



COMMITTEE FOR ECONOMIC DEVELOPMENT  
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July 20, 2020

The Honorable Nancy Pelosi  
Speaker  
United States House of Representatives  
1236 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
317 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Republican Leader  
United States House of Representatives  
2468 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Chuck Schumer  
Democratic Leader  
United States Senate  
322 Hart Senate Office Building  
Washington, D.C. 20510

Dear Speaker Pelosi, Leader McConnell, Leader McCarthy and Leader Schumer,

The Committee for Economic Development of The Conference Board (CED) is a non-profit, non-partisan business-led think tank whose Trustees include over 160 current and former CEOs. Since its inception in 1942, the CED's goal has been to develop and disseminate reasoned solutions in the nation's interest that promote sustained economic growth to benefit all Americans.

We commend the timely, sweeping, unprecedented action taken by the Congress to address the coronavirus crisis and its growing detrimental impact on our nation's health and economic well-being.

As the virus spreads across the country, challenging health care systems and states' reopening plans, the US economy (along with the public health) is once more at risk. We urge that you work expeditiously on legislation that will aid in swiftly defeating the pandemic, provide relief to citizens and economic sectors that continue to be adversely affected – replacing a share of the losses that businesses and households have suffered, to keep them and the economy functioning – and then to help our economy to return to a growth path that will realize its potential and restore broadly shared prosperity.

When the CARES Act was passed on March 27 there was hope that the spread of the virus and its impact could be arrested in just a few months. But it is now clear that the arc of recovery has not yet truly begun and that, as a nation, we must continue to address the pandemic's deep public health and economic challenges, as well as its challenges to the credibility and sustainability of our democratic institutions. We must now lay the foundations that will allow our nation to emerge from this crisis stronger, addressing the inequities the pandemic has illuminated and providing economic opportunities that tap America's full potential. Accordingly, it is imperative that the US Congress takes prompt bipartisan legislative action.

The current upturn in coronavirus cases in the US, reaching record levels in some states, has forced a number of states and cities to halt or reverse their reopening plans. This trajectory – and concerns about a second wave in the fall – dictates that key measures in the CARES Act must be extended, and in some cases improved based on what has been learned over the past three months, to contain the pandemic and its economic devastation. But at the same time, the federal government must help to get America “back to work,” providing opportunities for all citizens—of every age, sex and race—to responsibly and safely return to an economy that provides high levels of employment, production and consumption, in an environment where the responsibility for economic growth can once again rest on the private sector. To realize these objectives, the CED recommends the following legislative initiatives:

**Unemployment Compensation.** Federal Pandemic Unemployment Compensation (FPUC) provides eligible individuals with \$600 per week on top of the benefit they receive through regular or pandemic unemployment insurance. This benefit, funded by the federal government, provides both targeted relief to families that have experienced a significant loss of income, and purchasing power to support the weak overall economy. With expiration imminent, failing to extend this program in a timely manner would withdraw needed support from millions of US households at a time when jobs are scarce and the barriers to work due to health risks and care responsibilities are high. Furthermore, not extending a benefit increase would lead to fewer customers and less spending for the businesses that remain open, more missed rent payments, and more economic pain. With unemployment still higher than any month since the Great Depression, both the economic importance and the urgency of extending this provision are clearly evident.

The design of this benefit is less than optimal. The simple, one-size-fits-all flat added benefit amount that could offer rough justice at best was chosen solely because many state computer and administration systems are so outdated that a more complex, tailored design could not be implemented without unacceptable delay given the scale and urgency of the economic disruption. However, the flat-dollar increase amount necessarily provided many workers more in weekly unemployment benefit income than they had previously earned on the job (though some unemployed workers who have lost their employer health insurance coverage and must pick up the cost of COBRA insurance continuation are bearing additional cost burdens beyond what they bore while working). Having benefits greater than past wages risks discouraging the unemployed from returning to work, although the US today is clearly lacking more in job opportunities than people to fill them; and a worker who does not accept a job offer today must wonder when the next opportunity will come. And while surely some workers have chosen to remain unemployed rather than return to the job as a result of the FPUC benefit, millions of workers did return to employment between mid-April and mid-June.

In our view, there is no perfect near-term solution. We suggest that the FPUC benefit be reduced to \$500, to correspondingly increase incentives to return to work, but continued through the end of 2020, for several reasons. Most basically, there simply is no workable option; many states cannot implement a more finely tuned alternative at this time. From an economic standpoint, the unemployed and the economy need support. But also, states with weak computer systems should use the time before the end of the year to finally modernize them and prepare to implement a better-targeted federal benefit supplement that they will be required to implement next year. To that end, we urge that this round of legislation provide federal technical and financial assistance for state unemployment system modernization, including facilitating collaboration among states that share particular technical issues.

