

Missing Pieces: Who Has Been Left Out of Federal COVID-19 Relief



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Introduction

On March 27, 2020, President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The law was designed to provide workers and families, businesses, and state and local government with badly needed aid to offset the public health and economic crisis created by the COVID-19 pandemic. In the weeks since the CARES Act passed, most of the provisions contained in that legislation have gone into effect. That includes expansion of unemployment insurance (UI) benefits for millions of recently laid off workers, loans and other aid to businesses designed to cover payroll and other costs, and billions for state and local governments to help contain and control the spread of the new coronavirus. In our previous report, [*Protection From a Pandemic: The Federal Response to COVID-19 in Colorado*](#), we provided an in-depth overview of the provisions in the CARES Act and the other initial federal relief efforts.

The \$2.2 trillion in aid authorized by the CARES Act has done some of what lawmakers set out to achieve. Many workers are now receiving UI payments, and boosts to benefits are expected to begin very soon. The nearly \$350 billion fund for forgivable loans under the Paycheck Protection Program (PPP) has been depleted, but Congress has now authorized another \$300 billion for the program.

Though the relief measures authorized by Congress over the past six weeks have certainly helped, there remain significant barriers to relief for people across Colorado during this unprecedented event. This is especially true for Black and Latinx workers and families, who are more likely to work jobs at the front lines of the virus or be laid off due to retail and hospitality businesses closing. In this report, we will look at where federal relief efforts have fallen short, who is affected by these barriers to relief, and what further action may be required.

This crisis has proven just how connected we all are to one another. If we leave one community in Colorado behind during this crisis, it will affect all of us. But if every Coloradan can get the relief necessary to weather the pandemic, we will come out of it stronger than we were before. In order to achieve that goal, it is important for all of us to understand the ways that some of the most essential people, businesses, and public services will be harmed without further relief.

In order to ensure relief extends to all workers, Congress and the president should consider expanding some of the provisions in the initial response, including widening economic security programs like UI, paid family leave, and establishing a variety of measures designed to save families money on health care costs. More federal aid to state and local governments designed to help offset massive reductions in tax revenue will also be

necessary to preserve community services we'll be leaning on even more than we did before. For immigrants, most of whom have been left out of relief efforts entirely, the basic benefits afforded to most US resident must be extended to everyone regardless of their status. Finally, Congress must do more to help the small businesses who were not able to access the first round of forgivable loan programs and who may continue to be left out of the next round, including doing more to get relief to business owners of color.

Workers Without On-The-Job Benefits

One group of Coloradans who face more barriers than others are those whose employers do not confer employer-provided benefits like health insurance, paid sick and medical leave, and UI. Since UI is paid for through employer contributions, only workers whose employers contribute are traditionally eligible. Prior to the pandemic, paid sick and family leave benefits were available to limited numbers of workers, most of whom are covered by federal Family Medical and Leave Act (FMLA) requirements. In Colorado, just over [one-third of employees](#) are covered by FMLA and can afford to take unpaid time off from work. Health insurance is also highly employer-dependent, which is problematic as more Coloradans lose their jobs. Though the Affordable Care Act allowed significantly more people to be able to see a doctor and get other medical care, there was no requirement to provide health insurance for employers with less than 50 employees and part-time workers. Additionally, immigrants who lack documentation also generally lack employer-provided health insurance.

The workers who lack employer-provided benefits vary in occupation and employment structure. Some of these workers tend to earn higher incomes (i.e. independent architects, web designers, and consultants), but many others work as housekeepers, hair stylists, and construction workers. Many of them are “gig” workers — those who do jobs like ridesharing or food delivery that are commonly run through an app. The 370,000 Colorado workers who do these kinds of jobs are often left out of employer-based assistance and lack formal connections to the systems being used to distribute relief.¹

Fortunately, Congressional changes to UI payments have extended those benefits to gig workers, contract workers, and sole proprietors. The \$600 per week increase in UI has been extended from the regular 26-week period by adding an additional 13 weeks. These expansions are critical to the well-being of both workers and the economy, but the nature of the recovery will reveal whether these extended benefits are sufficient to offset reductions in income.

¹ <https://www.cpr.org/2020/04/20/gig-workers-frustrated-with-vague-error-messages-as-colorado-expands-unemployment-system/>

Congress also extended paid family and medical leave to workers in companies employing fewer than 500 people even if their current employer isn't providing paid leave as part of their employment package. Sick leave was also expanded for COVID-19-related care, but workers without documentation, workers in large companies, and many workers in small businesses may still be left out. Additionally, workers who recently lost health insurance coverage due to a job loss may be eligible for Medicaid. Congress has increased the federal share of state Medicaid payments to 56.2 percent for traditional Medicaid.

