YOUNG INVINCIBLES

# 5-Point Plan to Protect Young People in a Recession

The outcomes during the recessions of the early 1980s and the Great Recession show a striking similarity: young people suffered permanent earnings declines over time. The COVID crisis has tossed young people yet again into the deepest pits of our current recession. It will take years, if not a generation, to dig out of the debt, lives and jobs lost. Congress does not need to punt on those questions until after coronavirus or the recession are over. They can act now.

While there is reasonable concern that Congress will not act in a timely manner for fiscal policy to be maximally effective, interim stabilization efforts provide a buffer between when the recession occurs and when fiscal policy gets implemented. While these programmatic stabilizers have previously been effective, their effectiveness must be strengthened and improved. Where absolutely necessary, however, we do recommend new programs.

Our recommendations are focused on providing insurance, stability and protections for young people. Because we believe COVID-19 does not discriminate, we believe Congress' response shouldn't either. Our recommendations also extend coverage to immigrant communities that were formally excluded from protections.

## 1. Focus on direct job creation policies

a. *Make the Work Opportunity Tax Credit (WOTC) Permanent*

Just as the American Recovery and Reinvestment Act (ARRA) made available a new tax credit for companies that hire disconnected young adults - we must make sure that programs that provide vital workforce training and support services to young adults continue to serve as talent pipelines into in-demand jobs. JobCorps, YouthBuild, and WIOA youth programs provide strong training opportunities but need employer incentives to connect their graduates with jobs.

The Work Opportunity Tax Credit (WOTC) offers employers up to $2,400 in federal tax savings for hiring individuals with barriers to employment. Many of the youth living in neighborhoods with highly concentrated poverty and unemployment are stuck in a vicious cycle that finds them lacking the necessary job experiences that prevent them from getting hired by potential employers. A permanent extension would enhance program efficiencies, provide certainty to employers and help disadvantaged groups secure jobs. We recommend permanently extending the WOTC.

b. *Expand the Earned Income Tax Credit (EITC)*

The EITC is the most widely received cash assistance program for low- and moderate-income working families. Two immediate ways to support young people:

1. Consider passing the Working Families Tax Relief Act. The Center on Budget and Policy Priorities estimates that the plan would lift 7 million people — 3 million of whom are children — out of poverty. Another 22 million poor people would be brought up closer to the poverty line, child poverty would fall by 28 percent, and deep child poverty (measured at half the poverty line) would fall by 40 percent. The two most important elements of this bill would expand eligibility to include more low-wage childless adults, while also establishing a child allowance for the first time in American history.

2. Under current law, only workers without children at home qualify for very small EITC benefits and only at very low income levels. To reach more people, including young adults, Congress should adopt a permanent structural change and remove this designation, as well as expand the eligibility age range to 19-67. Currently, workers under 25 are ineligible for the childless workers' EITC.

If Congress intends to quickly jumpstart the economy, advanced payments are just as important. Congress should allow eligible taxpayers to estimate their EITC for the coming year and receive an early payment. This wouldn't necessarily increase government spending long-term, but it could direct cash in a timelier way to people likely to feel pinched if the economy slows.

c. *Subsidized Job Placement Through TANF EF Expansion*

The TANF Emergency Fund (EF), created as part of the ARRA, provided $5 billion over 20 months to help states boost basic assistance, including cash, one-time emergency benefits, and subsidized employment for low- income parents and youths. Given the severity of 22 million jobs lost, Congress must provide robust funding for TANF EF - doubling its previous investment - to $10 Billion over the next two years.

In fact, during the two years TANF EF was expanded, roughly 260,000 individuals were placed in subsidized jobs. They were split almost equally between year-round programs that served mostly adults and summer and year-round programs that served youth (up to age 24).

Adding a subsidized jobs program would address states' general failure to use their TANF programs to increase disadvantaged parents' employment and earnings. Using the flexibility afforded to them under the emergency fund legislation, state programs focused on securing subsidized jobs for workers who were recently laid off, while others focused on supporting individuals who have the most-substantial employment barriers.

### 2. Provide Additional Direct Stimulus Payments, and Include Young People

Before the crisis, even when unemployment was low, nearly 1 in 5 Americans struggled to pay their bills each month due to rising costs of things like child care, housing, and health care. People will be affected in many ways, with lost jobs, furloughs, lost savings, lost gig work, greatly reduced employment, and more. The majority of which will be young people.

1. Congress must remove the dependent distinction for recovery rebate eligibility to include young people. There are nearly 13 million young people 17-24 years old that will either get a small fraction or none of the $1,200.00 stimulus checks the federal government sent out.

2. People of color are more likely to struggle to pay their monthly bills than whites. Compounding this fact, approximately 17% of Black households and 14% of Latinx households are unbanked, which means they will have to wait weeks or even months to receive a paper check from the federal government. The delayed stimulus support for the unbanked will elongate the recovery for low-income households. To combat this effect and further stabilize the economy, Congress should provide a series of regular direct cash payments.

3. Allow individuals with a social security number living in mixed-status households to receive stimulus checks. Although DACA recipients are eligible for a stimulus payment, they lose eligibility if they are in a mixed-status household.

