

## REACH AND IMPACT OF FEDERAL STIMULUS CHECKS IN DETROIT

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### INTRODUCTION

In late March 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)<sup>1</sup>, an aid package designed in part to assist households in the current economic crisis through a variety of measures, including a stimulus check. The stimulus check program offered up to \$1,200 for each eligible adult and \$500 per child to eligible families.<sup>2</sup> While this policy was intended to be as universal as possible, experts raised concerns over key gaps in eligibility, especially among non-resident aliens—which includes non-citizens and undocumented immigrants—as well as economically vulnerable Americans. Due to the mechanism through which payments were disbursed, people who do not file taxes, the unbanked, and recent movers were at risk of missing or encountering a delay in receiving stimulus payments, a concern raised by lawmakers and policy advocates as the legislation was implemented.<sup>3</sup>

Four months later, the COVID-19 pandemic persists, marked by rising numbers of coronavirus cases<sup>4</sup> and an economic recession.<sup>5</sup> In response to the continued economic dislocation, there is growing reported interest in Congress and within the Trump Administration in a second round of stimulus payments. In May, the U.S. House of Representatives passed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES Act)<sup>6</sup>, authorizing an expanded, second round of stimulus payments for most U.S. households.<sup>7</sup> Though that legislation has not been taken up by the Senate, recently President Trump has stated that he supports additional stimulus check payments, and the Treasury Secretary and White House Chief of Staff both have confirmed that another round of direct stimulus payments are being considered.<sup>8</sup>

This brief draws on data from Detroit Metro Area Communities Study's Spring and Summer 2020 COVID-19 Rapid Response surveys<sup>9</sup> to examine the reach and impact of the CARES Act's stimulus payments on Detroit residents including: How widespread was the receipt of stimulus payments in the city? Who has not yet received a stimulus check? How widespread is perceived ineligibility? And do those who received a stimulus payment report being better able to weather the financial crisis than other residents? Based on these findings we discuss the benefits of another stimulus payment for Detroiters and offer recommendations for how to deliver much needed cash to vulnerable populations.

### KEY FINDINGS

**71% of Detroit residents say they have received a stimulus payment.** While the majority of residents report having already received their check, 12% of residents—equivalent to roughly 80,400 Detroiters—say they are still waiting to receive a payment.<sup>10</sup>

**Nearly 1-in-9 Detroiters believe they are not eligible for a stimulus check, including more than one-third of Hispanic residents and one-quarter of non-native born residents.** Despite the reality that many immigrants are taxpayers, immigrants without green cards and families with non-citizen heads of households are excluded from stimulus check payments.

**Residents who have not received a stimulus payment report greater financial uncertainty.** More than one-quarter of households that have not received a stimulus check are concerned about either being evicted or foreclosed upon in the coming months, while 1-in-6 say they had difficulty accessing food and household supplies in the past month.

## COVID-19 AND FINANCIAL PRECARITY IN DETROIT

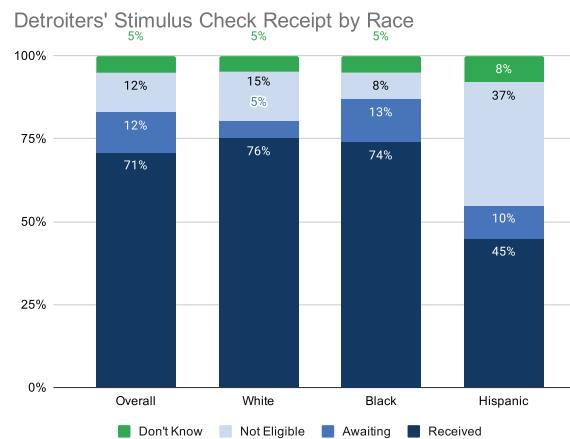
In Spring 2020, Detroit emerged as an epicenter of the COVID-19 pandemic. As of July, over 12,000 Detroiters had tested positive for COVID-19 and more than 1,500 had died.<sup>11</sup> Nearly 11% of Detroit residents report having been exposed to someone with COVID-19, 53% say they know a friend or family member who has become ill from the virus, and more than one-third say they know a friend or family member who has died as a result of the virus.

