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Fahe’s Appalachian Perspective - Policy Responses to the COVID-19 Pandemic

The COVID-19 pandemic is causing extremely serious health and economic impacts across the country, and without a unified national response, those impacts promise to worsen. Communities like those in Appalachia and others with existing economic and health disparities are most vulnerable. Fahe is a Network working throughout Appalachia to build the American Dream. Our region has a perspective on severe health and economic distress.

The population of our region is older and sicker than the average American – creating a higher percentage of our population at elevated risk for complications from a COVID-19 infection. Since we as Americans want to look out for all Americans, our immediate response to the pandemic would be best served to consider these complications. Widespread closures of rural hospitals over the past several years and underfunding of those remaining have stretched the health system in rural Appalachia particularly thin. Staff, supplies, and equipment are all in short supply, which poses a threat to our pandemic response abilities. When the pandemic crests here and in other regions like ours, we want to do whatever we can to be prepared now. We know Americans believe in access to quality healthcare, no matter where they live.

The economic danger is just as real. Data has consistently shown that Appalachia still has not experienced the full positive effects of the Recovery from the 2008 Financial Crisis. Our communities experience steeper recessions, and slower recoveries, than America as a whole. Jobs proving prone to large-scale layoffs, like the food and service industry, tourism, and manufacturing, are found at a higher rate in Appalachia. As small employers underpin our economy, their widespread collapse or acquisition by outside interests would have dramatic long-term effects for our region.

Fahe’s policy recommendations protect Appalachian communities and everyday Americans in communities across the country: public health response; efforts to stabilize the economy; strengthening community organizations on the frontlines; and the way our country makes large structural investments.

Public Health

- **Testing and treatment for COVID-19 cost-free to patients.** If you are covered by health insurance, the Families First Coronavirus Response Act already ensures that a coronavirus test would be without cost. As serious cases of the illness require hospitalization, our best response as a country is to make testing and treatment available cost-free to all patients, regardless of insurance status. Medical debt is already a leading cause of family bankruptcies, let's prevent that blight from escalating due to the pandemic.
- **Support health care workers and their support systems as they care for us.** Government ensuring private enterprise will quickly produce and distribute critical medical supplies will save lives and shorten the pandemic. Our country's Strategic National Stockpile can provide access to all providers, in cities and small towns, to its equipment and supplies as needed. The current outbreak epicenter is our nation's largest city, New York, where ventilator and protective supplies are insufficient to meet the need. When clusters appear in rural America the small staffs, scarce beds, and limited equipment of our small rural hospitals will be overwhelmed. Decades of choices around mergers, profitability at the expense of community capacity, and state disinvestment have depleted those hospitals ranks, straining the medical system as a whole. So while we are glad for the six-month suspension of the Medicare sequester of payments to hospitals given the medical industry's structure, this crisis calls us to reverse the underfunding and closure of rural hospitals. Americans believe in access to quality healthcare, no matter where they live.

Economic stabilization

- **Direct payments to Americans can stimulate the economy best if they are large enough and include those most likely to spend them.** We are glad for the direct payments contemplated in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and also believe that larger payments would better bridge the gap in the current time of disruption. We are glad the Act included payments to low income individuals with little or no tax liability as it will reach more families that need it, and will stimulate the economy via local consumer spending and of course basic necessities. We are also grateful for the Treasury Department's efforts to explore the option of disbursing the money via prepaid debit cards for those Americans who are unbanked.
- **Lower the interest rate on Small Business Administration Disaster Loans and make them forgivable for employment support.** A huge percentage of the American public is employed by small businesses, which are also particularly vulnerable to the economic shocks of a weeks-to-months long slowdown of business. We are glad that the CARES Act will keep people employed, not only drawing their pay but maintaining access to their health insurance, by assisting small businesses to retain employees for the duration of the pandemic by making the portions of SBA Disaster Loans used for payroll support forgivable. Our view from Appalachia, with many so many of our

people employed by small businesses, is that the allocated money will need to be increased soon given the great need. Lowering the interest rate across the board will make the idea of taking on debt likewise financially reasonable.

