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Meeting the needs of today to secure a more inclusive recovery tomorrow

What's missing from recent policymaking at federal, state levels

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The coronavirus pandemic has shown in stark relief the role that public institutions and public policy play in protecting and advancing our collective well-being. As North Carolina and the country continues to assess the reality that public health risks — made worse by delayed preparation and previous underinvestment in our public infrastructure — are driving immediate and long-term economic challenges and revealing a range of systemic failures, policymakers at the federal, state, and local level are being called on to act boldly and quickly.

Timely and adequate interventions will save lives, contain the economic harm, and accelerate and strengthen the pace of the recovery. The sheer scope and depth of needs in the nation and North Carolina require a bold approach that draws from what we know works to quicken the recovery of the economy and support the well-being of residents.

Timely and adequate interventions will save lives, contain the economic harm, and accelerate and strengthen the pace of recovery.

Since early March, a number of federal actions have been taken that have sought to primarily shore up the public health response and vaccine research while also beginning to put in place investments and policies — like Pandemic Unemployment Assistance and Pandemic-Electronic Benefit Transfer cards for food assistance — that can minimize the harm to people. At the state level, a series of executive orders, court orders, and administrative actions have been established to provide the necessary framework for public institutions, businesses, and families to contain the spread of COVID-19, flatten the curve, and reduce the ripple effects of necessary social distancing through

the economy. In the first days of May, the N.C. General Assembly also approved its first legislative package to address the impact of COVID-19 on the state. (See **Appendix A** for timeline of actions.)

Taken together, these actions have begun the work to treat those who are sick, identify and contain the public health risks of the coronavirus pandemic, and stabilize households and businesses, as well as support the public institutions at the state and local level that will anchor our collective response. But these actions have come slowly and without the inclusion of all those who need to be reached for the broad benefits of policies and investments to take hold. Their emergency and temporary nature could also remove these critical policies before COVID-19's effects or the economic challenges are fully resolved. And perhaps most importantly, the underlying systemic failures that the novel coronavirus has laid bare have largely gone unaddressed, resulting in missed opportunities to build more resilient communities.

Our nation and country have the capacity to invest in these priorities. Fifty-six percent of the federal Coronavirus Relief Fund to North Carolina remains unappropriated.¹ North Carolina, while anticipated to experience revenue shortfalls, has the ability to use existing funds and consider smart tax changes to support investments that will stabilize our economy and in so doing advance the well-being of every person in the state now and over the long-term.²

This BTC Report provides an analysis of the policies and investment decisions that have been made so far, with a focus on the gaps in the response to date and the systemic issues that must be addressed for a strong recovery to a more resilient North Carolina after the pandemic.

Scale of need requires timely, bold public policy response

To respond to the challenges of COVID-19, analysts and communities have identified a range of needs that are broad — making sure people can put food on the table — and specific — removing in-person interview requirements to apply for food assistance. The response to this pandemic requires both as well a guiding approach that acknowledges the urgency and scale of need in terms of both the human and societal impact.

Our public institutions and policies have already experienced unprecedented demand from people and businesses. A range of emerging needs have been made clear as a result:

- Over 15,000 cases of COVID-19 have been confirmed, and there are more than 500 deaths and counting.³
- Personal protective equipment is available at varying levels with just 41 days' supply of N95 respirators and 0 days' supply of gowns.⁴

1 Khachaturyan, Suzy. May 2020. NC General Assembly allocated some federal dollars, more are available and urgently needed. BTC Brief, NC Justice Center. Accessed at: <https://www.ncjustice.org/publications/nc-general-assembly-allocated-some-federal-dollars-more-are-available-and-urgently-needed/>

2 Pedersen, Leila, May 2020. State Revenue Needed to Avoid Budget Shortfalls. BTC Report, NC Justice Center, accessed at: <https://www.ncjustice.org/publications/state-revenue-needed-to-avoid-budget-shortfalls/>

3 NC DHHS, COVID-19 Data Dashboard accessed at: <https://covid19.ncdhhs.gov/dashboard#cases-over-time>

4 NC DHHS, COVID-19 Data Dashboard accessed at: <https://covid19.ncdhhs.gov/dashboard#cases-over-time>

- Nearly 1 million North Carolinians have filed for Unemployment Insurance, and an estimated 50 to 60 percent more have likely lost work and wages but not filed a claim.⁵
- Over 100,000 more people received food assistance in April compared with March 2020.⁶
- An estimated 340,000 North Carolinians have lost employer-sponsored health insurance coverage since early March,⁷ resulting in the loss of coverage for approximately 723,000 people when including family members.⁸
- At least 1 in 5 North Carolinians are working in occupations that carry a greater risk of contracting COVID-19 because of working in close proximity to colleagues and customers.⁹
- Just over half of eligible payroll has been covered by the Payroll Protection Program in North Carolina.¹⁰
- 144,000 children are at risk of losing access to child care, and one-third of providers in the state have indicated that they would have trouble reopening after two weeks of being closed.¹¹

Policymakers crafting a response to myriad needs have bumped up against the current constraints of each level of government's authority and the infrastructure of service delivery in communities. In some instances, such as the concept of payroll protection or cash transfers, policymakers have taken new approaches in the face of need. In other instances, policymakers have continued to use existing proven infrastructure such as food assistance and Unemployment Insurance to try to meet needs.

Critical lessons learned from prior recessions

In this historic policy landscape, policymakers are likely to best accomplish the goal of a full recovery from the public health and economic crisis with the least possible harm by considering lessons from previous recessions alongside the unique features of the COVID-19 pandemic.

