

## Summary of Federal Stimulus Package

On February 17th, President Obama signed the American Recovery and Reinvestment Act into law. The package includes \$787 billion worth of state assistance, direct federal spending, and tax cuts for individuals and businesses. Major provisions include:

### WORKER ASSISTANCE

- ~ Continues through December 2009 the extended unemployment benefits program (which provides up to 33 weeks of extended benefits) that is otherwise scheduled to begin to phase out at the end of March 2009, helping an additional 3.5 million jobless workers.
- ~ Increases unemployment benefits for 20 million jobless workers by \$25 per week, and provides significant financial incentives for states to modernize their UI systems with expanded coverage.
- ~ Temporarily suspends the taxation of some unemployment benefits.
- ~ Provides \$19.9 billion for food stamps, increasing food stamp benefits by over 13% and offsetting rising food costs for more than 31 million Americans.
- ~ Provides \$100 million for Emergency Food and Shelter to help local community organizations provide food and shelter; \$100 million for formula grants to states for elderly nutrition services including Meals on Wheels; and \$150 million for the Emergency Food Assistance Program to purchase commodities for food banks to refill emptying shelves.
- ~ Provides \$3.95 billion for job training including formula grants for adult job training, dislocated worker job training, and youth services; \$500 million for Vocational Rehabilitation State Grants to help persons with disabilities prepare for gainful employment; \$500 million to match unemployed individuals to job openings through state employment agencies; and \$120 million to provide community service jobs to an additional 24,000 low-income older Americans.
- ~ Provides \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties and \$1.5 billion for the Emergency Shelter Grant program to provide short-term rental assistance and other aid.
- ~ Provides a payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the Department of Veterans Affairs.
- ~ Extends Trade Adjustment Assistance benefits for at least 160,000 new workers over the next two years.

### BUY AMERICAN

- ~ Provides that all government projects funded by the recovery plan must use U.S. iron, steel and manufactured goods -- unless it violates obligations under World Trade Organization or U.S. free trade agreements or a federal agency head waives the requirement because of costs or non-availability.

### STATE BUDGET STABILIZATION

- ~ Establishes a \$53.6 billion State Fiscal Stabilization Fund, including:
- ~ \$39.5 billion to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes;



**Summary of Federal Stimulus Package, *continued***

- ~ \$5 billion to states as bonus grants for meeting key performance measures in education; and
- ~ \$8.8 billion to states for high priority needs such as public safety and other critical services, which may include education and for modernization, renovation, and repairs of public school facilities and institutions of higher education facilities.

**ENERGY AND TECHNOLOGY**

- ~ Provides more than \$30 billion for energy initiatives such as a new, smart power grid, advanced battery technology, and energy efficiency measures.
- ~ Provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years.
- ~ Includes a three-year extension of the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas, waste-to-energy, and marine facilities (through 2013).
- ~ Provides grants of up to 30 percent of the cost of building a new renewable energy facility.
- ~ Extends and expands tax credits through 2010 for residential purchases such as new furnaces, energy-efficient windows and doors, or insulation.
- ~ Provides a tax credit of up to \$7,500 for families that purchase plug-in hybrid vehicles.
- ~ Includes clean renewable energy bonds for State and local governments.
- ~ Establishes a new manufacturing investment tax credit for investment in advanced energy facilities.
- ~ Provides \$5 billion to improve the energy efficiency of more than 1 million modest-income homes through weatherization.
- ~ Provides more than \$4 billion for increasing energy efficiency in federally-supported housing programs.
- ~ Provides \$7.2 billion for extending broadband services to underserved communities across the country.

**HEALTH CARE**

- ~ Provides an estimated \$87 billion over the next two years in additional federal matching funds to help states maintain their Medicaid programs.
- ~ Provides \$19 billion to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals.
- ~ Provides a 65% subsidy for COBRA premiums for up to 9 months for laid-off workers.
- ~ Provides \$1.1 billion for comparative effectiveness research.

**EDUCATION**

- ~ Increases the higher education tax credit to a maximum of \$2,500.
- ~ Increases the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009 and \$5,550 in 2010.
- ~ Adds \$200 million to the College Work-Study program.
- ~ Provides \$1.1 billion for Early Head Start and \$1 billion for Head Start, providing services for 124,000 additional infants and children.

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- ~ Provides \$2 billion for the Child Care Development Block Grant to provide child care services to an additional 300,000 children in low-income families.
- ~ Provides \$13 billion for Title I grants to help disadvantaged kids reach high academic standards.
- ~ Provides \$12.2 billion for grants for IDEA (Special Education) to increase the federal share of these costs.

