



The Crisis We Face: How Montana Can Respond to the Economic Impact of COVID-19

April 2020

As the nation continues to face the growing COVID-19 pandemic, Montana can continue to take proactive actions to mitigate the damage to families and the overall economy. The necessary, albeit difficult, measures taken to protect public health and reduce the spread of the virus COVID-19 has resulted in an economic downturn. However, federal and state actions are critical in mitigating the human and economic toll of these public health policies. Congress has recently enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, providing significant relief to states, local governments, small businesses, and service providers to help weather the economic recession. Montana should consider additional steps to protect workers and families who have been impacted by COVID-19.

General Economic Outlook

Coronavirus will have a significant impact on the nation and Montana's economy and health. During the week of March 16, 2020, the United States experienced more weekly unemployment insurance claims than any prior week in American history.¹ On March 18, 2,830 people in Montana filed new unemployment claims, compared to 57 only one week earlier.²

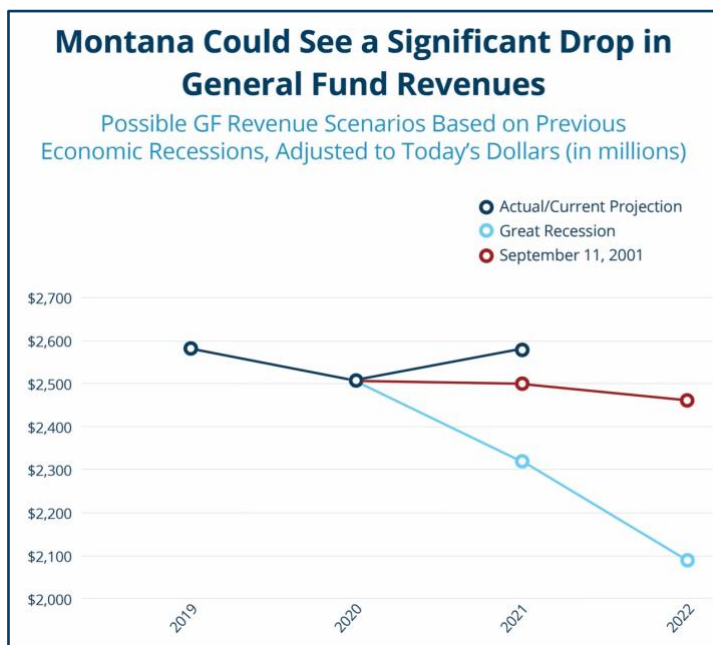
Much of the health and economic strife is yet to come, as coronavirus is likely to reach global pandemic levels akin to the Spanish flu of 1918-1919, or worse.³ Early estimates project that Montana is expected to lose over 48,000 jobs by June of 2020, representing 12.4 percent of private sector employment.⁴ Morgan Stanley and Goldman Sachs Group expect a record drop in gross domestic product (GDP) and a deep global recession.⁵ Even with the \$2 trillion stimulus package, Morgan Stanley estimates GDP to drop by 25 percent in the second quarter of 2020, with overall unemployment rising to as high as 8.5 percent.⁶ Federal stimulus funds that come to the state could mitigate this effect.

The economic contraction resulting from public health measures like businesses and schools shutting down and social distancing is the right thing to do for the health of our residents, and the state and the federal government have the tools they need to mitigate much of the resulting human suffering.

Montana Revenue

The economic slump will have an impact on Montana's budget, and we can look to previous economic declines as a possible barometer. Individual and corporate income tax revenue makes up about half of Montana's general fund revenue and tend to track overall economic trends. As individuals and businesses earn less, state tax collections on that income also drops. Montana experienced state revenue declines following September 11, 2001, as well as, during the Great Recession a decade ago. The following chart shows projected state revenue if Montana experienced similar percentage declines that occurred during 9/11 and the Great Recession. This chart assumes current fiscal year (FY 2020) general fund revenue will come in as projected by the 2019 Legislature in House Joint Resolution (HJ) 2.⁷ If an economic contraction today mirrored that during 9/11, it would result in general fund revenue collection coming in \$77 million less than projected in HJ 2 for FY2021, with the loss of revenue increasing in FY2022. Similarly, if the economic contraction following the Great Recession occurred today, general fund revenue would come in \$258 million below HJ 2 in FY 2021, with an even drop in FY 2022.

