

THE AMERICAN RESCUE PLAN A YEAR LATER: RELIEF, RECOVERY AND REBUILDING

June 9, 2022

In March 2021, approximately one year after the start of the Covid-19 pandemic, the United States was at a crossroads. Nearly half a million people had died from the virus, and infection rates had been rising quickly. Vaccinations had started, but only 15 percent of the population had received full doses. Most children were unable to safely attend in-person school, increasing the burden on parents – especially women. Women left the workforce in historic numbers, driven by lack of childcare and safety in the workplace, causing female labor force participation to fall to levels not seen since the 1980s.

At the same time, our economy was down more than 8 million jobs from its pre-pandemic peak, and every week, approximately 700,000 additional Americans filed for unemployment insurance benefits for the first time. In March 2021, 24 million Americans went hungry, with 12 million children living in households without enough food. Tens of millions of Americans could not pay their rent and were facing eviction. While previous rescue packages had helped, they alone were not enough to stem the ongoing devastation and suffering facing American families and communities. Additional relief was needed to save lives and livelihoods.

Spearheaded by Chairman John Yarmuth, the [American Rescue Plan](#) (ARP) met the moment. It is one of the most consequential laws in modern history. This historic legislation – enacted without a single Republican vote – delivered tailored, targeted relief to respond to the urgent needs of the American people. That is why [experts and community leaders](#) across the ideological spectrum expressed their support for ARP. Its life-changing and life-saving provisions – like the expanded and enhanced Child Tax Credit, state and local relief, and resources to safely reopen schools – helped families and communities make ends meet while laying the foundation for our record-breaking economic recovery.

THE AMERICAN RESCUE PLAN RESCUED FAMILIES AND WORKERS

A year after the passage of the ARP, our country looks very different. First and foremost, the ARP saved lives. The funding allowed states and municipalities to set up vaccination programs, so that today 67 percent of Americans are fully

vaccinated and 78 percent have received at least one dose. The efficacy and widespread administration of vaccines reduced the deadly reach of the virus, allowing most Americans to return to work and a more regular life. Additionally, funding for personal protective equipment and other supplies helped schools reopen in-person while keeping children safer, taking the share of schools that were open for in-person instruction from 46 percent to nearly 100 percent today.

The ARP included direct payments of \$1,400 per person, which provided vital economic relief to more than 85 percent of families and helped them weather the worst of the crisis. Nutrition assistance eligibility and benefit amounts were also expanded, ensuring kids and their families had enough to eat. Housing policies that protected homeowners and renters kept families in their homes and out of homeless shelters. Expanded Affordable Care Act coverage gave families access to affordable, quality health coverage in the middle of a public health crisis. Child Care and Development Block Grants increased the supply of affordable child care, both helping support a sector hit hard by the pandemic and allowing parents to return to work and provide for their families. Unemployment benefits were extended, helping 13 million workers who lost their jobs continue to cover the costs of basic necessities and not slip into delinquency. Small businesses were supported through expanded grants, so that businesses that suffered during the first year of the pandemic, like restaurants, nonprofits, and live venues, could recover.

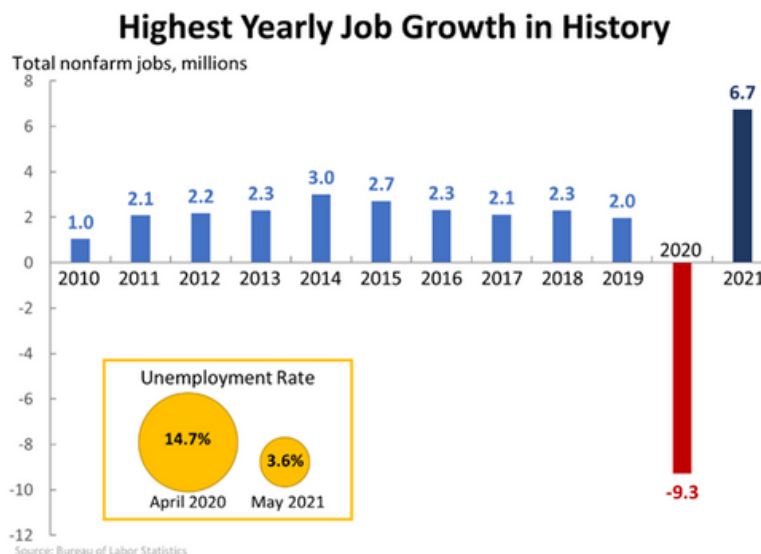
The ARP also provided a substantial tax cut to working families, putting more money into pockets. The Child Tax Credit was expanded to \$3,000 a month for each child over the age of 6 and \$3,600 for each child under the age of 6. The age limit was also increased from 16 to 17. Half of the benefits were sent as monthly payments instead of a lumpsum at the end of the year, giving families more flexibility to use their money as needed. This tax break also allowed families to cover costs, and most said that they spent the extra money on education costs, daycare, food, and other basic necessities. The expanded Child Tax credit reached 40 million families, including 61.2 million children, and pulled 3 million out of poverty--cutting the child poverty rate by 30 percent. This is the lowest child poverty rate on record in 2021, and includes record low rates for Hispanic and Black children. The ARP also increased the Earned Income Tax Credit for childless earners and lowered the age of eligibility, giving a substantial tax cut to the lowest-earning workers and helping them keep more of their hard-earned paychecks.

