

Congress of the United States
House of Representatives

SELECT SUBCOMMITTEE ON THE CORONAVIRUS CRISIS

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MEMORANDUM

September 22, 2021

To: Members, Select Subcommittee on the Coronavirus Crisis

Fr: Majority Staff

Re: The Pandemic Recovery: The American Rescue Plan’s Impact on Alleviating Hardship and Supporting Economic Recovery

This memorandum describes the emerging evidence of the wide-ranging positive impacts of the American Rescue Plan’s relief provisions on alleviating economic hardship, reducing poverty, and supporting economic recovery.

A new Select Subcommittee analysis shows that the American Rescue Plan’s (ARP) Direct Relief Payments contributed to a 17% decline in food insufficiency and a 19% drop in housing instability in the weeks following the ARP’s passage, and that these declines in hardship have been maintained many months after the relief payments were distributed as the recovery has progressed and other relief measures have been delivered. This analysis of Census Bureau data comports with a growing body of research and emerging data showing that the ARP has had an unparalleled impact in cutting poverty, reducing childhood hunger, and aiding the American recovery. For example:

- **The Urban Institute estimates that the American Rescue Plan has cut poverty nearly in half from pre-pandemic levels**, dropping the poverty rate from 13.9% in 2018 to 7.7% in 2021, despite the economic impact of the pandemic. The Urban Institute conducted a detailed analysis of the ARP’s relief measures—including relief payments, expanded nutrition assistance, extended unemployment insurance, and the expanded Child Tax Credit—to estimate the expected annual poverty reduction for 2021.
- **The number of children experiencing hunger decreased by 2 million after the American Rescue Plan’s first Expanded Child Tax Credit advance payments were distributed this summer**, according to an analysis of Census Bureau data conducted by the Center on Budget and Policy Priorities.
- Following passage of the American Rescue Plan, **the U.S. has added over 3.1 million jobs and is the only G-7 country that has recovered and exceeded its pre-pandemic economic output**. Recent data and research show that unemployment relief has not slowed job growth, though the Delta variant is causing challenges in certain sectors.

I. The Relief Provided by the American Rescue Plan Has Led to Historic Reductions in Poverty, Food Insecurity, and Financial Hardship.

Earlier this year, Congress and the Biden Administration moved to deliver bold relief and recovery measures through the American Rescue Plan Act. The American Rescue Plan included numerous provisions intended to provide direct relief to Americans affected by the coronavirus pandemic and its economic fallout, including through direct relief payments, an expanded Child Tax Credit, extended unemployment benefits, emergency rental assistance, increased nutrition assistance, and more generous subsidies to buy health insurance. These direct relief provisions were accompanied by direct aid and loans for small businesses and impacted industries and money for state and local governments intended to provide additional relief and support for the economic recovery from the pandemic.ⁱ Data and analyses that have emerged in the six months since the American Rescue Plan's passage demonstrate that the ARP's direct relief provisions are contributing to historic reductions in poverty, hunger, and general financial hardship even as the economy has not yet fully recovered from the impact of the coronavirus pandemic.

Select Subcommittee Analysis Shows that the American Rescue Plan's Direct Relief Payments, in Conjunction with the Economic Recovery, Have Had a Persistent and Equitable Impact

The Select Subcommittee analyzed the Census Bureau's Pulse Household Survey data across a number of indicators of hardship from the time period immediately preceding the passage of the American Rescue Plan, the period following the delivery of the ARP's first benefits, and the most recent period for which there is available data. This analysis shows that the American Rescue Plan contributed to significant, immediate progress in reducing hardship as direct relief payments were made in March and April 2021, and, even though those payments were a one-time event, much of that progress has been maintained months beyond the distribution of direct payments as the economic recovery has progressed and other relief measures have gone into effect.