5 Unemployment Insurance Claims Tracker accessed at: www.ncjustice.org/labormarketnc and Zipperer, Ben and Elise Gould, April 28, 2020. Unemployment Filing Failures, Working Economics Blog, Economic Policy Institute accessed at: <https://www.epi.org/blog/unemployment-filing-failures-new-survey-confirms-that-millions-of-jobless-were-unable-to-file-an-unemployment-insurance-claim/>

6 Analysis of NC DHHS, FNS Monthly Caseload Data. Accessed at: <https://www.ncdhhs.gov/divisions/social-services/program-statistics-and-reviews/fns-caseload-statistics-reports>.

7 Bivens, Josh and Ben Zipperer. April 30, 2020. 12.7 million workers have likely lost employer-provided health insurance since the coronavirus shock began. Working Economics Blog, Economic Policy Institute accessed at: <https://www.epi.org/blog/12-7-million-workers-have-likely-lost-employer-provided-health-insurance-since-the-coronavirus-shock-began/>

8 Garfield, R., Claxton, G., Damico, A., & Levitt, L. May 2020. Eligibility for ACA Health Coverage Following Job Loss. Accessed at <https://www.kff.org/coronavirus-covid-19/issue-brief/eligibility-for-aca-health-coverage-following-job-loss/>

9 Sirota, Alexandra, May 2020, 1 in 5 workers are on the frontlines of COVID-19 response. Prosperity Watch, Budget & Tax Center accessed at: <https://www.ncjustice.org/publications/1-in-5-workers-in-n-c-are-in-industries-on-the-frontlines-of-covid-19-response/>

10 Milder, Zachary and Cedric Sam, April 20, 2020. Small Business Rescue Shows Not All States Created Equal, Bloomberg News, accessed at: <https://www.bloomberg.com/graphics/2020-sba-paycheck-protection-program/>

11 Jessen-Howard, Steven and Simon Workman, April 24, 2020. Coronavirus Pandemic Could Lead to Permanent Loss of Nearly 4.5 Million Child Care Slots. Center for American Progress, accessed at: <https://www.americanprogress.org/issues/early-childhood/news/2020/04/24/483817/coronavirus-pandemic-lead-permanent-loss-nearly-4-5-million-child-care-slots/> Sirota, Alexandra, April 21, 2020. NC without Child Care: Emergency support to state's early education infrastructure needed now. BTC Brief, NC Justice Center accessed at: <https://www.ncjustice.org/publications/n-c-without-child-care-emergency-support-to-states-early-education-infrastructure-is-needed-now/>

Timely and targeted interventions. Early response to the crisis is a critical element to both public health and economic shocks as timely engagement can address the initial impacts before they spread broadly into other aspects of life. While many public health analysts point to the delays at the federal level in planning and responding to COVID-19 despite knowledge of its potential harm, the federal response began with a targeted effort to respond to the public health issues with a focus on bolstering the public health infrastructure and accelerating research into a vaccine and treatment.

Bold and inclusive support. Another lesson of public policy response in moments of crisis is the importance of bold action. Researchers often point to the fact that the greater risk comes from proposals that are too small relative to the need and that don't do enough to reduce the potential for long-term impact on people and communities. Such support must also reach all people since the exclusion of certain groups can further hamper the recovery process and hold back overall public health.

Systems-oriented policy design. Perhaps most significant in this moment is the need for a sustained commitment to the use of public policy to address the issues resulting from public health or economic shocks. Many analysts have pointed to the problem of ending public policy interventions too soon before the recovery has been secured and reached all people.¹² Additionally, making certain the policy design continues to meet and respond to emerging needs is critical to ensuring that families are supported to financial security and greater well-being.

The coronavirus pandemic ended the longest economic expansion in U.S. history, and its threat to public health will persist for longer than a season.¹³ Researchers at the Congressional Budget Office suggest that effects on the economy could extend through 2021 into 2022.¹⁴ While projections for North Carolina in particular are still forthcoming from state agencies, some economists in North Carolina have pointed to the early stages of impacts and the long road to recovery.¹⁵

Once the official expansion begins, however, it will be clear that recessions have a longer-lasting impact on well-being than the time frame in which they occur. North Carolina's own experience of the last expansion period showed little progress in bringing down poverty and increasing the wages of the average worker.¹⁶ National studies of the Great Recession and prior downturns point to the large and scarring effects — including lost income and wealth, reduced educational opportunities, and poorer physical and mental

12 Stone, Chad, April 2020. Fiscal Stimulus Needed to Fight Recessions: Lessons from the Great Recessions. Center on Budget & Policy Priorities, accessed at: <https://www.cbpp.org/research/economy/fiscal-stimulus-needed-to-fight-recessions>

13 Center on Budget & Policy Priorities, Longest Economic Expansion on Record Ended by COVID-19, accessed at: <https://www.cbpp.org/longest-economic-expansion-on-record-endangered-by-covid-19>

14 Congressional Budget Office, April 24, 2020. CBO's Current Projections of Output, Employment and Interest Rates and a Preliminary Look at Federal Deficits for 2020 and 2021. Accessed at: <https://www.cbo.gov/publication/56335>

15 Trendel, Avery, April 6, 2020. Economic Challenges Beginning to Evolve as Coronavirus Pandemic Continues, accessed at: <https://chapelboro.com/news/coronavirus-covid-19/economic-challenges-beginning-to-evolve-as-coronavirus-pandemic-continues>

16 Budget & Tax Center, State of North Carolina at the End of a Decade, accessed at: <https://www.ncjustice.org/reporter-memo-the-state-of-north-carolina-at-the-end-of-a-decade/>

health outcomes — on people.¹⁷ Recessions also generate disproportionate harm on communities of color and women, both of which already face barriers in connecting to opportunities.¹⁸

Given that the underlying cause of this economic shock is likely to linger¹⁹, it is even more important that policymakers continue to engage in assessments and actions that can minimize the long-term harm to our collective well-being.