Montana's ending fund balance and other "rainy day" funds will provide some buffer against initial revenue losses, but it is unclear whether these funds will be adequate. As of March 18, 2020, Legislative Fiscal Division estimated Montana will have \$291 million ending fund balance by the end of FY 2020, as well as \$118 million in the newly created Budget Stabilization Reserve Fund.⁸ Montana law requires the state to maintain a certain amount in its ending fund balance through the biennium.⁹ Montana established the Budget Stabilization Reserve Fund in 2017 to provide the executive and legislative branches with additional flexibility to withdraw funds at times when state revenue comes in lower than projected. If the governor determines revenue levels will result in the ending fund balance dipping below \$100 million prior to October of 2020, the governor has the authority to transfer funds from the Budget Stabilization Reserve Fund.¹⁰



Federal Government Action Will Be Critical to Support Montana Families

On March 18, 2020, President Trump signed the Families First Coronavirus Response Act, providing additional flexibility to states in providing Supplemental Nutrition Assistance Program (SNAP) and unemployment insurance (UI) benefits, as well as, new provisions providing paid sick days and paid family leave for certain workers impacted by COVID-19.¹¹ On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, providing support to states through a number of federal programs. Most notably, **Montana will receive \$1.25 billion in the coronavirus relief fund**, which the state and local governments can use for expenditures that are necessary to respond to COVID-19 and not previously accounted for in the state or local government's current budget. A list of the most significant emergency appropriations within the CARES Act can be found in Appendix A.

Montanans Need Assistance for Food, Health, and Basic Necessities

The likely decline in state revenue will be compounded by increased demand on social safety net programs. Programs, such as UI, food assistance, and Medicaid health coverage are designed to help workers and families during economic declines. During the Great Recession, Montana saw a significant increase in enrollment. From 2008 to 2011:

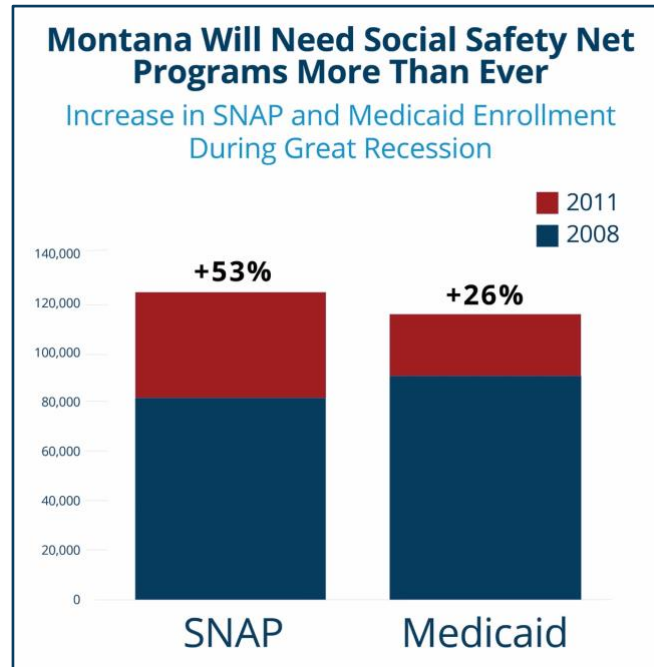
- The number of Montanans accessing food assistance through SNAP increased by 42,000 Montanans;¹² and
- The number of Montanans accessing Medicaid health insurance grew by 23,000 Montanans.¹³

Montana should expect similar (or even greater) increases in SNAP, Medicaid, UI, and other safety net programs as the state weathers the current economic recession. These programs provide critical support

for families to cover basic necessities. Furthermore, the state has flexibility to adjust program requirements to ensure assistance is protected for those impacted by COVID-19.