As the American Rescue Plan's direct relief payments were delivered in March and April 2021, there were sharp declines in the number of Americans facing food insufficiency and experiencing difficulty paying rent on time.ⁱⁱ By late April, approximately 4.2 million fewer Americans were experiencing food insufficiency than in the period preceding the American Rescue Plan's passage, representing a decline of 19% in the share of Americans facing food shortages. Similarly, following distribution of relief payments, the number of Americans behind on rent declined by more than 2 million from the period before the American Rescue Plan's passage, a decline of 17% in the share of adults reporting that their households owed rental arrears.ⁱⁱⁱ

This analysis comports with an earlier University of Michigan report that found similar declines in hardship during this period. That report also identified a significant decline in the share of Americans struggling to pay basic expenses or experiencing anxiety, worry, depression, or hopelessness.^{iv} As the University of Michigan report notes, despite some economic improvements, the unemployment rate remained elevated during this period, strongly suggesting that the food insufficiency and other hardship declines were caused by the American Rescue

Plan’s passage and particularly the direct relief payments, which were among its most rapidly distributed benefits.^v By mid-April, the Internal Revenue Service had already made over 160 million direct relief payments, ensuring that these benefits quickly reached the bulk of U.S. households.^{vi}

The Select Subcommittee’s analysis of the most recent available data—which extends to late August—shows that, although the direct relief payments were a one-time event, the reductions in hardship that followed the payments have persisted. Approximately five months after most relief payments were distributed, the share of households facing food insufficiency and owing rental arrears remained at the lower levels reached during the period immediately following the distribution of relief payments.^{vii} In late August, 4 million fewer adults faced household food insufficiency than in the weeks preceding the American Rescue Plan’s passage, and nearly 2 million fewer adults were behind on rent payments than in the weeks preceding the ARP’s passage.^{viii}

The Census Bureau data analyzed by the Select Subcommittee also shows that Black and Hispanic Americans saw particularly sharp declines in financial hardship following the American Rescue Plan’s direct relief payments. Between early March and late April 2021, the share of Black adults who reported it had been “very difficult” for their households to pay their normal expenses declined by nearly one third, and the share of Hispanic adults reporting such difficulty covering basic expenses declined by nearly 40%.^{ix} Those reduced levels of hardship in meeting basic expenses have been maintained months after the payments were made, likely supported by the economic recovery and rollout of other American Rescue Plan relief measures. By late August, the rates at which Black and Hispanic Americans faced significant difficulty paying basic expenses remained well below the rates of hardship in the period preceding the passage of the American Rescue Plan—with Black Americans experiencing a slight further decline in hardship and Hispanic Americans experiencing a slight increase.^x

The American Rescue Plan’s Relief Provisions Are Causing a Dramatic Poverty Reduction

Analyses of the projected annual poverty rate for 2021 following the American Rescue Plan’s passage show significant reductions in poverty that comport with the Select Subcommittee’s observation of declines in material hardship. A mid-year Urban Institute analysis of the impact of the American Rescue Plan’s provisions, which also accounts for recent economic improvements and earlier relief legislation, estimates that the ARP will cut the annual poverty rate for 2021 nearly in half from pre-pandemic levels, dropping the rate from a pre-pandemic level of 13.9% (based on 2018 data) to just 7.7%.^{xi} The Urban Institute’s late July analysis estimates that the American Rescue Plan will result in an even larger reduction in the poverty rate than projected at the time the American Rescue Plan was enacted, when the Urban Institute and the Columbia University Center on Poverty and Social Policy projected the ARP would cut the poverty rate to 8.7% and 8.5%, respectively.^{xii} This decline of 45% will cause the share of Americans in poverty to fall to the lowest level on record, and represents an unprecedented decrease in poverty in such a short period of time (nearly three times the previous three-year record for poverty decline).^{xiii}

The Urban Institute analysis found that the following provisions of American Rescue

Plan are projected to lift the following numbers of Americans out of poverty in 2021:

- Direct relief payments – 12.4 million
- Expanded unemployment insurance – 6.7 million
- Increased nutrition assistance – 7.9 million
- Expanded Child Tax Credit – 1.8 million (mostly children)

The Institute’s analysis employs the Supplemental Poverty Measure, which accounts for the impact of most relief and support measures—including tax credits and direct relief payments—on family income and uses sophisticated modeling to estimate the number of families likely to receive each benefit. The Institute’s analysis remains a projection for the annual poverty rate for 2021 that could change based on changes in conditions through the end of the year, but the Institute’s estimates on the positive impact of relief payments and the Child Tax Credit expansion already comport with Census Bureau data showing immediate declines in hardship following the implementation of those measures.^{xiv}

