COALITION ON HUMAN NEEDS

The Human Needs Report

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SPECIAL EDITION: CONGRESS ENACTS FULL-YEAR FUNDING, COVID RELIEF, BUT TRUMP OBJECTS

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Overview

Between March 27, when Congress enacted the CARES Act in response to the pandemic, and December 21, when Congress finally passed more relief, the coronavirus death toll rose from nearly 1,300 to over 320,000, with over 18 million confirmed U.S. cases. By the end of December, at least 12 million more workers will lose unemployment benefits and the moratorium on evictions will expire, threatening millions of families, if the new bill is not signed into law. But the day after Congress acted, President Trump surprised many by calling the bill a "disgrace" and objecting to a number of provisions. He repeated his call for $2,000 direct payments to adults instead of the $600 per person payment in the enacted bill. He opposed the bill's inclusion of such payments to households that include immigrants. He criticized as "wasteful" a number of provisions within the full-year annual appropriations bill, including foreign aid funding, clean water and fish management provisions, and funding for the Smithsonian. The President, nonetheless, did not expressly say he would veto the bill. Speaker Pelosi and Senate Minority Leader Schumer both jumped on Trump's call for $2,000 direct payments and urged the House and Senate to approve that increased amount. Speaker Pelosi tweeted that she would call for unanimous consent in the House on Christmas Eve to raise the direct payment amount to $2,000.

And so the "done deal" of a 5,500+ page bill that combined full-year appropriations for all areas of government with $900 billion in COVID relief, plus tax measures, water resources management, and limits on surprise medical billing is now thrown into question. There is a chance Congress will act to increase the direct payments, perhaps satisfying the President. But should the President veto the bill, it would take two-thirds votes in the House and Senate to override. The bill passed both chambers by more than two-thirds, but such action could take days more. Under one scenario, Trump could delay his veto until time ran out on the current Congress, leaving no opportunity for it to override (called a "pocket veto").

More delay or a successful veto would bring on the disasters the relief package was designed to avert. At minimum, continued receipt of unemployment benefits could be interrupted for some weeks. The eviction moratorium would expire at the end of December. The bill's funding for the distribution of the long-awaited vaccines, the needed cash for families that lost income, increased SNAP and child nutrition aid to fight hunger, and help for struggling businesses and schools would be delayed.

Further complicating matters, the stop-gap spending bill to assure continued funding of regular government operations expires on December 28. If the $1.4 trillion omnibus appropriations legislation that is part of the package before the President is not approved by the deadline, there will be a government shutdown.

It is worth noting two items not included in all the more than 5,500 pages. Despite Majority Leader McConnell's insistence there would be no bill without protecting businesses and other entities from lawsuits over unsafe COVID practices, vehement opposition kept such immunity out of the bill. Advocates believe that meat-packing plants, nursing homes, and other businesses should be required to follow mandatory safety procedures and should not be immune to lawsuits when they do not. There was a painful cost: much needed aid to states and localities was also left out of this package (see the section on state and local governments, below). The second item: there is no provision to extend the deadline for Congress and states to receive 2020 Census data for the purposes of apportioning the number of House members each state will get and for redrawing district lines for state and federal office-holders. Because of pandemic-caused delays in counting as well as the Trump Administration's undermining of accuracy and the law by attempting not to count immigrants, the Census Bureau cannot meet current statutory deadlines for transmitting the count accurately. Congress should extend the deadline to allow the Census Bureau time to correct errors they have found with the count. Because Census data is used to determine the funding communities get to serve children and families with low incomes, an inaccurate count is certain to deny funding to those who need it most. It is regrettable that Congress missed the opportunity to extend the deadlines here.

The sections that follow describe some of what is at stake as the President decides whether to veto and Congress decides how to respond.

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Income and Poverty: $600 Payments?

One of the biggest sticking points in the extremely prolonged negotiations over COVID relief, the final bill included a one-time Economic Impact payment of $600 per adult and child in households. Unlike the previous $1,200 payment, this version would not deny payments to citizens or green-card holders if their spouse or other household member were undocumented. The bill would also allow such families to receive the $1,200 per adult they were previously denied under the CARES Act. According to the National Immigration Law Center, the change in eligibility would mean 3.5 million people previously excluded will get help. President Trump denounced this part of the COVID relief bill, because he wants $2,000 per adult payments and opposes including the mixed status families. In a disappointment to people with disabilities and their advocates, the bill did not make adult dependents eligible for the $600 payment, an omission that would leave out well over 2 million people with disabilities.