Beyond the widespread health impacts, the pandemic has had devastating effects on residents' financial circumstances and employment. With the arrival of COVID-19, the city's estimated unemployment rate grew from 9% prior to the pandemic to 45% in the most recent survey—twice the statewide unemployment rate and more than three times the U.S. unemployment rate, according to data from the Michigan Bureau of Labor Market Information.<sup>12</sup> Four-in-ten Detroiters working prior to the pandemic report being laid off since then and more than half (53%) of those who lost their jobs due to the pandemic think it is unlikely that they will return to work in the next month. Ten percent of Detroiters still employed say their hours have been cut in response to the pandemic.

In addition to lost jobs and lost wages, many Detroiters report serious financial precarity. One-in-five Detroit households report skipping at least one household bill in the past month, and 44% say they are concerned about facing one or more financial hardship such as being evicted, having their utilities shut off, or going bankrupt in the coming months. More than half (55%) of Detroit households say they are uncertain they will be able to afford the kinds of food they need for the next month, and 47% say they would be unable to cover a \$400 emergency expense based on their current financial situation.

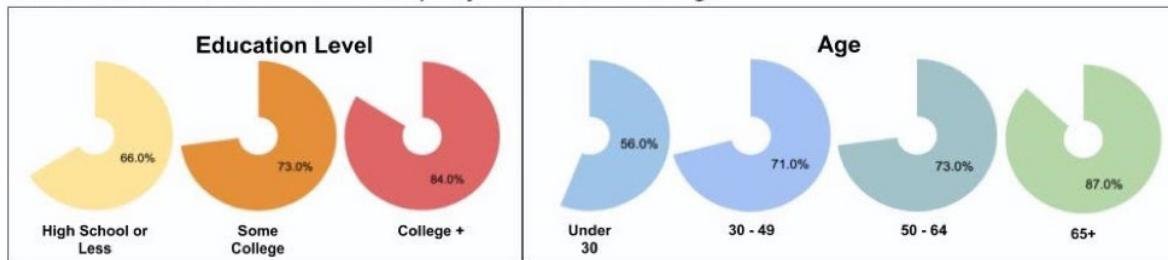
## THE REACH OF FEDERAL STIMULUS PAYMENTS IN DETROIT

Given the financial strain experienced by so many Detroit households, stimulus payments may offer a small kernel of relief to vulnerable families. The most recent wave of the Detroit Metro Area Communities Study survey reveals that while many Detroiters have received the federal stimulus payment, troubling gaps remain.



Survey results show that roughly three-quarters of Detroiters report receiving a stimulus check from the federal government, while 12% say they are still waiting for a check, and 12% say they do not expect a stimulus check.<sup>13</sup> This suggests more than 160,800 Detroiters have not received a stimulus payment.<sup>14</sup> Black residents are nearly three times as likely as white residents to say they are still awaiting their check. Additionally, only 45% of Hispanic residents say they have received a stimulus check.

### Detroiter's Stimulus Check Receipt by Education and Age



Education, age, and household type each are associated with stimulus payment receipt. Only two-thirds of residents with a high school education or less say they have received a stimulus check, compared to 84% of those with a college degree. More than 87% of Detroiters over 65 report receiving a stimulus payment, compared to slightly more than half (56%) of Detroiters under 30. Additionally, households with children are less likely to say they have received a stimulus check than those without children.

Survey results also confirm that unbanked households and those in unstable housing situations are less likely to have received their stimulus payment.<sup>15</sup> Of the estimated 65,000 unbanked households in the city, approximately 10,850 are still awaiting a stimulus check. Additionally, a greater proportion of unbanked households than those with bank accounts say they are unsure if they received their stimulus payment or not, possibly reflecting the difficulty of tracking and cashing check payments in contrast to those who received their payment by direct deposit. Similarly, only 62% of residents who say they have moved due to the COVID-19 pandemic or report a non-traditional housing situation—like doubling up with a family member—say they have received a stimulus check.