The Expanded Child Tax Credit Advances Are Reducing Child Poverty and Hunger

In July, the Biden Administration began to pay out monthly advances of the expanded Child Tax Credit, delivering payments to the families of 59.3 million children.^{xv} The American Rescue Plan expanded the tax credit from \$2,000 per child to \$3,000 for children six years of age or older (as of December 31, 2021) and \$3,600 for children under six and made the tax credit fully refundable for low-income families.^{xvi} The American Rescue Plan also ensured that families could receive half of the credit in advance, as monthly payments of \$250 or \$300 per child (depending on age), to help cover monthly food and childcare costs. An analysis by the Columbia University Center on Poverty and Social Policy found that the first Child Tax Credit payment in July reduced monthly child poverty by 25%, keeping 6 million children out of poverty.^{xvii} The Center further found that if more children’s families are able to access the expanded credit—particularly those with incomes low enough that they are not required to file tax returns—the monthly child poverty rate will fall further.^{xviii} In the August round of advance payments, the Biden Administration expanded the reach of the credit to the families of nearly 2 million additional children and has since collaborated with Code for America to create a simplified, bilingual portal to further improve low-income families’ access to the expanded credit.^{xix}

Census Bureau data also shows that the expanded Child Tax Credit advances are significantly reducing hardships for families with children. A Center on Budget and Policy Priorities analysis shows that after advance payments began in July, households with children reported a sharp drop in hunger levels.^{xx} After the payments began in July, the share of adults with children who reported that their households lacked sufficient food dropped from 13.7% to 9.5%, representing 3.3 million fewer adults with children reporting food insufficiency, and 2 million fewer children went without sufficient food following the first advance payments.^{xxi} Adults in households with children also reported a general decline in difficulty paying basic expenses, as parents largely used the payments for food, utilities, clothing, and other basic needs.^{xxii} According to a new study from the Urban Institute, extending the American Rescue Plan’s tax cuts for families with children would cut childhood poverty by an estimated 40% from pre-pandemic levels.^{xxiii}

The American Rescue Plan's Relief Provisions Are Lifting Up Minority Communities Disproportionately Harmed by the Pandemic

The American Rescue Plan's relief provisions dramatically reduced poverty rates for Black and Hispanic Americans, who were more likely to lose their jobs as a result of the pandemic. The Black poverty rate fell from a 19.2% pre-pandemic level to 9.2%, and the Hispanic poverty rate fell from a 22.2% pre-pandemic level to 11.8%.^{xxiv} These projected declines in poverty for Black and Hispanic Americans are in line with the Select Subcommittee's analysis of data showing persistent declines in hardship for Black and Hispanic households following the passage of the American Rescue Plan.

II. Supported by the American Rescue Plan, the U.S. Has Experienced Robust Economic Growth Compared to Other Nations, and Job Growth Remains Strong.

In February 2021, before the passage of the American Rescue Plan, the Congressional Budget Office (CBO) projected that the U.S. economy would grow by 3.7% in 2021 with an average unemployment rate of 5.7%.^{xxv} Economic growth in 2021 has significantly outpaced CBO's projections, with annualized growth of 6.3% in the first quarter and 6.6% in the second quarter.^{xxvi} With nearly 4 million jobs added since March, the unemployment rate has already declined to 5.2%.^{xxvii} Even as the spread of the Delta coronavirus variant presents significant health and economic challenges, job growth over the last three months has averaged 750,000 jobs per month.^{xxviii}

The U.S. has now surpassed its pre-pandemic economic output, the first G-7 country to do so.^{xxix} This result confirms a Moody's Analytics analysis of the American Rescue Plan when it was proposed, which, observing that the ARP would put the U.S. fiscal response ahead of nearly all other countries, projected that the U.S. economy would receive a boost over countries with less robust policies.^{xxx}

Research and recent data rebut assertions that the American Rescue Plan's relief provisions—particularly extended unemployment insurance—have significantly slowed job growth. A July analysis of Census Bureau Pulse Survey data by economist Arindrajit Dube at the University of Massachusetts Amherst found no immediate boost in employment levels in states that opted to end extended employment benefits early.^{xxxi} Similarly, a later Wall Street Journal analysis of Labor Department data found that states that ended extended unemployment benefits early saw slightly *less* employment growth than states that maintained the extended benefits.^{xxxii}

ⁱ Pub. L. No. 117-2 (2021).

ⁱⁱ The large majority of direct relief payments were delivered within six weeks of the American Rescue Plan's passage, with over 160 million payments distributed by mid-April 2021. Internal Revenue Service, *Press Release: Two Million More Economic Impact Payments Disbursed Under the American Rescue Plan; Total Reaches Approximately 161 Million as Payments Continue* (Apr. 22, 2021) (online at www.irs.gov/newsroom/two-

million-more-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-reaches-approximately-161-million-as-payments-continue).