Montana Actions to Support Recovery and Mitigate Impact on Workers

The coronavirus pandemic highlights the important state and federal policies that support families, including health care, housing, financial supports, and child care. Existing barriers to equity and access will be magnified for many Montanans, including: black, indigenous, and people of color; families living on low wages; rural communities; and other disproportionately impacted groups. Actions taken by state leaders should prioritize these populations in its responses.



Health Care

Our state's Medicaid system provides crucial care and coverage for hundreds of thousands of Montanans, and the COVID-19 pandemic highlights just how important this system is. Montana should maximize Medicaid's flexibility to address the public health crisis by taking advantage of all the pathways that can limit paperwork and streamline enrollment that the federal Center for Medicare and Medicaid Services (CMS) is making available to states.¹⁴ Furthermore, actions to streamline Medicaid requirements will simplify Montana's Department of Health and Human Services (DPHHS) processes and reduce workload, especially at a time where the state is short-staffed and dealing with increased demands. Montana should:

- Leverage additional federal funds to **increase public awareness and enrollment assistance** through Medicaid.
- **Maximize use of presumptive eligibility for all eligible Medicaid populations**, through expansion of qualified entities and automated *ex parte* renewals.
- **Reduce barriers to maintaining coverage**, including waiving certain requirements, **such premium requirements or asset tests**.
- **Utilize express lane eligibility for children newly eligible for Healthy Montana Kids**, using data from SNAP, Temporary Assistance for Needy Families (TANF), and the free and reduced lunch program.
- **Expand eligibility for home- and community-based services** by expanding waiver slots and providing additional services needed to address COVID-19.

Child Care

Both families and child care providers are worried about how COVID-19 may impact their ability to access important child care support. Public health agencies in many areas are encouraging child care centers to close, putting significant financial strain on facilities and their workers. Furthermore, as essential workers are needed in health care and other key industries, their children will need safe, high-quality child care.

Montana should consider bolstering support for child care centers and modifying rules to address COVID-19, including¹⁵:

- **Protect families' access to Best Beginnings Scholarships**, including temporarily waiving the absence days cap for Best Beginnings Scholarships.
- **Retain scholarship payments to child care providers during closure.**
- **Retain ratios and group sizes** in licensed child care to assure safety of children and workers.

Family Economic Security Programs

Quarantines, business closures, layoffs, and other upheavals caused by the COVID-19 pandemic are putting the financial well-being of working families at risk, especially those living paycheck-to-paycheck. Montana should consider swift and bold changes to protect and expand income security and food assistance programs.^{16,17} Montana should:

- Enact temporary changes to **waive work requirements and remove barriers on SNAP and TANF assistance.**
- **Calculate SNAP and TANF benefits based on prospective income** and disregard any discontinued income received earlier in the month.
- **Expand emergency SNAP benefits** to maximum amount available and expand eligibility to **cover children eligible to receive free or reduced-priced school meals.**
- **Clarify that current TANF emergency assistance can be used for COVID-19-related circumstances.**

Housing

Many workers living on low or moderate wages and facing reduced hours or unemployment are often one missed paycheck away from facing eviction or homelessness. Furthermore, families experiencing homelessness, including those who are elderly, people with disabilities, or are health compromised, are at greater risk of severe illness from COVID-19. It is essential that the state protect housing during the public health emergency, particularly for those most at risk from COVID-19.¹⁸ The state should:

- **Enact rental and utility protections for low-income, high-risk populations, including a moratorium on eviction notices.**
- **Work with financial institutions** including state-regulated banks, credit unions, and servicers to **protect homeowners and consumers, including establishing a grace period on mortgage payments** or other relief for those impacted COVID-19.

State and Federal Policymakers Must Lead to Mitigate the Harm of COVID-19

Our communities look to government to provide protection and services in times of crisis. As Montana faces decline in state revenue but increased federal support, it will be critical for state policymakers to prioritize its actions to support families and workers living on low wages.

