

Amid the COVID-19 Crisis, a Tale of Two Southeastern Cities: Appendix

In this appendix, we demonstrate how the assistance offered in the [Families First Coronavirus Response Act](#) (FFCR Act), signed into law on March 18, and the [Coronavirus Aid, Relief, and Economic Security Act](#) (CARES Act), signed into law on March 27, supplement the preexisting social safety net to financially support American workers displaced because of the COVID-19 pandemic. (In addition, the Coronavirus Preparedness and Response Supplemental Appropriations Act was signed into law on March 6 and provided \$8.3 billion in emergency funds to state and local governments to fight the outbreak.)

We use as an example a hypothetical single adult with no children who was working at a restaurant and making under \$75,000 a year (the threshold for receiving maximum assistance under the acts). Around 45 percent of workers earn less than \$75,000 a year, according to the monthly [Current Population Survey](#) and our calculations. We assume the restaurant is forced to close and lay off the worker because of COVID-19 restrictions, and we then calculate the financial assistance he can expect to receive under the acts when he becomes unemployed. For comparison, we also calculate the amount he would have received under the preexisting policy to show the net impact of the FFCR and CARES Acts.

To what extent the FFCR and CARES Acts help stabilize a worker also depends on state-specific social safety net policies as well as regional differences in wages and cost of living. We compare how the hypothetical worker would fare in two cities with different state social safety nets, wages, and living costs: Birmingham, Alabama, and Miami, Florida.

What do the acts do?

Both acts have a variety of provisions to help those affected by COVID-19, but we focus only on the key unemployment-related components of the acts that benefit workers directly. By focusing only on workers, the analysis excludes components that provide incentives to employers to retain or rehire workers.

The CARES Act provides a direct cash infusion and expands unemployment insurance benefits. Individuals receive up to \$1,200 in tax rebates and an additional \$500 per qualifying child. The rebate begins phasing out when a person's income exceeds \$75,000 (or \$150,000 for joint filers). The CARES Act also suspends all payments on federal student loans through September 30 and pauses the accrual of interest. (See the CARES Act for details on which children are qualified and which loans are covered.)

The CARES Act also dramatically expands unemployment insurance (UI). On top of the regular state UI benefits, the federal government provides an additional \$600 per week in the form of Pandemic Unemployment Compensation through July 31. After an individual reaches the state maximum number of weeks on UI, Pandemic Emergency Unemployment Compensation benefits extend the state UI benefits for up to an additional 13 weeks.

The FFCR Act suspends work requirements for determining Supplemental Nutrition Assistance Program (SNAP) eligibility. Typically, single, able-bodied unemployed adults can receive SNAP only for a maximum of three months unless they are meeting other qualifying work requirements (for example, enrollment in training). By suspending work requirements, the act enables able-bodied, unemployed adults without dependents to receive SNAP until the secretary of the U.S. Department of Health and Human Services [lifts the declaration](#) of the public health emergency.

Our case study: Introducing Chef Andrew

Chef Andrew is 25 years old and works full-time in a restaurant, earning the area-specific typical entry-level wage for chefs. He accumulated \$5,700 in student loan debt, which is slightly higher than the first-year student annual [maximum loan limit on the Stafford loan](#), and he makes monthly loan payments. He receives health insurance through his employer and pays a monthly premium. He rents an efficiency apartment, where he lives by himself, and he has no children.

On April 1, Andrew's hypothetical restaurant employer closed. He is laid off and unable to find another chef job since many other restaurants are also closed or operating in limited capacity. To highlight the benefits of the FFCR and CARES Acts, we assume Andrew remains unemployed for 10 months.

