BACKGROUNDER

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COVID-19 Proposals Should Focus on Disease, Not Wasteful Spending Increases

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KEY TAKEAWAYS

Coronavirus pandemic stimulus should be targeted, temporary, and focused on public health to avoid adding to our nation's mounting debt.

Previously authorized Covid aid remains unspent, but Democrats are promoting another $1.9 trillion in stimulus while the House readies reconciliation legislation.

Congress should reject any reconciliation bill. Instead, address recovery with limited spending to provide necessary resources for testing and vaccine distribution.

The COVID-19 pandemic, the deadliest of its kind in a century, created a wave of human suffering and severe economic disruption. In April 2020, the U.S. unemployment rate reached 14.8 percent, a full four points above the previous post–World War II high.[1]

Amidst concerns that the economy could spiral into a new depression as a result of pandemic-related economic restrictions, legislators passed five relief bills that authorized over $4 trillion in combined spending.[2] The combination of record-setting spending and reduced revenue caused a surge in gross federal debt, spiking from $23.4 trillion on March 13, 2020, to $27.9 trillion on February 9, 2021,[3] an increase of over $34,000 per household in less than 11 months.[4]

Fortunately, there are now several positive trends from both the medical and economic standpoints.

This paper, in its entirety, can be found at **http://report.heritage.org/bg3588**

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Vaccines are being administered to millions of Americans per week, and the number of new cases and hospitalizations is declining from highs seen in early January.[5] The number of people hospitalized with COVID-19 in the U.S. peaked at 132,370 on January 7, 2021, and dropped to 63,398 by February 17, a decline of 52 percent in six weeks. While it is impossible to predict the pandemic's future course, there is reason to hope that massive immunizations will help sustain this favorable trend.

Similarly, the unemployment rate fell by more than half between April 2020 and October 2020, and currently stands at 6.3 percent.[6] Gross domestic product has rebounded strongly from the springtime plunge, and was only slightly below 2019 levels at the end of 2020.[7]

Roughly $1.1 trillion of authorized COVID-19 relief funds are yet unspent.[8] Most of this amount stems from the Response and Relief Act portion of the December appropriations omnibus, which authorized over $900 billion.[9] The unspent amount includes business loans, expanded unemployment benefits through March 2021, food aid, K–12 education disease response, and aid to several industries.

In this context, legislators should be measured and considerate rather than panicked when crafting additional legislation relating to the disease and the economy. Adding further to the national debt serves to compound long-term risks, and current economic circumstances do not warrant additional large-scale federal interventions.[10]

COVID-19 relief ought to be targeted, timely, and temporary.[11] Unfortunately, both the $1.9 trillion relief package promoted by President Joe Biden[12] and the reconciliation package produced by House committees would repeat many of the mistakes seen in previous relief legislation.

The March 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act[13] suffered from unintended consequences of a large unemployment benefit bonus, issues with business loan eligibility, and several bailouts that benefitted heavily unionized organizations such as airlines and the Postal Service.[14] December's Response and Relief Act was also larger than it needed to be based on economic circumstances, with insufficient attention paid to public health efforts and yet another round of special interest bailouts.[15]

An additional $1.9 trillion in spending would add over $14,000 per household to the national debt, which must be repaid with interest. A financially responsible middle-class household would carefully weigh the merits of a debt-financed $14,000 expenditure, and legislators should treat taxpayer dollars with the same level of respect and consideration. Exacerbating the rapid accumulation of debt would impose costs and risks on Americans for years to come.

Because there is no tangible need for massive and poorly targeted spending aimed at increasing consumer demand, additional COVID-19 response legislation should focus almost exclusively on public health measures.

Abuse of the Budget Reconciliation Process

Budget reconciliation provides a fast-tracked process to amend law so that it aligns with Congress's budget plans.[16] In the Senate, where the filibuster can slow down or stop the consideration of bills, reconciliation is a particularly powerful tool because it is both "privileged" and debate is limited to 20 hours. This means that the Senate can proceed to the bill and vote on final passage with only a simple majority, making reconciliation a powerful tool. However, because it is a budgetary process, the Byrd Rule restricts provisions in a reconciliation bill to those that make changes to outlays, revenues, or the debt limit.