ⁱⁱⁱ Census Bureau, *Week 25 Household Pulse Survey: February 17 – March 1* (Mar. 10, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp25.html); Census Bureau, *Week 29 Household Pulse Survey: April 28 – May 10* (May 19, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp29.html).

^{iv} *Material Hardship and Mental Health Following the COVID-19 Relief Bill and American Rescue Plan Act*, University of Michigan Poverty Solutions (May 2021) (online at sites.fordschool.umich.edu/poverty2021/files/2021/05/PovertySolutions-Hardship-After-COVID-19-Relief-Bill-PolicyBrief-r1.pdf).

^v *Id.* Public health challenges remained significant in early spring 2021 as the vaccination campaign was still accelerating. Job growth during that period was not sufficiently robust to explain the extent of decline in hardships in Census Bureau data. While the economy added only 269,000 jobs in April, for example, the hardship declines by late April and early May showed 2 million fewer people behind on rent and 4 million fewer adults reporting that their households lacked sufficient food. Bureau of Labor Statistics, *Employment Situation News Release* (July 2, 2021) (online at www.bls.gov/news.release/archives/empisit_07022021.htm).

^{vi} Internal Revenue Service, *Press Release: Two Million More Economic Impact Payments Disbursed Under the American Rescue Plan; Total Reaches Approximately 161 Million as Payments Continue* (Apr. 22, 2021) (online at www.irs.gov/newsroom/two-million-more-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-reaches-approximately-161-million-as-payments-continue).

^{vii} The share of Americans facing food insufficiency and owing rental arrears declined slightly between the period immediately following relief payments and late August, with the share of rental households owing arrears declining from 14.9% to 14.6% and the share of households lacking sufficient food declining from 8.7% to 8.5%. Census Bureau, *Week 25 Household Pulse Survey: February 17 – March 1* (Mar. 10, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp25.html); Census Bureau, *Week 36 Household Pulse Survey: August 18 – August 30* (Sept. 8, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp36.html).

^{viii} Census Bureau, *Week 25 Household Pulse Survey: February 17 – March 1* (Mar. 10, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp25.html); Census Bureau, *Week 36 Household Pulse Survey: August 18 – August 30* (Sept. 8, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp36.html).

^{ix} The share of Black adults reporting it was very difficult to pay basic expenses declined from 28% to 19%, while the rate for Hispanic adults declined from 21% to 13%. Census Bureau, *Week 25 Household Pulse Survey: February 17 – March 1* (Mar. 10, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp25.html); Census Bureau, *Week 29 Household Pulse Survey: April 28 – May 10* (May 19, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp29.html).

^x By late August, the rate of Black and Hispanic Americans reporting it was very difficult to pay basic expenses remained well below pre-American Rescue Plan levels, with 18% of Black adults reporting such hardship (as compared to 28% before the ARP’s passage) and 16% of Hispanic adults reporting such hardship (as compared to 21% before the ARP’s passage). Census Bureau, *Week 36 Household Pulse Survey: August 18 – August 30* (Sept. 8, 2021) (online at www.census.gov/data/tables/2021/demo/hhp/hhp36.html).

^{xi} The Urban Institute uses 2018 data as the baseline for pre-pandemic poverty levels for data reliability purposes. *2021 Poverty Projections*, Urban Institute (July 2021) (online at www.urban.org/sites/default/files/publication/104603/2021-poverty-projections_0_0.pdf).

^{xii} *2021 Poverty Projections: Assessing Four American Rescue Plan Policies*, Urban Institute (Mar. 11, 2021) (online at www.urban.org/research/publication/2021-poverty-projections-assessing-four-american-rescue-plan-policies); *The Potential Poverty Reduction Effect of the American Rescue Plan*, Center on Poverty and Social Policy at Columbia University (Mar. 11, 2021) (online at www.povertycenter.columbia.edu/news-internal/2021/presidential-policy/biden-economic-relief-proposal-poverty-impact).

^{xiii} *Pandemic Aid Programs Spur a Record Drop in Poverty*, New York Times (July 28, 2021) (online at www.nytimes.com/2021/07/28/us/politics/covid-poverty-aid-programs.html).