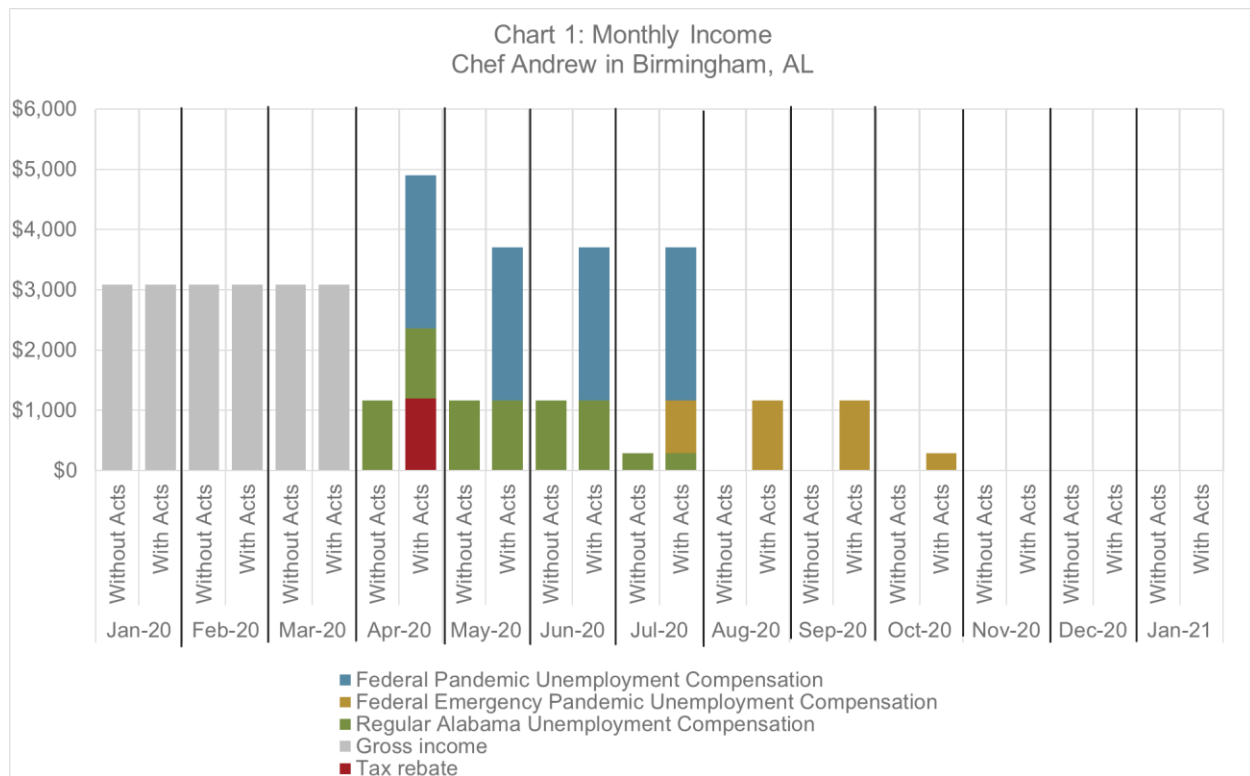
Case study 1: Birmingham, Alabama

We first consider the situation when Andrew lives in Birmingham. He earns \$37,000 per year before taxes (\$3,083 per month), which is the [10th percentile of chef wages in Birmingham](#). Every month he pays \$700 in rent ([fair market rent in Birmingham, according to the U.S. Department of Housing and Urban Development](#)), \$143 for health insurance ([the average cost of employer-sponsored health insurance for a 25-year-old in Alabama, according to the Medical Expenditure Panel Survey](#)), \$100 toward his student loans, and \$252 for basic groceries ([based on the U.S. Department of Agriculture's low-cost food plan for a one-person household](#)).

When Andrew loses his job, he qualifies for the maximum amount of \$275 in unemployment compensation, which is about 36 percent of his regular gross weekly income. Before the COVID-19 measures, this amount is typically all he would have received through UI for a maximum of 14 weeks. Under the CARES Act, however, he is eligible to receive an additional \$600 of Pandemic Unemployment Compensation through July 31. Pandemic Emergency Unemployment Compensation provides the same state UI amount for an additional 13 weeks.

Chart 1 compares Andrew's sources of income with and without the acts for a period of one year, which is a long enough time period to show three months of pre-UI income. We also assume he remains unemployed for 10 months, which is the maximum duration of assistance in Alabama allowed under the CARES Act Pandemic Unemployment Insurance Compensation—27 weeks—and an additional three months of unemployment to illustrate his financial status without any of the acts' financial support.