Cash payments to households are a very efficient way to make sure broad-based help is available. This can help cushion the blow in the short run and put people in a better position to spend, driving economic recovery, after the virus passes. These federal payments should specify that anyone eligible for unemployment benefits can also receive cash payments.

### 3. Don't Make Food Accessibility Harder Than It Already Is

a. *Expand SNAP benefits, and Extend ABAWD Suspension*

During the Great Recession, millions of Americans turned to the Supplemental Nutrition Assistance Program (SNAP) to help pay for food. Estimates show half of all college students experience food insecurity; but only 18 percent are eligible for SNAP, and only 3 percent actually receive benefits. Most college students are also not eligible for SNAP unless they work 20 hours per week or receive a federal work study grant.

Congress included a work requirement waiver and a suspension of the three-month time limit for unemployed adults not raising minor children to receive benefits. However, that only lasts through the pandemic emergency period. We believe Congress must maintain this suspension and waiver while the economy remains weak and unemployment remains elevated. Likewise, Congress should automatically grant SNAP eligibility, with no work requirements, to all students receiving a Pell grant.

Similar to ARRA, we believe the minimum benefit must be increased to the nearest whole dollar amount that represents a 15% increase in payment levels. As was the case for the ARRA benefits increase from $14 to $16, this bonus increment should be paid to all participants. We believe an increased adjustment to the monthly minimum SNAP benefit should move from $16 to $30.

### 4. Expand Access and Affordability so Young Adults Can Achieve Near 100 percent Universal Coverage

*a. Increase Federal Support for State Medicaid*

We know rising unemployment and falling economic activity shrink state tax revenues even as demand for things like Medicaid and unemployment insurance rise. Though joblessness will likely affect uninsurance rates throughout the country, states that do not expand Medicaid under the ACA will see larger increases in uninsurance if current policy fails to adapt. There are two critical ways to get state buy-in:

1. A Federal Medical Assistance Percentage (FMAP) increase to at least 12 percent is a proven way to deliver swift economic relief that saves or creates jobs and stimulates economic activity. A temporary increase in the share of Medicaid costs by the federal government has found that this funding significantly reduced the severity of the Great Recession, while allowing states to make smaller cuts to public spending and employment. Congress has legislated temporary increases to Medicaid matching rates on a discretionary basis in 2003, 2009, and 2010 to address recessions and their aftermath.

2. Congress should provide the 100 percent federal funding match to allow the 14 remaining non-expansion states to expand their programs at no cost to them for at least three years. Incentivizing these states to expand their Medicaid programs up to 138% of the federal poverty level (FPL) will allow millions of low-income young adults to immediately gain affordable coverage. If all 50 states expanded coverage, nearly all young adults would have access to affordable, comprehensive plans.

*b. Expand Affordability*

Congress should increase federal subsidies for both those in the individual health insurance market and the group market to lower out-of-pocket costs and premiums. Especially by increasing subsidies in the individual market, many consumers who have been priced out may now be able to afford coverage. Congress should eliminate the 400% FPL subsidy cliff, and expand subsidies to everyone based on their income, never paying more than 8.5% of income.

*c. Allow DACA Recipients to Access ACA Coverage & Tax Credits*

Currently DACA recipients are banned from accessing coverage through the ACA marketplace. DACA recipients are the only type of immigrants with some protection status that do not have access to ACA or Medicaid coverage. Moreover, 27,000 of these law-abiding young people are helath care practitioners, fighting COVID on the front lines. They deserve access to coverage during this pandemic, and indefinitely thereafter.

**5. Make Higher Education Work Better for Students**

**a. Establish Federal-State Partnership to Preserve Student Access and Affordability**

Trends in public higher education finance since the Great Recession are instructive for the current moment and time soon ahead. Over the decade since the Great Recession:

- Public institutions in 15 states have less total revenue available for general operations now than ten years ago;
- Almost half of states recovered total revenues by increasing net tuition revenue per full-time student by at least 25 percent; and
- 11 states have not seen any recovery in state funding for public higher education.

At a time of unprecedented investment in the national economy and direct support for individuals, Congress should move to make a long-overdue commitment to public higher education. This partnership with states would ensure financial burdens from this present crisis do not saddle students with unbearable debt loads for decades ahead.

**b. Enact Broad Student Loan Debt Cancellation**

More than 43 million Americans bear a collective total of more than $1.7 trillion in outstanding student loan debt. Even when Congress moves to enact a strong federal-state partnership to preserve higher education access and affordability nationwide, a complementary effort is required to lift this generational burden that weighs down the financial health of young people and holds back the country's economic growth. Only a broad-based cancellation of the student debt that has accrued as a result of persistent disinvestment in higher education--even as the workforce demanded ever-higher levels of educational attainment--can ameliorate this undue burden.

Modeling of a plan that would provide up to $50,000 in student loan debt relief for households making less than $100,000 a year--with cancellation phasing out at household income of $250,000--shows total loan forgiveness for three-quarters of households with borrowers. Such a policy would promote socioeconomic equity by narrowing the wealth gap between Black and Latino households and White households, while sparking greater investment in new businesses and increased rates of home ownership--all of which would lead to stronger financial footing for young people and a stronger economy for the country as a whole. This cancellation should apply to borrowers regardless of the type of institution they attended.