First policy approach establishes important foundation for ongoing response

As noted above and in the Appendix, there already have been numerous policy changes that attempt to address the threats to our collective health and economic life. These policy changes have come from Congress and federal agencies, as well as the N.C. governor, the General Assembly, courts, and various agencies.

A review of these first policy approaches point to policymakers' immediate focus on containing the spread of the virus and stabilizing households and businesses from income losses. Measures that have invested in testing and contact tracing that build up our national and state public health infrastructure while researchers work on a vaccine are central to improving our understanding of COVID-19 and its potential treatment. Measures that have increased income supports through Unemployment Insurance and have provided one-time cash income provide a foundation for economic stabilization at the same time.

A few notable themes in the design and implementation of these first policy approaches are important to consider in assessing where policymakers should go from here.

First, public policies have **relied upon existing infrastructure** to deploy resources and support, which may allow for more rapid implementation but also have made clear the limits to our country's and state's public infrastructure and the specific harm of underinvestment in periods of expansion. For example, the Internal Revenue Service has been hampered in recent years by cuts to its agency that made the delivery of rebate checks more challenging given inadequate staffing and technology available to reach taxpayers with information and to use direct deposit.²⁰ The State Unemployment Insurance system, charged with delivering the newly created Pandemic Unemployment Assistance, was overwhelmed by the number of claims and the need to adapt old technology.²¹

The particular harm of undervaluing and underinvesting in public systems has also

17 Irons, John, September 30, 2009. Economic scarring: The long-term impacts of the recession. Economic Policy Institute, Accessed at: <https://www.epi.org/publication/bp243/>; Center for Equitable Growth, March 30, 2020. The long-term consequences of recessions for U.S. workers, accessed at: <https://equitablegrowth.org/the-long-term-consequences-of-recessions-for-u-s-workers/>; Antonova, Liudmila, Tabea Bucher-Koenen, Fabrizio Mazzona, Long-term health consequences of recessions during working years. *Social Science & Medicine*, Volume 187, August 2017; and Schwandt, Hannes, April 2019. Recession Graduates: The long-lasting Effects of an Unlucky Draw. Standard University, Institute for Economic Policy Research, accessed at: <https://siepr.stanford.edu/research/publications/recession-graduates-effects-unlucky>

18 Stone, April 2020

19 IHME, COVID-19 Projections for States, May 10, 2020, accessed at: <http://www.healthdata.org/covid/updates> and the Cecil G. Sheps Center for Health Services Research, UNC Chapel Hill, accessed at: <https://www.shepscenter.unc.edu/programs-projects/workforce/covid-19-response-and-blogs/>

20 Washington, Samantha, April 28, 2020. IRS Stimulus Glitch Show Cost of Earlier Cuts. Off the Charts Blog, Center on Budget & Policy Priorities, accessed at: <https://www.cbpp.org/blog/irs-stimulus-glitches-show-cost-of-earlier-cuts>

21 Evermore, Michelle, April 8, 2020. How to improve the Unemployment Insurance Application Process, National Employment Law Project, accessed at: <https://www.nelp.org/blog/improve-unemployment-insurance-ui-application-process/>

been made clear as the federal and state government relies on this infrastructure to reach people with new programs and as these institutions need to adapt to changing ways of delivering services. Our state's social service agencies, which are administered across 100 counties, have sought to continue to serve people in need during stay at home orders with changed processes, limited technology, and more demand. North Carolina's administrative support to the Department of Social Services has been reduced to almost zero since 2016.²²

Similarly, as public schools, communities, public universities, and community colleges across the state have shifted their lessons to online formats, many institutions have faced barriers in ensuring access to technology, instructional materials, and staffing to meet the health and well-being needs of students. North Carolina ranks 48th in overall K-12 school funding, and many educational investments critical in this moment — like instructional supplies, school support personnel and access to digital tools — remain below standards or historic funding levels.²³

It is also important to note that some aspects of our essential public infrastructure have not been leveraged to support the response despite their critical role in this moment. Most notably, the Occupational Safety and Health Administration, which inspects workplaces for conditions faced by workers.

Second, policies across multiple levels of government have been required to respond that **rely on collaboration and coordination as well as clarity as to the responsibilities and capacities of each level of government.** Given the nature of a global pandemic, the federal government must play a primary role, and yet its design of policy for the country may miss needed investments or policy changes for specific places. At the same time, for the federal and state policy response to work best in tandem, the shared responsibilities for funding core public services may have to shift so that the need can be met. This is perhaps most evident in the case of the shared funding of Medicaid and the important policy response of the federal government to take over the states' share of Medicaid costs in a downturn. While the Families First Coronavirus Relief Act included an increase in the federal share of costs, it did not go as far as was necessary to provide this critical relief to states.

Third, many state-level policy actions have **pursued administrative flexibilities** that were already within their authority to adopt, and many regulations at the federal level have revealed the complexities layered into the administration of essential programs and services. When considering the need for reporting requirements or limits on the types of services, it will be worth evaluating which of these administrative changes should remain permanent to remove barriers to more efficient and equitable impacts. As an example, the limits on what types of food that mothers can purchase for their infants if certain products aren't available could present barriers to families in post-pandemic times as well.