Beginning in 2021, we suggest that the federal supplement be targeted to the percentage of prior wages replaced – which the states must be administratively prepared to implement. One possible formula

would set the added benefit to a percentage (45 percent has been suggested) of prior wages (with a cap of \$500 of weekly benefit), rather than a fixed dollar amount. Other formulas are possible. The goal is to maintain adequate wage replacement while reducing the number of persons receiving more than their prior wages, understanding that with 50 different state systems no simple formula will yield perfect outcomes. That change could be maintained for each state until its unemployment rate falls below 8 percent, and could be reduced gradually as the unemployment rate falls back toward its pre-crisis level. This program could be made permanent so that it would provide support to the states and to the unemployed in future economic downturns. Should the economy and the public health perform notably better or worse than anticipated, this program should be revisited.

Pandemic Emergency Unemployment Compensation (PEUC) provides an additional 13 weeks of unemployment compensation through December 26, 2020 for workers who exhaust state-provided unemployment compensation benefits. In addition, Pandemic Unemployment Assistance (PUA) provides up to 39 weeks of very modest unemployment benefits to individuals who are not eligible for regular unemployment compensation or extended benefits, including the self-employed, independent contractors, workers for certain religious entities, those seeking part-time employment, and individuals lacking sufficient work history, among others. The PUA program expires December 31, 2020. With the prospect of high unemployment, the CED believes that PEUC and PUA should remain in place in 2021, to be phased out along a path based on state unemployment rates in the same fashion as the existing extended benefits program, and could be continued permanently with the same formulas to provide an additional layer of protection for the economy in any future severe recessions. In the long term, the need for PUA suggests that the overall UI program should be improved.

**Food and Housing.** Many citizens who were vulnerable even before the pandemic, and many more who previously were secure, face a true crisis in meeting the basic necessities of life. The CED recommends that the criteria for eligibility for the Supplemental Nutritional Assistance Program (SNAP) be temporarily expanded through 2021 by raising the income ceiling, eliminating the work requirements and increasing the benefits, with the federal government paying the cost of these changes. The states cannot assume the financial costs involved, and persons who have low, or no, income desperately need nutritional assistance.

Evidence indicates a mounting number of legal actions to evict tenants unable to pay rent. Continuing robust unemployment compensation supplements will help. However, the rising number of pending legal cases suggests that too many people are falling through the cracks. Particularly during a pandemic, increased homelessness is in no one's interest. We urge a block grant program so that local governments can target resources to cases of genuine need without duplication of resources with other programs. Some of that cost might be postponed or recovered if rental properties financed with federally subsidized mortgages are required to abate evictions, with mortgage payments postponed (but not forgiven) on generous terms. Simply creating a moratorium on evictions without funding runs the risk that tenants accumulate large rent arrears which they cannot pay whenever the eviction moratorium ends.

**Assistance to States and Municipalities.** States and municipalities are facing higher health care costs due to the coronavirus, providing more benefits to their citizens to cushion the economic impacts, bearing added costs to make schools safe, and experiencing huge revenue losses due to lower economic activity. Estimates of the shortfalls vary, from as high as \$650 billion for the states alone over 2020-2022 to \$500 billion for the states and municipalities during this same period. The CARES Act provided \$150 billion for state and local governments, but was limited to coverage of unbudgeted public health

expenditures over a roughly nine-month period, which clearly will not be nearly enough. It is true that loan funds are available through the Federal Reserve for those states that are constitutionally permitted to borrow, but even for those states, that borrowing may prove unaffordable in the longer term.

State spending cuts will (as they did during the 2008 financial crisis and its aftermath) detract from federal stimulus and slow the recovery. Between 2008 and 2013, state and local governments cut more than half a million jobs, worsening unemployment. While cuts to education, infrastructure and other human capital investments provide short-term state budget relief, they drain innovation and national economic strength, and widen the inequality divide.

To avoid such self-inflicted wounds, the federal government should fill the gap in state and local revenue losses due to the coronavirus. The Federal government could replace any shortfall in combined state and local tax revenues until they return to population- and inflation-adjusted fiscal year 2019 levels. In return, until their revenues recover, state and local policymakers would maintain effort on their current tax policies (so as not to shift costs to federal taxpayers). Such an approach would channel support to the places most severely impacted, reduce the risk that state and local policy harms economic recovery, and avoid windfalls to states and localities that have not been fiscally prudent in the past.