Congress agreed on the lower figure of $600 because of the pressure by Republicans to keep the cost of the whole package below $1 trillion. It is estimated that raising the payments to $2,000 would add about $370 billion to the total cost. (The $600 payments make up $167 billion of the total $900 billion COVID relief package pricetag.) Independent Senator Bernie Sanders (VT) and Republican Senator Josh Hawley (MO) worked together to include a bigger Economic Impact payment in the package, but ultimately agreed on the $600 figure. Income eligibility remained the same as in the CARES Act, with benefits starting to phase out at $75,000 in income for a single individual or $150,000 for a couple.

There are other forms of cash income assistance in the bill, such as the continued unemployment benefits (see *Short-term Extension of Unemployment Benefits; Paid Leave Disappointment* below). Another significant source of income help is a change in the Earned Income Tax Credit and Child Tax

Credit. Vigorously sought by advocates, the change will allow parents claiming the credits to calculate them based either on their 2019 or 2020 earnings. Workers who lost pay during the 2020 pandemic year might see a substantial drop in the value of these tax credits; by calculating them based on their higher earnings, hard-up families can avoid the loss of as much as a few thousand dollars.

In regular FY21 appropriations, the Community Services Block Grant receives a small $5 million increase, to $775 million. CSBG funds community action programs across the country that provide multiple anti-poverty services, such as Head Start, home energy assistance, weatherization, financial literacy and referral to other services. The Social Service Block Grant remains flat-funded at $1.7 billion.

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Long-Awaited SNAP Increases and Other Nutrition Aid

Anti-hunger advocates had pressed for a 15 percent increase in Supplemental Nutrition Assistance Program (SNAP/formerly called food stamps) maximum benefits since the onset of the pandemic. Although some increases in SNAP were provided earlier, this basic increase was not agreed to until this new package, which provides it for six months. The bill also excludes unemployment benefits from being counted as income in determining SNAP benefits and eligibility, and allows income-eligible college students to qualify for SNAP. The COVID relief provisions also increase SNAP administrative support by $100 million, to help cope with the rising caseload.

The bill also provides $614 million in urgently needed nutrition grants to Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands.

There are also important expansions in Pandemic EBT, allowing children under six to qualify when child care is closed due to the coronavirus. This program has provided debit cards to families with school-age children so they can purchase food to replace the school meals their children aren't receiving when schools shut down. The bill also adds emergency funding for the Child and Adult Care Food Program to help child care providers and other service providers to replace lost reimbursements from the lockdown periods of last Spring. A task force will be formed to support online delivery systems for WIC (Women, Infants, and Children) food programs.

There is also additional funding for Older Americans Act programs providing congregate and home-delivered meals, and more funds for the Emergency Food Assistance Program and the Commodity Supplemental Food Program (the latter providing home-delivered meals to seniors).

In addition to the COVID-related emergency nutrition aid, SNAP receives FY21 funding of $114 billion, an increase of $46 billion more than the previous year, in the regular Department of Agriculture appropriations bill. The increase is necessary because caseloads have risen substantially due to the impact of the pandemic recession. Child nutrition programs also gain funding in FY21 regular appropriations: an increase of $1.5 billion above the FY20 enacted level (to $25.1 billion). These programs provide free and reduced-price school meals. Funding of $552 million is provided for the Summer Food Service Program for students in low-income families when school is out. The FY21 WIC appropriation is level-funded at $6 billion. The regular appropriations level for the Commodity Supplemental Food Program rises to $325 million, up a substantial $80 million over the previous year.

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Short-term Extension of Unemployment Benefits; Paid Leave Disappointment

The $600 per week additional unemployment benefit enacted as part of the CARES Act ended in July, contributing greatly to the hardships suffered by millions of still jobless workers, whose regular state benefits are usually not enough to cover basic expenses. The COVID relief parts of this new bill provide $300 per week in addition to regular benefits through March 14. Other vital forms of unemployment assistance that would otherwise expire at the end of December are extended through March 14. These include Pandemic Unemployment Assistance (PUA), which covers gig, contract, or self-employed workers who do not qualify for state unemployment insurance, and Pandemic Emergency Unemployment Compensation (PEUC), which provides additional weeks of benefits to workers who exhaust their state UI. About 14 million people will see their last unemployment check on December 26 if these benefits are not extended, according to The Century Foundation. The COVID relief bill also increases the maximum number of weeks of state plus federal unemployment benefits to 50. The unemployment benefits included in the new bill will cost an estimated $120 billion.