22 Schoenbach, Sabine with Alexandra Sirota, March 2020. Lessons from North Carolina: FNS Employment and Training Programs. NC Justice Center, accessed at: <https://www.ncjustice.org/publications/lessons-from-north-carolina-snap-fns-employment-and-training-programs/>

23 Nordstrom, Kris, December 10, 2019. Long-awaited Leandro report calls for setting new course for North Carolina's schools. Progressive Pulse, accessed at: <http://pulse.ncpolicywatch.org/2019/12/10/long-awaited-leandro-report-calls-for-setting-new-course-for-north-carolinas-schools/> and Nordstrom, Kris, July 1, 2019. Vetoed budget would have done nothing for education. Progressive pulse accessed at: <http://pulse.ncpolicywatch.org/2019/07/01/vetoed-education-budget-would-have-done-nothing-for-education/>

Finally, across all levels of response, policymakers have **yet to fully engage with the disproportionate harm of the crisis on communities of color and immigrant communities**. Even policies that purport to reach all people have fallen short by including exclusionary language for certain workers and families, like those filing taxes using an ITIN. One notable exception are improvements to access to Unemployment Insurance for gig workers and contractors, who disproportionately are workers of color. At the state level, legislators included aspirational language regarding the allocation of small business supports to Historically Underutilized Businesses. More targeted policy designs that consider how to drive investments and policy improvements to reach the people most currently and historically impacted by downturns and public health risks would go a long way to ensuring that our overall economy can more fully recover. For example, small business supports that target those entrepreneurs and business owners who are underbanked and too often blocked from accessing capital would stabilize wealth for communities of color and women and provide greater potential for these businesses to thrive after the pandemic.

The first policy responses to date have laid an important foundation for our collective response. Ongoing assessments of how this response is leveraging existing public institutions, shifting responsibilities, and reconsidering design flaws in prior policies can help to ensure that we continue to move toward a stronger and more inclusive recovery.

Missteps in policy response have prioritized bottom lines over collective well-being

Even as policymakers have sought to respond directly to the public health crisis and the resulting economic downturn, some policy choices have unnecessarily supported the bottom lines of big corporations, wealthy individuals, and other special interests. It's important to make clear the harm caused to the broader response by these missteps and the diversion of critical resources to the powerful few.

As the Institute on Taxation and Economic Policy notes about the CARES Act²⁴:

One provision loosens rules around losses that businesses (of any type) face not just in 2020, but also retroactively for losses in 2018 and 2019, which have nothing to do with the COVID-19 crisis. Another provision gives tax cuts to owners of pass-through businesses (businesses that do not pay the corporate income tax), with **82 percent** going to filers with incomes exceeding \$1 million, according to Congress's official revenue estimators.

There have been, according to the organization In the Public Interest, a number

24 Wamhoff, Steve, April 24, 2020. Partying Like It's 2017: How Congress Went Overboard Helping Businesses with Losses, Institute on Taxation and Economic Policy, Just Taxes Blog accessed at: <https://itpep.org/partying-like-its-2017-how-congress-went-overboard-on-helping-businesses-with-losses/>

of local and state moves to further expand the reach of online education as a result of COVID-19.²⁵ Privatization of public schools, and more broadly of public institutions and services, is being considered in a number of school districts and policymaking across the country.

The important access to online shopping for those who receive food assistance has been expanded in recent weeks to more states, including North Carolina. However, as noted on the USDA website, the retailers authorized to accept food assistance online have remained largely limited to the retail giants Amazon and Walmart.²⁶ Reports on Amazon's first quarter earnings suggest that record profits have been secured, not solely due to participation in the pilot but to the broader demand for online shopping as social distancing policies remain in place.²⁷

These examples suggest that our public policies can continue to drive benefits to the few over the well-being of the many. Monitoring who benefits from public policies and how public policies could reinforce inequality and power should be central to our collective assessments of choices made by policymakers in this context.

Filling the gaps in response, building toward urgently needed resilient systems

Beyond the broad themes characterizing the response to COVID-19 to date, there are also clear gaps in the response and a need to more urgently consider the systemic issues that have been highlighted by this pandemic. A review of the first policy responses make clear that there are several key areas for policymakers to focus on that could support greater well-being in the near term and more resilient systems for the long-term. These key areas are primarily opportunities for state policymakers to act with the support of federal policymakers, and these areas should be the focus of upcoming legislative sessions of the N.C. General Assembly.

- **Equity:** An overlying need in the policy response to COVID-19 is the need to center the people most harmed by the coronavirus pandemic and the economic losses it has generated. Prior barriers to health care, good jobs, and business ownership for communities of color have not been sufficiently removed or overcome with the policy responses to date. By using an equity lens in our policy choices, policymakers can more effectively design and implement policies and investments to address past inequities that have been undermining our response so that we can ensure a more robust and inclusive recovery.

25 In the Public Interest, accessed at: <http://www.inthepublicinterest.org/>

26 USDA, Food and Nutrition Services, Overview of Online Purchasing Pilot accessed at: <https://www.fns.usda.gov/snap/online-purchasing-pilot>

27 Rushe, Dominic and Michael Sainato, April 30, 2020. Amazon posts \$75 billion first-quarter revenues but expects to spend \$4 billion on COVID-19 costs, Guardian accessed at: <https://www.theguardian.com/technology/2020/apr/30/amazon-revenues-jeff-bezos-coronavirus-pandemic>

The coronavirus is affecting people of color at disproportionate rates, and job losses have disproportionately impacted women and people of color.²⁸ Families with mixed immigration status or no documents have been excluded from many of the policy responses as well.



Policy Ideas to Fill the Gap: The N.C. General Assembly should build and fund capacity for an equity impact assessment process for policy proposals and implementation and should consider how to define in statute the equitable goals desired. Providing targeted funds for state agencies to serve the goals of minority health, Historically Underutilized Businesses, and Human Relations to invest in the recovery of communities of color in particular should be part of upcoming spending proposals.

