

## COVID-19

**IMPROVING FEDERAL COVID ASSISTANCE**

Boost aid to meet need. Improve flexibility. Lengthen duration. Include everyone.

**WENDY PATTON AND WILL PETRIK**

During tough times, government leadership can keep our society going. The government can step in to keep families putting food on the table, help people who are sick get medical care and make sure parents who have to work have safe places to care for their children. It's government action that makes sure the trash keeps getting collected and an ambulance shows up if there is an emergency. Only the federal government has the tools and the means to fully address the size and scope of the COVID-19 pandemic and the recession it caused.

Thirty-nine percent of low-income workers were laid off by their employers.<sup>1</sup> With so many people suddenly without income to spend, cities and state governments have less of the income and sales tax revenue they need to perform essential functions, like making sure businesses are keeping workers and customers safe by following social distancing rules.

Although the federal government deployed several aid packages, a crisis this size calls for an even bolder response. The aid packages Congress passed are set to expire before the pandemic and recession end. They prohibited cities and states from using aid for budget shortfalls, so state and local lawmakers are slashing services and laying people off. This will make the pandemic recession worse.

The U.S. House of Representatives recently passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act. The bill expands critical aid and gives federal policymakers a chance to do more for all Americans, no matter where they live, what their race is or how much money they have. This issue brief focuses on four areas that critically need more federal aid: cities and states, Medicaid, food assistance and child care.

**State and local fiscal aid**

State and local governments are responsible for clean water, good schools, safe streets, garbage collection, emergency services and much more. With an estimated 29% of the economy closed over the past two months,<sup>2</sup> state and local governments can't collect the tax revenue they need. Gov. DeWine already announced \$775 million in state cuts.<sup>3</sup> Cincinnati, Akron, Toledo, Parma, Lancaster and other Ohio cities are cutting services and laying people off.<sup>4</sup> The federal government, unlike states, can borrow money without being subject to balanced budget provisions. Only the federal government is big enough and has the tools to keep public services going until the end of the pandemic recession.

**What's needed:** Across America, state budget shortfalls from the COVID-19 pandemic recession alone could total \$765 billion over three years.<sup>5</sup> Congress provided \$150 billion in aid for state and local governments through the Coronavirus Aid, Relief, and Economic

<sup>1</sup> "Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020," Board of Governors of the Federal Reserve System, May 2020 (p.53) at <https://bit.ly/36aLHR5>

<sup>2</sup> Mitchell, Josh, "State Shutdowns Have Taken at Least a Quarter of U.S. Economy Offline," Wall Street Journal, April 5, 2020 at <https://on.wsj.com/2ydayXR>

<sup>3</sup> "DeWine announces \$775 million in budget cuts as revenue crashes," Associated Press, cited in WBNS - 10TV, May 5, 2020 at <https://bit.ly/2ZdPMT1>

<sup>4</sup> Elms, Sarah, "City puts employees on temporary emergency leave in effort to cut budget," Toledo Blade, April 16, 2020 at <https://bit.ly/2TgF5vf>; Akinnibi, Fola, "Cities, States already cutting jobs with financial toll mounting," Bloomberg, April 2, 2020 at <https://bloom.bg/3cNWx1W>; Staver, Anna, "Public safety

cuts, tax increases on the table as Ohio cities face budget shortfalls," Columbus Dispatch, April 29, 2020 at <https://bit.ly/3g2Dol.k>; Eaton, Sabrina,

"Coronavirus drains Ohio municipal treasuries; Mayors seek federal aid to avoid cuts," Cleveland.com, April 29, 2020 at <https://bit.ly/3clqSFL>

<sup>5</sup> Leachman, Michael, "Projected State Shortfalls Grow as Economic Forecasts Worsen," Center on Budget and Policy Priorities, May 20, 2020 at <https://bit.ly/36hYzVB>

Security (CARES) Act, but restricted use to new expenses associated with the pandemic. Even though the pandemic has contributed to budget shortfalls, the funding can't be used to address them.<sup>6</sup> Cuyahoga County has a \$76 million budget shortfall. It gets \$215 million in federal aid for COVID-19 related expenditures but can't use any of it for the shortfall in basic services like garbage collection or public safety.<sup>7</sup> Ohio Budget Director Kimberly Murnieks has called on the federal government to provide more flexibility for state and local governments in the use of these federal funds.<sup>8</sup>