In order to help make sure every worker gets relief, Congress could act by:

- Linking UI and paid leave provisions to economic recovery triggers instead of a set date.
- Expanding paid family and medical leave to all employees
- Increasing the Medicaid match rate to 12 percent
- Authorizing emergency Medicaid for all who test positive for COVID-19.
- Increasing funding for health insurance navigation, outreach, and enrollment assistance.
- Increasing the income eligibility limit for Premium Tax Credits beyond 400% of the Federal Poverty Level for Coloradans purchasing health insurance through Connect for Health Colorado, the state's private health insurance exchange, and suspending the federal government's ability to "claw back" Premium Tax Credits of for at least one tax year.
- Reducing the required amount of income people must use to pay for marketplace insurance premiums and reduce maximum out-of-pocket costs.
- Eliminating or mitigating the impact of the "family glitch."
- Increasing the income eligibility for Cost Sharing Reduction plans and their actuarial values.
- Implement a federal reinsurance program.

Community Services Face Historic Revenue Decline and Increased Demand

The pandemic is putting incredible pressure on tax revenues at all levels of government. This is especially true of states, counties, municipalities, and special districts that rely heavily on sales taxes to fund essential services.

In their March 2020 Economic Revenue Forecast report, the Colorado Legislative Council Staff predicted a \$1.5 billion decline in tax revenue for the coming fiscal year. In early April, members of the Joint Budget Committee (JBC) suggested this number could be up to \$3 billion. By mid-April, projected gaps climbed to \$3.4 billion. The most recent estimates suggest a reduction in the state General Fund, not including cash funds, of \$2.4 billion.

Like all states, Colorado must balance its budget even in the midst of a historic economic downturn. Because of Colorado’s TABOR amendment, the only way to balance the budget will be cuts. For many of the state’s public institutions and services, these cuts will occur despite the fact that priorities like education are still not being funded at levels equal to where they were during the last recession. For example, funding for K-12 education is still more than \$500 million below where it was in 2009 when taking into account inflation. The cost of tuition for Colorado’s public colleges and universities has grown as state funding dropped, while students and families pick up the tab and student debt has increased. The state of these funding priorities will become even more dire now and for the foreseeable future.

Colorado will be hit especially hard by the COVID-19 crisis because the state relies heavily on sales and income tax collections, two sources of government revenue hardest hit by stay-at-home orders, to fund everything from education and transportation to health care. The heavy reliance by Colorado counties and cities on local sales tax revenue will make local governments particularly vulnerable to the economic fallout of the pandemic.

Colorado leans especially hard on local sales taxes to fund community services. Local sales tax revenue makes up 15.4 percent of state and local government revenue here compared to only 5.3 percent for all other US states.² Those local sales taxes fund services associated with general government services like public safety, roads, and parks. Colorado towns with the highest sales tax rates are in parts of the state with smaller populations — areas that are especially dependent on sales tax from tourism, which is non-existent during stay-at-home orders — such as tourist towns like Crested Butte, Ouray, Blackhawk, Winter Park, Telluride and Steamboat Springs.

The state government is also reliant on sales tax collections, which make up about 30 percent of all state revenue. Colorado has the third-highest average local sales tax rates, trailing only Alabama and Louisiana.³

At the same time the COVID-19 crisis is driving down revenue, people will be leaning on community services even more. It’s likely this will have more impact on state and local governments than revenue reductions, as the economic fall-out of efforts to curb the spread of the new coronavirus drive up demand for everything from food assistance to public health care and basic cash assistance for families struggling to make ends meet. While it is impossible to predict just how much costs will increase, there was a 14 percent increase in Medicaid enrollment following the Great Recession. A similar increase in 2020

² U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances

³ Tax Foundation’s State and Local Sales Tax Rates 2019 available at <https://taxfoundation.org/sales-tax-rates-2019/>

would cost the state about \$385 million.⁴ There are untold additional costs for expanded public health expenses, required technology enhancements, and other direct costs. These additional costs must be added to revenue reductions to understand the impact of the crisis.

The CARES Act is set to provide the state of Colorado with \$1.67 billion in aid to help with costs related to COVID, an additional \$559 million for the five Colorado communities with populations greater than 500,000 residents. These allocations, at this point, are limited to costs that are necessary expenditures related to the pandemic, that were not accounted for in the prior budget year and were incurred between March 1 and December 30, 2020. While this will help, it is not nearly enough to backfill billions in lost revenue that will necessitate painful cuts to critical services. The bill also included roughly \$132 million in aid to local school districts and higher education institutions, a miniscule number compared to what communities will need.