• **Health care:** The novel coronavirus has caused North Carolina and the world to grapple with unprecedented challenges to public health and health care access. Before the pandemic, North Carolina's uninsured rate was approximately 13 percent, representing nearly 1.1 million people.²⁹ It was also estimated that at least 500,000 North Carolinians would be eligible for coverage through Medicaid expansion, many of whom are currently uninsured. The Economic Policy Institute estimates that since early March, over 340,000 North Carolinians have lost their employer-sponsored health insurance due to job loss.³⁰ Taken together with family members who have lost coverage as a result, the Kaiser Family Foundation estimates that **approximately 723,000 North Carolinians have lost employer-sponsored health insurance** since early March, and many will remain in the coverage gap.³¹ Overwhelming research demonstrates that people who have low incomes and are uninsured have higher rates of chronic health conditions that are often untreated and exacerbates their risk for COVID-19 infection and complications.³² Access to care and treatment is critical to ensuring that the health status of uninsured individuals does not decline during this crisis.

28 Munn, William, April 28, 2020. African Americans are contracting and dying of COVID-19 at higher rates. We know why. NCJC Brief, accessed at: <https://www.ncjustice.org/publications/african-americans-are-contracting-and-dying-from-covid-19-at-higher-rates-we-know-why/> and Brown, Steven, How COVID-19 is affecting Black and Latino Families' Employment and Financial Wellbeing. Urban Institute, accessed here: <https://www.urban.org/urban-wire/how-covid-19-affecting-black-and-latino-families-employment-and-financial-well-being> and Gould, Elise, Zipperer, Ben and Jori Kandra, April 15, 2020, Women hit hard by coronavirus job market. Economic Policy Institute, accessed at: <https://www.epi.org/blog/women-have-been-hit-hard-by-the-coronavirus-labor-market-their-story-is-worse-than-industry-based-data-suggest/>

29 Kaiser Family Foundation, Uninsurance Rates by State, accessed at: <https://www.kff.org/other/state-indicator/non-elderly-0-64/>

30 Bivens and Zipperer, April 2020

31 Garfield, R., Claxton, G., Damico, A., & Levitt, L. May 2020. Eligibility for ACA Health Coverage Following Job Loss. Accessed at <https://www.kff.org/coronavirus-covid-19/issue-brief/eligibility-for-aca-health-coverage-following-job-loss/>

32 <https://www.healthaffairs.org/doi/10.1377/hpb20180817.901935/full/> and <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/poverty> and [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(17\)30571-8/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(17)30571-8/fulltext)



Policy Ideas to Fill the Gap: The N.C. General Assembly should expand Medicaid and ensure that eligible people in the state have health insurance and can access testing and treatment for COVID-19 and other conditions. Medicaid expansion will generate savings to the state's budget³³ as well as provide vital support to rural hospitals.³⁴

• **Essential work:** As the governor begins a phased reopening, the definition of essential work for disaster purposes is eliminated, but the underlying reality of the work being done across the state that is essential to our collective well-being should not be. To date, there has been limited federal or state policy action to drive critical supports to people who are working in hazardous conditions. Paid sick days have been made accessible during the emergency to only a fraction of the workers who need it, and hazard pay, workplace protections, and personal protective equipment have not been guaranteed. A policy response is needed to address the underlying harm of low-wage work by passing legislation for paid sick days, increasing the minimum wage, and ensuring that workplaces don't put workers at greater risk of illness or injury.



Policy Ideas to Fill the Gap: A state-level guarantee of paid sick days would address current exclusions to the federal law and provide all workers with at least 80 hours of paid sick leave with pay at 100 percent of their current wages.³⁵ Such a policy would not only go a long way to ensuring that workers don't come to work sick during a pandemic, but it would provide greater support for the health and well-being of workers and stability of employment and productivity for employers.

• **Income support:** The one-time federal Economic Impact Payments provided limited income support to North Carolina households, just enough to cover 2 to 4 weeks of basic needs depending on where one lives.³⁶ But too many people were excluded from receiving payments, undermining the potential to serve as a stabilizing force for local economies. At the federal level, there is a need to remove those exclusions, and absent action from the federal government, for the state to consider its own more inclusive approach to income support. More broadly, policies around income support, whether through Unemployment Insurance or other mechanisms, have not reached full wage replacement

33 <https://www.ncjustice.org/publications/financing-health-care-for-north-carolinians-in-the-coverage-gap/>

34 Khachatryan, Suzy and Patrick McHugh, 2019. Strong Medicine: Why Medicaid Expansion is the right treatment for rural hospitals and economies. BTC Report, NC Justice Center, accessed at: <https://www.ncjustice.org/publications/strong-medicine-why-medicaid-expansion-is-the-right-treatment-for-rural-hospitals-economies/>

35 Freyer, Allan, April 2020. Sick: Millions of North Carolina workers left out of paid sick days protections as COVID-19 spreads. NCJC Report, accessed at: <https://www.ncjustice.org/publications/sick-millions-of-north-carolina-workers-left-out-of-paid-sick-days-protections-as-covid-19-spreads/>

36 McHugh, Patrick. Federal COVID-19 checks: What they mean and who might get left out. Accessed at: <https://www.ncjustice.org/publications/federal-covid-19-checks-what-they-mean-and-who-might-get-left-out/>

as has been the policy in other countries.³⁷ This gap between what people once earned and what policies will provide generates a host of pressures on other institutions, such as landlords collecting rent, mortgage companies, utility companies, and more.

A number of mechanisms can be used to ensure that households with low incomes can meet basic needs, including a state refundable Earned Income Tax Credit or the existing TANF program. Fixes to the state's Unemployment Insurance system are also needed with particular focus on changes to the weekly benefit calculations and weeks of duration.³⁸ As policymakers consider the gaps in the current response, it is worth reflecting on the long-term need to consider cash income as a critical tool in assisting those in need and in stabilizing local economies.

