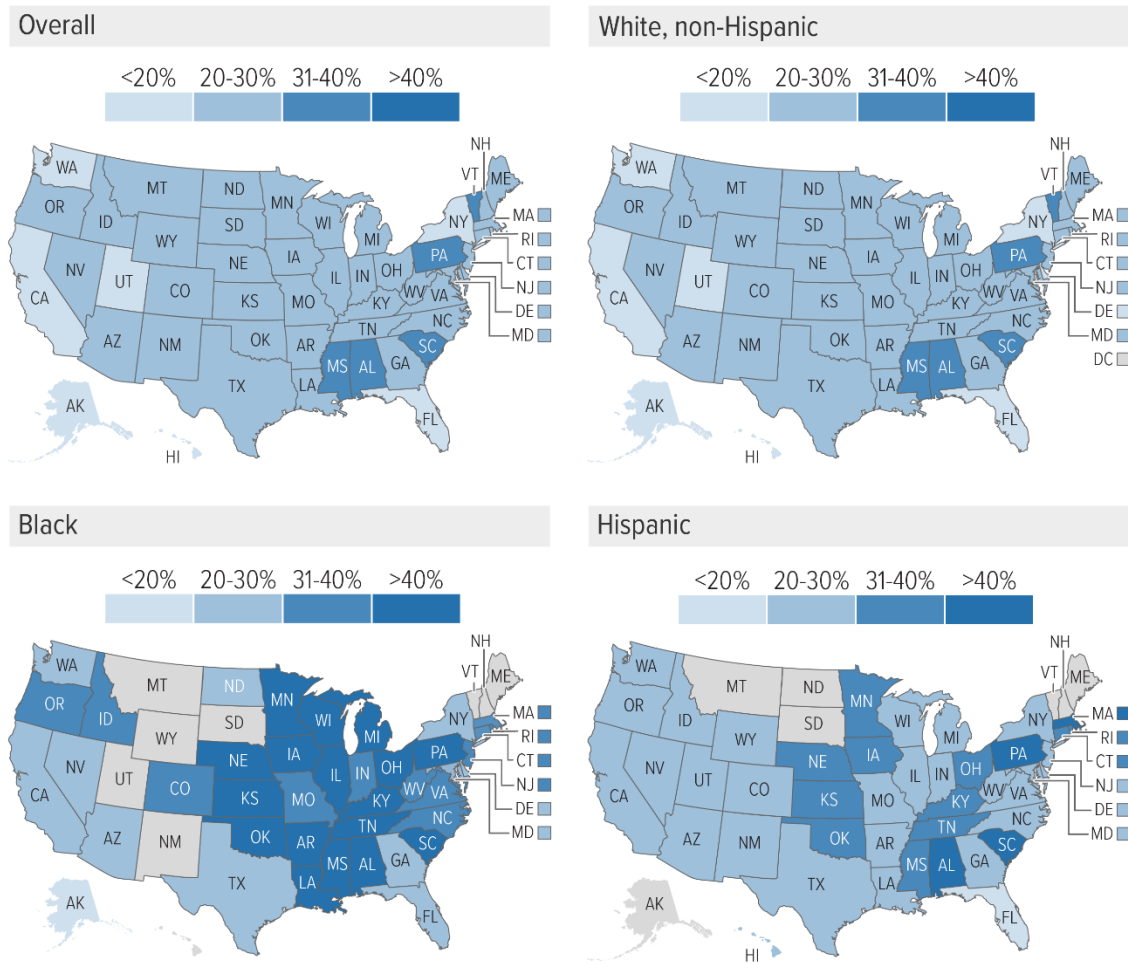
⁵⁶ Michael B. Horn, Julia Freeland, and Stuart M. Butler, “Schools as Community Hubs: Integrating Support Services to Drive Educational Outcomes,” Brookings Institution, September 2015, <https://www.brookings.edu/wp-content/uploads/2016/06/Horn-Freeland-Paper-FINAL.pdf>.