The fiscal year 2021 budget resolution adopted by Congress provides instructions to the major authorizing committees in the House and Senate reconciliation process to increase deficits by $1.9 trillion.[17] These committees collectively have authority over trillions of dollars' worth of existing programs and jurisdiction over virtually every major policy issue. Congressional leadership has suggested that the reconciliation bill produced by this process will include many provisions that would be considered extraneous and out of order on a reconciliation bill.[18]

Many of the policies under consideration for reconciliation, such as regulatory requirements or private-sector mandates like increasing the minimum wage, would not qualify for reconciliation.[19] It has been noted that more than half of President Joe Biden's stimulus proposal would be subject to points of order under the Byrd Rule.[20] The reason these policies are being considered for reconciliation is because they *are* controversial—and therefore unlikely to garner 60 votes to be passed through regular order, not because the policies meet the budgetary purposes of the reconciliation process.[21]

This has led some policymakers to consider employing the "ultimate power move"[22]—abusing reconciliation to set off the nuclear option by ignoring the rules and redefining the meaning of words. If a reconciliation bill is brought before the Senate that includes significant provisions that are extraneous, the Senate should not consider the bill a reconciliation bill. Doing otherwise would risk undermining the rule of law and overruling decades of precedent in a move that would be the equivalent of detonating the nuclear option on the legislative filibuster.[23]

Stronger Public Health Provisions Needed

With COVID-19 cases, hospitalizations, and deaths still high despite ongoing efforts to immunize tens of millions of Americans, policymakers rightly remain focused on containing the pandemic's spread. Their strategic focus, however, is insufficient and requires a prompt and urgent pivot. The current strategies rely heavily on confining people and restricting their activities.

A better path is available. Technology exists to equip Americans with knowledge of their COVID-19 status using self-administered tests that yield rapid results. Widespread use of these tests could slow the spread of the virus during the months it will take to vaccinate a sufficient number of Americans.

The Federal Food and Drug Administration (FDA) is the biggest obstacle to the availability of broad-based rapid tests. As of February 3, the FDA has approved only one rapid, over-the-counter home COVID-19 testing device. The Biden Administration announced on February 1 that it would purchase 8.5 million of these tests from the Australian manufacturer, Ellume.[24] While this marks an important step, it will take months to ramp up production. Ellume believes it can, by the end of the year, make 19 million tests available in the U.S. per month. That is not nearly enough to allow tens of millions of Americans to test themselves for COVID-19 daily.

Achieving that objective would first require the FDA to approve more affordable, rapid, at-home tests for over-the-counter distribution. Such tests cost only a few dollars to produce and can be manufactured at a rate of tens of millions per day. To stimulate that production, the U.S. government should follow the playbook it used with vaccines in Operation Warp Speed: Commit to the purchase of hundreds of millions of these tests, pending FDA approval. Such advance purchase commitments would enable companies to prepare for large-scale manufacturing of the devices. It also could nudge the FDA to allow these tests to come to market.

Some estimates suggest that the cost to taxpayers for such a testing program could be $15 billion.[25] That amount is a small portion of the $396 billion in COVID-19-related health spending that Congress approved during 2020.[26] Of the $396 billion, *$172 billion* remained unspent as of late January 2021.[27] A $15 billion expenditure for rapid, at-home COVID-19 tests would represent less than 0.4 percent of the $4 trillion Congress had allocated for COVID-19 spending through December 2020.[28] It would be a small amount when set against the investment return in lives and livelihoods.[29]

Achieving this strategic pivot requires Congress to act. Congress should ensure that the Department of Health and Human Services (HHS) is able to undertake massive distribution of rapid self-tests for use in homes, offices, and other public places. Congress should begin by providing resources that would commit the HHS to pre-purchasing rapid tests during the next two years (as needed) so that the virus is contained and schools and businesses can open safely and/or remain open.

Congress also should direct the HHS to adjust its regulatory posture toward these tests. For example, one of the cheapest, most effective, and easy-to-use rapid tests—delivering results for $5 in 15 minutes—can give results at home, but the HHS has not cleared it for full home use.[30] Instead, users must mail the test to a government-certified lab to get results, when what is needed to keep pace with the disease are tests with near-instant results that can be done by anyone.

