



PENNSYLVANIA

Budget and Policy Center

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To: Members of editorial boards, columnists, and reporters in Pennsylvania

From: Marc Stier, Diana Polson, and Jeff Garis of Pennsylvania Budget and Policy Center

Subject: The COVID relief bill currently being considered the US Congress

The House passed the HEROES Act in May, but it was only this week that the Senate came back to work on a plan for the next round of federal COVID-19 relief. We expected a Senate bill to be released this week but conflicts within the Senate Republican caucus and between it and the White House have delayed it. We do not expect it until early next week. While things may change, we want to share what we know now about what the Senate bill looks like at this moment and our take on what it should include, mostly as a guidepost by which to evaluate future developments. We will update this memo as soon as we received new information.

What will the Senate plan look like?

Here is a preliminary outline of what is likely to be included in the White House-Senate GOP agreement.

- There is no additional state/local aid except for the education funding listed below. States/localities will have more flexibility in the use of the \$150 billion already distributed to states which means that the remaining CARES Act fund can be used to replace declining revenues. (This is only of limited value to Pennsylvania as only \$1.6 of the \$4.1 billion in CARES act funds for Pennsylvania remain uncommitted to COVID-19 relief efforts)
- There will be another round of direct payments (\$1,200); we are not sure yet as to eligibility.
- There will be some form of extension of Pandemic Unemployment Compensation, but not at the \$600 per week level. Secretary of the Treasury Steven Mnuchin has described it as providing 70% wage replacement for pre-COVID pay level.
- There is no emergency rental assistance funding; there is no mention of a SNAP increase.
- There is no payroll tax holiday as Senate Republicans have rejected President Trump's demand to include one. The business meals deduction is increased and a new deduction for business purchases of personal protective equipment like masks, gloves, and hand sanitizer is created. There would also be an expanded version of an employee retention tax credit for hard hit businesses enacted in March.
- The package will include nearly \$303 billion in supplemental funding mostly for education. About \$235 billion will be under the purview of the Labor-HHS-Education Appropriations Subcommittee. The breakdown is as follows: \$105 billion for education; \$70 billion of that would go to K-12 schools, with \$30 billion for schools that physically reopen and \$10 billion for private schools. An additional \$29 billion would be for colleges and universities, and \$5 billion would be for a flexible fund that governors could distribute.
- \$26 billion for vaccine research, distribution and use.

- \$25 billion more for hospitals and other health care providers, bringing the total since March to \$200 billion.
- \$16 billion more for COVID-19 testing, including the \$9 billion previously appropriated the total appropriation is \$25B.
- \$15.5 billion for National Institutes of Health research.
- \$15 billion for childcare.
- \$7.6 billion for community health centers.
- \$4.5 billion for mental health, suicide prevention and overdose response programs.
- \$1.3 billion for workplace training on social distancing procedures.
- Paycheck Protection Program: The measure would provide for a second round of forgivable Small Business Administration loans, this time limited to firms with 300 or fewer workers, down from 500 in the original March law. And eligible businesses would need to demonstrate a 50 percent revenue reduction below a comparable period pre-pandemic. Loan amounts would be capped at smaller levels, but uses would be expanded to cover supplier costs, operating expenses and any damage caused by recent riots in the wake of George Floyd's death at the hands of Minneapolis police. Farmers and ranchers would also receive more generous terms.
- Trust Act: Majority Leader Mitch McConnell has announced that the TRUST Act is included in the Republican coronavirus package. The Trust Act creates a closed-door process to fast track cuts to Social Security, allegedly as a way to manage the deficit. [Read more about how the TRUST Act threatens Social Security.](#)

Does it meet Pennsylvania's needs during this crisis?

This plan, as it is shaping up so far, is missing key elements that are both critical to the fiscal health of Pennsylvania and to ensuring that Pennsylvanians are able to put food on the table, keep a roof over their heads, and don't fall deep into poverty as a result of this crisis.

[New data](#) reveal that a large and growing number of Pennsylvanians are struggling.

Close to a million (905,000) adults reported that their households did not have enough to eat in the preceding seven days for the week ending July 7—this is 9% of our state's adult population. More than half a million households (548,000) with children in Pennsylvania reported that their children were not eating enough because they could not afford enough food. That is 15% of adults living with children.

Nearly half a million (420,000) adults report being unable to pay last month's rent or had to defer payment. This is 20% of Pennsylvania's renters. While we don't have the racial breakdown for PA, we know that these rates were much higher for Black and Latino renters (30% and 23% respectively) than for white renters (13%) nationally. National data also suggest that this crisis is particularly hard on renters who are parents or live with children—these renters are more than twice as likely to be behind on rent compared to adults not living with children (27% compared to 13%).

Unemployment continues to be high. Pennsylvania's unemployment rate (the April-June average) was 14.2%. Nearly 3.8 million individuals received unemployment benefits for the week ending June 27, making PA the second highest state for jobless benefits claims, behind only California. With this level of unemployment comes increased loss of medical insurance.

Without significant federal aid, Pennsylvania is facing a \$5 to \$7 billion deficit over the next two years because of the COVID-19 pandemic. Many states are slashing their budgets this year. Governor

Wolf and the General Assembly took a step in the right direction by enacting a partial stopgap budget for 2020-21, flat-funding most state government agencies and programs for the first five months of the fiscal year, and postponing completion of the budget until November to see what, if any, assistance will be coming from the federal government.

Without decisive and substantial action by Congress in the next few weeks, Pennsylvanians who were already desperately struggling to make ends meet will be pushed over the edge, and state government leaders will have few options for completing the budget in a responsible way that moves us toward economic recovery. This will lead us to a deeper and longer recession. As has been documented, the [federal stimulus](#) response to the Great Recession ended prematurely, and thereby, prolonged the recession. We can't afford to repeat that with our current crisis. Federal relief money used for direct aid in the form of unemployment, cash, SNAP, and other emergency assistance has the greatest positive effect as it is injected right back into the state's economy.

What should be included in the next relief plan?

We must make sure that the following four elements are prioritized for the next round of federal relief.

- 1) Support for those who have lost their jobs and are struggling to hold on through the crisis. McConnell plans to significantly reduce the increased weekly unemployment assistance implemented in the CARES Act, taking hundreds of dollars away from every unemployed worker each week.
- 2) Support for those at risk of losing their homes. The Senate must act immediately to extend and expand the housing protections that were enacted in previous COVID-19 relief packages.
- 3) Support for those who are struggling to put food on the table. The Senate relief package must include a 15% SNAP benefit increase for all SNAP households, which would provide roughly \$100 more per month to a family of four.
- 4) Support for Pennsylvania's state and local governments, which are seeing revenues nosedive and are being forced to consider harsh cuts to essential services, such as education, health care, and public safety, and massive layoffs of public workers. The relief package must include at least \$1 trillion in fiscal aid to state and local governments, with a significant increase in FMAP—the percentage of traditional Medicaid expenses covered by the federal government—so that Pennsylvania can adequately fund Medicaid coverage for the hundreds of thousands of Pennsylvanians who lost their employer-based health care when they lost their jobs.