⁵⁷ The net price of attending a public four-year institution is the published tuition and fees, room and board, and books and supplies minus the average aid received for a student. For a full explanation of the data, see Victoria Jackson and Matt Saenz, “States Can Choose Better Path for Higher Education Funding in COVID-19 Recession,” CBPP, February 17, 2021, <https://www.cbpp.org/research/state-budget-and-tax/states-can-choose-better-path-for-higher-education-funding-in-covid>.

FIGURE 4

Public College Less Affordable for Black, Hispanic Students

Net cost for four-year college as a share of median household income, 2018



Notes: For the full set of data and tables, see CBPP.org: “States Can Choose Better Path for Higher Education Funding in COVID-19 Recession.” Results are not included where the standard error associated with the median income is more than 10 percent of the estimated median income and are presented with an asterisk where the median income for that group is statistically different from that of non-Hispanic white households. Note that suppression and statistical significance tests are tied to median income, not average net cost as a share of (estimated) median income. Some people in the “Black” category may also identify as “Hispanic,” so these categories are not necessarily exclusive.

The Integrated Postsecondary Education Data System does not collect average net price by race. Average net price by race could vary. We use median household income because independent students (those considered financially independent from their parents) are over half of all college students. Median family income is higher than median household income, so average net price would make up a smaller share of income for students in the median family.

Source: American Community Survey 1-Year Estimates (Table B19013) and NCES Integrated Postsecondary Education Data System

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- **Help tribal governments harmed by the pandemic.** Many tribal governments lack an adequate tax base and use revenue from tribal enterprises and member-owned businesses to fund government operations and services. The economic downturn has hit many of these sectors — such as tourism and conferences, gaming and hotels, and energy development —

particularly hard.⁵⁸ American Indians and Alaska Natives are also more vulnerable to health complications associated with the virus, in part because the federal government has failed to meet its trust and treaty obligations to adequately fund tribal health services and other supports. The federal government should provide additional aid, but states can also help by providing aid to tribal colleges and universities in their state; investing in rural, tribal, and urban Indian health centers; and expanding access to broadband to ensure access to telehealth and remote work and education.⁵⁹

- **Build a comprehensive support system for people with substance use disorders (SUDs).** Fewer than 13 percent of the 21 million-plus people who need substance use services get any.⁶⁰ A comprehensive system of SUD care would provide a full continuum of treatment and recovery services to people living with all types of substance use disorders, integrate care for their co-occurring physical and mental health conditions, advance racial equity in treatment access and quality, and connect people with services to meet their social needs.

States should use Medicaid as the foundation for funding comprehensive care for people with low incomes (and states that have not expanded Medicaid should do so, opening up significant funding for SUD treatment). Medicaid can cover a rich array of clinical SUD treatment services, recovery supports, and other mental and physical health care. And in contrast to grant-funded programs, Medicaid guarantees health coverage to all who qualify, so funding adjusts to meet rising need. But states should use their own funds (or the Fiscal Recovery Funds, to the extent Treasury allows) to pay for services that Medicaid doesn't cover and to fund treatment for people with SUDs who are under- or uninsured. That includes many formerly incarcerated people, immigrants without Social Security numbers, and people ineligible for Medicaid because their state has not expanded the program.

3: Strengthen State Revenue Systems to Sustain Transformative Investments

State policymakers face an unprecedented situation. Their costs are way up as they attempt to contain the pandemic and help the millions of people and businesses facing severe hardships. And, while state revenues have been less harmed by the pandemic than initially feared, they are still below pre-pandemic projections in most states, and in some states the revenue loss has been severe.⁶¹ At the same time, the American Rescue Plan and other emergency federal support have greatly improved the near-term financial picture for states. This has created a historic opportunity to drastically reduce the hardships that people would otherwise experience during the remainder of the health emergency and set the stage for a future in which these hardships, which are avoidable, are much rarer and long-standing inequities due to racism and economic inequality are overcome.