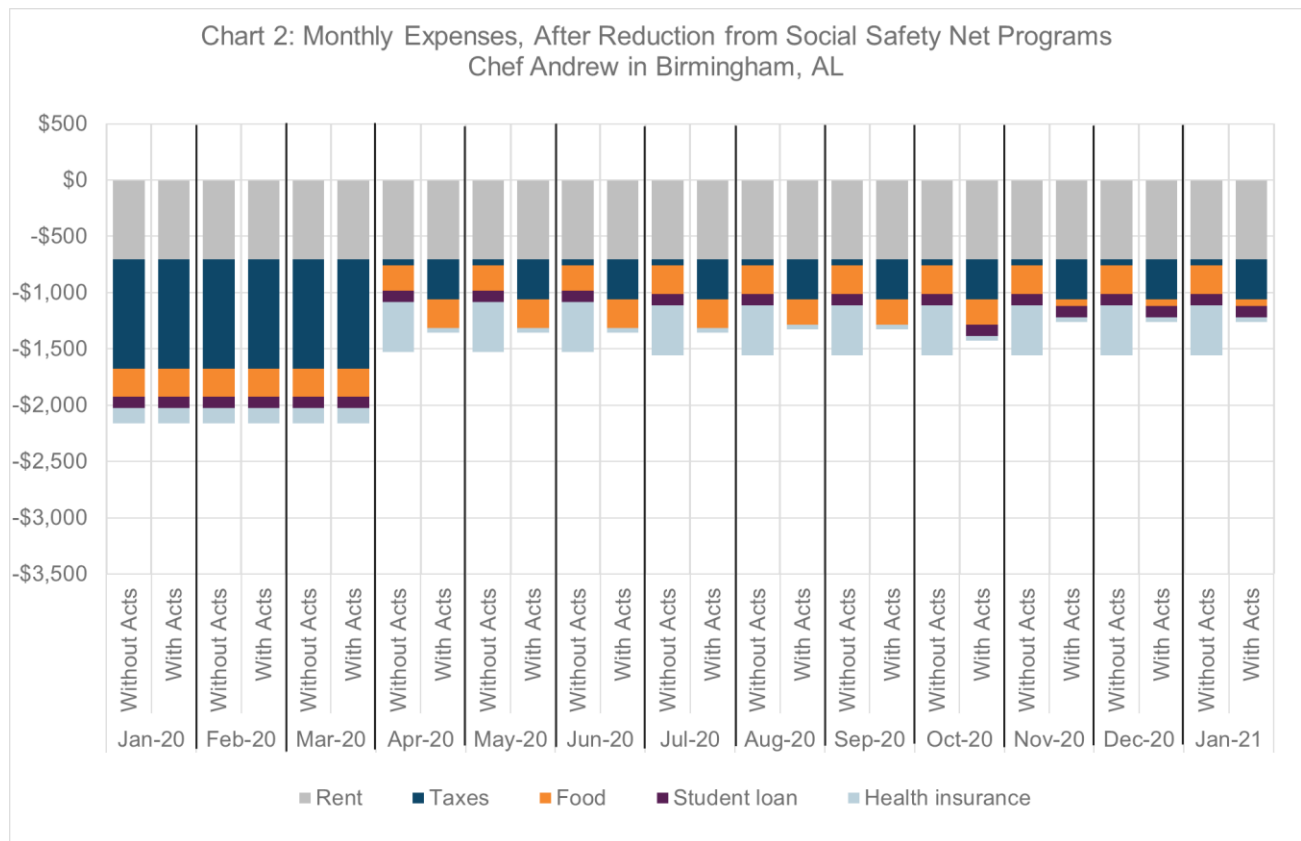
April is his first month without employment income. Without the CARES Act, Andrew would receive only Alabama UI (represented by the green bars), which is around one-third of his typical employment income. He is eligible for Alabama UI for up to 14 weeks, after which the program ends and he has no source of income. With the CARES Act and assuming the distribution of act funds begins in April, his loss in employment income (represented by the gray bars) is offset—and more than offset in some months—by the tax rebate (represented by the red bar), the regular state unemployment insurance (green bars), the \$600 federal Pandemic Unemployment Compensation (represented by the blue bars), and Pandemic Emergency Unemployment Compensation (represented by the gold bars). These programs provide Andrew with financial support for a total of 27 weeks.