- **Emergency relief loans to employers to protect jobs during and after the pandemic crisis.** Americans and economists agree the goal of our federal response to the economic shocks of this pandemic is the maintenance of employment in affected industries. While employed, Americans retain access to their health insurance coverage; in the absence of federal legislation that makes treatment for COVID-19 no-cost to the patient, health insurance will be a critical way to mitigate costs. Unemployment insurance can be increased to replace the income of those unable to retain their employment, but the best solution for the American public is to keep as many people as possible in paying jobs with their attendant benefits. We hope loans can be quickly and easily disbursed, as small employers don't have extra capacity for cumbersome applications.
- **Payroll tax credit for paid leave expansion for all working Americans.** Since we want our neighbors to be safe, America will want to provide all workers who are sick or who follow CDC-guidelines to self-quarantine and cannot work from home due to the pandemic paid sick time. We can effect this by expanding the payroll tax credits it first made available in the Families First Coronavirus Response Act to cover all employers and employees who lose work. The CARES Act does create payroll tax incentives for businesses to retain employees during the pandemic, and has limits on employee retention rates for emergency relief loans to businesses, but does not address the paid leave issue.
- **Unemployment insurance covering four months, with partial unemployment programs in every state, maintaining 100% of lost income.** With public health officials signaling various lengths of time necessary to flatten the epidemic curve, and the economic shocks of the pandemic expected to last beyond the initial social distancing period, unemployment insurance coverage will need to be available on a longer-term basis. Four months is a good start right now. Furthermore, with so much of the American public relying on these programs at once, anything less than 100% replacement of income will have further effects on the economy. In the cases where employees have not been laid off, but instead had their hours drastically cut, unemployment insurance can replace the portion of their income lost due to those lost hours. Many states already have this type of unemployment insurance, but federal assistance during the pandemic can create 50-state adoption to ensure it's an option for all. We believe the CARES Act achieves these goals, and we ask that Congress continue to assess the situation as the pandemic unfolds, making extensions when necessary.
- **Fully fund food on the table programs and allow maximum flexibility to allow the programs to expand to address the increased need.** Programs like the Supplemental Nutrition Assistance Program (SNAP), and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) are designed to expand during times of economic contraction. Congress and the Administration can help increase food security and stimulate the economy by increasing the programs' per

capita funding, abandon onerous bureaucracy that makes food difficult to access, and provide maximum flexibility to the administrative requirements of the USDA's nutrition programs to match the complex needs of the time with a nimble, generous response. Provisions of the CARES Act robustly fund food on the table programs like SNAP and Child Nutrition Programs, and we ask that Congress continue to assess the situation as the pandemic unfolds, making extensions and appropriations when necessary.

- **Preventing the pandemic from causing a housing crisis on par with, or worse than, the Great Recession**. USDA, HUD, and the Federal Housing Finance Agency (FHFA) have already announced plans to provide relief to borrowers affected by the pandemic, and have announced temporary moratoriums on foreclosures. Congress followed suit in the CARES Act, mandating borrower access to forbearance on federally backed mortgage loans for a period of 180 days, with the option for an extension. The health and economic impacts of the pandemic are already going to be extreme, we should do everything in our power to not also cause a housing crisis. While government is leading the way, it is up to private lenders to explore similar relief plans which will keep people housed through the crisis and afterwards.
- **Strengthening housing programs for low-income Americans at risk of homelessness, and the homelessness response system.** Congress made an adequate first response to the widespread economic pain expressed as housing instability from this pandemic with over $12 billion to the Department of Housing and Urban Development (HUD) to respond to homelessness, community development, public housing, and the Housing Choice Voucher program. It is now up to the Administration to quickly and effectively disburse those funds across the country. In addition, at least $10 billion channeled through the HUD HOME program's flexible funding structure can provide support for short term rental assistance to low income people – not just those fortunate enough to already receive housing assistance – and for grants and loans to address both short-term operational needs and continue the economic activity of producing homes. $500 million of USDA rental assistance would be similar welcome news for low income families living in the rural part of our region. And $150 million for housing counseling support that can be extended to those not already homeless but facing eviction or trying to find a homebase to be healthy.
- **Preparing for the Recovery by providing flexibility to mortgage underwriting standards.** The USDA's single family housing programs make guaranteed or direct mortgages to eligible borrowers in rural areas, and normally functions well. However, it does have regulations and requirements that govern its mortgage underwriting, and some of those will hinder its mortgage making ability during the forthcoming recovery. With a large portion of low-income America experiencing layoffs during the pandemic, regulations requiring two years of continuous employment will prevent many people from accessing homeownership without changes. We also anticipate late or missed payments due to the pandemic negatively impacting credit scores across low-income America; USDA should explore the option of using pre-pandemic credit scores as they evaluate potential borrowers.

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- **Fund community development loans to rebuild the hardest-hit communities.** CDFI's are the "small business first responders" in the aftermath of events like natural disasters, financial crises, and now pandemics. A $1 billion emergency appropriation will allow CDFIs to help stabilize businesses and communities during the crisis and to support their recovery from the associated economic shocks.
- **Waive interest rates on the existing Financial Assistance Direct Loan program.** This would allow CDFI's to provide for the cashflow needs of impacted borrowers, who are in economic distress due to the pandemic. This would help communities return to normal, given that construction projects are stalled, small businesses are without customers, and affordable housing projects are seeing decreased income from rents across the nation.
- **Waive regulatory barriers to speedy and effective community-based capital deployment.** Several provisions of the Riegle Community Development and Regulatory Improvement Act, including those governing award caps, match funds, and business plans for emergency lending, stand in the way of a timely emergency response.

