

*Special Series: Economic Recovery Watch*

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## AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009: STATE-BY-STATE ESTIMATES OF KEY PROVISIONS AFFECTING LOW- AND MODERATE-INCOME INDIVIDUALS

The American Recovery and Reinvestment Act of 2009 is designed to boost employment and the economy. It contains a number of spending and tax measures crafted to inject more aggregate demand into the sagging economy. This paper provides state-by-state estimates for a number of the major spending and tax provisions that will affect low- and moderate-income Americans (some provisions cannot be allocated on a state-by-state basis).

The provisions providing relief to low- and moderate-income families and to states facing serious budget shortfalls are among the most effective economic stimulus in the package. Low-income and unemployed families will spend benefits or tax refunds quickly to meet household expenses. The state fiscal relief will lessen the degree to which states will have to enact very painful budget cuts and tax increases, both of which have a negative effect on the economy. In addition, the measures included in the package will help avert severe hardship among low-income populations and preserve some needed state and local services.

The paper provides short descriptions and tables with estimated state-by-state impacts of several key provisions. These estimates are based on the best available data to CBPP. The agencies that administer these programs will provide the official allocations of formula grants in the coming days.

- Temporary Increase in State FMAP
- State Fiscal Stabilization Fund
- Education
- Higher Education Tax Credit
- Unemployment Insurance
- Child Care
- Child Support
- Training and Employment Services
- Food Stamp (or Supplemental Nutrition Assistance) Program
- Homelessness Prevention Fund
- Child Tax Credit
- Making Work Pay Tax Credit
- Economic Recovery Payments for Those with Social Security, SSI, and Veterans Benefits

## Temporary Increase in State FMAP

The economic recovery bill provides a temporary increase in the share of the Medicaid program paid by the federal government (known as the Federal Medical Assistance Percentage or “FMAP”). The provision will take effect immediately and provide states with approximately \$87 billion in assistance over nine calendar quarters (October 1, 2008 through December 31, 2010).

There are three components to the policy. First, each state will be “held harmless” from any drop in its FMAP rate that would otherwise occur under the regular FMAP formula as a result of an increase in its per capita income in years prior to the recession. (States with higher incomes have lower FMAP rates than states with lower incomes.) Second, each state will receive a “base” 6.2-percentage-point FMAP increase. Third, states that are experiencing large increases in their unemployment rates — as most states are — will receive an additional FMAP increase, that would proportionally reduce the states’ share of Medicaid costs by 5.5 percent, 8.5 percent, or 11.5 percent, depending on the size of the increase in unemployment. Each state’s eligibility for this additional FMAP increase would be evaluated each quarter based on the most recent unemployment data, with states qualifying for a greater level of assistance if their economic situation worsens. (No state would lose this higher FMAP rate if its unemployment dropped before July 1, 2010.)

The FMAP increases would apply to the costs of Medicaid benefits and to Title IV-E foster care and adoption assistance (but the increase related to unemployment would not apply to Title IV-E spending). The FMAP increases would not apply to Medicaid Disproportionate Share Hospital (DSH) payments, or to SCHIP and other Title IV programs that have federal matching rates based on the FMAP.

To receive an increased FMAP under this proposal, a state must satisfy two requirements. First, a state may not have Medicaid eligibility levels that are more restrictive than were in effect on July 1, 2008. States whose current eligibility levels do not meet this test would still be eligible to qualify for an increased FMAP if they take action to restore eligibility to July 2008 levels. Second, a state must ensure that it is promptly paying physicians, hospitals, and nursing homes that provide Medicaid services.

For a detailed description of how this provision works, please see Iris J. Lav, Edwin Park, Jason Levitis, and Matthew Broaddus, “Recovery Act Provides Much-Needed, Targeted Medicaid Assistance to States,” CBPP, February 13, 2009. Available at [www.cbpp.org/2-13-09sfp.htm](http://www.cbpp.org/2-13-09sfp.htm).

The tables below provide estimates prepared by the Government Accountability Office for the Senate Finance Committee of the amount of Medicaid assistance that each state would potentially receive, based on projections of state Medicaid spending and future state unemployment rates.

State by State Impact of the American Recovery and Reinvestment Act of 2009

**Fiscal Relief for State Medicaid Costs**

(Millions of dollars, total over States' FY2009-FY2011)