Congress and the executive branch can help remove some of the barriers that exist to stabilizing state and local government budgets by:

- Clarifying that states can use CARES dollars to balance their budgets
- Allocating additional flexible dollars for states to pay for COVID-19-related costs, cash assistance for individuals, and to balance their budget. The uses of additional dollars should be at the discretion of the states depending on their needs, including the need for increased funding for community health centers.
- Helping states cover the increased demand for health care by boosting matching amounts for Medicaid.
- Allocating more dollars for local governments with fewer than 500,000 residents.

⁴ <https://www.coloradofiscal.org/2020/04/pandemic-cares-families-first-covid19-colorado/>

Immigrant Families Left Out Entirely

Immigrants are vital to Colorado and, before the coronavirus froze our economy, contributed greatly to the economic prosperity we enjoyed for the last decade. Not only do immigrants across the country contribute greatly to our communities and way of life, they also pay billions of dollars in taxes.⁵ The IRS allows tax filers who do not have a Social Security Number to use an Individual Tax Identification Number (ITIN) instead. According to the Institute on Taxation and Economic Policy, there are 4.35 million ITIN filers in the country, 89,500 of whom live in Colorado. Additionally, there are about 70,000 children with ITINs in the state. Most ITIN filers are immigrants.

Colorado's communities would look very different without immigrants, especially during the COVID-19 crisis. Many of the jobs performed by immigrants were essential to our way of life before COVID-19, a fact confirmed by the how many types of jobs exempted by stay-at-home orders are occupations often filled by immigrant. Still, despite paying taxes and often working essential jobs, ITIN filers are not able to lean on economic security programs like Social Security or UI. Even though many immigrants are now considered to be either at the front lines of the effort to curb the spread of the virus or work in industries hardest hit by its economic effects, they are unable to get the types of relief afforded to other Coloradans.

This was compounded by the fact that ITIN filers were explicitly excluded from the \$1,200 direct cash assistance program of the CARES Act, one of the law's most important measures, which provided temporary relief for most other Coloradans. The decision to exclude ITIN filers and their families means parents were also excluded from the CARES Act's \$500 per child cash assistance provision, even if their children are US citizens. By excluding ITIN filers from these cash payments, it also means local economies are losing out on \$142 million in badly need stimulus aid, further exacerbating the economic effects of the crisis.

Any new federal COVID-19 relief must include ITIN filers and their families. Congress and state lawmakers can act by:

- Extending cash payments for all taxpayers that meet income thresholds
- Expanding state tax deductions for ITIN filers
- Extending emergency Medicaid coverage for all who test positive for COVID-19

⁵ <https://www.westword.com/news/immigrants-contribute-billions-to-colorado-national-economy-11395653>

Gaps in CARES Act for Small Business

Colorado's small businesses, like many businesses across the country, are at a critical juncture. Just as the importance of these businesses to the state cannot be understated, neither can the level of risk posed to them by COVID-19. Of the nearly 60 million people across the US employed by small businesses in 2016, 1.1 million of them were Coloradans, comprising about 48 percent of Colorado's workforce that year.⁶ A significant number of small businesses are also owned by people of color and veterans, when compared to the Colorado population.

The core component of the CARES Act assistance to small businesses came in the form of loans and grants, with \$377 billion earmarked for such assistance. \$350 billion was authorized for emergency loans to all businesses with less than 500 employees per physical location, including sole proprietors and independent contractors in the PPP. The CARES Act allows PPP loans to be forgiven in an amount equal to the amount spent by the business for an eight-week period after the origination date of the loan on payroll costs, interest payments on mortgages, payment of rent and payment of utilities. The loans and grants authorized by the CARES Act are necessary to keep Colorado small businesses afloat through the unprecedented economic disruption created by COVID-19. Because small businesses are such a vital component of our state's business landscape, these resources will be vitally important in supporting the Colorado's economy.

