

Headlines

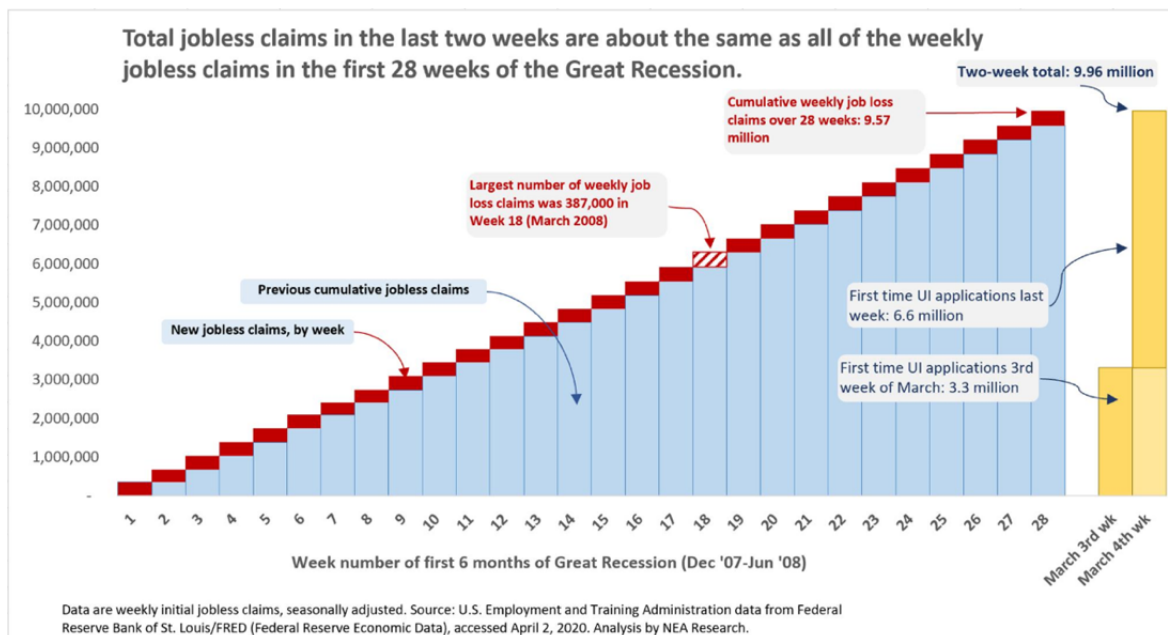
- Unemployment Insurance claims – the best current measure of the effects of the pandemic on the workforce – continue to rise exponentially. This week there were over 6.6 million claims, more than the total number of claims made over the first 28 weeks of the Great Recession.
- We now have estimates of unemployment numbers for the summer months ranging from 20 million (EPI) to as high as a possible 47 million (St. Louis Federal Reserve), with unemployment rate predictions ranging from 16% to as high as 32%.
- While the current economic situation is too unstable to predict eventual outcomes with a high degree of confidence, states have started to release initial estimates of revenue drops due to the coronavirus. Some state governments have already called off planned proposals to raise teacher pay and asked state education agencies to cut their budgets.
- There is a consensus that while the \$2 trillion CARES Act, along with the two much smaller, earlier bills have done much that is good and needed, it is only a beginning.

Key Economic Indicators

	Indicator (Date)	Current	Change Since Last Measured	Change Since 2/1/2020	Frequency	Next Release Date
↑	Initial Unemployment Claims (3/28)	6,648,000	+3,341,000 since 3/21	+6,447,000	Weekly	4/9
↑	Unemployment Rate (March 2020)	4.4%	+1.1 since Feb	N/A	Monthly	5/1
	Estimated Unemployment Rate (New York Times - 4/3)	13% (range: 10-20%)	N/A	N/A	One-time estimate	N/A

Official indicators from St. Louis Federal Reserve Economic Data (<https://fred.stlouisfed.org>); estimate for current unemployment from New York Times (<https://www.nytimes.com/2020/04/03/upshot/coronavirus-jobless-rate-great-depression.html>) both accessed April 3, 2020.

Graphic of the Week



Analysis

Everything having to do with the COVID-19 pandemic is moving incredibly fast, including the impact on the economy and people's livelihoods. The events surrounding us are entirely unprecedented, leaving us with little to rely on in the way of precedent or experience to know or predict where things will stand in a month or six weeks, let alone next year.