<b>U.S. Total</b>	<b>Additional Funding</b>
	<b>\$87,144</b>
Alabama	\$850
Alaska	\$220
Arizona	\$1,980
Arkansas	\$730
California	\$11,230
Colorado	\$880
Connecticut	\$1,320
Delaware	\$320
District of Columbia	\$300
Florida	\$4,390
Georgia	\$1,730
Hawaii	\$360
Idaho	\$300
Illinois	\$2,900
Indiana	\$1,440
Iowa	\$550
Kansas	\$450
Kentucky	\$1,030
Louisiana	\$1,660
Maine	\$470
Maryland	\$1,630
Massachusetts	\$3,090
Michigan	\$2,270
Minnesota	\$2,030
Mississippi	\$790
Missouri	\$1,600
Montana	\$180
Nebraska	\$310
Nevada	\$450
New Hampshire	\$250
New Jersey	\$2,220
New Mexico	\$630
New York	\$12,650
North Carolina	\$2,350
North Dakota	\$110
Ohio	\$3,010
Oklahoma	\$960
Oregon	\$830
Pennsylvania	\$4,070
Rhode Island	\$470
South Carolina	\$860
South Dakota	\$120
Tennessee	\$1,620
Texas	\$5,450
Utah	\$320
Vermont	\$280
Virginia	\$1,470
Washington	\$2,060
West Virginia	\$450
Wisconsin	\$1,240
Wyoming	\$110
American Samoa	\$3
Guam	\$4
N. Mariana Islands	\$2
Puerto Rico	\$142
Virgin Islands	\$3

## State Fiscal Stabilization Fund

The economic recovery bill creates a “State Fiscal Stabilization Fund” to help state and local governments avert budget cuts amid the growing state fiscal crisis. The Stabilization Fund provides two block grants for states — a \$39.5-billion grant earmarked for education and an \$8.8-billion grant to help fund other key services. Together, these provisions provide about \$48.3 billion in fiscal relief for state and local governments. (The Stabilization Fund also includes about \$5 billion for incentive grants and other purposes, for a total of \$53.6 billion.)

The \$48 billion in block grants is allocated among states through a combination of two population measures. Sixty-one percent of the funds are allocated by each state’s population aged 5 to 24. The remaining 39 percent of funds are allocated based on total state population. Out of each state’s allocation based on these measures, 81.8 percent is reserved for the education block grant, and 18.2 percent is considered the “flexible” grant.

The \$39.5 billion in education grants would support K-12 and higher education during state fiscal years 2009, 2010, and 2011. A portion of the funds would be dedicated to helping *states* maintain K-12 and higher education funding; the remainder would flow directly to *local* school districts. The funds must first be used to restore state education funding up to the greater of the FY08 and FY09 level, or, if higher, up to existing state formula levels. They can also be used to allow the phase-in of previously enacted equity and adequacy adjustments. Any funds remaining after these uses must be sent to local school districts. If funds are not sufficient to provide state support for K-12 and higher education at these levels, the state must allocate the funds between K-12 and higher education in proportion to the relative shortfalls.

States can use the \$8.8 billion in flexible block grants to avert budget cuts in education or in other basic state services, such as public safety and law enforcement, services for the elderly and people with disabilities, or child care. These funds can also be used for school modernization, renovation, or repair.

The funds are available to states immediately, and must be spent within two years of receipt of the grant.

To receive the block grants, states would be required to fund both K-12 and higher education at no less than the fiscal year 2006 level in fiscal years 2009, 2010, and 2011, though the Secretary of Education would have some discretion to loosen this requirement. States must also satisfy other requirements, including requirements for data collection, educational assessment, and equitable distribution of teachers among schools.

(The bill also provides \$5 billion for “State Incentive Grants” and small amounts for territories and administration. The incentive grants are not included in the table below. States would have to apply for the incentive grants and show they have made progress on initiatives such as improving the distribution of teachers between high-poverty and low-poverty schools or establishing longitudinal data systems. For states receiving these grants, half of the funds must be passed through to local governments.)

The table below provides an estimate of the state-by-state allocations of the two block grants.

**State by State Impact of the American Recovery and Reinvestment Act of 2009**

**State Fiscal Stabilization Fund**

(Millions of dollars, total allocated over FY2009-FY2010)