Households are not the only ones experiencing income losses. North Carolina's small businesses have been hard hit by COVID-19 and the decline in consumer demand, and too many small businesses have faced barriers in accessing the federal program. In particular, the failure to reach Historically Underutilized Businesses and small businesses that are underbanked will erase gains made in the recent expansion and will undercut the supports these businesses play to broader wealth-building for historically underserved communities.³⁹



Policy Ideas to Fill the Gap: A state-level cash assistance program for those not reached by the federal Economic Impact Payments to date would require an investment of \$433 million.⁴⁰ An additional systemic approach would change the benefit level for TANF basic cash assistance, which has not been increased in North Carolina in recent years and therefore falls far short of helping people meet the cost of housing, for example. An increase of the TANF basic cash assistance level to 50 percent of Fair Market Rent would require a \$2 million a month investment.⁴¹

• **Basic needs:** A basic standard of living has always been tied to work. Yet with work and wages disrupted by COVID-19, the challenges of ensuring that people can put food on the table and a roof over their heads are clearer. Policy responses to date have largely delayed consideration of what is needed to protect a basic standard of living for people or to improve access to existing tools, like food assistance, for those who are eligible. One-time increases in food assistance at the state level have been a welcome policy, but the sustained increase in food benefits from federal policy has yet to occur — despite

37 Apuzzo, Matt and Monica Pronczuk, April 5, 2020. COVID-19's Economic Pain is Universal. But Relief? Depends on Where you Live. New York Times, accessed at: <https://www.nytimes.com/2020/03/23/world/europe/coronavirus-economic-relief-wages.html>

38 Rowe, Bill, April 24, 2020. Fact Sheet: Unemployment Insurance changes needed in NC, accessed at: <https://www.ncjustice.org/publications/unemployment-insurance-changes-needed-in-north-carolina/>

39 Liu, Sifan and Joseph Parilla, April 2020. Businesses owned by people of color and women have grown. Will COVID19 undo that? Brookings Institution, accessed at: <https://www.brookings.edu/research/businesses-owned-by-women-and-minorities-have-grown-will-covid-19-undo-that/>

40 Authors calculation using an estimated 607,000 people in North Carolina who are excluded because they file income taxes using an ITIN or are dependents 17 and older and using the payment levels for different age groups.

41 Authors calculation based on the March 2020 TANF caseload and a monthly increase in the benefit level by \$193.

evidence this not only supports the well-being of households who are hungry but the broader community as well.⁴² As policymakers consider the gaps in response to date, it is important to drive funds to these areas of support rather than just extend time frames for court proceedings or make application processes more streamlined. While data suggest that many renters, for example, continue to meet at least partial, but often full, monthly rent payments, these trends may differ based on accessibility to income supports like Unemployment Insurance and the housing market where one resides.⁴³



Policy Ideas to Fill the Gap: A state-level rental assistance program that provides rental assistance to those with extremely low incomes and who are likely to face challenges in paying rent in this time would provide a stabilizing resource for families and communities. Estimates suggest that seeding such a fund with at least \$295 million would provide the support necessary to cover a month of rent for those with income below \$20,000.⁴⁴

• **Civic life:** Our public policies have an important role to play in shaping our civic life, as has been made clear by the impacts of social distancing. To date, policymakers have taken limited steps to address the enduring impacts of social distancing on institutions that over the long-term serve to inform and govern our civic life. For example, the country's decennial Census is underway, despite further limits by the pandemic on the ability to collect information, which was already challenged by underinvestment. At the same time, election administrators across the country and in North Carolina are considering the ways in which changes to voting can protect the right to vote and people's health. On the latter point, the federal government has provided funding to states to adopt new tools to support voting, but it requires the states to match those funds to unlock the full amount needed. North Carolina has yet to set aside dollars for this important purpose.



Policy Ideas to Fill the Gap: Funding for state elections in the amount of \$2 million would draw down an additional \$11 million from the federal government to ensure sanitation supplies at polling sites, increase printing of mail-in absentee ballots, and otherwise protect the vote. The State Board of Education recommends additional policy and investment changes for 2020 elections.⁴⁵

42 Rosenbaum, Dottie, Stacy Dean and Zoe Neuberger, April 22, 2020. The Case for Boosting SNAP benefits in the next major economic response package. Center on Budget & Policy Priorities, accessed at: <https://www.cbpp.org/research/food-assistance/the-case-for-boosting-snap-benefits-in-next-major-economic-response-package>

43 National Multi-Family Housing Coalition, Rent Payment Tracker accessed at: <https://www.nmhc.org/research-insight/nmhc-rent-payment-tracker/>

44 Author's calculation based \$1,000 of month in rental assistance for an estimated 20 percent of renters who missed rent in April 2020 out of rental households with income below the federal poverty level for a family of four in North Carolina.

45 State Board of Education Letter to the NC General Assembly, April 2020, accessed at: <https://s3.amazonaws.com/dl.ncsbe.gov/Outreach/Coronavirus/State%20Board%20CARES%20Act%20request%20and%20legislative%20recommendations%20update.pdf>

• **Public institutions:** While public institutions are the primary responders to COVID-19 and its economic effects, there is still only a patchwork of investments being made to ensure that public institutions have the resources and capacity necessary to meet rising demand, adapt to changing operations, and withstand potential revenue losses. Notable investments have been made in the state's public education system and Division of Employment Security, which administers the state's Unemployment Insurance system, but many more agencies like the Department of Labor are losing revenue from fees and permits and like the Department of Social Services are not receiving support to increase outreach and align new and existing programs. A clear gap is the need for flexible, adequate revenue from federal and state sources to ensure that public institutions can continue to respond and support a strong economic recovery. Moreover at a time when new technologies and formats are being used to deliver services to more people, the underlying public investment in infrastructure like broadband and information-sharing across agencies is critical to the timely, continued support to families, businesses and communities now.