The pandemic has made it clear that even minimum economic security depends both on access to adequate unemployment benefits and access to paid leave. The CARES Act required employers to provide paid sick leave and leave for parents who had to stay home to care for children when child care was no longer available, and subsidized employers' costs for such leave. This requirement is expiring at the end of December, and the new COVID relief bill does not provide an extension. The bill does provide a tax credit for employers who do provide paid leave, but without the requirement advocates are concerned that many workers will lose their paid leave despite soaring COVID caseloads and hospitalizations. Extending required paid leave for 3 months would cost only $1.8 billion.

Regular appropriations provided for Department of Labor employment programs for FY21 show very modest increases, likely not enough to keep up with inflation. Job training or apprenticeship programs for adults, youth, dislocated workers, migrant workers, and ex-offenders are funded at $3.66 billion, up $52 million from the previous year. DOL's Community Service Employment for Older Americans is flat-funded at $405 million; Job Corps rises $5 million to $1.749 billion.

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Eviction Disaster Averted?

The moratorium on evictions imposed by the Centers for Disease Control expires at the end of December. The COVID relief bill would extend the moratorium through the end of January. Significantly, the bill also provides $25 billion in emergency rental assistance, long sought by housing advocates who recognize that whenever the eviction ban ends, tenants who have accumulated one or more months of back rent will be unable to pay. Millions of evictions could begin soon, since landlords have been allowed to file for eviction proceedings in court, although they are barred from carrying out the eviction for tenants protected by the moratorium. (Some tenants are not protected because the CDC required them to fill out a form attesting to their inability to pay, and many did not know about the form.) The $25 billion can also be used to pay back utility and home energy bills, to prevent shutoffs. $800 million is reserved for Native American housing units. The National Energy Assistance Directors Association estimates that tens of billions of dollars are owed in back utility/energy bills, and that without help, shutoffs will occur.

While the $25 billion in emergency rental assistance is praised by advocates at the National Low Income Housing Coalition as a vital first step, they have called for $100 billion in order to prevent evictions by helping tenants with arrearages to pay their rent.

In regular FY21 housing assistance appropriations within the Department of Housing and Urban Development, there are some increases for rental assistance. Tenant-based rental assistance (most of which covers rental vouchers) rises from $23.9 billion in FY 20 to $25.8 billion in FY 21. Project-based rental assistance increases from $12.57 billion to $13.46 billion. Homelessness assistance rises from $2.78 billion to $3 billion. The FY21 appropriations bill increases funding for lead paint hazard reduction from $290 million to $360 million, to prevent childhood lead poisoning in publicly funded housing units. Within the Department of Agriculture, rural rental assistance programs rise from $1.375 billion in FY20 to $1.41 billion in FY21.

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COVID Health Response; Medicaid; Substance Use; Surprise Billing

The COVID relief provisions include $69 billion in funding to purchase and distribute vaccines ($8.75b to the Centers for Disease Control to help states provide COVID testing, tracing, and mitigation, with $2.5 billion provided as grants to communities of color and rural communities for such purposes). The bill provides $4.5 billion in mental health funding related to the pandemic and $9 billion in support for health care providers. The Indian Health Service receives $1 billion out of the total funds. The NIH receives $1.25b beyond its regular appropriation for COVID research.

Early in the pandemic, Congress increased the federal share of funding supporting Medicaid. That temporary boost is scheduled to continue through March, 2021; the new bill does not extend this deadline. Advocates had sought a bigger increase than what was provided. As cases and hospitalizations are surging, states will be hard-pressed to keep up with care needs without increased federal help; if federal help declines when the temporary boost ends, states will be in a very difficult position. Tribes and territories also need additional Medicaid help to cope with the pandemic.

One new provision contained within the 5,500-page bill not directly connected to COVID relief would limit surprise medical billing starting in 2022. The legislation will prevent patients from being billed large amounts from health care providers not in their insurance network whose services were used in the course of treatment. For example, if a patient is hospitalized for emergency surgery and the anesthesiologist or ambulance service utilized are not in the patient's insurance company network, patients can be charged tens of thousands of dollars for these services despite not providing approval for them (perhaps because they are unconscious and/or in urgent need of care). The legislation would stop most of these bills from going to the patient, and would instead require insurance companies to negotiate payment with the health service providers billing for out-of-network care.