⁵⁸ Joshua Marshall, "Tribal Nations — Highly Vulnerable to COVID-19 — Need More Federal Relief," CBPP, April 1, 2020, <https://www.cbpp.org/blog/tribal-nations-highly-vulnerable-to-covid-19-need-more-federal-relief>.

⁵⁹ Christine A. Nelson and Joanna R. Frye, "Tribal College and University Funding: Tribal Sovereignty at the Intersection of Federal, State, and Local Funding," American Council on Education/Center for Policy Research and Strategy, May 2016, <https://www.acenet.edu/Documents/Tribal-College-and-University-Funding.pdf>.

⁶⁰ Anna Bailey *et al.*, "Medicaid Is Key to Building a System of Comprehensive Substance Abuse Care for Low-Income People," CBPP, March 18, 2021, <https://www.cbpp.org/research/health/medicaid-is-key-to-building-a-system-of-comprehensive-substance-use-care-for-low-income-people>.

⁶¹ Leachman and McNichol, *op. cit.*

States will first need to spend the emergency federal aid wisely. But unless they also plan for sustaining the long-term investments required for a better future using their own funds, the Rescue Plan's advances will be short-lived. To take advantage of this opportunity for transformative change, states should create revenue systems capable of supporting a future where children aren't allowed to go hungry, where people can afford housing, health care, and education, and where barriers created by racism are no longer obstacles to opportunity.

Some states are taking initial steps. In 2020, policymakers in New Jersey and voters in Arizona raised new revenues from the states' wealthiest families to fund schools and other public services. The District of Columbia scaled back an ineffective tax incentive for technology companies and used the savings for a range of critical programs.⁶² Already in 2021, New York adopted higher income taxes for millionaires and New Mexico has enacted a tax increase on health insurers that's projected to raise about \$110 million annually to fund health insurance marketplace subsidies; lawmakers also defeated a bill that would have extended to all taxpayers an income tax exemption for Social Security benefits. The tax break is currently offered only to low-income people; extending it to all those with this income would have cost the state millions of dollars per year.⁶³ And Connecticut, Minnesota, and Washington are pursuing tax hikes targeted heavily to high-income people, with an eye toward financing EITC expansions and other equity-enhancing investments.

Unfortunately, some other states are heading in the opposite direction. The governors of Mississippi and West Virginia have called for eliminating their states' income taxes, a major revenue source and the only major state tax based on ability to pay.⁶⁴ Governors and legislative leaders in Arizona, Idaho, Iowa, Oklahoma, and some other states are pressing for tax cuts that would particularly benefit high-income (mostly white) people and profitable corporations.

Moving forward, state policymakers can:

- **Raise revenue, especially from the wealthy and profitable corporations.** The United States (including federal, state, and local governments) raises much less revenue as a share of the economy than most other industrialized countries.⁶⁵ As a result, the support we provide to families and communities and the investments we make to broaden opportunity are relatively weak, resulting in unnecessary hardship that diminishes our quality of life. States can raise revenue for high-quality schools, health care, and other public investments that help us all thrive.

Further, past policy decisions have produced state and local tax systems that often ask the least of wealthy, mostly white households as a share of income, thereby worsening disparities in wealth and income often built or aggravated by racism. States can raise needed revenue and

⁶² Tazra Mitchell, "The Mayor and DC Council Balanced the FY 2020 and FY 2021 Budgets Using a Variety of Tactics, Including Revenue Increases," DC Fiscal Policy Institute, September 28, 2020, <https://www.dcfpi.org/all/the-mayor-and-dc-council-balanced-the-fy-2020-and-fy-2021-budgets-using-a-variety-of-tactics-including-revenue-increases/>.

⁶³ Associated Press, "New Mexico House endorses health insurance tax, subsidies," March 8, 2021, <https://apnews.com/article/michelle-lujan-grisham-coronavirus-pandemic-medicaid-new-mexico-bills-4c7f0b1dc5d034fafbd20976ecfcbde9>.