The HHS needs to remove these requirements, allow these tests to function more like home-pregnancy tests, and rapidly evaluate additional rapid self-tests for approval. Further, Congress should direct the Centers for Disease Control and Prevention (CDC) to provide clear guidance about who should get tested and when. The CDC's guidance remains conflicting and contradictory, with different Web pages recommending different things.[31]

To unleash the power of rapid self-tests, further action is needed. As Dr. Michael Mina, assistant professor of epidemiology at the Harvard T. H. Chan School of Public Health, has observed, a full response requires the following:

> These tests must be fast. They must be frequent. And to do both of those, they must be accessible. And that's why we need them at home. And if you don't have all three of those, the testing is going to be what we're doing already, which is frankly pointless from a public health perspective.[32]

There is no time to waste, as we have already reached unprecedented caseload levels. The policies suggested here would replace ignorance with knowledge, save lives and livelihoods, and allow Congress to avoid pursuing an endless cycle of blunt tools that do not sufficiently curb the virus, followed by taxpayer bailouts to offset their effects.

A Superfluous Public Education Spending Spree

Despite mounting evidence from the Centers for Disease Control and others that it is safe to reopen schools, large public school districts across the country remain closed to in-person instruction. Yet President Biden's proposal would send hundreds of billions of dollars to these shuttered schools. The "stimulus" package would send $170 billion to K–12 schools and colleges, including $130 billion for elementary and secondary schools, $35 billion for colleges, and a $5 billion discretionary fund for governors to use on education.

This breathtaking sum would be in addition to spending already authorized in December through the Coronavirus Response and Relief Supplemental Appropriations Act, which provided $54 billion to K–12 schools and nearly $23 billion for higher education. That package also included $4 billion in new spending for governors to use at their discretion for education-related priorities.

The new spending proposed in this current package also comes on top of the CARES Act, which in March 2020 provided over $13 billion for K–12 schools and $14 billion for higher education, and which also included a $3 billion discretionary fund for governors. All told, President Biden's proposal, if added to the two bills already enacted last year, would mean spending an additional $282.7 billion for education. This is nearly *four times* the Department of Education's annual $72 billion discretionary budget.[33]

To the frustration of taxpayers, parents, and school leaders, the Congressional Budget Office (CBO) estimates that most of the education spending would occur over a year from now, undermining the stated rationale behind the spending—money ostensibly needed to reopen schools quickly. The CBO notes that the education spending would be spread across several years and that almost none would be spent in time for fall (2021–2022) re-opening.[34]

Incredibly, as education scholar Dan Lips found, states have spent just a fraction of the prior stimulus money that has already been allocated. State education agencies, he found, have yet to spend between $53 billion and $63 billion of the stimulus funds from March and December of last year.[35] Yet Congress proposes spending hundreds of billions more, as teachers unions fight to *keep schools closed*. An estimated 53 percent of students across the country are still—nearly a year after schools first closed their doors—receiving instruction entirely remotely.

Moreover, as private schools across the country have demonstrated, this massive new spending is an unnecessary precondition for providing in-person learning. Whereas just 24 percent of public school students are receiving in-person instruction, 60 percent of students who attend private schools are learning in classrooms, alongside their friends and teachers.[36] Unlike teachers unions, private schools are following the science. The Centers for Disease Control recently found that in-person instruction is rarely a source of coronavirus outbreak—and that COVID-19 rates were essentially identical between counties with in-person instruction and those without it.[37]

Congress should not spend additional taxpayer money on what is effectively a *third* public education spending spree. It is unnecessary for re-opening and would add to state coffers full of unspent education stimulus cash from the prior two bills. If Congress wants to help public schools navigate challenges created by the pandemic, it should provide flexibility to states to allow them to use existing federal education dollars on state and locally determined priorities, removing red tape and restoring state and local control of education.

Problematic Unemployment Insurance Benefit Expansion

Congress has already added an additional $300 per week federal boost to states' unemployment insurance benefits and extended benefits—including to individuals who are not employed by companies and do not pay into the unemployment insurance system—through the middle of March 2021 for a total of up to 50 weeks of benefits. The Democrats' proposal would further boost benefits to an additional $400 per week and extend them through September.

This would be premature and likely unhelpful. As of this writing, it is only February, and limited vaccine distributions have only just begun. It is too soon to know what the state of unemployment will be in September, but at 6.3 percent now, the national unemployment rate is already lower than it was for the over five years between 2008 and 2014.