**Duration:** Federal aid currently in place expires with the national declaration of public health emergency, or at various points throughout 2020.<sup>9</sup> Such aid ended too soon in the recession of 2008, prolonging hardship for many people and communities.<sup>10</sup> The next relief package should not end federal assistance until recovery is fully in place. A national "trigger" linked to pre-recession unemployment would ensure relief measures continue as long as needed. Since the recovery may occur at different rates across the country, additional state-specific triggers could provide longer-lasting help in states facing greater challenges.<sup>11</sup>

**The new HEROES proposal** would provide \$500 billion that states can use to shore up budgets. States and the District of Columbia divide \$500 billion based on population, share of COVID-19 cases and unemployment. The proposal also provides \$375 billion for local governments, split by metro area population.<sup>12</sup> The provisions last into 2021 but the language does not include triggers to allow the aid to last until recovery. The final bill needs such triggers.

## Medicaid

More than 1 million Ohioans have filed for unemployment insurance since mid-March.<sup>13</sup> Because health care is tied to employment in the U.S., people often lose coverage when they are laid off. Medicaid has never been more important; Ohio Medicaid Director Maureen Corcoran reports that enrollment, previously declining, has risen by 140,000 recently.<sup>14</sup> Yet with Ohio's budget shortfall, the Medicaid budget has already been cut by \$211 million.<sup>15</sup> Although changes to date have not reduced eligibility or services, state lawmakers may consider slashing the Ohio Medicaid services that go beyond the federal minimum requirements, like prescription drug coverage. The federal government must pick up a larger share of the cost of Medicaid and keep the enhanced aid in place throughout the pandemic.

**What's needed:** The Families First Coronavirus Response Act (FFCRA) increased the federal share of each Medicaid dollar by 6.2 percentage points. In Ohio, that means the federal government would pay for about \$.69 of every Medicaid dollar for many – not all – Medicaid

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<sup>6</sup> According to guidance from the Treasury Department, the funding cannot be used to close revenue gaps, but it can be expended on both direct health responses and economic relief, and can be applied to payroll expenses for public sector workers "whose services are substantially dedicated to mitigating or responding to" the COVID-19 crisis, including public safety, public health, health care, human services, and similar employees. Department of the Treasury, "Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments," Apr. 22, 2020, <https://bit.ly/3dXhBTH>

<sup>7</sup> Anderson, Chris, "Cuyahoga County facing \$76 million budget deficit during coronavirus pandemic," 19 News (Cleveland, Ohio) at <https://bit.ly/2yhzn4Y>

<sup>8</sup> Office of Budget and Management press call on budget cuts, May 6, 2020.

<sup>9</sup> The FFCRA and CARES Act funding lack provisions to extend — or broaden — certain economic-relief provisions if economic conditions warrant. For example, 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. See Parrot, Sharon, et.al., "CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed," Center on Budget and Policy Priorities, March 27, 2020 at <https://bit.ly/3e2CzRf>

<sup>10</sup> Patton, Wendy, "Ohio after COVID-19: Looking to the future, learning from our history," Policy Matters Ohio, May 14, 2020 at <https://bit.ly/2X8AZX6>

<sup>11</sup> According to Robert Greenstein of the Center on Budget and Policy Priorities: "The package [HEROES] does fall short in several areas, where it could be improved. First, it's important for key relief measures neither to expire too soon (a mistake made in responding to the Great Recession) nor to last too long. Accordingly, it would be best to tie the unemployment provisions, state fiscal relief, and SNAP measures to economic indicators so they remain in effect until the labor market is considerably healthier." See "Greenstein: Pelosi Package Would Provide Essential Support for Economy, Relief to Households," Center on Budget and Policy Priorities, May 12, 2020 at <https://bit.ly/3fZILLt>

<sup>12</sup> Walczak, Jared, "How the HEROES Act Would Allocate State and Local Aid for Coronavirus Relief," Tax Foundation, May 12, 2020 at <https://bit.ly/2zJXVnB>

<sup>13</sup> "Ohio Initial Jobless Claims for Sunday, May 3, through Saturday, May 9, 2020," Ohio Department of Job and Family Services, e-mailed communication dated May 14, 2020.

<sup>14</sup> Ohio Department of Medicaid Director Maureen Corcoran, Briefing to the Ohio Medicaid Coalition, May 14, 2020.