In terms of the economy, what we want to know:

- What will the impact be on state and local budgets, school staffing, educators' salaries and benefits? We are still far from being able to predict any of this with any degree of confidence, but we do have some broad estimate for revenue and budget shortfalls from some states in the articles summarized and linked to, below. We know that some states have already stepped back from promised salary increases, and others are looking at sizeable, across-the-board budget cuts.
- Furthermore, we want to understand what the government has done so far to address the crisis, and what more needs to be done. On this, we do have some good articles from friends and allies, summarized below, focused on the \$2 trillion CARES Act, what it does, and what remains to be done.
- One thing consistent so far is that every new estimate of every indicator is worse, often dramatically worse, than the previous one. New York Times contributor and University of Michigan economist Justin Wolfers writes today that the current unemployment situation – not as reflected in the official statistics released this morning, as those are based on data from March 12th – is likely to be something like 16 million *newly* jobless, and **an unemployment rate of 13%, which is a higher rate than this country has seen since the Great Depression in the 1930s.**
- We now have estimates of unemployment numbers for the summer months ranging from 20 million (EPI) to as high as a possible 47 million (St. Louis Federal Reserve), with unemployment rate predictions ranging from 16% to as high as 32%.

As Axios points out [today](#), what we are experiencing is somewhat akin to having a major, Katrina-level natural disaster in every state simultaneously – but worse. There is a consensus that while the \$2 trillion CARES Act, along with the two much smaller, earlier bills have done much that is good and needed, it is only a beginning. Much more will be required if we are to prevent this recession from tailspinning into a depression.

What more does the federal government need to do?

- Sylvia Allegretto, economist at UC-Berkeley [argues](#) that, while the CARES Act has done much to strengthen and broaden the Unemployment Insurance program, it is overly reliant on that UI system to fix all that is wrong with the economy as a result of the pandemic. She writes, “Yes, the economy is falling fast and hard. The question is whether we will respond with policies that greatly mitigate the pain and ensure a strong (V shaped!) rebound. **Stopping the recession from morphing into a depression is paramount.**”
- What we are now facing calls for much more than what the CARES Act has provided. The U.S. needs, she continues, to do what some countries in Europe are already doing to basically “freeze the pre-virus economy in place and not let the health crisis become an unmanageable economic one,” by guaranteeing payrolls, so that workers, although they may not be working right now due to the pandemic, need not be separated from their jobs (and, in this country, health insurance).

New Resources (Domestic)

[CARES Act Includes Essential Measures to Respond to Public Health, Economic Crises, but More Will Be Needed](#) (Center on Budget & Policy Priorities)

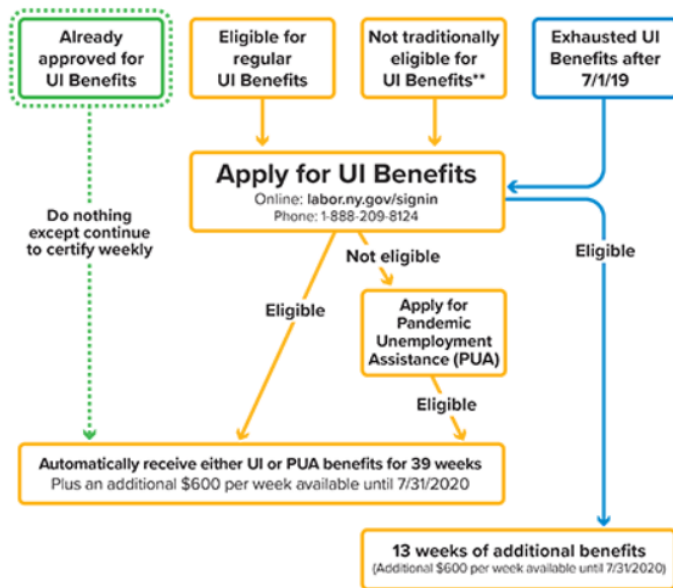
The unprecedented \$2 trillion CARES Act passed just last week, has a number of critical components including a sizable broadening of the Unemployment Insurance program, direct payments to individuals and households, \$150 billion in pandemic-related budgetary support to state and local governments, but has many shortcomings, including:

- “It lacks any provisions to expand health coverage or pay for COVID-19-related treatment for the uninsured.
- It lacks a SNAP benefit increase, which is needed to help families afford food — and to boost overall consumer spending — while the economy remains weak.
- It lacks an emergency fund modeled after the successful TANF Emergency Fund in place during the Great Recession. Such a fund could quickly provide both families with children and others with cash assistance to meet their basic needs and other forms of crisis assistance.

- It lacks provisions to extend — or broaden — certain of its economic-relief provisions if economic conditions warrant. For example, its broad eligibility expansions for unemployment benefits expire December 31, and its unemployment benefit increase expires July 30. Similarly, states can only use the Coronavirus Relief Fund for spending through December 31, while the increase in the federal share of state Medicaid costs Congress provided in the previous COVID-19 response legislation ends at the end of the public health emergency, neither continuing nor increasing if the economy worsens.”