Source: [The Fiscal Analyzer](#), authors' calculations

The CARES Act specifies that Pandemic Unemployment Compensation is available only through the end of July, after which Andrew's income declines and he becomes eligible for SNAP. At this point, he continues to receive Federal Pandemic Emergency Unemployment Compensation and begins to receive \$29 monthly in SNAP. In November, he runs out of Pandemic Emergency Unemployment Compensation but receives more SNAP assistance—\$194 monthly—the maximum amount for a one-person household. Without the provisions in the FFCR Act, he would have received \$29 monthly in SNAP benefits for a maximum of three months. Thus, when regular state UI ends in July without the acts, he would be without any sources of income and without food support payments.

Chart 2 shows how both acts, together with the preexisting social safety net, reduce monthly expenses. For simplicity, we only include certain basic expenses that the preexisting social safety net or the acts have the ability to reduce: housing, health insurance, food, and student loan payments.



Source: [The Fiscal Analyzer](#), authors' calculations

When Andrew becomes unemployed in April, he loses access to employer-sponsored health insurance. In Alabama, able-bodied adults without dependents [are not covered by Medicaid](#). Without the acts, Andrew's annual income when unemployed is below 100 percent of the federal poverty level (FPL), which makes him ineligible to obtain a subsidized health care plan through the health exchange. Therefore, while unemployed, he pays health care expenses of \$447 per month ([the second-lowest-cost silver plan on the health exchange](#)).

With the additional UI compensation provided by the CARES Act, Andrew's annual income is above the 100 percent FPL eligibility threshold, so he receives a subsidy under the Affordable Care Act (ACA). This subsidy reduces his monthly expenses by about \$400. At the same time, he pays taxes on the financial assistance from the government (except on the tax rebate, which is not treated as taxable income), which increases his monthly expenses by \$355 compared to what they would be without the acts.

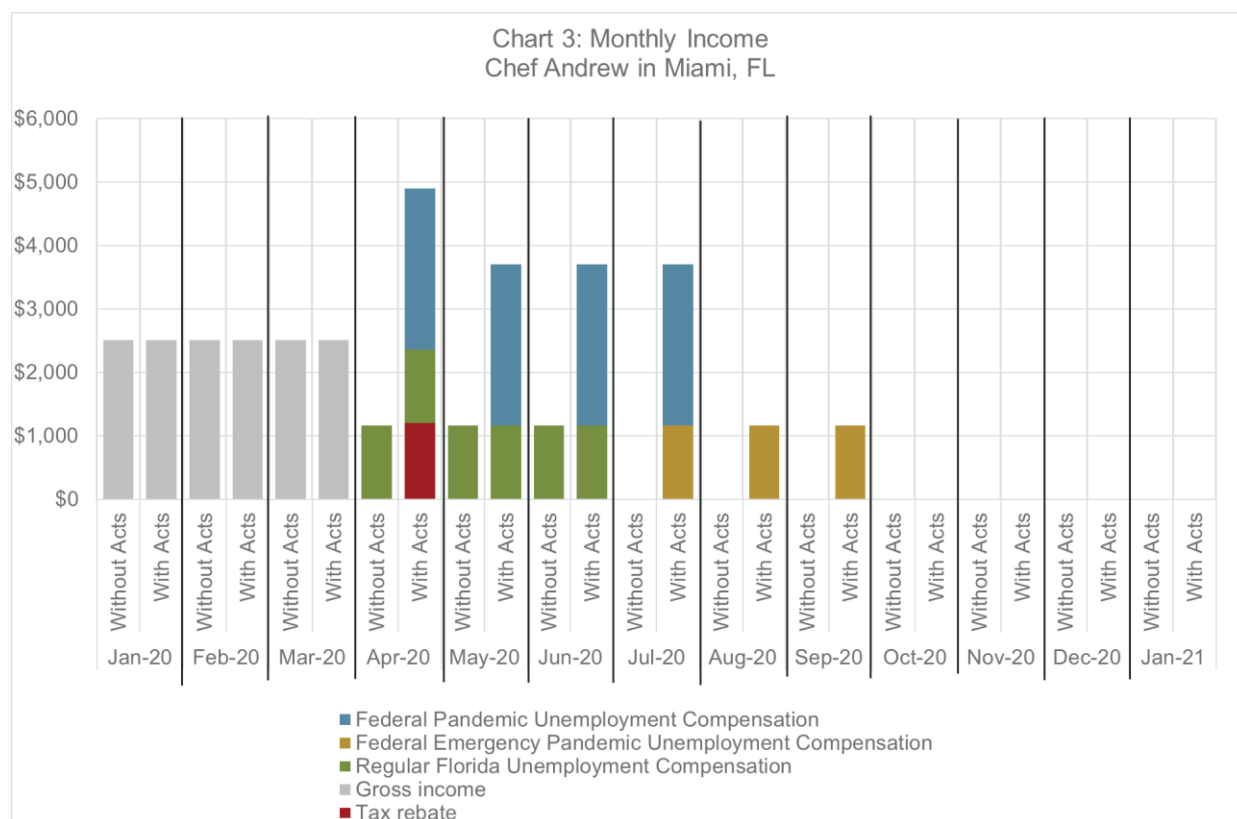
As stated above, under the CARES Act Andrew is able to defer his student loan payments through September 30, which reduces his expenses by \$100 per month.

