Talking Points

COVID Response: Getting Cash to Lower-Income Families

Overview

COVID-19 is already devastating families with low incomes. We are already starting to see the economic impacts of the COVID-19 crisis. People are losing paychecks, and schools and businesses are closing. Restaurants and retail stores in particular have been hard hit, as have child care providers. Workers who were already living paycheck to paycheck – many of whom are women and people of color – have lost their livelihoods.

Cash transfers to cash-strapped people are key to stabilizing the economy. Economists and lawmakers across the political spectrum agree that we need to get a substantial amount of cash to the vast majority of families immediately – and ideally, in an ongoing way until the economic crisis abates. Ensuring that these transfers reach the most cash-strapped populations will quickly boost our shrinking economy, because people who need money most will spend the money fastest.

Key Points

We need both targeted and widespread transfers to households. There is consensus among economists and lawmakers across the ideological spectrum that we need to get a substantial amount of cash to the vast majority of families immediately – and ideally, in an ongoing way until the economic crisis abates.

- Policymakers must build upon the Families First Coronavirus Response Act and continue to prioritize focused, targeted efforts to deliver relief to families. New targeted policies should include unemployment insurance expansions and extensions; increased funding for food and housing assistance; and paid sick, family, and medical leave.
- However, the Families First Coronavirus Response Act's targeted vital social insurance provisions will only partially offset family earnings and income loss, providing insufficient protection even for many paid leave and unemployment insurance beneficiaries amidst this pandemic.
- Moreover, many people experiencing extraordinary financial hardship will be altogether left out of the paid leave and unemployment insurance provisions.
- Cash to families, especially the 2 in 5 who lack $2,000 in liquid savings, will help households maintain their living standards amidst income loss or higher costs for basic goods and services. While policymakers must expand in-kind supports like SNAP and housing assistance, these benefits simply can't be used for diapers, personal hygiene products, vital cleaning supplies, or gas (for example).

Proposed transfer mechanisms exclude key populations. Many policymakers are focused on policies that would transfer cash to households primarily based on tax filing. However, it will take time for these cash benefits to get into people's pockets. Additionally, while we must leverage existing infrastructures such as the tax system and monthly retirement or disability benefits, these mechanisms may miss many populations in serious need. These groups include graduating students, returning formerly incarcerated people, those who took time out of the workforce for caregiving, independent contractors and gig workers, people with disabilities who do not qualify for federal disability benefits, and people with incomes too low to need to file a tax return.

Electronic Benefit Transfer (EBT) cards can reach additional families efficiently in this crisis. EBT cards are also more accessible to low-income individuals and families who do not file federal income taxes and thus are not able to receive benefits through the existing tax system infrastructure. EBT cards are one of the fastest ways to get money to individuals and families, faster than both checks and direct deposits. Payments made to EBT cards are accessible to people who are un- or under-banked, unlike checks and direct deposits, which require a bank account.

Conclusion

Providing full federal funding for states to transfer monthly through EBT cards is a feasible, quick, cost-effective, and efficient mechanism to ensure that cash gets to families with low incomes, in turn stabilizing our economy – an outcome which benefits all of us.