Because a federal revenue backstop would not offset the additional cost pressures that COVID-19 has placed on states and localities, a block grant keyed to the additional costs of fighting the virus should be carefully targeted to build on the CARES Act funding for states and localities. Among other needs, this block grant should be large enough especially to cover the higher costs of delivering quality education, from K-12 through postsecondary education and training, because of the pandemic. Past crises, like the Great Recession, permanently reduced achievement among American students, with negative effects particularly concentrated in lower-income school districts. And the support so far in the CARES Act for K-12 is significantly lower than support provided during that crisis. An entire generation of students will be scarred and the achievement gap widened, unless the federal government provides, and state and local governments diligently deploy, the resources needed to overcome this extraordinary challenge, which could not be anticipated in any government budget.

**Strengthen the Healthcare System.** An important step taken in the CARES Act was a \$175 billion fund for “eligible health care providers” to cover expenses and lost revenues due to the coronavirus. Funds were also made available for other healthcare purposes, such as testing, treatment and drug development and the training of the health care workforce, including contact tracers. The bulk of the funds destined for hospitals has been allocated by the US Department of Health and Human Services (HHS).

The CED believes that much more needs to be done to place the nation’s health care system on a sound footing so that it can deal with patients in any second or even third wave of infections, have adequate supplies of beds, medical equipment and PPE, and aggressively pursue testing, contact tracing, new treatments and vaccine development. The strengthening of the health care system is so important to conquer the current pandemic and to be ready for any future challenges that we recommend that further funding be appropriated for these purposes and allocated by HHS in a manner that will best meet the nation’s health care needs both now and in the future.

**Provide Support to the Child Care Industry and Early Education Programs.** On June 22, the CED wrote to Congressional leaders to urge creation of a child care stabilization fund in the next coronavirus federal legislative relief package. CED believes that additional financial assistance to the child care and early

education sector is essential for a successful reopening of the economy, the work and training of parents, and a strong infrastructure for the development of children and ultimately a wider talent pool for employers, supporting increased economic opportunity and a stronger economy. Over 11 million working families across a broad socioeconomic spectrum rely on child care. Nearly nine out of 10 families with children under age five in which both parents worked full time relied on paid child care, as did more than eight out of 10 working single parents. Access to safe, high-quality child care is an essential workforce support for these families to return to work as state economies reopen. It is also an early learning setting for children that can provide a foundation to succeed in school and later in life. However, the child care sector is in jeopardy of complete collapse. According to a recent nationwide parent survey, sixty-one percent of parents who had relied on child care centers reported that their center had closed. Of parents who relied on home-based child care, forty-eight percent of parents reported that their family child care home had ceased providing care. Because child care providers operate their businesses on such thin margins even under normal circumstances, these temporary closures are estimated to result in the permanent closure of 50% of the country's child care centers, and a permanent loss of 4.5 million child care slots. Meanwhile, the pandemic will add to the cost of delivering child care and early education.

**Extend the reach of the Paycheck Protection Program to smaller businesses, especially those minority owned.** After extensions, the window on the PPP program will close in early August, likely with some funding unused. CED recommends that the PPP program be continued through the end of 2020, but that only businesses with fewer than 100 employees should be eligible to apply for loans. CED further recommends that efforts be made by the Small Business Administration to engage companies that regularly provide financial services to micro and small enterprises as channels for the PPP loans. Such companies regularly deal with micro enterprises, know how to reach them and have the trust of the business owners. In this way, the PPP can be more effective in reaching the smallest of the small businesses, especially those that are minority and women owned. The CED also recommends that all PPP loans less than \$150,000 that have already been originated be automatically forgiven, because under current law virtually all would be forgiven in any event. That would relieve paperwork on over 80% of the loans, but would affect only 20% of the funding.

**Establish Limits on Liability for Coronavirus Infections.** As states have moved into various stages of reopening their economies, widespread concern has developed over the exposure to liabilities that any organization may have simply by opening its doors for business. This concern will keep some businesses from reopening, and impede the extent of reopening on the part of others. Every business should be liable for negligence, and certainly for anything done with malicious intent. However, the CED urges the Congress to provide liability relief to business that act in good faith, to allow orderly reopening and avoid a myriad of lawsuits seeking to place blame for virus transmission that realistically cannot be traced. The CED believes that businesses that can document that they have followed the rules of reopening and the recommendations of national, state and local public health authorities (to prevent a "race to the bottom" on state or local standards), and have taken prudent steps to protect their customers, staff and suppliers, should not be liable for coronavirus infections that could have occurred elsewhere.