<sup>15</sup> Tobias, Andrew J., "Ohio Gov. Mike DeWine announces \$775m in state budget cuts to education, Medicaid and more," Cleveland.com, May 5, 2020 at <https://bit.ly/2ZcROHj>

enrollees, compared with the current federal match (“FMAP”) of \$.63.<sup>16</sup> With a huge wave of people enrolling during this recession, and with increased need for health care services due to the pandemic, this isn’t enough. The National Governors Association<sup>17</sup> and National Association of Medicaid Directors<sup>18</sup> asked federal policymakers to increase the share by a full 12 percentage points for all Medicaid enrollees. This would bring the federal share in Ohio to about \$.75 of every Medicaid dollar spent across Medicaid enrollees.<sup>19</sup> During the last recession Ohio’s FMAP was 10.5 percentage points higher in 2010 than in 2011, when the enhanced aid ended. This recession is caused by pandemic, so more will be needed.

**Duration:** The current increase in Medicaid FMAP will end when the U.S. Secretary of Health and Human Services declares an official end to the public health emergency. Yet the pandemic may subside at different times across the country and the recession may also extend beyond the pandemic. Federal policymakers should tie the FMAP enhancement to state-specific triggers to maintain relief measures as long as needed. It could take as long as several years for scientists to develop a vaccine. Until then, pandemic “hot spots” are expected to randomly emerge. Federal assistance must be flexible.

**The HEROES Act proposal** includes a staggered level and timeframe for FMAP increases. It sets the FMAP at 6.2 percentage points higher in each state between January 1, 2020 and June 30, 2020. That enhancement rises to 14 percentage points between July 1, 2020 and June 30, 2021, and then goes back down to 6.2 percentage points on July 1, 2021, until the end of the public health emergency (assuming the emergency extends past the end of June 2021).<sup>20</sup> It does not contain language tying expiration to economic or public health triggers.

### Food and nutrition assistance

Over 1 million Ohioans have applied for unemployment, and millions of people across the nation are struggling to afford food. The economic crisis is hitting people who are paid low wages the hardest, stretching food banks to the breaking point. Congress must act now to boost benefits under the Supplemental Nutrition Assistance Program (SNAP) through the duration of the recession. SNAP is a proven stimulus that boosts our economy and helps children and families by ensuring they have enough to eat.

**What’s needed:** The next federal stimulus package needs to include a 15 percent increase in the SNAP maximum allotment level. That’s about another \$25 per person per month, or just under \$100 per month in food assistance for a family of four.<sup>21</sup> This would provide a boost to struggling families, including those with very low income who did not receive a SNAP increase under the FFCRA. More federal resources are also needed to help states and counties meet the rising demand for SNAP benefits.

In addition, policymakers should shelve three rules pursued by the Trump Administration that would end SNAP benefits for 3 to 4 million people and shrink them for 6 to 7 million others.<sup>22</sup> Making it harder for people to afford food will increase hardship and hold down spending, slowing the economic recovery.

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<sup>16</sup> “Federal Medical Assistance Percentage (FMAP) for Medicaid and Multiplier,” Kaiser Family Foundation, (Timeframe: 2020) at <https://bit.ly/2vf6Dts>

<sup>17</sup> National Governors Association Outlines Need For ‘Additional And Immediate’ Fiscal Assistance To States,” April 11, 2020 at <https://bit.ly/2WFdPll>

<sup>18</sup> National Association of Medicaid Directors, Letter to congressional leadership, April 13, 2020 at <https://bit.ly/2zOiiJs>

<sup>19</sup> Different categories of enrollees have different FMAPs. For example, the Children’s Health Insurance Program (CHIP) has an Ohio FMAP of about \$.745 and the Medicaid expansion population has an FMAP of \$.90. Therefore, the illustration given here is lower than the average impact across all groups.

<sup>20</sup> Park, Edwin, “House HEROES Act Bill Would Provide Significant Further Support for State Medicaid Programs,” Georgetown University Health Policy Institute, Center for Children and Families, May 13, 2020 at <https://bit.ly/2ZgYSyb>

<sup>21</sup> Parrott, Sharon, et al., “Immediate and Robust Policy Response Needed in Face of Grave Risks to the Economy,” Center on Budget and Policy Priorities (CBPP), May 19, 2020, <https://bit.ly/2Lvr0FN>

<sup>22</sup> Rosenbaum, Dorothy and Neuberger, Zoë, “President’s 2021 Budget Would Cut Food Assistance for Millions and Radically Restructure SNAP,” CBPP, February 18, 2020, <https://bit.ly/2LsMQgu>

**Duration:** The FFCRA includes several temporary provisions to provide food and nutrition assistance to children, adults and families which are set to expire at the end of the public health emergency.<sup>23</sup> During the last recession, federal leaders cut off support before the recession ended in Ohio. The result was a slow and painful recovery for many households and communities.<sup>24</sup> Federal policymakers should learn from past mistakes and ensure aid continues until unemployment returns to pre-recession levels on a state-by-state basis. Additional SNAP benefits need to extend beyond the duration of the public health emergency based on state-level job market conditions.

