Beyond CARES: Next Steps for States
How states can leverage cash policies to stabilize families
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Congress has taken important first steps to provide immediate financial support to families in the midst of the coronavirus crisis, the latest of which was passage of the CARES Act. Yet too many are completely left out of the relief package, and even more will need more and longer-lasting help. To help fill the gaps, state policymakers can enact smart, forward-thinking policies now to provide powerful help in their communities and stabilize families at risk.

THE CARES ACT IS A GOOD FIRST STEP, BUT IT DOESN’T GO FAR ENOUGH

The CARES Act is the latest in a series of bills Congress has recently enacted to respond to the growing public health and economic crisis caused by the coronavirus pandemic. It provides one-time payments to millions of households, extends critical unemployment insurance (UI) to the growing number of workers who have been laid off, and provides some funds to help state and local governments meet the needs of their communities. But it leaves much undone.

CARES Act leaves too many behind. The CARES Act provides up to $1,200 per person in direct cash payments, but it explicitly bars recovery payments to immigrant tax filers who don’t have Social Security numbers (or who live in mixed-status families). At the same time, households with teenagers over age 16, college students, adults with disabilities, and dependent seniors won’t receive the $500 dependent credit Congress enacted. Congress also didn’t do enough to ensure that payments will actually get to the most vulnerable eligible recipients, such as people with very low earnings or who receive Supplemental Security Income, veterans with disabilities, and people who are unbanked or homeless.

CARES Act isn’t commensurate with the scale of the crisis. Between the direct cash payments and UI benefits, the CARES Act bailed out many Americans for a few months – but indications are that this crisis will last well into next year, and probably longer.

Direct cash payments are a great way to help Americans keep their heads above water as they weather job losses and initial disruptions, but once is not enough. Cash payments should be made monthly and continue until the economy recovers. Even unemployment insurance, which was substantially expanded under the bill, is only available for a few months.

Providing cash through temporary direct payments and unemployment insurance is a move in the right direction, but short-term support won’t get families back on their feet and won’t drive an economic recovery.
STATES CAN TAKE ACTIONS NOW TO BUOY FAMILIES AND DRIVE RECOVERY

Use state EITCs to get cash into people’s hands quickly. As Americans are patching together unemployment and other relief to make ends meet, cash is a simple way to help pay the bills and get food on the table. Because they give cash to low- and middle-income families who are most likely to spend it, EITCs are a proven and effective recession response. States should invest more in their state EITCs now to help people get by and drive economic recovery. At the very least, it’s critical that states maintain their current investment in state EITCs.

Target pandemic cash relief to those excluded from the CARES Act. An easy way for states to patch the holes in the CARES Act and reach those who were left out is to expand their state EITCs to the populations who are mostly left out of both direct cash payments and unemployment insurance – including college students and immigrant workers.

Make pandemic cash relief automatic. Much of the pain that Americans are feeling right now is due to Congress’s failure to dispatch help soon enough, despite moving relief bills relatively quickly. To get help to people as fast as possible, states should set up automatic filing and monthly payments for their EITCs, so individuals can get help right away without going through an application process.

Modify EITCs to meet the unique moment we’re in. In normal times, the EITC is designed to incentivize work, but as layoffs increase and jobs become more scarce, states should take advantage of the EITC as a tool to reach the massive number of people who will end up with zero or close to zero earnings. States can do this by removing the phase-in for the credit, providing an income floor for people with very low or no earnings. This will provide much-needed help for people left out of the federal pandemic response, like family caregivers (whose work is more important than ever) and students.

Provide help to people without kids. Millions of workers without children living at home are taxed into poverty because they’re either completely or mostly locked out of the EITC. These individuals were already living on the brink with very few lifelines before this disaster hit, and now it will be worse. States should increase eligibility and credits for adults without children.

Enact progressive revenue. State budgets will no doubt be threatened by this recession. As revenues decline, policymakers must reject cuts that harm their most vulnerable communities. They can do this by tapping into rainy day funds and enacting new forms of equitable, progressive revenue, raising revenue from wealthy individuals and corporations that are best positioned to make it through the downturn.