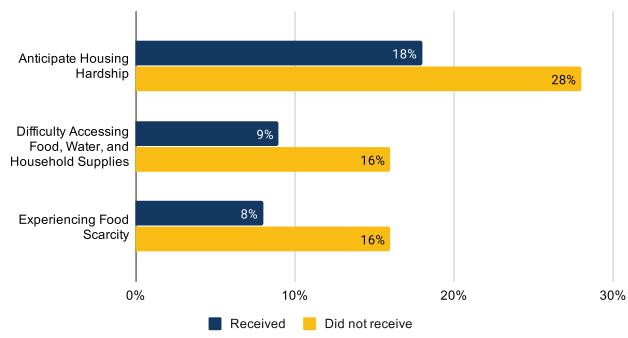
Roughly 1-in-9 Detroiters report they believe they are not eligible for a stimulus check. One-third of Hispanic residents and more than one-quarter of residents not born in the U.S. report they are ineligible for the stimulus program. Additionally, 20% of residents earning more than \$100,000 state they are ineligible. It should be noted that DMACS data suggest that residents' expectations around eligibility for the stimulus program are not always accurate. In our second COVID-19 rapid response survey, 18% of Detroiters said they did not expect to receive a stimulus payment, and one-quarter were unsure if they would receive a payment or not.<sup>16</sup>

Of those who said in April that they did not expect to receive a stimulus check, by June one-third report having received one. Similarly, 46% of those who were unsure if they would receive a stimulus check say they had received one.

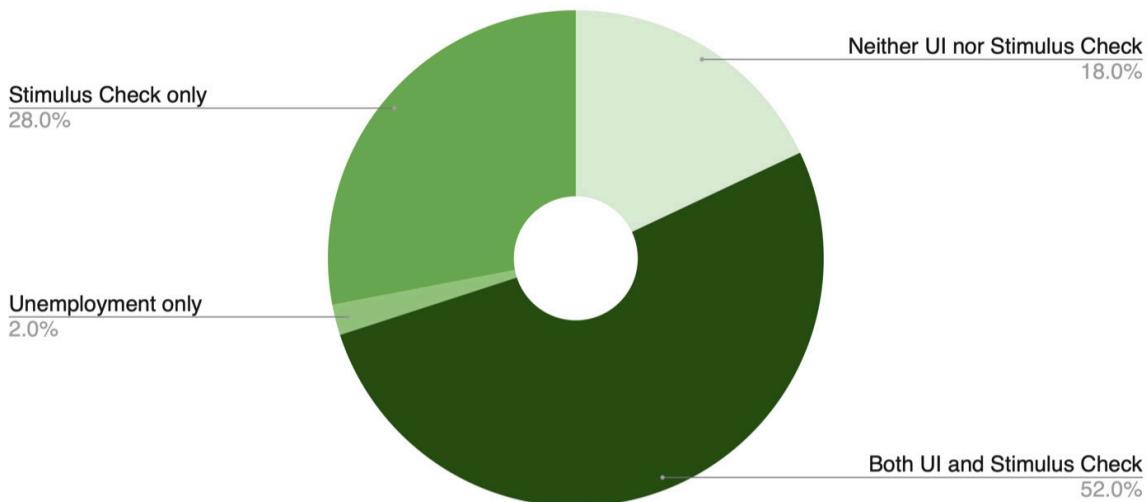
### ARE THOSE WHO RECEIVED A STIMULUS CHECK FARING BETTER?

The data suggest that those who have not received the influx of stimulus cash report greater financial uncertainty.<sup>17</sup> Detroiters who have not received stimulus checks are three times as likely as those who have received their payment to report current housing challenges, and more than one-quarter are concerned about experiencing a housing hardship—either being evicted or foreclosed upon—in the coming months. Additionally, 1-in-6 who did not receive a stimulus check say they have had difficulty accessing food and household supplies in the past month. These same residents are twice as likely to say that they have experienced food scarcity—having not enough food sometimes or often in the past week—and are less likely to feel confident about being able to afford food in the coming month compared to those who received their stimulus check. Detroiters still anticipating the arrival of their stimulus check are more likely to say they have delayed, skipped, or paid only part of one or more bills in the last month.