**INFRASTRUCTURE**

- ~ Provides \$27.5 billion for modernizing roads and bridges.
- ~ Requires states to obligate at least half of the highway/bridge funding within 120 days.
- ~ Provides \$8.4 billion for investments in transit and \$8 billion for investment in high-speed rail.
- ~ Includes funds for new construction of commuter and light rail, modernizing existing transit systems, and purchasing buses and equipment to needed to increase public transportation and improve intermodal and transit facilities.
- ~ Provides \$19 billion for clean water, flood control, and environmental restoration investments.
- ~ Provides billions to modernize federal and other public infrastructure including about \$4.2 billion to make improvements in DOD facilities and about \$4.5 billion to make federal office buildings more energy-efficient.

**TAX CUTS**

- ~ Creates the Making Work Pay Tax Cut, a refundable tax credit of up to \$400 per worker (\$800 per couple filing jointly), phasing out completely at \$190,000 for couples filing jointly and \$95,000 for single filers.
- ~ Expands the child tax credit (allowing families to begin qualifying for the child tax credit with every dollar earned over \$3,000).
- ~ Expands the Earned Income Tax Credit by providing tax relief to families with three or more children and increasing marriage penalty relief.
- ~ Helps more than 4 million additional students attend college with a new, partially refundable \$2,500 tax credit for families.
- ~ Patches the AMT, keeping 26 million middle-class families from being subject to it
- ~ Eliminates the repayment requirement on the current tax credit for first-time homebuyers.
- ~ Provides a tax deduction for state and local sales taxes paid on the purchase of new cars.
- ~ Extends the bonus depreciation and increased small business expensing for businesses making investments in plants and equipment in 2009.
- ~ Provides tax credits for hiring recently discharged unemployed veterans and youth that have been out of work and out of school for the 6 months prior to hire.
- ~ Includes provisions to enhance the marketability for state and local government bonds, reducing the costs they incur in financing state and local infrastructure projects.
- ~ Includes a new bond-financing program for school construction, rehabilitation, and repair.



## California Funding in the Federal Stimulus Package

California stands to receive more money than any other state from the recently enacted federal stimulus package. Much of this money will go to state and local authorities based on a variety of funding formulas while some will flow directly to California residents through tax credits and benefit increases. Unfortunately, many of the package's potential benefits will be blunted by recently enacted state budget cuts. The following is a summary of funds that California could draw down directly, though billions of dollars are conditioned on changes to state law:

- **State Fiscal Stabilization and Education:** The stimulus package includes two block grants for state budget stabilization – one for education and one flexible grant. California is eligible for \$1.08 billion from the flexible grant to stave off budget cuts in vital service areas including public safety, childcare, and school modernization, renovation, or repair. The state is also eligible for \$4.87 billion in funding for education over the '09-'11 fiscal years. To receive funding from either of the block grants, California would be required to fund both K-12 and higher education at no less than the FY 2006 level for the three years of the grant. As part of a separate education piece, the state could also receive an additional \$2.8 billion in funding for specific education programs including special education.
- **Worker Training and Employment Services:** The federal package includes a total of \$3.95 billion for WIA training and employment services. Of that, California is eligible for \$494 million - \$188 million for youth services, \$225 million for dislocated workers, and \$80.9 million for adult employment activities.
- **Infrastructure and Housing:** The package includes \$2.6 billion in highway funding for the state as well as \$1.1 billion for investments in mass transit. Through several different programs, California would be entitled to approximately \$632 million in funding for affordable housing and homelessness prevention projects and \$444 million for clean water projects.
- **Unemployment Insurance:** If California updates its UI system by adopting an alternative base period, the state can draw down nearly \$900 million in new UI funds - \$838 million for benefits, \$59 million for administration. Additionally, the package includes a \$25 increase in weekly UI benefits, funds that will go directly to laid-off workers.
- **Medicaid (Medi-Cal):** Of the \$87 billion in increased federal funding for Medicaid, California stands to gain \$11.2 billion, but only if it makes certain changes to state law. California must undo stricter eligibility rules that were adopted as part of recent budget agreements and must meet standards for prompt payment of Medicaid service providers.
- **Human and Community Services:** A number of different provisions relating to human services would entitle California to additional funding - \$190 million for emergency shelters, \$1.46 billion for food stamps, \$154 million for child support services. The timeframe and conditions for each of these programs vary.