Although the additional federal support for unemployment insurance has been widely-welcomed, the new provisions are quite complex, with three distinct new UI programs. The New York State Department of Labor has published a chart that serves as a guide to would-be UI applicants in any state as to how to proceed:

What You Need to Know and Do About the CARES Act



Source: New York State Department of Labor, Information on Novel Coronavirus, available at: <https://labor.ny.gov/ui/cares-act.shtm>

[State Rundown 4/3: States Welcome Federal Aid, Seek Further Solutions](#) (Institute on Taxation & Economic Policy)

“States and families got good news this week as Congress came together to pass major aid to help during the COVID-19 coronavirus pandemic. But that bright spot came amid an onslaught of very difficult news about the public health crisis and the economic and fiscal fallout accompanying it.

“The virus is... wreaking havoc on local budgets.... Cities and counties are cutting services and jobs and scrounging for health care supplies needed to fight the virus. Schools are struggling to ensure that special-needs students continue to get crucial services. And libraries are creatively rethinking how they can serve their communities.

“Some help for states and localities is on the way in the form of recently approved federal aid, but is very limited in size and scope, so much more will be needed to help stabilize state and local budgets as revenue plummet and needs rise.”

[States Start Grappling with Hit to Tax Collections](#) (Center on Budget & Policy Priorities)

“States have only just begun to forecast the pandemic’s likely impacts on their revenues based on the best economic projections available and their experience with past recessions and other shocks to state economies (see table, below). The early reports are sobering, and as the full scale of the downturn becomes clearer, revenue projections will likely fall further.

“State tax collections will be rocked by both the immediate impact of the measures taken to stem the spread of the virus and a likely deep COVID-induced recession.

“States face an immediate problem for the remaining months of this fiscal year because sales tax collections are likely already declining and income taxes withheld from paychecks will begin to drop soon as workers are laid off.”

COVID-19 Pandemic Expected to Cause Sharp Revenue Drops in States				
State	Amount	Percent of Pre-COVID-19 projections	Source	Date
Preliminary Estimated General Fund Revenue Declines in Fiscal Year 2020				
Arkansas	\$353 million	6 percent	Department of Finance and Administration	March 23
Colorado	\$396 million	3 percent	Office of State Planning and Budgeting	March 16
Michigan	\$1 to \$3 billion	4–12 percent	Treasury, Budget Office, press report	March 30
Oklahoma	\$219 million	3 percent	Appropriations Chair	March 31
Vermont	\$224 million	14 percent	Joint Fiscal Office	March 25
Preliminary Estimated General Fund Revenue Declines in Fiscal Year 2021				
Alaska	\$600 million	20 percent	Legislative Finance Division, press report	March 13
Colorado	\$750 million	6 percent	Office of State Planning and Budgeting	March 16
Colorado-recession scenario	\$1.8 billion	13 percent	Office of State Planning and Budgeting	March 16
Hawaii	\$319 million	4 percent	Council on Revenues	March 20
Kentucky	\$115 million	1 percent	House Budget Chair, press report	March 25
Michigan	\$1 to \$4 billion	4–16 percent	Treasury and Budget Office, press report	March 30
New Mexico	\$1.5-\$2 billion	20–27 percent	Senate Finance Committee, press report	March 31
New York	\$4 – \$7 billion \$9 - \$15 billion	5–8 percent 9–17 percent	Comptroller, State Budget Director, press report	March 17 March 24
Oklahoma	\$250 - \$500 million	4–7 percent	Appropriations Chair	March 31
Virginia	\$1 billion	4 percent	Secretary of Finance, press report	March 24

[With New Revenue Projections, State, K-12 Leaders Brace for the Worst](#) (Education Week) “State leaders have a better picture now of how deep and widespread fiscal fallout from the coronavirus pandemic will be, and they're warning many K-12 districts to prepare for the worst. The impact on sales and income tax revenue of having so many workers laid off and holed up in their homes for weeks on end will vary from state to state and district to district. But this week, several state analysts forecasted multi-million dollar cuts to state revenue next year.

“New York, the epicenter of the Coronavirus, expects to lose \$15 billion, more than 8 percent of its revenue. That's almost twice as much as what the state projected two weeks ago.

“Idaho Gov. Brad Little said the state has already lost more than \$40 million in tax revenue this fiscal quarter and ordered state agencies, including the state's public school system, to cut 1 percent of their budgets. The state has one of the lowest K-12 per-student spending rates in the nation.

“And in Georgia, the legislature this year already cut \$159 million out of its \$1.45 billion overall budget amid slowing revenue projections. Legislators there, who are on temporary recess, are already calling off a proposal to raise teacher pay, joining a growing list of states that have already done so.