In regular FY21 appropriations, the National Institutes of Health receives $42.9 billion for FY21 (plus another $1.25b for COVID purposes). CDC's regular funding is set at $7.9b, up $125m over the prior year. Its COVID-related spending on vaccines more than doubles its total funding.

The Substance Abuse and Mental Health Services Administration (SAMHSA) gets regular FY21 appropriations of $6 billion, an increase of $133 million over FY20. SAMHSA also has additional funding through the COVID relief package of $4.5 billion. There is new funding for a Crisis Care Initiative within the Mental Health Block Grant. New funds also address a National Child Traumatic Stress Initiative and suicide prevention. Substance use disorder prevention and treatment, still a critical problem and likely worsened by the pandemic, receives an additional $1.65 billion out of the total COVID funds allocated to SAMHSA.

FY21 appropriations also include increases for Community Health Centers, to achieve a goal of decreasing new HIV infections by 90 percent over 10 years. In addition, the Maternal and Child Health Block Grant rises by $32 million to $975 million.

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Failure to Help States/Localities Cope with Lost Revenue, But Some Education Help

One of the biggest disappointments in the COVID relief package is the inability to include more help to states, localities, territories and tribes. Governments across the country have experienced large revenue shortfalls and have laid off about 1.3 million workers since the pandemic began. These workers include educators, public health and safety workers, unemployment insurance administrators, sanitation and transportation personnel, among others. Laying off so many workers is a blow to the economy, and delays or reductions in public services depresses the economy as well. The Congressional Budget Office found that direct aid to states and localities was one of the most cost-effective means of spurring economic recovery: for every dollar spent on direct aid, 88 cents was added to the Gross Domestic Product (GDP). In contrast, only 36 cents was added to GDP for every dollar spent on the Paycheck Protection Program (PPP) business loans.

Despite the importance of funding state and local governments, strong opposition by Congressional Republicans resulted in rejecting most of the funding proposed by Democrats. The bipartisan group of Senators who developed a compromise proposal initially included $160 billion in state and local aid in addition to more than $80 billion in education aid. But to get to a package majorities in the House and Senate could agree on, the $160 billion was deleted (in tandem with removal of a provision to provide immunity to employers and other entities from lawsuits over inadequate COVID protections).

The COVID relief bill does extend availability of previously approved funding for states and localities (through the CARE Act) until December 31, 2021, but this is of limited use, since much of the money has already been spent or promised.

The COVID relief package enacted by Congress includes $82 billion for all levels of education. K-12 education receives $54.3 billion; higher education receives $22.7 billion, including $1.7 billion for Historically Black Colleges, tribal colleges and other minority-serving institutions. Outlying areas and Bureau of Indian Education receive $818.8 million. Also helping students are the nutrition provisions described above, and child care and early childhood education programs described in the next section below.

The COVID relief bill includes $7 billion in emergency funds to improve access to broadband, essential for education and much else during the pandemic. Included here is $3.2 billion for low-income families' access to broadband; there is also $1 billion to increase tribal access.

COVID's impact on education is of tremendous concern, with disproportionate hardships experienced by students at all ages with low incomes, if they have disabilities, and/or if they come from communities of color or are immigrants. Fewer children are entering kindergarten; fewer students are entering community college. Troubling numbers of children without adequate access to broadband are essentially dropping out of school. The small increases in regular appropriations are certainly inadequate to assist school systems in managing remote learning, and the $82 billion does not provide as much help as is needed.

In regular FY21 appropriations for the Department of Education, K-12 grants to local education authorities for Education for the Disadvantaged (also known as Title I) is funded at $17.2 billion, up $230 million over FY20. This includes $46 million in funding for Migrant Students programs. Special Education for students with disabilities rises from $13.6 billion to $13.8 billion. There are modest increases in other education programs, including English Language Acquisition (up $10 million, to $797 million), the Nita Lowey 21st Century Community Learning Centers, afterschool programs deservedly named for retiring House Appropriations Chair Lowey (up $10 million, to $1.26 billion), and career, technical and adult education (up $70 million, to $2.03 billion).