<u>Non-profit pandemic assistance for America's front line community organizations</u>

- **Provide for forgivable, zero percent interest loans for non-profit organizations impacted by the pandemic.** While the changes to the Small Business Administration's Disaster Loans are a hugely welcome step to economic stability, the portion of the loans that are not forgivable still carry an interest rate. Charitable community organizations operate on razor thin margins, frequently augmented by large corps of volunteer labor. Even the low interest on the disaster loans creates an insurmountable barrier to repayment. Assuming they weather the storm of the pandemic, nonprofit organizations are not going to suddenly be able to generate enough income to cover the debt service generated by taking emergency loans. If we want to keep local organizations running and supporting critical needs in their communities, we need to make forgivable, zero percent emergency loans available to non-profits.
- **Improve the above-the-line charitable deduction by raising the cap to $2,000.** Furthermore, allow taxpayers who make charitable donations now to claim them on their 2019 taxes, for which the deadline for filing has been pushed back to summer of 2020. Despite the widespread economic impacts of the pandemic, some Americans will still be in the position to make charitable donations, and we can use our tax code to encourage them to give generously. The CARES Act made some small progress on deductions, but was not enough to effectively encourage generous donations.
- **Bring forward the Community Housing Development Organization (CHDO) fund disbursement timeline.** HUD can offer more predevelopment forgivable loans and alter its timeline for disbursing HOME Investment Partnership funding, making the funding that will flow to CHDO's available sooner for small non-profit housing providers suffering severe cashflow issues due to the pandemic.

- **Extend expenditure and commitment deadlines for HOME Investment Partnership program and federal tax credits**. The pandemic response has caused construction to come to a halt and delayed the planning phase of many projects, extending how long it will take to complete even shovel-ready or in-progress construction. To allow construction to resume as soon as the shelter-in-place orders are rescinded, HUD can extend the expenditure deadline for existing HOME dollars, and suspend the 24-month commitment deadline. Congress can also amend the Internal Revenue Code to make tax credit development projects delayed by the stop in construction eligible to move forward as activity resumes.

Structural investments

- **Govern all federal stimulus bills with the 10-20-30 anti-poverty investment formula.** This funding formula mandates that 10% of spending be disbursed to areas where 20% of the population has been below the poverty line for 30 years. This formula ensures that the geographic concentrations of poverty receive the lifeblood of federal investment; something not guaranteed in the absence of the 10-20-30 Formula.
- **Reverse broadband infrastructure deficiencies and improving access for low-income Americans.** As much of the country moves to remote work, the unequal nature of broadband deployment has never been starker. Decades of underinvestment in broadband infrastructure in places like Appalachia mean a lack of access: students and online learning; seniors and telehealth; the workforce and online work. We cannot catch up during this outbreak, so let's remember and engage in stimulus build out of broadband in America so we are prepared the next time. When the infrastructure required is tens of billions, the CARES Act unfortunately makes little headway, but coming bills can increase this investment by orders of magnitude to bridge the now-obvious gap. More immediately, in this time of economic downturn, affordability is ever more an issue in our larger cities and small towns. While costs are a factor of long-term lack of competition, we can immediately expand the FCC's lifeline program to bring the cost down to $10/month for all people receiving any form of government low income assistance. We can pass a short term investment to educate people who need it on broadband adoption so they can use it to avoid isolation, access medical services, etc. All companies receiving federal funds would of course participate in the lifeline program.
- **Learn from the past: In crisis, use the levers of government to protect wealth for everyday Americans and small businesses.** In Appalachia, generations of financial interests (first forestry, then coal) made huge sums of money from our resources and hard-working people, underinvested in local communities, and then laid workers off – devastating those communities. Small business and hard work has today recreated a part of the missing economic linkages communities need. We can repay their contributions to local economies by ensuring our crisis response protects everyday Americans and their economic livelihoods. Using public funds to extend guaranteed loans to large private equity firms or other entities for acquisition of our region's small and medium sized businesses under duress will repeat the mistakes of the past. The enormous expenditure of public funds we are making to aid distressed communities

across the country are essential, and we can ensure this relief supports communities and everyday Americans, who do not have armies of lobbyists looking out for their bottom line. When we focus our resources on building up our communities, our businesses, and our main streets, that is when all of us can build the American Dream.

The health, economic, and legislative landscape is changing constantly as the pandemic continues. If you have questions about the document, or the work Fahe is doing to protect Appalachian communities during this challenging time, please email Joshua Stewart, Advocacy Manager, at jstewart@fahe.org