### Detroiter's Financial Uncertainty and Stimulus Check Receipt



### Receipt of Stimulus Check Among Unemployed Detroiters



While the stimulus check is just one policy created by the CARES Act in response to the pandemic and offers a modest benefit to recipients given the scale and duration of the current crisis, the data suggest it is filling an important financial gap, especially for the newly unemployed. Though employment status has no bearing on eligibility for a stimulus payment, and we find that unemployed Detroiters are as likely as employed residents to have received a stimulus payment, stimulus checks may be helping in part to make up the difference in lost wages. Among unemployed Detroiters, roughly half (52%) have received both unemployment insurance and a stimulus check, while 28% have received only a stimulus check. Two percent of unemployed Detroiters say they have only received unemployment insurance and 18% say they have received neither. Among those who lost their jobs due to the pandemic and have applied for but not yet received unemployment benefits, 71% have received a stimulus check. This suggests the stimulus checks are serving as a financial lifeline for unemployed Detroiters who are either ineligible for unemployment insurance or have yet to receive unemployment payments.

#### DO DETROITERS NEED ANOTHER STIMULUS CHECK?

As a result of the pandemic, many Detroit households teeter at the edge of financial stability. High rates of job loss, accumulating debts on deferred bills, and rising food expenses mean many residents face growing hardships. Available data suggest the stimulus check may be serving a critical role helping

Detroiters pay for essential expenses such as housing and food and making up for gaps in unemployment insurance benefits. As the economic crisis enters its fifth month, policymakers should consider additional stimulus payments for at least four reasons. First, though moratoria on evictions, foreclosures, and utility shut-offs have shielded Detroit households as many have skipped or fallen behind on their bills, the looming expiration of these measures could result in a wave of hardship and homelessness.<sup>18</sup> Additional stimulus checks would enable some households to cover a portion of these mounting debts.

Second, state and local governments face financial constraints as revenues decline and expenses mount. In April, the City of Detroit announced it faces an anticipated \$348 million budget shortfall.<sup>19</sup> Efforts to cover the budget gap include furloughs, layoffs, and hour reductions for city workers, as well as cuts to some city services and diverting funds from a major blight removal initiative. These cuts, while necessary to avoid state financial oversight of the city, increase the number of unemployed public servants and run the risk of exacerbating inequalities in development and investment at the neighborhood level. Additional stimulus checks could help blunt the blow for poorer Detroiters and city workers who bear the brunt of this budget crisis.

Third, Detroiters who have not received a stimulus check report they trust the government less than those who received a payment. Diminished trust in

government should worry policymakers, especially at a time when broad compliance with vital public health efforts is needed. Governments at any level cannot afford further erosion of public trust. Support in the form of additional stimulus payments, provided they are more timely and universal, could provide some stability in trust in government.

Finally, an additional round of stimulus is needed because the primary way households meet their basic needs—paid work—remains in short supply. As the health crisis and its resulting economic fallout persist, additional stimulus checks may be the only thing holding hunger and homelessness at bay for Detroiters.

## POLICY RECOMMENDATIONS

Based on our findings, we recommend policymakers pursue additional relief efforts including, but not limited to, additional stimulus payments. Subsequent rounds of stimulus payments should be broadened by focusing on expanded eligibility, an improved disbursement processes, and increased generosity.

### Expand eligibility

At least three main gaps in eligibility could be closed in subsequent rounds of stimulus payments. First, the CARES Act excluded all household members from eligibility, including citizen children and spouses, if the household head or tax filer was a non-citizen without a green card. Future stimulus check receipt should be **expanded to ensure that all income-eligible citizens, regardless of the status of the tax filer or household head, receive a stimulus payment**. Second, as proposed in the HEROES Act passed by the U.S. House of Representatives, eligibility for the stimulus payment should **drop the complete exclusion of non-citizen immigrants and be expanded to all income-eligible taxpayers**. These residents are important to the economic vitality and social fabric of our communities and face the same dismal labor market and material needs as citizens. Third, under the CARES Act young adults claimed as a dependent by their parents—for example, many college students—were not eligible for the stimulus program, meaning neither the young adult nor their family received a stimulus payment for that

individual. Lawmakers should close this gap, or at a minimum **make young adults eligible for the same benefits as other dependents**. Expanding eligibility in these ways could significantly reduce age and racial disparities in stimulus check receipt.