Policy Ideas to Fill the Gap: Estimates of revenue losses and specific agency needs are still developing, but preliminary figures suggest North Carolina could experience revenue losses that top those experienced during the Great Recession. To deliver public services, North Carolina policymakers must address the gaps in funding that will weaken our ability to serve the needs of the state now and in the long-term.⁴⁶

While significant policy activity has been undertaken in the past two months since COVID-19 accelerated its spread in the United States, there are still a number of gaps in our response that must be addressed. These gaps are apparent not only along the parameters outlined above but in the ways in which policy responses have failed to center select groups of people who are at greater risk. A collective investment at the state level to make certain that supports are available to every person is critical to the strength of the recovery.

- People in prisons, jails, and detention centers are particularly susceptible to the coronavirus pandemic, as is evidenced by numerous outbreaks and resulting deaths in these institutions nationally and in North Carolina. It is important to fund the capacity of these institutions to deliver health care, protect all people in the institution, and provide support for re-entry services so that those most at-risk can be released from prison back to their communities.
- People working in meatpacking and food processing plants and working on farms are also at greater risk and have limited resources and protections. Funding and policy guidance to ensure that workplace inspections and protections are offered and that workers are connected to personal protective equipment, sanitation supplies, and health care will support workers and the supply chain of food to all

⁴⁶ Pedersen, Leila, May 2020. State Revenue Needed to Avoid Budget Shortfalls. BTC Report, NC Justice Center, accessed at: <https://www.ncjustice.org/publications/state-revenue-needed-to-avoid-budget-shortfalls/>

North Carolinians.

- Our state's youngest children have experienced fewer federal and state commitments with lower levels of investment in early childhood education and other early childhood interventions, such as home visits that can provide essential support to families in this time.

Taken together, these gaps are illustrative of the ongoing needs that must be met in our state for the recovery to fully deliver well-being. These gaps also demonstrate the importance of addressing underlying systemic issues in the next response so that our state's systems and policies do not return to practices that have made our communities less resilient in the face of this shock.

Policymakers should focus on achieving greater well-being after this pandemic

North Carolina, like the nation, should embrace and support policymakers in their work for sustained engagement to address the issues that this pandemic has made clear. To achieve greater well-being and stability after the pandemic will require ongoing action to ensure that the recession is as short and shallow as possible and that the health impacts and deaths from COVID-19 are as low as possible.⁴⁷

After all, a healthy economy relies on healthy people.

Policymaking that bridges gaps, forges new systems for delivering services to the public, and pushes against arbitrary deadlines for stopping our response will be critical to making sure all people and communities can thrive after the pandemic. Our current response may be hobbled by decades of divestment, but the potential exists to commit the public resources necessary to be more resilient in the face of this crisis. Certainly, investing in people with the greatest needs now will help avoid costly outcomes in the future and will support a more inclusive, resilient North Carolina.

47 Stone, April 2020

Appendix A: Timeline of government actions in response to COVID-19 pandemic

DATE	LEVEL	TOPIC	ACTION	LINK
March 3	Federal	Economic Security	Federal Reserve cuts interest rates by half a percent.	Federal Reserve issues FOMC statement
March 10	State	Health	State of Emergency declared	Executive Order #116
March 11	State	Commerce	Price gouging laws in effect.	North Carolina's price gouging laws in effect for coronavirus. What does that mean?
March 11	Federal	Health	Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (P.L. 116-123)	The U.S. response to coronavirus: Summary of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020
March 11	International	Health	WHO declares COVID-19 a pandemic	WHO Director-General's opening remarks at the media briefing on COVID-19
March 12	State	Government	General Assembly cancels committee meetings.	NC legislature cancels meetings, lets staffers work remotely amid coronavirus fears
March 12	Federal	Economic Security	More flexible unemployment insurance approved.	U.S. Labor Department allows jobless benefits for coronavirus
March 12	Federal	Democracy	US Capitol buildings and offices close.	Congress is shutting down the US Capitol and all offices to the public due to coronavirus
March 13	State	Health	State Health Plan Board approves emergency authority.	State Health Plan Board approves emergency authority to respond to COVID-19
March 13	State	Housing	Duke Energy, Dominion Energy, and Piedmont Natural Gas suspend disconnections for nonpayment.	Duke Energy, Piedmont Natural Gas halting disconnections for nonpayment amid coronavirus outbreak
March 13	State	Justice	Court proceedings postponed for 30 days.	Chief Justice Beasley announces judicial branch response to COVID-19
March 13	Federal	Health	Federal state of emergency declared.	Trump declares national emergency — and denies responsibility for coronavirus testing failures

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DATE	LEVEL	TOPIC	ACTION	LINK
March 13	Federal	Food	Temporary pause on SNAP waiver rule	Civil Action No. 20-119 (BAH)
March 14	State	Public education	Public schools are closed and gatherings of 100 or more are banned.	Governor Cooper issues executive order closing K-12 public schools and banning gatherings of more than 100 people
March 15	Federal	Economic Security	Federal Reserve cuts interest rate to nearly zero, announces quantitative easing and other measures to boost economy.	Federal Reserve issues FOMC statement
March 15	Federal	Economic Security	Fed boosts liquidity to households and businesses.	Federal Reserve actions to support the flow of credit to households and businesses
March 17	State	Unemployment insurance	Expands unemployment insurance eligibility and benefits for workers affected by COVID-19	Executive Order #118
March 18	Federal	Health	H.R. 6201 Families First Coronavirus Response Act	H.R. 6201, Families First Coronavirus Response Act
March 20	State	Child Care	Waives certain restrictions on child care providers.	Executive Order #119
March 20	State	Taxes	NC Department of Revenue extends tax filing and payment deadline to July 15.	Tax deadline extended to July 15
March 23	State	Higher Ed	UNC system extends spring break	Health concern: novel coronavirus (COVID-19)
March 23	State	Public education	Continues public school closure through May 15 unless otherwise extended and mandates the "continued responsibilities" of local DSS offices.	Executive Order #120
March 25	State	Omnibus	NC House Select Committee on COVID-19 meets for the first time.	House Select Committee on COVID-19 presentation
March 25	State	Child Care	NC DHHS issues new guidance for child care centers, including options for financial assistance to workers.	COVID-19 emergency child care operations and financing guidance
March 26	Federal	FEMA Funding	White House grants Gov. Cooper's request for federal disaster declaration.	North Carolina receives federal disaster declaration for COVID-19