Appendix A – Federal Response

[Families First Coronavirus Response Act](#), enacted on March 16, includes:

- \$1 billion in additional funding for **COVID-19 testing**;
- Temporary increase in **federal funding for Medicaid**, representing about \$80 million in additional Medicaid funds for Montana;
- Up to 10 days of **emergency paid sick leave** for employees' absences from work related to COVID-19;
- Temporary **expansion of Family Medical Leave Act (FMLA)** to provide 12 weeks of protected leave to care for a child whose school/child care has closed, paid at 2/3 salary;
- \$1 billion in additional funding for state **unemployment insurance (UI)** benefits and administrative costs;
- Additional \$1 billion in federal funding and flexibility in **Supplemental Nutrition Assistance Program (SNAP)** for those impacted by COVID-19; and
- **Payroll tax credit** for employers for the costs of paid leave provisions.

[Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), enacted on March 27, includes:

- \$167 billion in **emergency pandemic appropriations**, including funding for hospitals and health providers for equipment, testing supplies, and emergency operation centers, as well as FEMA disaster relief funding for state and local governments;
- \$150 billion in **Coronavirus Relief Fund** to states and local governments for expenditures necessary to respond to COVID-19 pandemic (Montana to receive \$1.25 billion);
- Expanded **Medicare reimbursement** for telehealth services and other COVID-related expenses;
- **Recovery rebates** for individuals of \$1,200 (single) or \$2,400 (married filing jointly) for taxpayers with incomes up to \$75,000 (single) or \$150,000 (married), plus \$500 for every child. Amounts based on 2018 or 2019 tax filing, whatever filed most recently. Rebate is reduced \$5 for every \$100 in taxpayer income that exceeds the phase-out threshold, such that no rebate is available for taxpayers with income exceeding \$99,000 (single) or \$198,000 (married);
- **Extended regular unemployment insurance** by 13 weeks for a total of 39 weeks; additional **\$600 bonus per week** for up to four months; and **expands UI benefits for those not traditionally eligible, including self-employed**;
- Roughly \$900 billion in support for businesses, including collateralized loans and loan guarantees for small businesses, airline industry relief, and support for the Federal Reserve's lending facility;
- Modification of **business taxes**, including enhanced deductibility of interest expense and net operating losses;
- **Employee retention tax credit**, to cover 50 percent of wages paid (up to \$10,000 per employee) for businesses forced to suspend operations or experience a decline in gross receipts of at least 50 percent from the prior year;
- Above-the-line deduction for **student loan payments** up to \$5,250 made by employers; and
- Additional **\$163 billion** in emergency appropriations (see Appendix B).

Appendix B – Emergency Appropriations included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act

* Funding estimates for Montana only take into account initial formula allocations. In many agencies, funding will be allocated based on certain criteria.

Department	Program	Total Amount	Montana Allocation (estimate)
TREASURY			
	Coronavirus Relief Fund	\$ 150,000,000,000	\$ 1,250,000,000
HEALTH & HUMAN SERVICES			
	Indian Health Service	1,000,000,000	TBD
	Centers for Disease Control	4,300,000,000	TBD
	Low-Income Home Energy Assistance (LIHEAP)	900,000,000	TBD
	Child Care & Dev. Block Grants (CCDBG)	3,500,000,000	9,800,000
	Community Service Block Grant	1,000,000,000	TBD
	Head Start	750,000,000	TBD
	Family Violence Prevention & Services Act	45,000,000	TBD
	Child Welfare	45,000,000	TBD
	Aging & Disability Services	955,000,000	TBD
	Public Health & Social Services Emergency Fund	27,000,000,000	TBD
EDUCATION			
	K-12 Education	13,200,000,000	41,200,000
	Higher Education	14,000,000,000	29,000,000
	Emergency Education Relief Fund	3,000,000,000	8,700,000
HOUSING			
	Tenant-based Rental Assistance	1,250,000,000	TBD
	Public Housing Operating Fund	685,000,000	TBD
	Native American Housing	300,000,000	TBD
	Community Development Fund (CDBG)	5,000,000,000	TBD
	Homeless Assistance (ESG)	4,000,000,000	TBD
	Project-based Rental Assistance	1,000,000,000	TBD
ELECTION ASSISTANCE COMMISSION			
	Election Security Grants	400,000,000	TBD
INTERIOR			
	Indian Programs	453,000,000	TBD
	Indian Education Programs	69,000,000	TBD
JUSTICE			
	Byrne - Justice Assistance Grants	850,000,000	TBD