### Improve disbursement processes

Beyond expanding eligibility, stimulus payments could have swifter impacts with improvements to how payments are disbursed.<sup>20</sup> To maximize the speed and reach of future disbursements, governments could **coordinate with local non-profits to promote bank accounts** deemed safe by groups such as BankOn and to **canvas key communities to ensure that harder-to-reach populations, such as the homeless and unbanked, are receiving stimulus payments**.<sup>21</sup>

### Increase payment amounts

Finally, given the duration and depth of the economic impacts of the COVID-19 pandemic, payments themselves could increase. For example, rather than replicate the different payment levels for adults and children, the HEROES Act proposes **\$1,200 for all eligible individuals regardless of age**. Payments could also be made **recurring until key targets, such as a return to pre-COVID unemployment rates, are met**.

## CONCLUSION

Evidence suggests stimulus checks, in addition to expanded unemployment insurance coverage and benefits, may have helped to slow the spread of poverty nationally during this economic crisis,<sup>22</sup> but the small cash infusion is not enough to overcome the significant economic precarity experienced by many Detroiters. Black and Hispanic Detroiters—especially those who are young and who are unbanked—are less likely to have received this assistance and are thus more likely to face higher need than other residents. The stimulus check has served as a financial lifeline for unemployed Detroiters, reaching many more households than the unemployment insurance system. For many, additional federal action is needed, and subsequent stimulus payments should have broadened eligibility, plans for disbursement to hard-to-reach populations and the unbanked, and enhanced generosity. Absent federal action, local

policymakers will need to fill gaps in federal efforts in order to ensure families have their most basic material needs met.

To learn more about how to get your stimulus check, visit [this website](#).<sup>23</sup>

### ABOUT THE DETROIT METRO AREA COMMUNITIES STUDY (DMACS)

The Detroit Metro Area Communities Study (DMACS) is a panel survey of Detroit residents launched in 2016. The original panel of respondents was drawn from an address-based probability sample of all occupied Detroit households. In subsequent years, the panel has been refreshed through additional address-based sampling. DMACS surveys are usually administered online or telephone assisted, with multiple recruitment modes (mail, email, text, phone, door-to-door).

### DMACS COVID-19 SURVEY METHODOLOGY

In March 2020, DMACS initiated a series of rapid response surveys about Detroiters' experiences with COVID-19. Due to restrictions on face-to-face interactions during the pandemic, outreach was limited to a subset of panelists for whom we previously obtained email addresses and/or phone numbers as contact information. The data in this brief is drawn from responses to our three COVID-19 surveys, which invited the participation of approximately 1,800 DMACS panelists. The three surveys were completed between March 31 and June 11, 2020 and captured responses from more than 1,300 Detroit residents on topics from the direct and indirect health impacts of COVID-19 to the financial ramifications and extent of job loss due to the ensuing pandemic. [Full results from the surveys are available here](#).

Results in this report reflect weighted responses. Survey weights were constructed by calibrating the sample to the population of the city of Detroit based on auxiliary data from the U.S. Census Bureau's 2018 American Community Survey (ACS). We used a raking estimator to calibrate the weights so they would match ACS totals on gender, age, race, education and income. The margin of sampling error for a random sample survey of this size would be +/- 4.0 percentage points at the 95% confidence level; the

actual margin of sampling error varies by statistic due in part to the complex sample design.

### ABOUT POVERTY SOLUTIONS

Poverty Solutions is a University of Michigan initiative that aims to prevent and alleviate poverty through action-based research that informs policymakers, community organizations, government entities, and practitioners about what works in confronting poverty.