^{xiv} *Id.*

^{xv} Department of the Treasury, *Treasury and IRS Announce Families of Nearly 60 Million Children Receive \$15 Billion in First Payments of Expanded and Newly Advanceable Child Tax Credit* (July 15, 2021) (online at home.treasury.gov/news/press-releases/Treasury-and-IRS-Announce-Families-of-Nearly-60-Million-Children-Receive-%2415-Billion-Dollars-in-First-Payments-of-Expanded-and-Newly-Advanceable-Child-Tax-Credit).

^{xvi} Sec. 9611, Pub. L. No. 117-2 (2021).

^{xvii} *Monthly Poverty Rates among Children After the Expansion of the Child Tax Credit*, Center on Poverty and Social Policy at Columbia University (Aug. 20, 2021) (online at static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/612014f2e6deed08adb03e18/1629492468260/Monthly-Poverty-with-CTC-July-CPSP-2021.pdf).

^{xviii} *Id.*

^{xix} Department of the Treasury, Treasury and IRS Disburse Second Month of Advance Child Tax Credit Payments (Aug. 13, 2021) (online at home.treasury.gov/news/press-releases/jy0322); *Simplified Tax Filing to Claim Your Child Tax Credit*, Code for America (online at www.getctc.org/en) (accessed Sept. 9, 2021).

^{xx} *After Child Tax Credit Payments Begin, Many More Families Have Enough to Eat*, Center on Budget and Policy Priorities (Aug. 30, 2021) (online at www.cbpp.org/blog/after-child-tax-credit-payments-begin-many-more-families-have-enough-to-eat).

^{xxi} *Id.*

^{xxii} *The Child Tax Credit May Be Helping Ease Economic Hardship After Just One Round*, CNN (Aug. 12, 2021) (online at www.cnn.com/2021/08/11/politics/child-tax-credit-economic-hardship/index.html).

^{xxiii} *An Expanded Child Tax Credit Would Reduce Poverty to Below 10 Percent in Nearly All States*, Forbes (Sept. 8, 2021) (online at www.forbes.com/sites/elainemaag/2021/09/08/an-expanded-child-tax-credit-would-reduce-poverty-to-below-10-percent-in-nearly-all-states/amp/).

^{xxiv} *2021 Poverty Projections*, Urban Institute (July 2021) (online at www.urban.org/sites/default/files/publication/104603/2021-poverty-projections_0_0.pdf).

^{xxv} Congressional Budget Office, *An Overview of the Economic Outlook: 2021 to 2031* (Feb. 2021) (online at www.cbo.gov/system/files/2021-02/56965-Economic-Outlook.pdf).

^{xxvi} Bureau of Economic Analysis, Gross Domestic Product, 2nd Quarter 2021 (Second Estimate); Corporate Profits, 2nd Quarter 2021 (Preliminary Estimate) (Aug. 26, 2021) (online at www.bea.gov/news/2021/gross-domestic-product-2nd-quarter-2021-second-estimate-corporate-profits-2nd-quarter).

^{xxvii} Federal Reserve, *FRED Economic Data, Unemployment Rate* (online at fred.stlouisfed.org/series/UNRATE) (accessed Sept. 9, 2021).

^{xxviii} The White House Council of Economic Advisors, *The Employment Situation in August* (Sept. 3, 2021) (online at www.whitehouse.gov/cea/blog/2021/09/03/the-employment-situation-in-august/).

^{xxix} The Organisation for Economic Co-operation and Development (OECD), *OECD GDP Still Below Pre-Pandemic Levels, Despite Accelerating GDP Growth of 1.6% in the Second Quarter of 2021* (Aug. 30, 2021) (online at www.oecd.org/sdd/na/GDP-Growth-Q221.pdf).

^{xxx} *The Biden Fiscal Rescue Package: Light on the Horizon*, Moody's Analytics (Jan. 15, 2021) (online at www.moodyanalytics.com/-/media/article/2021/economic-assessment-of-biden-fiscal-rescue-package.pdf).

^{xxxi} *Early Impacts of the Expiration of Pandemic Unemployment Insurance Programs*, Arindrajit Dube (July 18, 2021) (online at arindube.com/2021/07/18/early-impacts-of-the-expiration-of-pandemic-unemployment-insurance-programs/).

^{xxxii} *States that Cut Unemployment Benefits Saw Limited Impact on Job Growth*, Wall Street Journal (Sept. 1, 2021) (online at www.wsj.com/articles/states-that-cut-unemployment-benefits-saw-limited-impact-on-job-growth-11630488601).