**Provide a mandate and funds for safe, accessible and credible elections, most importantly for the November 2020 Presidential elections.** The CED strongly believes that transparent, fair and accessible elections are fundamental to the confidence of our citizens in their government and its leadership and fundamental to the long-term health of the US economy. This confidence will in turn influence how citizens feel about all aspects of our society and especially our economic system of capitalism, which this

country has used since its founding to achieve the highest living standards in history. The COVID-19 pandemic is wreaking havoc on campaigns, party conventions, and the most sacred of democratic principles—the ability to vote. Policymakers and election officials must act now to ensure that COVID-19 is not a deterrent to participation and that the election offers an accessible and credible way for eligible voters to make themselves heard.

As the CED did in its letter of June 16 to Congressional leaders, we urge that legislation be passed immediately to provide the necessary funding to states and localities to ensure they can implement the procurement, training, and adjustments needed to conduct elections in which we can all have confidence. During a continuing public health emergency, such an election should feature:

- All duly registered voters able to easily obtain and cast a postage-paid mail-in ballot
- Easy access voting by mail without requiring any justification on the part of the voter
- Significant periods of early voting—at least 10 days, including weekends and evenings
- Poll workers and voters who have the protective equipment, supplies, and training they need to keep polling places safe and conduct the election in a timely, trusted, and transparent manner

There is very little time left for the states and localities to achieve this goal by this coming November. Policymakers and election officials must act now.

**Enact an infrastructure program to make the US economy more productive and competitive, while creating new jobs.** Even before the pandemic, by many measures, the US had fallen behind foreign competitors due to aging and inefficient infrastructure. Now, pandemic-stressed cutbacks in investment would slow the economy. We need both immediate funding and a long-term program of construction and maintenance of new highways, bridges, tunnels, ports, railroads, airports, water, low- or no-carbon power, communications and many other capabilities for the nation, its people and its businesses to function efficiently. To the pre-existing agenda, the pandemic has added urgency to the provision of broadband access everywhere in the country. With many distance workers and a norm of remote electronic business transactions, broadband must be available to everyone, urban and rural, so they can fully contribute to our economy and society. Such access is also necessary for distance learning, and with the possibility of continued interruption of in-person education, creative near-term approaches are necessary along with longer-term investment.

As a first step, the CED recommends additional funding for the federal government and states and localities to maintain their infrastructure programs despite the revenue declines and operating disruption because of the pandemic. Keeping existing programs on track is the quickest and simplest way to get the economy back in step. A second component of that process should be funding the US highway program, which is under threat from a long-standing revenue shortfall. Providing a full funding mechanism and allocation for already programmed construction and repair is both prudent and manageable. The urgent extension of broadband service should be implemented through incentives to the private sector which must reach beyond the service “backbone” to the “last mile” connection to currently unserved individuals and businesses.

In the longer term, the nation needs a carefully planned ramp-up of a comprehensive infrastructure program that addresses both new requirements and continuous repair and renewal. But smart infrastructure investments require careful planning and adherence to credible cost-benefit analysis that

is future-oriented, considering issues of resiliency and climate risk as well as how technology has changed infrastructure needs.

A lesson from the last recession is that ramping up an ambitious, sustained program of infrastructure modernization will take time. Congress needs to make immediate investments to start the process of developing a pipeline of prioritized and executable projects, and should be willing to modernize and streamline regulatory burdens and encourage innovation in funding and finance of such projects to help speed the timetable for launch. An early part of that queue of projects could be critical assets currently on maintenance backlog or awaiting replacement, especially for critical water systems, and provide increased funding to states and localities through block grants for smaller-bore infrastructure projects like weatherization. The infrastructure program should be a combination of federal and state projects, with creative use of public-private sector partnerships. The program needs top talent as its leadership, free of political influence, as it allocates funds across high-return projects.

With youth unemployment for workers ages 16-24 over twenty percent in June, higher than at any time since the Great Depression, Congress needs to consider reviving the limited use of a public-supported jobs program conceived in the spirit of the Civilian Conservation Corps (CCC) and Americorps. In the short term, as just one example, a large cohort of high school graduates could be intensively trained and put to work for up to three years as lead-abatement specialists, working on projects across the country that may only pay off over a long time horizon. Particularly for qualified college graduates, short-term work in elementary and secondary education (in remote learning if required for safety) could be an additional form of such public service. We recommend that this option be considered carefully, and even more deeply if the pandemic continues beyond expectations or the economy remains sluggish.