States that have allowed society to resume most activities with proper safety measures are doing quite well. In December, the 10 states with the fewest restrictions in place (according to an online ranking)[38] averaged 4.7 percent unemployment—while the 10 states with the most restrictions averaged 7.1 percent unemployment.[39]

Just as the $600 unemployment bonus was problematic, so too would be a $400 boost, as many unemployment benefits would exceed workers' previous paychecks.[40] This is a problem because, as the CBO pointed out, it would contribute to lower employment and lower output—the exact opposite of what a stimulus is supposed to accomplish.[41]

When Congress extended unemployment benefits during the Great Recession—even without a $400 boost in benefit checks—researchers at the New York Federal Reserve found that the extensions contributed to persistently high unemployment, resulting in 4.6 million more people being unemployed in 2010 and 3.3 million more unemployed in 2011. During the Great Recession, the unemployment rate exceeded its current level of 6.3 percent for over five years.

Encouraging unemployment—as higher benefits and extended durations naturally do—can hurt the very workers policymakers seek to help. Economic studies show that even short-term unemployment can lead to a decline in physical and mental well-being,[42] and that long-term unemployment can lead to fewer opportunities,[43] lower incomes, and higher numbers of disability insurance beneficiaries.[44]

Moreover, while unemployment benefits are more targeted than checks to all households, a federal reserve analysis estimated that if policymakers extended unemployment insurance benefits, households would spend only 24 percent of the funds on essential items, while applying 71 percent towards savings and debt reduction.[45] That is not a very high bang for the buck in terms of helping unemployed workers meet their essential needs. Effective vaccination approvals and deployment, along with safe re-openings, will do much more for struggling workers and businesses than assuring exceptionally high unemployment benefits seven months into the future.

An Economically Destructive Minimum Wage Hike

As if businesses like restaurants, hotels, and many retail stores are not struggling enough already—having reduced employment by 20 percent to 30 percent in 2020[46]—the so-called recovery package would burden them by more than doubling the federal minimum wage to $15 per hour.[47] On the surface, this is a naïve populist solution; in reality, it is outright negligent.

Just as households would be affected if mortgage or rent payments doubled, businesses cannot substantially increase some workers' pay without drastic changes and consequences. Many employers—especially small businesses—would simply close their doors for good.[48] Some would lay off workers or cut back on employees' hours. Others would hike prices, but as New York City's experience with a much smaller increase showed, that would cause consequences in terms of fewer customers.[49] Yet others would automate low-wage positions.[50]

Unlike temporary COVID-19 employment losses, jobs lost to a $15 minimum wage will not come back. At a cost to employers of at least $36,000 per year, a $15 minimum wage could price tens of millions of Americans out of the labor force entirely. The hardest hit will be young and less-educated workers (26 million American adults lack a high school degree),[51] as well as marginalized individuals, such as those with a disability or criminal record, who will find it extremely difficult to get their foot in the door. Unintended consequences, such as an average estimated *21 percent increase* in the cost of childcare would especially harm lower- and middle-income families.[52] Lower-cost areas would also be especially burdened. A $15 minimum wage in Mississippi is equivalent to a $35.74 minimum wage in Washington, DC.

As a pre-COVID-19 Congressional Budget Analysis estimated, while a $15 federal minimum wage would boost some workers' incomes, it would also lead to millions of lost jobs, higher prices, expedited automation, larger deficits, higher interest rates, and lower net family incomes.[53] A recent February 8, 2021, report from the Congressional Budget Office estimated that each dollar of increased pay for workers who kept their jobs would be offset by 34 cents in lost income pay for workers who lost hours and jobs due to the $15 minimum wage.[54]

Higher wages are a great thing—but not when they come with such steep consequences. Instead of attempting to artificially increase workers' wages, policymakers should focus on reducing unnecessary regulations so that businesses have more resources to devote to workers, and on expanding income opportunities—such as through occupational licensing reform, alternative education options like apprenticeships, and protecting the rights of individuals to perform flexible freelance work on their own terms.[55] It is policies like these that, without consequence, led to a 14.6 percent increase in the incomes of low-wage workers between 2016 and 2019.[56]

Unwarranted State and Local Government Aid

The federal response to the COVID-19 pandemic has already provided $360 billion to state and local governments in direct aid to cover costs of coronavirus spread and containment, support for education systems, childcare for frontline workers, and subsidies for mass transit systems. The package would provide an additional $350 billion in unrestricted funding.[57]

The pandemic makes estimating and comparing revenues across years challenging. Still, any way you look at the most recent data, revenues perform much better than most predictions from early in the pandemic, and existing aid more than covers any losses. According to the most recent data released by the Census Bureau through the end of September 2020, state and local combined revenues increased by $20 billion compared with the same 12-month period in 2019. State-only revenues over the same period declined by $24 billion, or about 2.2 percent, because they tend to rely more heavily on more volatile taxes, such as corporate and personal income taxes, instead of property taxes.