Case study 2: Miami, Florida

Now let's suppose Andrew was an entry-level chef in Miami. He earns \$30,108 per year before taxes (\$2,509 per month), the [10th percentile of chef wages in Miami](#). Every month he pays \$1,084 in rent ([fair market rent in Miami, according to the U.S. Department of Housing and Urban Development](#)), \$123 for health insurance ([the average cost of employer-sponsored health insurance for a 25-year-old in](#)

[Florida, according to the Medical Expenditure Panel Survey](#)), \$100 toward his student loans, and \$252 for basic groceries.

Chart 3 shows Andrew’s sources of income with and without the acts in Miami. Under Florida law (which is similar to Alabama), Andrew receives \$275 in the state unemployment compensation for 12 weeks (represented by the green bars). With the CARES Act, Andrew receives a tax rebate (represented by the red bar), Pandemic Unemployment Compensation (represented by the blue bars), and Pandemic Emergency Unemployment Compensation (represented by the gold bars) for an additional 13 weeks. In total, without the acts, Andrew would have income support for 12 weeks in Florida (compared to 14 weeks in Alabama). Likewise, with the acts, Andrew would have income for 25 weeks in Florida (compared to 27 weeks in Alabama).



Source: [The Fiscal Analyzer](#), authors’ calculations

With the FFCR, Andrew becomes eligible for SNAP in August. While he is receiving state UI without the acts or federal emergency pandemic unemployment compensation alone, he receives \$66 monthly in SNAP. The SNAP assistance amount is slightly higher in Miami than in Birmingham, because his employment income is lower in Miami. In October, he runs out of UI and receives more—\$194 monthly—the maximum amount for a single person. As in the Alabama case, without the acts Andrew is eligible only for a small amount of SNAP—\$66 monthly—for the total duration of three months (April through June).