**Prepare the American Workforce for the Post-Coronavirus Economy.** As a result of the pandemic, many American workers have been laid off, furloughed, or put on reduced hours. It is estimated that there are now about 40 million unemployed workers in the US. And those workers disproportionately have less education than the workforce at large. It is also clear that the economy that emerges from the pandemic will not be the economy of January 2020. Notably, the role of technology in our society and economy has grown, and the skills required have increased with it.

A top priority for business and public policy leaders even before the pandemic hit was developing and refreshing the skills of American workers to meet the changing demands of fast-paced technological disruption. With innovative programs, this current crisis that has idled so many workers can be turned into an opportunity to meet this training and upskilling challenge. For example, either by direct support to the recipient or to the institution or organization providing the training, similar to Pell grants. Pell grants themselves can be temporarily modified or modeled and adjusted for these purposes. Grants to community colleges could strengthen their capacity to provide courses, additional slots, and effective remote delivery during the remaining days of the pandemic and beyond; Tax incentives can be given to businesses to continue to provide education and training benefits to their furloughed or reduced-hour workers, or to initiate those benefits as part of a furlough package if they had not been offered before. Many large companies (as many as 92 percent, according to one study) have tuition assistance programs as a way to attract top talent, and more companies could be encouraged to do this through tax incentives.

**How will our nation finance the cost of recovery?**

There is no path more expensive and less fiscally responsible than failing to contain the COVID-19 pandemic, or to provide adequate financial support to the affected families and workers to sustain the economy.

Although the nation must not halt its economic recovery efforts, policymakers must prepare for the consequences and consider their options. Also, because financial markets understandably act on expectations, investors who buy 30-year bonds today consider the future behavior of the borrower. And right now, the truly unprecedented weight on the federal budget is straining those expectations.

So even though now is not the right time to impose a payment mechanism for the incremental debt caused by the recovery effort, it is not too early to consider what that mechanism should be. And as the markets are asked to purchase that debt, widely held expectations that the burden will be managed responsibly will only help the financing of the extraordinary but necessary cost of economic recovery.

As the pandemic continues, the CED estimates this ultimate cost of addressing COVID-19 to reach a significant fraction of one year's GDP, added to an already excessively growing debt burden. Projections are that even after the impact of the pandemic fades our debt will continue to grow faster than our economy, which is not sustainable.

This coronavirus outbreak – described as a “once-in-a-lifetime pathogen” – and the public policy response are of a scale unknown to any living American. Given this, it makes perfect sense to finance the extraordinary necessary recovery efforts over a lifetime period.

Furthermore, this recovery effort is not a part of the everyday activities of government. If the federal government had a specific plan to deal with this extraordinary one-time expense, financing it in the markets would be much easier. The CED has recommended that our nation segregate the financing of this debt from the normal government finances, and create a fully dedicated mechanism to pay for it.

Interest rates are very low, and the financial markets have shown themselves willing to consider very long-term securities. There is merit to consolidating all of the debt undertaken in a single separate financial entity, organized as a public corporation, and financing it with government bonds of a 40- or even a 50-year maturity—longer than the 30-year Treasury bonds that are the longest the Federal government sells today.

Even at interest rates as high as 3 percent, servicing costs on the amount of debt the recovery would incur would be manageable if financed in this fashion. For credibility with the financial markets—*but only after the economy is fully recovered*—the nation must raise that amount in addition to current revenues through a tax increase that would be totally segregated. The public corporation that issues the bonds would have the sole claim on these additional revenues. The new tax would not take effect until the economy recovers, but a commitment to such a tax would keep the financial markets comfortable in buying bonds with low interest rates. Revenues raised in the initial years would cover interest costs, but the revenues raised must increase as the economy grows to retire the bonds gradually and fully over their 40- to 50-year maturity.

This financing would be a major step in arresting the deterioration of our nation's fiscal health, but we would still have the task of coming to terms with the annual one trillion-dollar operating deficit of the federal government. This too must be addressed as our economy recovers.



CED hopes that these ideas will prove helpful to the Congress, and we welcome any comments and questions. CED and its members would be pleased to engage directly to move the nation and its economy forward at this crucial time.

Respectfully,

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