**The HEROES Act proposal** includes the needed 15% boost of SNAP's maximum benefit, additional administrative support for states, and ensures the Trump Administration can't implement rules that would push millions of people off SNAP during this crisis.<sup>25</sup> Aid expires in September 2021, but the length of the downturn is uncertain. The best approach would keep extra SNAP benefits in place until the labor market recovers. Congress can adopt such an approach in the final package.

### Aid to child care

High-quality child care prepares children for school, and lets parents go to work knowing their children are safe and cared for. COVID-19 has had a widespread and immediate impact on child care. Many child care providers have been forced to close; some have stayed open to provide care for children of essential workers. Nationally, the child care industry lost 336,200 jobs in April.<sup>26</sup> These job losses mostly harm women, disproportionately immigrant women and women of color, who make up 94% of the child care workforce.<sup>27</sup> The CARES Act provided \$3.5 billion in relief for child care providers, including \$118 million for Ohio.<sup>28</sup> This down payment is nowhere near adequate to meet the immense need.

**What's needed:** Child care providers need at least \$50 billion in the next federal relief package. These funds would cover the cost of five months of child care for essential workers and ensure the child care system remains intact, so families have child care options when they return to work.<sup>29</sup> Helping child care providers stay in business will also prevent job loss within the child care sector. A \$50 billion increase to the Child Care Development Block Grant would infuse \$1.67 billion to support child care and the workforce in Ohio.<sup>30</sup>

**Duration:** Ohioans needed more public support for early care and education long before the current crisis. Now we need additional federal relief to ensure families get safe, quality care for their children, and to ensure the long-term stability of the child care system, which is critical to any future economic recovery. As with SNAP, Medicaid, and fiscal relief for state and local governments, child care providers and the families who rely on them will need ongoing federal relief through the duration of the recession.

**The HEROES act proposal** provides \$7 billion for the Childcare and Development Block Grant, double the aid under the Families First Act. If distribution remains the same, Ohio may receive \$236 million – better, but a far cry from the \$1.67 billion we need.

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<sup>23</sup> Rosenbaum, Dorothy, Dean, Stacy, and Neuberger, Zoë, "The Case for Boosting SNAP Benefits in Next Major Economic Response Package," CBPP, April 22, 2020, <https://bit.ly/3g2htEm>

<sup>24</sup> Patton, Wendy, "Ohio after COVID-19: Looking to the future, learning from history," Policy Matters Ohio, May 14, 2020, <https://bit.ly/3cQG9NR>

<sup>25</sup> "HEROES Act Bill Summary of Nutrition and Other Provisions," Feeding America, May 12, 2020, <https://bit.ly/3bSxm8d>

<sup>26</sup> Ehmann, Chuck, "U.S. Loses 20 Million Jobs in April: BLS," 2020 RealPage, Inc, May 11, 2020, <https://bit.ly/2WQ7Txa>

<sup>27</sup> Vogtman, Julie, "Undervalued: A Brief History of Women's Care Work and Child Care Policy in the United States," National Women's Law Center, <https://bit.ly/3d71Ylj>

<sup>28</sup> "2020 CARES Act CCDBG Supplemental Funding Allocations for States and Territories," Office of Child Care, Administration for Children and Families, U.S. Department of Health & Human Services, April 15, 2020, <https://bit.ly/2X5mliq>

<sup>29</sup> Ullrich, Rebecca, Schmidt, Stephanie, and Gallagher Robbins, Katherine, "Child Care is Key to Our Economic Recovery," CLASP and National Women's Law Center, April 23, 2020, <https://bit.ly/2TgWl3k>

<sup>30</sup> Schmidt, Stephanie, "Why We Need \$50 billion in Pandemic Child Care Relief: A State-by-State Estimate," CLASP, May 5, 2020, <https://bit.ly/2zKlU67>