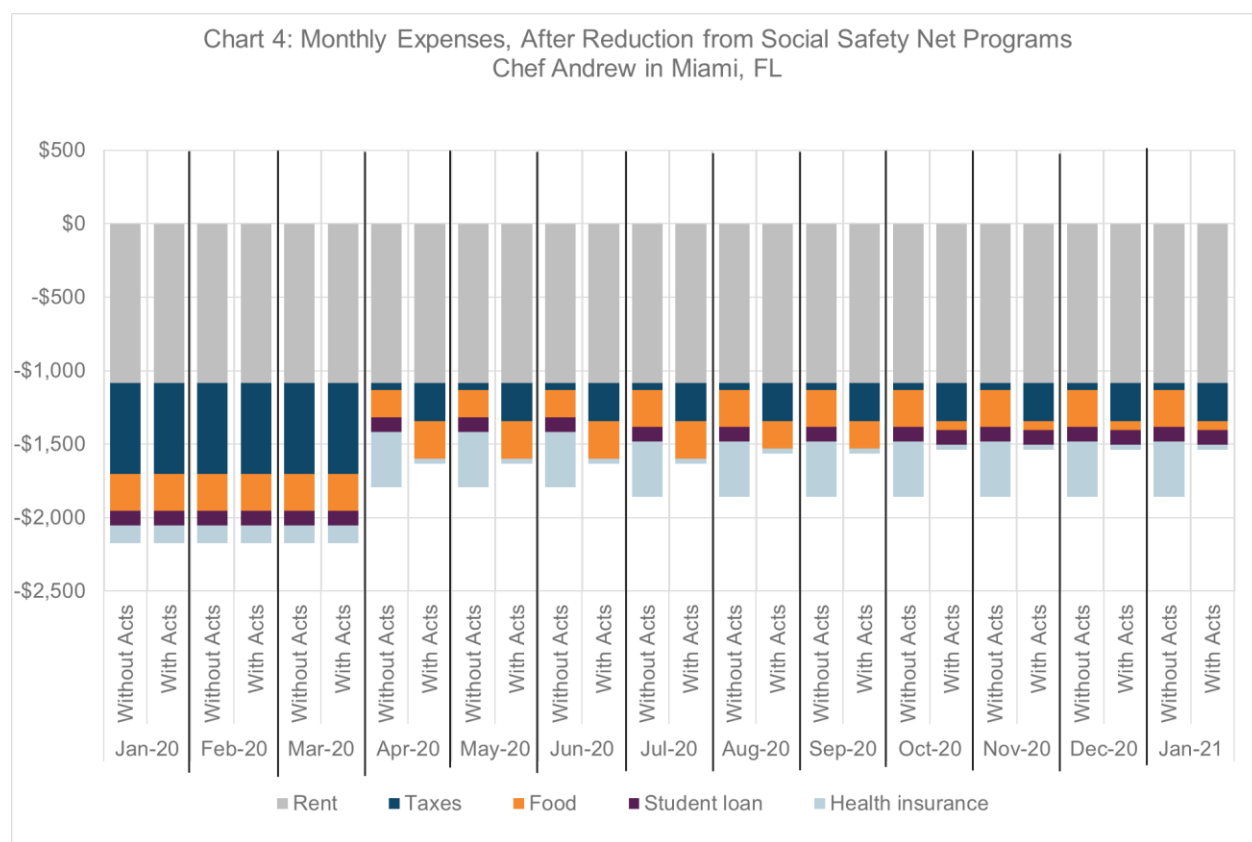
Chart 4 shows how the acts and preexisting social safety net affect Andrew’s basic living expenses if he lives in Miami. The pattern of expenses looks the same in Miami compared to Birmingham—the acts

decrease his monthly expenses. However, due to the difference in costs of living, Andrew's monthly basic expenses in Miami are almost \$400 higher compared to Birmingham.

Florida also has not expanded Medicaid under the ACA. Therefore, as in the Alabama case, without the acts' provisions, Andrew falls into the Medicaid coverage gap and has to purchase health insurance from the private markets without any subsidies (because his income is below 100 percent of FPL). He pays health care expenses of \$377 per month ([the second-lowest-cost silver plan on the health exchange](#)).

With the additional UI compensation provided by the CARES Act, Andrew's annual income is above the 100 percent FPL eligibility threshold, and he receives a subsidy under the ACA, which reduces his monthly expenses by about \$340. At the same time, he pays taxes on the financial assistance from the government (except on the tax rebate, which is not treated as taxable income), which increases his monthly expenses by \$214 compared to what they would be without the acts.

Similar to the Birmingham case, the CARES Act defers his student loans payments through September 30, which reduces his monthly expenses by \$100.