In fiscal year 2020 (through June 2020), more than half of states reported higher revenues than the previous year.[58] From April through September, state and local combined revenues were only down 3.6 percent ($27 billion) during the height of the economic disruptions. State-only revenues over the same six months declined by $47 billion, or about 8 percent.[59]

The aid Congress has already authorized is *almost eight times* the most pessimistic state-only revenue declines from the first six months of the pandemic.[60] Even for some of the hardest-hit states—such as Alaska, North Dakota, and Hawaii— that rely on hard-hit revenue sources from natural resources or tourism, federal aid to date exceeds declines in revenues.

Bailing out state and local budgets with unrestricted federal dollars would also not protect taxpayers from higher taxes as costs are shifted to federal taxpayers. The aid simply moves state funding shortfalls (and state tax increases) into the future.[61] Federal subsidies also undermine local decision-making about the best pace for reopening, setting a dangerous precedent that could lead to trillions of dollars in additional federal bailouts of the most irresponsible states and localities.

Federal aid tends to expand state budgets and make them less resilient during future crises, perpetuating problems like systematic pension underfunding. Instead of aiding the recovery and encouraging responsible budgeting, additional federal bailouts would likely delay economic recovery, cause blatant inequities, and result in higher costs for everyone.[62]

Untargeted Third Round of Stimulus Payments

The first two rounds of stimulus checks were not a good use of taxpayer dollars, and a third round would be similarly wasteful. The first $1,200 check and the second $600 check cost a total of $458 billion. The package would send a third $1,400 check to most Americans at a $422 billion cost.[63]

Sending checks to a majority of Americans, regardless of work status, is poorly targeted to those who are actually in need.[64] For those who have lost their jobs, the funds are an inadequate substitute for the better-targeted unemployment insurance system. The payments are unnecessary for the 150 million workers who are fortunate enough to still be employed.

The fact that the savings rate surged from a pre-crisis average of about 6 percent to 34 percent in April and an average of 18 percent since then suggests that many households do not face income shortfalls and will not spend additional stimulus checks immediately.[65] Others are using the funds to pay down debts. Through the first three quarters of 2020, Americans repaid a record-high $119 billion in credit card debt.[66]

Finally, checks from the government simply do not result in the economic benefits their supporters often claim. The Great Recession reinforced the sobering lesson that governments cannot spend their way into prosperity. At best, stimulus measures are ineffective. At worst, they can delay the recovery and prolong financial hardship as Congress needlessly adds to the national debt.[67]

A Pandemic Response Should Not Be a Boon for the Abortion Industry

As committees finalize their respective proposals for the budget reconciliation process, it is increasingly clear that forcing taxpayers to subsidize the abortion industry is a Democratic priority. Members must continue to work to ensure that taxpayer dollars for pandemic relief are not stewarded toward activities that end innocent human life through abortion.

Paycheck Protection Program (PPP). In the initial version of the CARES Act, as well as a coronavirus relief extension bill passed at the end of 2020, eligibility requirements made clear that organizations like Planned Parenthood—which employs thousands of people across the country—was not eligible for PPP loans, which the abortion giant's political arm acknowledged. Nevertheless, more than 30 affiliates applied for and received at least $80 million in taxpayer funds. Members of Congress have repeatedly asked the Small Business Administration to investigate these affiliates' applications, recover the funding, and penalize any fraudulent actors.[68]

The Small Business Committee's bill amends PPP eligibility requirements to allow funding to go to Planned Parenthood affiliates. In the organization's most recent annual report, Planned Parenthood reported $1.6 billion in total revenue, more than $2 billion in net assets, and received more than $618 million in taxpayer funding.[69]

A program designed to provide relief to small businesses should not be used to divert taxpayer dollars to Planned Parenthood.

Billions Lacking Hyde Amendment Protections. The Hyde Amendment has, since 1976, been applied to the annual Labor, Health and Human Services, Education, and Related Agencies funding bill, and generally prohibits taxpayer dollars from being expended on abortions. Similar language has been incorporated to apply to other services and programs, including TRICARE, the Federal Employees Health Benefits Program, and the Children Health Insurance Program.

