Serious Relief, but Challenges Ahead
The American Rescue Plan
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On March 11th, President Biden signed into law the American Rescue Plan Act as a multi-faceted response to the COVID-19 pandemic and the widespread economic dislocations which it caused. There were certainly many provisions in the $1.9 trillion-dollar law that a short treatise like this cannot cover: several that are designed to provide one-time aid and several others that are targeted to specific needs. Here, I am focusing on the impact of the law on lower-income individuals and families. First, lower-income families have suffered the most from the economic devastation of the COVID-19 pandemic; second, lower-income families will benefit more from the Rescue Plan because more benefits are targeted on those at the bottom of our economy. Third, this is a special occasion of shared striving for those who are the poor and marginalized in any society.

The Urban Institute has analyzed four components of the Rescue Plan which together have a demonstrable impact on the projected poverty rate for 2021 and the social disparities of poverty in this country. The four components are: (1) a one-time aid for two through September 30th of the pandemic-related unemployment insurance benefits; (2) extension for three months until September 30th of Supplemental Nutrition Assistance Program (SNAP formerly the Food Stamps Program); (3) one-time $600 personal recovery payments; (4) increased child tax credits to millions of parents, and (4) extensions of monthly unemployment payments beginning in May. The Urban Institute projects the combined effect will be to cut the poverty rate to 7.8 percent for 2021. The second year would be paid in 2022 [3].

Without these new benefits, the projected level of U.S. poverty for 2021 under what is called the Supplemental Poverty Ratio (7.1 percent) [4]. The combined effect of these four provisions alone is to reduce the poverty level to 4.9 percent. This would reduce the number of people living in poverty by 16 million people, from 44 million to 28 million. [5]

In terms of racial disparities, three of four provisions combined would reduce the poverty rates as follows.

For Black, non-Hispanic people by 42 percent, from 18.1 percent to 10.5 percent.
For Hispanic people by 39 percent, from 21.9 percent to 13.3 percent.
For white, non-Hispanic people by 34 percent, from 9.6 percent to 6.4 percent.

Many other provisions of the new law will benefit lower-income families, as well as others. There are improvements and increased funding for WIC, [2] energy assistance, water bills, COVID-19, vaccinations, school and child care resources, state and local government; the Earned Income Tax Credit will be increased by $500 for each child in the family; the Child Tax Credit will be increased by $1,400 per family; Medicaid expansion, and premium assistance under the Affordable Care Act... the sponsors of the $1.9 trillion plan that the project that combined the effect will be a strong stimulus to the economy, in addition to all the targeted effects for lower-income families and particular people, projects, state and local government services.

Consistent with the above, the complete absence of any planner's poverty or any expiration of a minimum wage increase to $15 an hour as well as any moratorium on evictions and foreclosures, eviction of undocumented people from most benefits, failure to include the long-established, bipartisan “Hepburn Amendment” language in the federal budget of subsidies, and the temporary stayed court of any increases. In addition, despite the high-impact programs which reduce poverty, there will still be tens of millions of Americans living in poverty in the year.

Title 1 of the American Rescue Plan Act as a multi-faceted response to the COVID-19 pandemic and the widespread economic dislocations which it caused.