## REFERENCES

- <sup>1</sup> Courtney, Joe. 2020. Coronavirus Aid, Relief, and Economic Security Act or the CARES Act. [Public Law no: 116-136](#)
- <sup>2</sup> Internal Revenue Service. 2020. "[Economic Impact Payment Information Center](#)."
- <sup>3</sup> Rodems, R. and Shaefer, H.L. 2020. "[Federal stimulus checks may take longest to reach people who need aid most](#)." The Detroit News, April 13.
- Daly, Matthew. 2020. "[Memo: Some in US May Not Get Stimulus Checks until August](#)." Associated Press, April 2.
- <sup>4</sup> Wu, K. 2020. "[U.S. Coronavirus Cases Are Rising Sharply, but Deaths Are Still Down](#)." The New York Times, July 3.
- <sup>5</sup> National Bureau of Economic Research. 2020. "[NBER Determination of the February 2020 Peak in Economic Activity](#)." June 8.
- <sup>6</sup> Lowey, N. 2020. [Health and Economic Recovery Omnibus Emergency Solutions Act or the HEROES Act, H.R. 6800](#), H.R. 6800.
- <sup>7</sup> Picchi, A. 2020. "[A second stimulus check? Here's how much money you could get](#)." CBS News, July 6.
- <sup>8</sup> Touchberry, R. 2020. "[Trump Backs Second Stimulus Check, Payroll Tax Cut, Chief of Staff Says](#)." Newsweek. July 6.
- <sup>9</sup> Full results from these surveys are available at <https://detroitsurvey.umich.edu>
- <sup>10</sup> DMACS is a representative sample of Detroit residents. This estimate of 80,400 is based on 12% of Detroit's population of 670,031 taken from the [2019 US Census Bureau population estimate](#).
- <sup>11</sup> Data on Michigan's coronavirus outbreak is available here: [https://www.michigan.gov/coronavirus/0,9753,7-406-98163\\_98173---,00.html](https://www.michigan.gov/coronavirus/0,9753,7-406-98163_98173---,00.html)
- <sup>12</sup> State unemployment estimates available at <https://milmi.org/>
- <sup>13</sup> The remaining 5% of residents were unsure if they had received a stimulus payment or not.
- <sup>14</sup> DMACS is a representative sample of Detroit residents. This estimate of 160,800 is based on 24% of Detroit's population of 670,031 taken from the [2019 US Census Bureau population estimate](#).
- <sup>15</sup> DMACS is a representative sample of Detroit residents. This estimate of 10,850 unbanked households lacking a stimulus payment is based on data suggesting 25% of Detroit's 260,383 households--taken from the 2019 US Census Bureau population estimate--are unbanked. Of those unbanked, one-in-six say they are still awaiting a stimulus payment. Retrieved from <https://www.census.gov/quickfacts/fact/table/detroitcitymichigan/PST045219>
- <sup>16</sup> For late April-early May survey results, see [https://detroitsurvey.umich.edu/wp-content/uploads/2020/05/COVID-Survey-2-Wave-8-Toplines\\_Final.pdf](https://detroitsurvey.umich.edu/wp-content/uploads/2020/05/COVID-Survey-2-Wave-8-Toplines_Final.pdf)
- <sup>17</sup> Survey results do not capture how recipients used their stimulus payments, thus associations between financial circumstances and stimulus check receipt should be viewed as corollary but not causal.
- <sup>18</sup> Merle, Renae. 2020. "[Evictions are likely to skyrocket this summer as jobs remain scarce. Black renters will be hard hit](#)." The Washington Post, July 6.
- <sup>19</sup> Duggan, M. 2020. Coronavirus Budget Address. April 14. <https://detroitmi.gov/sites/detroitmi.localhost/files/2020-04/4.14%20budget%20presentation%20final.pdf>
- <sup>20</sup> Some improvement to the disbursement process may follow directly from the IRS's collection of more accurate banking information with the first stimulus check disbursement, but this would not affect those still unbanked.
- <sup>21</sup> Hermes, Grant. 2020. "[Rep Rashinda Tlaib pushes for creation of new civil service corp to aid vulnerable communities](#)." ClickonDetroit.com, May 1
- <sup>22</sup> Zachary Parolin, Megan A. Curran, and Christopher Wimer. "[The Cares Act and Poverty in the COVID-19 Crisis](#)." Center on Poverty & Social Policy at Columbia University Poverty & Social Policy Brief 4, no. 8. (2020)
- <sup>23</sup> Poverty Solutions. 2020. "[2020 Coronavirus Stimulus Payment](#)." Retrieved July 8, 2020 [<https://poverty.umich.edu/stimulus-checks/>].