Pell grants rise to a maximum of $5,435 per student, up $150 from FY20. Students are having a much harder time enrolling and staying in school during the pandemic, because they have lost income and/or cannot manage the virtual classes available now. Students with low incomes are helped by the TRIO programs, which help high school students prepare for college and help students in college overcome barriers so they do not drop out. TRIO gets a small increase, up $7 million to $1.097 million.

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Child Care and Early Childhood Education

Child care providers have struggled during the pandemic as parents lost jobs or had to work at home. Child care experts have estimated that $50 billion would be needed to help providers return to a sustainable funding level. The COVID relief package provides $10 billion in emergency funding that states can use to make child care more affordable to parents, assist child care providers, and allow for targeted assistance for families of frontline essential workers. Head Start receives $250 million in COVID relief funds so programs can afford to carry out the safe practices required during the pandemic. Like much of the funding levels throughout this COVID relief bill, it is an important step, but not enough.

In regular FY21 appropriations, the Child Care and Development Block Grant rises to $5.91 billion, up $85 million from the previous year. Head Start is increased by $135 million, to $10.75 billion. Preschool Development Grants are funded at $116.8 million, up $3 million.

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Relief Package Helps Low-Income Earners – and Corporations

Low-income earners and people with student loan debt will benefit from the $900 billion COVID-19 relief package passed late Sunday night, as will corporations who will benefit from a bevy of deductions, some new, some extensions of existing deductions.

The relief package temporarily allows people to use their earned income from tax year 2019 to determine the Earned Income Tax Credit and the refundable portion of the Child Tax Credit in the 2020 tax year. The provision, pushed by Senator Sherrod Brown (D-OH) and others, including CHN, will enable workers whose wages dropped during the pandemic to get a larger refund consistent with earnings from the previous year. “Parents whose incomes dropped in the pandemic year will be able to stave off big cuts to their Earned Income Tax Credit and Child Tax Credit because of this bill,” CHN Executive Director Deborah Weinstein said in a statement.

The package also extends, through 2025, a credit for employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee’s student loans, and such payment would be excluded from the employee’s income.

Also in the package: extensions of tax credits to employers who provide paid family and medical leave and paid sick and family leave. However, advocates are keenly disappointed that the legislation no longer mandates that employers provide paid sick leave, which they say is a no-brainer in a time of pandemic and only would have cost $1.8 billion. The current mandate expires on Dec. 31.

One massive deduction that has drawn controversy is a $200 billion deduction for businesses that will be able to deduct expenses originally paid for with tax dollars through the Paycheck Protection Program (PPP). PPP provides loans to businesses that do not have to be repaid if the businesses use the money to keep employees on the payroll and to meet certain other expenses. It passed last spring and is expanded by $284 billion in the new legislation. This deduction would have more than paid for the proposed $160 billion in aid to state and local governments that advocates had sought.

Another controversial tax measure included in the relief package is a provision allowing corporations to deduct the cost of business meals, referred to as the "three-martini lunch deduction" – a deduction that liberal and conservative economists have said is a bad idea, according to the Institute on Taxation and Economic Policy (ITEP).

ITEP has harshly criticized the deduction, which will go from 50 percent of the cost of a meal to 100 percent.

"Even at the current 50 percent, there's plenty of wiggle room for unscrupulous taxpayers to turn food consumption into a tax dodge," **ITEP writes**. "As long as you are eating a meal in a setting that is 'conducive to business discussion' and the meal isn't 'lavish or extravagant,' you're well on your way to successfully writing off the costs of your meals, a tax break that is unavailable to those who don't own a business."

President Trump and some Republicans have argued that the measure is needed to help restaurants recover from the pandemic, but ITEP is not buying that. "If the proposed meals deduction is an incentive, it's a pretty lousy one: at the height of a pandemic, rewarding people for eating in restaurants is lousy health policy," the group wrote.

The cost of the lunch deduction is not huge, relatively speaking – about $6.3 billion. But that easily would have paid for extending the paid sick and family leave mandate. And it is just part of what Frank Clemente, Executive Director of Americans for Tax Fairness (ATF), **says** is more than $220 billion included in the bill that will go to "powerful business interests."

Clemente was particularly critical of the $200 billion deduction for businesses that will be able to deduct expenses originally paid for with tax dollars through the Paycheck Protection Program (PPP). Among other deductions ATF criticized: permanently lowering excise taxes on alcoholic beverages ($9 billion), failing to tax profit shifting by multinational corporations ($4.3 billion), and providing tax breaks for making movies and operating race car tracks ($2.5 billion).

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