⁶⁴ Michael Leachman, "Some State Policymakers Pushing Tax Cuts Amid Widespread Hardship," CBPP, March 4, 2021, <https://www.cbpp.org/blog/some-state-policymakers-pushing-tax-cuts-amid-widespread-hardship>.

⁶⁵ Chye-Ching Huang and Roderick Taylor, "How the Federal Tax Code Can Better Advance Racial Equity," CBPP, July 25, 2019, <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>.

reduce income inequality by better taxing wealth, such as by improving taxation of stock sales, large inheritances, expensive property, and other forms of wealth that often face low tax rates or go untaxed.⁶⁶ They can also more adequately tax the incomes of millionaires and other high-income people.⁶⁷

- **Remove barriers to revenue raising, such as supermajority vote requirements.** Many states have enacted policy barriers that make raising adequate revenue more difficult. These include supermajority requirements to raise revenue (which allow a small group of lawmakers to slow or block tax measures that have majority support), limits on income tax rates, and highly restrictive limits on annual spending growth. Some of these emerged from openly white supremacist state governments of the past yet remain on the books today, helping maintain racial inequities.⁶⁸ Supermajority rules also encourage states to close budget gaps mostly if not entirely through spending cuts, which can inhibit a recovery.⁶⁹
- **Roll back economic development incentives and other tax breaks for profitable corporations.** Economic development incentives cost states about \$45 billion per year, in aggregate, despite evidence that they are largely ineffective. Other tax breaks often reward companies for business activity in which they would have engaged anyway or have a low “bang for the buck.” Rolling back ineffective breaks to improve economic supports for people in hard-hit communities of color would also improve racial equity; the corporations that benefit the most from these breaks typically are owned mostly by wealthy and white shareholders.⁷⁰
- **Reform or repeal restrictions on local government revenue raising.** The pandemic has sharply increased costs and reduced revenue for localities as well as states, making it much harder for them to provide basic community services like schools, parks, and clean water. The American Rescue Plan’s substantial direct aid to cities and counties will help a great deal in the short run, but local governments — like states — will need to sustain their investments when the federal aid is gone. States can help by removing unnecessarily strict barriers to raising revenue at the local level, such as property tax limitations that expand racial income gaps by providing disproportionate savings to white homeowners. Such individuals are more likely than Black or Latinx people to own expensive homes, in part because past government policies segregated people of color in lower-value areas.⁷¹

⁶⁶ Samantha Waxman and Elizabeth McNichol, “Improved State Taxes on Wealth, High Incomes Can Help Fuel an Equitable Recovery,” CBPP, December 10, 2020, <https://www.cbpp.org/research/state-budget-and-tax/improved-state-taxes-on-wealth-high-incomes-can-help-fuel-an->

⁶⁷ Wesley Tharpe, “Raising State Income Tax Rates at the Top a Sensible Way to Fund Key Investments,” CBPP, February 7, 2019, <https://www.cbpp.org/research/state-budget-and-tax/raising-state-income-tax-rates-at-the-top-a-sensible-way-to-fund-key->

⁶⁸ Leachman *et al*, *op.cit.*

⁶⁹ CBPP, “Policy Basics: State Supermajority Rules to Raise Revenues,” updated February 5, 2018, <https://www.cbpp.org/research/state-budget-and-tax/state-supermajority-rules-to-raise-revenues->

⁷⁰ Lisa J. Dettling *et al.*, “Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence from the Survey of Consumer Finances,” Federal Reserve Board, September 27, 2017, <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-wealth-holding-by-race-and-ethnicity-evidence-from-the-survey-of-consumer-finances-20170927.htm>.

⁷¹ Iris J. Lav and Michael Leachman, “State Limits on Property Taxes Hamstring Local Services and Should Be Relaxed or Repealed,” CBPP, July 18, 2018, <https://www.cbpp.org/research/state-budget-and-tax/state-limits-on-property-taxes-hamstring-local-services-and-should-be->