

# Iowa Needs the American Rescue Plan

## Provisions Will Provide Targeted Relief to Struggling Families

By Ryan Zamarripa and Lily Roberts February 26, 2021

Iowa's economy is still reeling from the COVID-19 pandemic and resultant economic recession. More than a year has passed since the first coronavirus case was detected in the United States, and thousands of Americans are still dying from the virus each week. Small businesses are shuttering permanently, and workers are filing for unemployment insurance (UI) in droves or leaving the workforce altogether. Congress and President Joe Biden must act boldly—or things will continue to get worse. The country needs to defeat the virus and help struggling Iowa families.

As of December 2020:

- Some 65,000 fewer Iowans were employed than in February 2020—an employment deficit of 4.1 percent.<sup>1</sup> Employment is down even more for low-wage workers; employment dropped 23 percent for Iowans who earn less than \$27,000.<sup>2</sup>
- The number of state and local government employees in Iowa is down by 11,300 from February 2020.<sup>3</sup> To endure the pandemic, Iowa needs state and local employees for contact tracing, vaccination, unemployment agency staffing, support for children returning to in-person school, and other pandemic-related needs. Laying off these workers will only prolong both the pandemic and recession.

Emergency paid sick leave provisions expired at the end of 2020, meaning that Iowans must make the choice between staying home to protect their families or coworkers and keeping their wages.

### Economic conditions in Iowa are starting to regress

- Claims for traditional UI showed that 5,800 Iowans submitted new applications during the week ending January 23—100 percent higher than the state's average number of weekly claims in 2019.<sup>4</sup>
- At the end of January, the total number of Iowans receiving traditional UI payments stood at 46,000, which has grown over the fall.<sup>5</sup> Week-to-week enrollment numbers have been volatile due to the growing numbers of COVID-19 cases in Iowa and the challenges the UI system had in restarting benefits after Congress' delays in signing unemployment benefit extensions in December.

- 39,000 Iowans still enrolled in Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC)—two programs that respectively make UI available to the self-employed, independent contractors, and part-time workers and extend the duration that an unemployed worker is eligible for assistance—are at risk of financial ruin if benefits are allowed to expire.<sup>6</sup>

### Iowa needs Congress to pass bold stimulus

Without further federal aid to tide over working-class families until widespread vaccination allows for more normal economic activity, it is almost certain that Iowa's economy will contract again, leading to needless suffering and hardship for hundreds of thousands of Iowans. To ensure minimal disruption to Iowa's economy, Congress and President Biden should immediately pass into law the following common-sense policies.

- **Allocate \$1.4 billion to the state of Iowa and \$1.5 billion to the local government entities within it.**<sup>7</sup> Previous relief proposals would have provided funding to cover the revenue shortfalls that Iowa and many cities and counties within it are facing as a result of the COVID-19 pandemic. State aid was excluded from the relief bill that Congress passed in December, and further inaction will force state and local governments to cut services and lay off employees in public health and education.
- **Provide \$816 million for schools in Iowa to safely reopen.**<sup>8</sup> Additional support is needed to repair ventilation systems, reduce class sizes, purchase personal protective equipment, hire support staff, and ensure that the most vulnerable children do not fall behind their peers. Safely reopening schools will also allow those who dropped out of the labor force due to caretaking needs to reenter.
- **Extend federal unemployment benefits through 2021.** 39,000 Iowans are at risk of losing unemployment benefits when PUA and PEUC expire, which would harm vulnerable families struggling to make ends meet and cut off the crucial consumer spending that supports Iowa businesses.<sup>9</sup> Supplemental weekly payments of \$400 are critical to keeping the state's consumer economy afloat.
- **Increase the child tax credit to \$3,000 per child, provide an additional \$600 per child under the age of 6, make it fully refundable, and extend the maximum qualifying age to 17 to assist the caretakers of the 220,000 eligible children in Iowa.**<sup>10</sup> An expansion of this magnitude would provide an additional \$723 million to the poorest 60 percent of Iowans.<sup>11</sup>
- **Enhance financial assistance for health coverage through the Affordable Care Act.** Even before the pandemic-induced recession, the United States' uninsured rate had been creeping up. As such, increasing marketplace premium subsidies available to the 48,000 Iowans who already receive financial assistance—and expanding assistance to thousands more low-income and middle-class families—would help ensure Iowans have access to health care and improve their financial security.<sup>12</sup>

- **Raise the federal minimum wage from \$7.25 to \$15 over five years.** A \$15 minimum wage would not only give 540,000 Iowans—35 percent of the state’s workforce—a raise, but it would also provide an extra \$1.6 billion in total state wages and even more in economic activity.<sup>13</sup> An increase to the minimum wage would also decrease the amount of federal, state, and local dollars spent on supportive programs such as the Supplemental Nutrition Assistance Program (SNAP).
- **Extend the federal moratoria on evictions and foreclosures.** 690,000 Iowans—30 percent of adults in the state—have fallen behind on basic household expenses, and protection from eviction and foreclosure would prevent widespread financial crisis.<sup>14</sup> It would also extend aid to renters and small landlords and help secure housing for the 100,000 Iowans who are at risk of homelessness.<sup>15</sup>
- **Provide another round of direct checks.** The first round of direct checks reached 3.3 million Iowans as of June 2020 and provided \$5.8 billion in spending power to the state.<sup>16</sup> Additional \$1,400 checks would provide \$2.2 billion to the poorest 60 percent of Iowans, a group whose average annual income is just \$35,400.<sup>17</sup>

With the labor market contracting in December 2020 and a dismal jobs report in January, it is clear that as the recession stretches into 2021, more aid will be needed.<sup>18</sup> Congress and President Biden must work quickly to ensure that working-class families across the country are able to make ends meet as the vaccination process continues. Failing to do so would be catastrophic for working-class families in Iowa.

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## Endnotes

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- 2 Raj Chetty and others, "Opportunity Insights Economic Tracker," available at <https://www.tracktherecovery.org/> (last accessed February 2021).
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- 6 Andrew Stettner and Elizabeth Pancotti, "11.4 Million Workers Facing Jobless Benefit Cliff Starting March 14, Unless Congress Acts Swiftly," The Century Foundation, February 10, 2021, available at <https://tcf.org/content/report/11-4-million-workers-facing-jobless-benefit-cliff-starting-march-14-unless-congress-acts-swiftly/?agreed=1>.
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- 16 Internal Revenue Service, "IRS Statement on Economic Impact Payments by state," June 26, 2020, available at <https://www.irs.gov/newsroom/irs-statement-on-economic-impact-payments-by-state>.
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