Appendix A: Timeline of government actions in response to COVID-19 pandemic

DATE	LEVEL	TOPIC	ACTION	LINK
March 26	State	Education	NC House Select Committee on COVID-19 Education Working Group meets for the first time.	House Select Committee on COVID-19, Education Working Group
March 26	State	Health	NC House Select Committee on COVID-19 Health Care Working Group meets for the first time.	House Select Committee on COVID-19, Health Care Working Group
March 27	Federal	Omnibus	President signs H.R. 748 Coronavirus Aid Relief and Economic Security (CARES) Act	H.R. 748, CARES Act
March 27	State	Health	Governor issues statewide stay-at-home order effective March 30 to April 29, 2020.	Executive Order #121
March 30	State	Health	NCDHHS is temporarily increasing benefits for March 2020 and April 2020 to current Food and Nutrition Services (FNS) recipients.	Families to receive enhanced benefits to ensure food access
March 30	State	Health	Governor signs executive order to get equipment to health care workers, schools, local governments.	Executive Order #122
March 31	State	Child Care	Governor issues Executive Order to extend the term of the North Carolina Early Childhood Advisory Council through Dec. 31, 2020.	Executive Order #123
March 31	State	Economic Security	Governor calls for restrictions on utility shutoffs, evictions, telecommunication termination, and bank lending.	Executive Order #124
April 1	Federal	Economic Security	US Department of Labor issues updated guidance and FAQs on FFCRA provisions.	US Department of Labor FAQs
April 2	State	Justice	Court proceedings postponed until June 1, 2020.	Order of the chief justice of the supreme court of North Carolina
April 7	State	Child Care	NCDHHS is providing financial assistance to help essential workers afford child care and bonuses for child care teachers and staff who provide care during the COVID-19 crisis.	NCDHHS to provide financial support to essential workers and child care providers

Appendix A: Timeline of government actions in response to COVID-19 pandemic

DATE	LEVEL	TOPIC	ACTION	LINK
April 8	State	Health	Governor signs Executive Order 130 to expand health care system capacity and issue new emergency guidelines for child care.	Executive Order #130
April 9	Federal	Housing	FEMA is providing funds for North Carolina to people exposed to or at high risk of contracting the virus.	FEMA assistance for non-congregate sheltering
April 9	State	Health	Governor signs Executive Order 131, issues stronger social distancing requirements for retail stores still operating, makes earlier COVID-19 guidelines mandatory for nursing facilities, and issues changes to speed up certain benefit payments to those who are out of work.	Executive Order #131
April 13	State	Justice	NC Department of Public Safety will begin to transition incarcerated individuals in state custody to supervision via community corrections officers.	Ramping up fight against COVID-19, NC begins releasing some inmates early
April 13	State	Justice	Chief Justice Beasley orders new extension of court system deadlines until June 1, 2020.	Court filing deadlines extended until June 1
April 15	State	Economic Security	NC Division of Employment Security has made more than \$100 million in Federal Pandemic Unemployment Compensation payments. The FPUC program provides an additional \$600 in weekly unemployment insurance benefits to eligible claimants.	North Carolinians begin to receive additional \$600 in weekly unemployment assistance
April 17	State	Economic Security	Division of Employment Security plans to have more than three times its original staffing in place to respond to the surge in claims and ensure payments go out as quickly as possible.	North Carolina Department of Commerce increasing DES staffing to address rise in unemployment claims
April 17	Federal/ State	Food	USDA approves North Carolina's request to participate in pilot program to allow SNAP participants to purchase food online.	North Carolina added to innovative SNAP online pilot program

Appendix A: Timeline of government actions in response to COVID-19 pandemic

DATE	LEVEL	TOPIC	ACTION	LINK
April 20	State	Economic Security	Governor signs Executive Order 134, authorizes employers to make COVID-19 support payments to their employees.	Executive Order #134
April 20	State	Government	House Select Committee on COVID-19 is scheduled to vote on time sensitive matters beginning on April 28.	House Select Committee on COVID-19 Draft Legislation
April 22	Federal	Food	USDA grants blanket approval for SNAP Emergency Allotments under authority granted in the Families First Coronavirus Response Act, allowing states to provide SNAP Emergency Allotments month-to-month, provided the state fulfills particular requirements.	SNAP COVID-19 emergency allotments guidance
April 23	State	Government	Governor extends stay-at-home order to May 8 by signing Executive Order 125 and releases a three-phase plan for easing restrictions sometime after that date, based on available data.	Gov. Cooper extends stay-at-home order through May 8
April 24	State	Government	Governor proposes \$1.4 billion COVID-19 relief package, extends school closures through the school year with continued remote learning	Governor extends remote learning through end of 2019-2020 school year, proposes \$1.4 billion COVID-19 relief package
April 24	Federal	Health/Economic Security	President signs fourth coronavirus relief bill, H.R. 266, which includes \$484 billion in small business and health care supports.	H.R. 266, Paycheck Protection Program and Health Care Enhancement Act
May 4	State	Government	North Carolina General Assembly passes, and the governor signs two bills responding to COVID-19.	Gov. Cooper signs COVID-19 relief bills into law