The Hyde Amendment's counterpart, the Helms Amendment, applies similar restrictions on foreign aid funding for abortions. The Hyde Amendment has saved an estimated 2.4 million lives since 1976,[70] and the vast majority of Americans—regardless of political affiliation—do not support taxpayer funding for abortions domestically or internationally.[71]

Nonetheless, the budget reconciliation proposals ignore this consensus. The House Energy and Commerce Committee bill allocates an additional $50 million to the Title X family planning program.[72] Just last month, President Biden announced his intention for the Department of Health and Human Services to rescind a Trump Administration regulation that established programmatic integrity requirements to ensure that Title X activity is not entangled with the abortion industry.[73] It is telling that the Biden Administration and Congress are acting in quick succession to increase funding for Title X while also removing pro-life protections.

Both the Energy and Commerce committees' proposal and the Education and Labor committees' proposal include premium assistance and tax credits for Consolidated Omnibus and Budget Reconciliation Act (COBRA) continuation coverage.[74] Republican attempts to restrict taxpayer dollars from being used toward health plans that include abortion coverage were defeated during committee markups. The House Energy and Commerce Committee bill also allocates $750 million in global health funding and more than $7 billion in community health center funding that is not subject to Hyde/Helms protections.[75]

Unnecessary Obamacare Expansion

The bill also expands the Affordable Care Act (ACA, or Obamacare), including costly provisions that have nothing to do with the pandemic—and that may create disincentives for unemployed people to return to work. It expands Obamacare's premium subsidies and, for the first time, makes them available to people in the top two income quintiles.[76]

Much of the new spending would be on those who already have heavily subsidized Obamacare coverage. For example, a 40-year-old with income at 150 percent of the federal poverty level ($19,320) currently pays around $67 per month for insurance (4.14 percent of income).[77] The federal government pays the enrollee's insurance company the balance, an average of $384 every month.[78] This bill would reduce the enrollee's monthly premium to $0, with the federal government sending the insurance company a check for $451, a 17 percent increase on behalf of a person who already has subsidized insurance coverage.

The bill would increase these subsidies for everyone who currently receives them, as well as extend subsidies to those whose incomes now disqualify them from government assistance. Under current law, only those with incomes between 100 and 400 percent of the federal poverty level ($12,880 to $51,520 for an individual) can receive federal premium subsidies. This bill would eliminate the income cap—extending government assistance to people in the top two income quintiles.

According to the CBO, these expansions would increase the deficit by $34.2 billion over the next two years.[79] Roughly two-thirds of that amount ($22.5 billion) would subsidize people who already are enrolled in ACA plans.[80] The increased subsidies would induce an estimated 400,000 people to drop their existing insurance and switch to policies sold through the exchanges, according to the CBO.[81]

The new subsidy regime would be effective retroactive to January 1 of this year and sunset on December 31, 2022. While limiting these increases to two years masks the full cost of these expansions, there would be tremendous political pressure on lawmakers to extend them, rather than letting them expire. That could occur either later this year in a subsequent reconciliation bill or in other measures Congress might consider in the run-up to the November 2022 elections.

The bill also makes everyone who qualifies for unemployment compensation this year eligible for free Obamacare coverage. This is a significant expansion of unemployment benefits. The CBO notes that most who will take advantage of this new benefit "would have otherwise enrolled in another form of coverage."[82]

Although the CBO does not think the new benefit would "affect the incentives of most recipients to take a new job," the size of the subsidies could become a potent work disincentive.[83] Using the example above, a 40-year-old unemployment insurance recipient would receive health insurance subsidies valued at $451 per month, or $5,412 per year, *in addition to* cash unemployment benefits. He or she would lose this benefit if he returned to work and had to bear most or all the cost of his health insurance premiums (or perhaps drop insurance coverage entirely). This added work disincentive is another way the "American Recovery Act" could impede economic recovery.

The Administration's decision to establish a new open enrollment season that began February 15 and will run through May 15 would likely exacerbate the bill's fiscal effects.[84] People who already have coverage, including the unemployed, would be able to switch to government-subsidized insurance during those three months.

The rationale for these changes is dubious. Advocates claim they are needed because millions of people have lost health insurance coverage during the pandemic. A study of insurance company regulatory filings by Edmund Haislmaier shows that insurance coverage remained stable through September 30, 2020.[85] Coverage in the fully insured small-group market is off slightly, but there was a slight uptick in the number of people with individual health insurance. Meanwhile, Medicaid enrollment grew by nearly 5 million during the first half of 2020, more than offsetting modest enrollment losses in the private insurance market.

