The Value of \$600 Across States Hit Hardest by COVID-19

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Congress recently passed the CARES Act to provide economic relief in response to the ongoing COVID-19 pandemic. Among many other policies, CARES provides an extra \$600 per week in unemployment benefits to all eligible unemployment insurance (UI) claimants until July 31, 2020. This \$600 supplement is uniform across all states. However, the purchasing power of \$600 varies substantially across states hit hardest by the pandemic, raising the question of whether the *equal* distribution of \$600 across states is an *equitable* distribution.

We examine differences in the purchasing power of \$600 across U.S. states using regional price parities (RPPs) from the Bureau of Economic Analysis (BEA).¹ Adjusting for regional price differences, the additional \$600 UI benefit is worth the most in Mississippi (\$700) and the least in

Hawaii (\$506). The figure shows the differing value of \$600 across the United States.

The table displays the purchasing power of \$600 in states that have been hit hardest by the COVID-19 pandemic, from both a public health and an economic perspective. The first (left-hand) section reports states hardest hit in terms of confirmed COVID-19 cases in the state,² and the second (right-hand) section reports states hardest hit in terms of total initial unemployment claims from the week ending March 21, 2020, to the week ending April 18, 2020.³

New York, New Jersey, California, Massachusetts, and Connecticut are all states where \$600 has relatively lower purchasing power and where COVID-19 has had the largest impact, from a public health and/or economic perspective. Meanwhile, other states severely hit by the pandemic reap

Value of \$600 Across States

SOURCE: BEA and authors' calculations.

Purchasing Power of \$600 Across States Most Affected by the COVID-19 Pandemic

States hardest hit by COVID-19 (COVID-19 cases)			States hardest hit by COVID-19 (unemployment)		
		Purchasing power of \$600			Purchasing power of \$600
1. New York	271,145	\$518	1. California	3,352,512	\$523
2. New Jersey	95,914	\$531	2. Pennsylvania	1,492,717	\$613
3. Massachusetts	42,944	\$556	3. New York	1,390,462	\$518
4. California	39,010	\$523	4. Texas	1,301,441	\$619
5. Pennsylvania	38,255	\$613	5. Michigan	1,177,221	\$645
6. Illinois	36,935	\$609	6. Florida	1,158,238	\$601
7. Michigan	35,291	\$645	7. Georgia	1,099,350	\$649
8. Florida	28,832	\$601	8. Ohio	964,906	\$675
9. Louisiana	25,739	\$666	9. New Jersey	817,601	\$531
10. Connecticut	23,128	\$556	10. Illinois	737,472	\$609

SOURCE: BEA, Department of Labor, Kaiser Family Foundation, and authors' calculations.

a much higher purchasing power from \$600, such as Ohio, Louisiana, Georgia, and Michigan. To further explore this discrepancy, let's compare Ohio and New York, the states from the table where \$600 has the highest and lowest purchasing power, respectively. UI claimants in Ohio experience a 30 percent larger benefit from their UI supplement than claimants in New York. Take two workers who became eligible to receive UI benefits the first week of April⁴ and who will remain unemployed until July 31. Over the course of these four months (18 weeks) the purchasing power of an Ohio claimant's total UI supplements⁵ would equal \$12,150 (\$675 x 18), while that of a New York claimant's would equal \$9,324 (\$518 x 18), a difference of \$2,826, which is over four times the nominal weekly amount of \$600.

The CARES act provides an extra \$600 per week in unemployment benefits, but the purchasing power of those dollars varies across states, raising the question of whether the *equal* distribution of \$600 across states is an *equitable* distribution.

This comparison raises the question of whether the equal distribution of the \$600 per week UI supplement is an equitable distribution across states. It raises the same question in response to the \$1,200 relief checks being distributed to many households across the United States. Certainly, anyone receiving financial aid will be better off than they would be without it; but the argument could be made that individuals who face higher prices for housing, food, and other essentials should receive higher UI supplements, particularly those who face a “double jeopardy” with regard to higher prices and more severe pandemic conditions.

However, setting the uniform \$600 per week supplement also has its advantages. First, the constant nominal amount of \$600 invokes the notion that this is a fair policy; all UI claimants are receiving the exact same amount. Additionally, having a flat supplement amount likely expedites the transfer of benefits to unemployed workers, many of whom need the aid as soon as possible.⁶ Moreover, the CARES Act is a large and detailed piece of legislation that needed to be passed quickly to provide relief to many factions of the economy; setting the UI supplement to a uniform amount may have mitigated debate surrounding the appropriate amount from region to region, enabling the act to be passed in short order. ■

Notes

¹ RPPs are price indexes that reflect geographic price-level differences for a period of time in the United States. They reflect how much higher or lower prices in a state are compared with the national price level. RPP-adjusted dollar values reported here are in reference to the U.S. national price level. We use the most recent RPPs available, which reflect state-level price differences in 2017.

² Data are from the Kaiser Family Foundation, updated April 23, 2020; <https://www.kff.org/other/state-indicator/confirmed-covid-19-cases-and-deaths/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

³ Initial jobless claims data are from the Department of Labor, as of April 24, 2020.

⁴ The week ending April 4.

⁵ These calculations only reflect the total from the \$600 UI supplements claimants receive due to the CARES Act.

⁶ Kurtzleben, Danielle. "What's In It For You? \$1,200 Checks, 13 Weeks Of Unemployment Payments And More." NPR, March 25, 2020; <https://www.npr.org/2020/03/25/821514231/whats-in-it-for-you-1-200-checks-13-weeks-of-unemployment-payments-and-more>.