The small business resources in CARES Act are supposed to be available to all Colorado entrepreneurs. A survey by the National Federation of Independent Businesses (NFIB), however, found that only businesses with pre-existing relationships with a lender approved to issue PPP loans could secure financing.⁷ Early analysis of the program found that only 1 percent of successful applications did not have a prior relationship with a bank currently issuing Paycheck Protection Program loans and 28 percent of small business applicants were unsuccessful in securing a PPP loan. Of those businesses unable to secure a PPP loan, 77 percent were rejected because their banks were not authorized to issue PPP loans. Although the figures published by the NFIB are preliminary, a 28 percent rejection rate implies that as many as 176,000 Colorado businesses may be unable to access this critical funding. The need for a pre-existing relationship with a lender authorized to offer PPP loans creates a significant barrier to business owners of color, many of whom lack access to traditional sources of business funding.⁸ The CARES Act took a small step towards

⁶ <https://cdn.advocacy.sba.gov/wp-content/uploads/2017/01/25101624/Colorado-2017.pdf>

⁷ https://www.nfib.com/assets/FINAL_Small-Business-Covid-19-Loan-Program.pdf

⁸ Timothy Bates, an economist at Wayne State University states, "Minorities seeking to create viable business ventures have traditionally faced higher barriers than whites as they sought to exploit market opportunities, raise

providing assistance by allocating \$10 million to fund community resources designed specifically for business of owners of color, but that falls woefully short of what is needed.

Another program component that will limit use of these loans and the forgiveness option is the requirement that businesses maintain employment levels similar to those before the pandemic's outbreak. Restaurant and hospitality businesses find it nearly impossible to retain all their employees when in-person dining is prohibited and hotel occupancy has fallen dramatically.⁹ Small businesses in these industries employ 15.6 percent of all small business workers and most have already laid off substantial numbers of employees. Those layoffs make them ineligible for PPP loans. If this restriction were to apply to all hospitality and restaurants in Colorado, it would mean approximately 171,000 Colorado businesses in the restaurant, leisure, and hospitality industries would be unable to access critical PPP loans.

Despite these challenges, the biggest barrier for businesses to overcome in order to address their needs is the lack of sufficient resources dedicated to the loan programs. On April 16, only 13 days after the program was authorized, all the authorized PPP funds were exhausted. And even additional PPP loan funds are likely to becoming soon in the next wave of federal COVID-19 relief offer some hope, some reports indicate much of that money is already spoken for by business owners who had applications approved but did not get the loans before the original PPP loan fund was exhausted.

In order to support the small businesses that were not helped, or not helped enough, by the CARES Act, Congress can act by:

- Offering loan forbearance for current debt
- Streamlining a process for applying for and receiving US Small Business Administration Disaster Relief Loans.
- Creating an additional pool of loan funds for business owners of color, many of whom lack connections to traditional lending institutions.
- Instituting data collection requirements regarding uptake and issuance of loans
- Creating safeguards against excess fees and limits on small business debt collection and commercial evictions.

financing, and penetrate mainstream networks.” Two researchers at North Carolina State University found that business owners of color were 2.7 times more likely to be rejected for a small business loan than white applicants.
⁹ <https://www.washingtonpost.com/news/voiceloudly/wp/2020/04/07/the-cares-act-was-supposed-to-help-save-small-businesses-but-independent-restaurants-remain-in-dire-straits/>

Conclusion

The COVID-19 crisis has revealed much about the level to which we are connected to one another. Not only are we seeing just how reliant all of us are on some of the workers who are at the front lines of the outbreak, but our communities and economies are connected in many other ways as well. When some industries shut down, it has ripple effects on many others, often in ways nobody could have predicted.

This shared connection is the reason why federal and state lawmakers must act to ensure the members of our communities who, for one reason or another, are not being helped by the initial federal aid packages are not left behind. Regardless of race, income, immigration status, or any other factor, when some of us are not included, it affects us all. While it's true the inequities that existed before the pandemic are merely being exacerbated, it's also true that we are now in a position to create policies that will make us stronger when this crisis subsides. Beyond the economic arguments, it is also a question of right or wrong. It is both economically unsustainable and morally repugnant to allow aid to flow to some, while others are left struggling to meet even the most basic needs in the midst of a global pandemic.

Congress must do more to address the barriers described in this report, and this additional support must include both short- and long-term solutions. They must be solutions that are big enough to tackle the breadth of the crisis while also being realistic enough to be implemented and help those who are facing the greatest challenges.

Regardless of what those solutions are, one thing remains clear: we cannot go back to the same rules that applied before COVID-19. As devastating as the consequences of the pandemic have been, it will be even worse if we don't respond with new solutions that acknowledge the way we are all connected and rely upon one another. For Colorado, the United States, and the entire world, the days ahead will test our resolve. And though we will continue to live through difficult days, we can come out of this in a way that honors the sacrifices we are making and sets us up for a more resilient and stronger future.