The Obamacare expansions are thus a solution in search of a problem—a costly and unjustified government incursion into health care that neither addresses the pandemic nor helps economic recovery.

Opportunistic Expansion of the Welfare State

President Biden and Democrats in Congress want to include two major changes in means-tested welfare programs in the COVID-19 relief package.[86] First, they would increase the refundable child credit program. This change often is depicted by advocates as providing tax relief to families; in reality, most of the proposed cost would be for cash grants to families who owe no income tax. Second, they would increase the refundable Earned Income Tax Credit (EITC), also a cash welfare grant, for childless workers.

These proposed changes are very expensive, unnecessary, and make existing problems in the welfare state worse by weakening work requirements and intensifying marriage penalties. The proposals should be rejected; instead, policymakers should pursue reforms that do not expand, but rather transform, welfare so that it helps, not harms, vulnerable families. To wit:

The Democrats' Real Goal Is Permanent Change, Not Temporary Relief. While the initial proposal is limited to a single year, the real goal is permanent expansion of the welfare state, according to multiple news reports.[87] Moreover, the Biden plan is similar to legislation that would create permanent new entitlements.[88]

The Second-Largest Expansion of the Welfare State in U.S. History. The Biden plan would provide an estimated $78.6 billion per year in cash grants to families with children who owe no income tax and $7.3 billion per year in EITC cash grants to childless workers. If enacted permanently, this would constitute the second-largest expansion of means-tested welfare entitlements in U.S. history. In constant dollars, its annual cost would dwarf the initial costs of the Medicaid, Food Stamps, and Aid to Families with Dependent Children programs. Only Obamacare would be more expensive.

There Are Specific Problems with the Earned Income Tax Credit for Childless Workers Proposal. Today, the EITC primarily targets low-wage parents with children to support. However, the Biden plan would expand the EITC for workers with no children to support. It would raise cash grants for these childless workers from roughly $530 per year to nearly $1500 per year.[89] If made permanent, this would produce an additional $7.3 billion in cash grants each year.

Supporters of the proposed expansion of the EITC claim it will reduce poverty and encourage employment for low-income adults without children. Yet most of the recipients of this EITC expansion would not be poor: Most would have low individual earnings simply because they worked little in the typical year. Contrary to claims by advocates, this EITC expansion would not increase work. Experiments expanding EITC to adults without children in New York City and Atlanta failed to reduce poverty or significantly increase employment. The policy would simply increase spending without achieving its alleged goals; it is simply an expensive waste of money.[90]

There Are Specific Problems with the Child Credit Proposal. The proposed policy would increase the current annual "child credit" from its current level of $2,000 per child under 17 years of age to $3,000 per child ages 6–17, and $3,600 for children under 6.[91] Advocates claim the proposal will reduce child poverty—an idea linked to the notion that the U.S. has a tiny welfare system that needs to be greatly expanded. But in fact, the U.S. spends $1.1 trillion per year on means-tested welfare.[92] In 2018, before the COVID-19 recession, the U.S. spent nearly $500 billion on means-tested cash, food, housing, and medical care for poor and low-income families with children. This is *seven times* the amount needed to eliminate all child poverty in the U.S.[93]

How can Americans spend so much and still have a problem of deep and widespread child poverty? The answer is that the federal government counts almost none of the $500 billion in spending as "income" in its widely publicized measures of poverty or economic inequality. That means, paradoxically, the Biden proposal to add another $78.6 billion in cash welfare to children on top of the nearly $500 billion in current spending would have *zero impact* on the official long-term measure of child poverty because the new cash credits would also not be counted as income in normal government poverty reports.

For 50 years, the Left ceaselessly has demanded more spending to reduce poverty—but then has not counted that spending when poverty is measured. Only the welfare–industrial complex ends up ahead: Poverty can never be eliminated; increasing benefits will not count toward reducing poverty in the official measures; there will always be unmet social needs to be funded; and, for the Left, the welfare state can never, ever be big enough.

The real problem in welfare is not a shortage of funds, but the strong disincentives to work and marriage embedded in the system. The Biden proposals would make these problems significantly worse. Under current law, the refundable child credit has a work requirement. Families with no earnings are not eligible for benefits; to encourage work, benefits increase as work increases.