Source: [The Fiscal Analyzer](#), authors' calculations

A look at Andrew's net resources in both cities

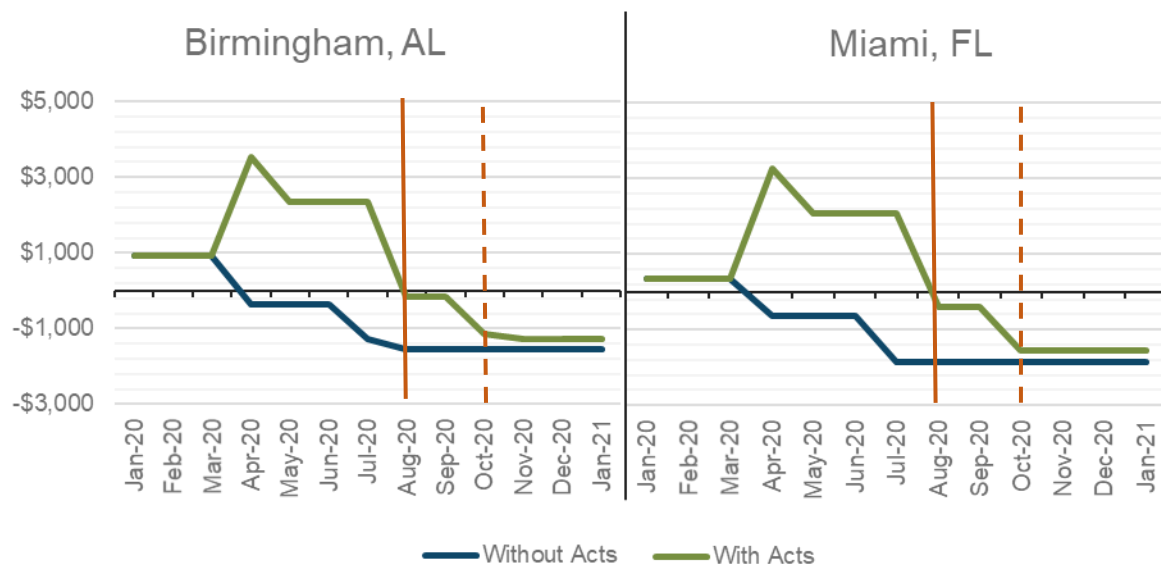
Chart 5 summarizes how the provisions in the FFCR and CARES Acts, along with the preexisting social safety net, combine to support Andrew and help him pay his living expenses. The vertical axis on the chart shows net resources, which we define as the sum of after-tax income, SNAP, ACA health care subsidies, and assistance from the two acts, minus the basic expenses that the acts and safety net

provisions reduce. A value of net resources above zero can be thought of as the liquid savings in his budget that can be used to cover other expenses.

Since Alabama and Florida have similar UI laws, the dynamics of net resources over time is the same across two cities. Most differences in levels come from the different costs of living across the two cities. In Birmingham, before the crisis (January to March), Andrew has about \$1,000 of monthly slack in his budget.

When he loses his job in April, the financial assistance from the acts (represented by the green lines) allows Andrew to cover basic expenses in both cities from April until August. In August, if Andrew is still unemployed, his net resources drop below zero in both cities due to the loss of Federal Pandemic Unemployment Compensation (solid orange bar). In October, he loses Federal Pandemic Emergency Unemployment Compensation (dashed orange bar), reducing net resources even more in both cities.

Chart 5: Net Resources



Notes: Solid vertical orange bars represent ending of support through the Federal Pandemic Unemployment Compensation; dashed vertical orange bars represent ending of support for Federal Pandemic Emergency Unemployment Compensation.

Source: [The Fiscal Analyzer](#), authors' calculations

In conclusion, the potential impact of these current acts depends on the ultimate length of the unemployment spell, the variation in state UI laws, and the variation in the cost of living. Although this analysis illustrates a hypothetical case, it does highlight how the FFCR and CARES Acts should help to provide financial stability for many displaced workers in the short term. However, the size and duration of the acts' positive impact depends a lot on individual circumstances, including where people live. The longer the COVID-19 crisis persists and prevents individuals from returning to work, the greater the financial stress for many households will become—and the need for additional policy action will also become greater.

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