“Meanwhile, a growing list of urban, suburban and rural districts predict now that expenses will likely rise next year after students return to school having missed months and months of instruction. They're already coping with a growing list of costs this year,

including paying janitors overtime to clean contaminated classrooms and purchasing new computers for students to participate in distance learning.”

[Nearly 20 million workers will likely be laid off or furloughed by July: Updated state numbers project further job losses due to the coronavirus.](#) (Economic Policy Institute)

EPI uses Goldman Sachs' estimate of -9% GDP in the 1st Q and -34% in the 2nd Q to arrive at a **new estimate of 20 million unemployed by the end of July**, and urges Congress to finance wages of workers who would otherwise be laid off. Their previous estimate from a week ago was 14 million. Nevada will also have the highest unemployment rate (19.7%) of any state by July, while more than 1 in 6 workers are projected to be unemployed in Alaska (17.8%), Hawaii (17.8%), Mississippi (17.5%), and Delaware (16.8%). **Important to note that this new estimate** takes into account the passage of the \$2T CARES Act *and* also assumes a fourth COVID-19 response bill that will emphasize direct relief assistance to states to shore up budgets in the face of tanking revenues. They also urge Congress to follow the lead of Denmark and the U.K. and "...use public debt to finance the wages of workers who would otherwise lose their jobs.... This would allow workers to keep their jobs, even if they are unable to work from home or their employer is closed. It would also allow some workers to save money that they could spend once the pandemic has subsided, which would help jumpstart the recovery."

[Unions are giving workers a seat at the table when it comes to the coronavirus response.](#) (Economic Policy Institute)

At the same time that the federal government through the National Labor Relations Board has instituted changes that [“make it nearly impossible for workers to organize a union”](#), “EPI reports and blog posts have documented the ways that workers through their unions solve problems and make changes that improve their lives and their communities. This includes ensuring broader access to paid sick leave and health insurance, two issues of particular importance in the current pandemic.”

"We have never seen such immediate and sweeping changes at so many workplaces in modern history. What are unions doing to ensure that workers have a seat at the table?"

EPI lists instances where UAW, Teamsters, SEIU and CWA are giving workers a seat at the table when it comes to the coronavirus response, focusing on issues like paid leave, job security and working conditions including health and safety.

[How Will States and Localities Divide the Fiscal Relief in the Coronavirus Relief Fund?](#) (Center on Budget & Policy Priorities)

“The new bipartisan economic stimulus legislation — known as the CARES Act — contains significant new resources to help states address massive, immediate budget problems due to COVID-19, though states will almost certainly need more aid in coming months.

“The centerpiece of this aid is the \$150 billion Coronavirus Relief Fund, which state, tribal, and local governments can use this year to meet costs connected to the virus. Each state will receive at least \$1.25 billion, while the most populous states (California and Texas) will receive over \$10 billion each, we estimate.

“A portion of each state’s allocation will go to local governments. Only local governments with populations over 500,000 are eligible for funding. In states with no city or county over 500,000 people, the state government will receive the entire allocation.”

Educators should note that only \$30 billion of the \$2 trillion is designated for schools – the \$150 billion for state and local governments (above) is directly tied specifically to costs due to the pandemic.

New Resources (International)

[Evaluating the initial impact of COVID-19 containment measures on economic activity](#) (OECD)

On shorter-term impact on GDP: “This approach suggests that the initial direct impact of the shutdowns could be a decline in the level of output of between one-fifth to one-quarter in many economies, with consumers’ expenditure potentially dropping by around one-third. Changes of this magnitude would far outweigh anything experienced during the global financial crisis in 2008-09. This broad estimate only covers the initial direct impact in the sectors involved and does not take into account any additional indirect impacts that may arise.”

On longer-term impact: “The implications for annual GDP growth will depend on many factors, including the magnitude and duration of national shutdowns, the extent of reduced demand for goods and services in other parts of the economy, and the speed at which significant fiscal and monetary policy support takes effect.”

“Considerable uncertainty remains about the duration and magnitude of confinement measures and the extent to which they may be implemented in a similar manner across countries. Even once they begin to be eased, the extent of any subsequent recovery in output will depend on the effectiveness of the policy actions taken to support workers and companies through the downturn and the extent to which confidence returns.”

OECD has published this interactive world [COVID Action Map](#), where you can obtain, for most countries, information on containment measures, travel bans/restrictions, school and other closures, health and fiscal support measures enacted, and new monetary policies and regulations.

NEA Economic Update is produced by the Research Department in the Center for Enterprise Strategy. If you have any questions or suggestions, please contact Dwight Holmes at dholmes@nea.org.