	Legal Services	50,000,000	TBD
LABOR			
	Training and Employment Services	345,000,000	TBD
TRANSPORTATION			
	Essential Air & Rural Improvement Fund	56,000,000	TBD
	Airport Grant-in-aid (FAA)	10,000,000,000	TBD
	Federal Transit Administration (FTA)	25,000,000,000	TBD
AGRICULTURE			
	Child Nutrition	8,800,000,000	TBD
	SNAP Contingency	15,800,000,000	TBD
	Food Distribution on Reservations	100,000,000	TBD
COMMERCE			
	Economic Development Assistance	1,500,000,000	TBD

¹ Sojourner, A., and Goldsmith-Pinkham, P., "[The coronavirus crisis led to a record-breaking spike in weekly unemployment insurance claims](#)," Economic Policy Institute, Mar. 24, 2020.

² Kidston, M., "[Montana unemployment claims jump as thousands file amid pandemic closures](#)," Missoula Current, Mar. 20, 2020.

³ Imperial College COVID-19 Response Team, "[Impact of non-pharmaceutical interventions \(NPIs\) to reduce COVID-19 mortality and healthcare demand](#)," Mar. 16, 2020.

⁴ Wolfe, J., and Cooper, D., "[States are projected to lose more jobs due to coronavirus: 14 million jobs could be lost by summer](#)," Economic Policy Institute, Mar. 25, 2020.

⁵ Kennedy, S., "[30% GDP drop: Morgan Stanley joins Goldman Sachs in upping estimates of coronavirus economic plan](#)," Fortune, Mar. 23, 2020.

⁶ Winck, B., "[JPMorgan slashes its GDP forecast for next quarter, now sees a 25% contraction and an imminent recession despite 'Herculean' stimulus measures](#)," Business Insider, Mar. 26, 2020.

⁷ According to Legislative Fiscal Division in March 2020, Montana general fund revenue year-to-date was coming in 7% above what was projected in HJ 2. Legislative Fiscal Division, "[FY 2020 General Fund Revenue Update #4](#)," Mar. 11, 2020. Montana is almost certainly going to see revenue from individual income tax to dip in the final quarter of FY 2020, so we use projected revenue levels in HJ 2 for FY2020.

⁸ Legislative Fiscal Division, "[Chart of the Week](#)," Mar. 18, 2020.

⁹ Montana Code Annotated, "[Reduction in Spending](#)," 17-7-140, 2019.

¹⁰ Prior to January 1, 2021, the governor has the authority to transfer funds from the Budget Stabilization Reserve Fund (BSRF) without making budget reductions. After January 1, 2021, the governor must make \$1 of cuts for every \$2 withdrawn from BSRF. Montana Code Annotated, "[Reduction in Spending](#)," 17-7-140, 2019.

¹¹ "[Families First Coronavirus Response Act](#)," Pub. L. No. 116-127, March 18, 2020.

¹² Kids Count Data Center, "[Supplemental nutrition assistance program participants by county in Montana](#)," Annie E. Casey Foundation, accessed on Mar. 27, 2020.

¹³ Snyder, L., et al., "[Medicaid Enrollment: June 2013 Spreadsheet](#)," Kaiser Family Foundation, Jan. 29, 2014.

¹⁴ Artiga, S., et al., "[How Can Medicaid Enhance State Capacity to Respond to COVID-19?](#)" Kaiser Family Foundation, Mar. 17, 2020.

¹⁵ Matthews, H., and Robbins, K., "[Policymaking Principles for Supporting Child Care and Early Education Through the Coronavirus Crisis](#)," CLASP, Mar. 18, 2020.

¹⁶ Rosenbaum, D., et al., "[USDA, States Must Act Swiftly to Deliver Food Assistance Allowed by Families First Act](#)," Center on Budget and Policy Priorities, Mar. 20, 2020.

¹⁷ Center on Budget and Policy Priorities, "[TANF and COVID-19: Actions that state TANF agencies should take](#)," Mar. 16, 2020.

¹⁸ National Low Income Housing Coalition, "[Eviction and Foreclosure Moratoriums](#)," accessed on Mar. 27, 2020.