The ARP also provided substantial state and local support, allowing state, tribal, and local governments to avoid sharp cuts in benefits and services they provide. This money helped states and localities fight the virus, but it also allowed them make investments that saved the jobs of health care workers, first responders, sanitation and transportation workers, and teachers. Indeed, without this funding many states and localities would have had to fire these frontline workers, with the

damaging effects rippling throughout communities. The funding also helped states, tribes, and localities make up for spending cuts to programs and services that they were forced to make earlier in the pandemic. It paved the way for long-term recovery, by giving them the opportunity to make investments in projects to address racial and economic inequities made worse by the pandemic. The decisive action of the ARP was necessary to avoid a weak recovery like that of 2008, where it took more than a decade to return to a pre-recession economy.

FROM LAGGING TO RECORD-BREAKING: THE AMERICAN RESCUE PLAN CHANGED THE TRAJECTORY OF THE RECOVERY

The combination of all these investments drastically improved our economic recovery and budget outlook. Before the ARP, many feared a so-called K-shaped recovery, where poor and middle-income families would wait years to return to a pre-Covid economy, but the rich would recover immediately. Additionally, forecasters had expected that it would take a decade to return to pre-pandemic levels of unemployment. Instead, due in large part to the ARP, the economy sped past those targets by the spring of 2022, and unemployment has fallen across all racial groups – producing the most equitable recovery in recent memory. Indeed, thanks to the ARP, 4 million additional jobs were created. Additionally, the annual growth rate of Gross Domestic Product, a measure of economic activity, outpaced projections, and was nearly double what it would have been in 2021 without the ARP. The predicted wave of delinquencies and bankruptcies due to the crisis was averted. Small business formation is at a record high, with 5.4 million new businesses created in 2021. A higher number of families reported being financially secure in 2021 than in all previous years since the start of the survey. Ultimately, the U.S. led the world in the speed of our recovery, outpacing every other country.



All of these indicators are evidence of the same truth: our economy is far outpacing what the Congressional Budget Office projected without ARP. The Rescue Plan laid the foundation for America’s unprecedented recovery and economic resilience, and we are in a far better place because of it. We have made incredible progress, but challenges remain. Disruptions in supply chains across the globe and Putin’s unprovoked war in Ukraine have caused prices around the world to increase, putting strains on families. The Federal Reserve is best positioned to tackle immediate inflation concerns and they are already taking actions to combat the rise in prices. Meanwhile, fiscal policy to increase supply and capacity – like the COMPETES Act – will reduce prices over the long run. But it is because of ARP that American families, state and local governments, and our national economy have been able to face new global challenges from a position of economic strength.

On Tuesday, June 14th the House Budget Committee will hold a hearing titled “How the American Rescue Plan Saved Lives and the U.S. Economy.” Witnesses will discuss how the legislation changed the course of the recovery and laid the foundation for historic growth; how states and localities have benefitted from the funding passed in the ARP; and how the anti-poverty components of the legislation helped children and families. Witnesses include:

- **Dr. Julia Coronado**, President and Founder, MacroPolicy Perspectives
- **Ms. Sharon Parrott**, President, Center on Budget and Policy Priorities
- **Hon. Vince Williams**, Mayor of Union City, Georgia and President, National League of Cities

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.