Biden's plan would eliminate this requirement. Families who do not work could get up to $3,600 per child in new cash grants—on top of any aid they already receive from food stamps; Medicaid; the Women, Infants, and Children program; housing; and Temporary Assistance to Needy Families (where nominal work requirements are frequently not enforced).

Bipartisan Consensus Would Be Replaced with Radical Policies. This proposed change would reverse the direction of welfare reform from the 1990s. That bipartisan reform was based on the understanding that the collapse of marriage and prolonged dependence on welfare by non-working families was harmful to adults, children, and society. It sought to transform welfare by establishing work requirements in exchange for benefits received.

But the radical Left never accepted welfare reform and has always sought to reverse it. Its goal has been to weaken or eliminate welfare work requirements and to maintain or restore welfare aid to non-working persons and families. If enacted as permanent policy, the Biden child cash grants would largely accomplish that reversal.

Real Reform Is Necessary. Rather than expand the welfare state, Congress should transform it in ways that help, not harm, vulnerable families. They should start by being transparent about the amount the government spends on benefits today.[94] Beyond that, once the COVID-19 crisis passes, policymakers should focus on strengthening work requirements for able-bodied adults, removing fraud, reducing penalties against marriage in the welfare system,[95] and paying for outcomes rather than ineffective services.[96]

Rental Aid: Disproportionate and Unnecessary

Based on 43 million renter households,[97] the data suggest an increase in monthly delinquencies of between 0.9 million and 1.3 million each month compared to before the pandemic, representing just two percent to three percent of all renters. A $30 billion aid package, ostensibly to cover costs associated with this slight rise, amounts to between $23,000 and $33,000 over the course of one year for *each* of these delinquent units. This aid is grossly disproportionate to the apparent increase in renters unable or unwilling to make their payments.

Delinquencies do not appear to have substantially increased since the start of this extended period of COVID-19 shutdowns. The latest Census Bureau Household Pulse Survey tracking the impact of COVID-19 on financial health indicates that 21 percent of renters failed to pay rent in December.[98] This is up only slightly from the 18 percent in the month of March 2020—just as the impact from the pandemic began.[99]

Data from the National Multifamily Housing Council, which tracks more than 11 million professionally managed apartment units, likewise shows only a minimal deterioration in rental payments year over year.[100] In December, 93.8 percent of units had made a rental payment by the end of the month. This was down just slightly from 95.9 percent in December 2019, prior to the pandemic. Rather than the federal government providing $30 billion of additional borrowed funds, state or local governments wishing to provide rental relief should do so through transparent, democratically implemented assistance.

Benefits for Big Labor: Pension and Transportation Bailouts

The COVID-19 package includes funds for mass transit, airlines, and private-sector pension plans. All three of these have one thing in common: They provide special treatment to labor unions.

For the transportation sector, $57 billion taxpayer dollars would go toward maintaining payrolls—regardless of consumer demand for transit and air travel. Both sectors will likely face long-term declines due to trends such as teleconferences and remote work. In addition, public transit agencies suffer from bloated compensation packages resulting from imbalanced union bargaining arrangements. There are alternative ways to help the transportation industry, such as removing federal regulations, establishing pre-purchase accounts to pay for federal employee transportation in advance, and avoiding unnecessary travel restrictions.[101]

Including a revised version of the Butch Lewis Act pension bailout is even more egregious. There is no meaningful connection between the pandemic and private pensions. Instead, this is an attempt to obtain a policy win long sought after by labor interests, and the true cost could far exceed the CBO's $90 billion estimate.[102] Moreover, the proposal recklessly allows non-union companies to shortchange their workers' pension contributions because lower pension contributions means higher government revenues, which allows policymakers to paper-over the union pension bailout costs.[103] There are better, more responsible ways to resolve pension issues.[104]

Conclusion

While it is reasonable for legislators to provide additional spending aimed at strengthening the response to the COVID-19 pandemic, it is vital that such measures be temporary and targeted given the overwhelming size of the federal debt—which threatens to derail the nation's prosperity.[105] Concerns about the economic recovery can be addressed by thoughtfully adjusting state and local economic lockdowns as conditions warrant, and by removing unnecessary regulatory barriers and burdens at all levels of government.[106]

The COVID-19 virus has proven to be a tremendous challenge, yet America has overcome greater obstacles in the past. Elected officials should not use this temporary public health crisis in an opportunistic fashion by attaching wasteful and inappropriate spending provisions to response legislation. Instead, they should limit spending to providing the necessary resources for rapid testing and continued vaccine distribution.

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