	<b>Education Block Grant</b>	<b>Flexible Block Grant</b>
<b>U.S. Total</b>	<b>\$39,524.1</b>	<b>\$8,793.9</b>
Alabama	\$596.4	\$132.7
Alaska	\$93.0	\$20.7
Arizona	\$831.9	\$185.1
Arkansas	\$363.1	\$80.8
California	\$4,875.5	\$1,084.8
Colorado	\$621.9	\$138.4
Connecticut	\$443.3	\$98.6
Delaware	\$110.3	\$24.5
District of Columbia	\$73.1	\$16.3
Florida	\$2,208.8	\$491.5
Georgia	\$1,260.8	\$280.5
Hawaii	\$157.2	\$35.0
Idaho	\$201.7	\$44.9
Illinois	\$1,681.1	\$374.0
Indiana	\$823.7	\$183.3
Iowa	\$386.4	\$86.0
Kansas	\$367.4	\$81.7
Kentucky	\$532.8	\$118.5
Louisiana	\$579.6	\$129.0
Maine	\$158.3	\$35.2
Maryland	\$719.7	\$160.1
Massachusetts	\$813.3	\$181.0
Michigan	\$1,302.4	\$289.8
Minnesota	\$667.9	\$148.6
Mississippi	\$392.1	\$87.2
Missouri	\$753.2	\$167.6
Montana	\$121.6	\$27.1
Nebraska	\$234.0	\$52.1
Nevada	\$324.4	\$72.2
New Hampshire	\$164.2	\$36.5
New Jersey	\$1,088.3	\$242.1
New Mexico	\$260.4	\$57.9
New York	\$2,468.6	\$549.2
North Carolina	\$1,161.9	\$258.5
North Dakota	\$85.6	\$19.1
Ohio	\$1,463.7	\$325.7
Oklahoma	\$472.8	\$105.2
Oregon	\$466.5	\$103.8
Pennsylvania	\$1,558.8	\$346.8
Rhode Island	\$134.9	\$30.0
South Carolina	\$567.7	\$126.3
South Dakota	\$104.3	\$23.2
Tennessee	\$775.1	\$172.5
Texas	\$3,250.3	\$723.2
Utah	\$392.6	\$87.3
Vermont	\$77.2	\$17.2
Virginia	\$983.9	\$218.9
Washington	\$819.9	\$182.4
West Virginia	\$218.0	\$48.5
Wisconsin	\$717.3	\$159.6
Wyoming	\$67.6	\$15.0
Puerto Rico	\$529.7	\$117.9

## Education

The table below shows the funding provided for various Department of Education programs.

<b>Additional Funding in the American Recovery and Reinvestment Act of 2009 (Millions of Dollars)</b>	
Title I - Grants to Local Educational Agencies	\$10,000
Title I - School Improvement Grants	\$3,000
IDEA - Special Education (Part B state grants)	\$11,700
Impact Aid Construction	\$100
Education Technology	\$650
Education for Homeless Children and Youth	\$70
Teacher Incentive Fund	\$200
IDEA - Infants and Families (Part C state grants)	\$500
Rehabilitation Services and Disability Research	\$680
Statewide Data Systems	\$250
<b>Total K-12 funding</b>	<b>\$27,150</b>
Student Financial Assistance (Pell Grants - Discretionary)	\$15,640
Student Financial Assistance (Pell Grants - Mandatory)	\$1,470
Student Aid Administration	\$60
College Work-Study	\$200
Teacher Quality Enhancement Grants	\$100
<b>Total Post-Secondary Education funding</b>	<b>\$17,470</b>
<b>Total Education Funding</b>	<b>\$44,620*</b>

\*This table does not include the \$14 million provided for the Office of the Inspector General or any funds from the \$53.6 billion State Fiscal Stabilization Fund. For more information on the State Fiscal Stabilization Fund click here: <http://www.cbpp.org/1-22-09bud-sfsf.pdf>

### **State-by-State Distribution**

On February 19th, 2009 the Department of Education released its preliminary state-by-state allocation of funds from the Recovery Package. (<http://www.ed.gov/about/overview/budget/statetables/recovery.html>)

Their state-by-state tables for various programs can be found here:  
<http://www.ed.gov/about/overview/budget/statetables/09arrastatetables.xls>.

## HIGHER-EDUCATION TAX CREDIT

The “Hope Credit,” which provides a tax subsidy for college tuition costs, was established in 1997.

Its goal, in part, was to enable students who could not otherwise afford to attend college to do so. Yet until now, 3.8 million prospective college students — more than a fifth of all high-school-age children nationwide — could not expect to receive any help from this tax credit because their families’ incomes were too low to qualify for it.

The recently-passed American Recovery and Reinvestment Act of 2009 addresses this issue. It contains a measure to enlarge the Hope credit for students from middle-income families *and* to partially extend this tax credit for the first time to students from lower-income families. Previously, the credit was “non-refundable,” meaning that it could only be used to offset a family’s federal income tax liability; families whose incomes were too low to owe federal income tax could not benefit from the credit. The new credit is “refundable,” meaning that lower-income households that have limited or no federal income tax liability to offset can now receive a partial credit in the form of a tax “refund” of up to 40 percent of qualifying expenses (for a maximum refund of \$1,000).

The law renames the Hope Credit as the American Opportunity Tax Credit. Currently the expansion is temporary, applying to 2009 and 2010, although the President’s budget released February 26 proposes that the expanded credit be made permanent.

For more details on the credit, see <http://www.cbpp.org/1-21-09tax.htm>.

The table shows the number of lower-income students in each state who will gain access to the credit because it is refundable. Based on Census data for 2004-2006, we estimate that about 3.8 million high-school-age children (ages 14-17) nationwide live in lower-income families that, as a result of the credit being made refundable, will now have access to the Hope Credit if their children go to college.

TABLE 1: Students Potentially Helped by Making the Tax Credit Refundable		
State	Number	Margin of Error
Alabama	70,000	±15,000
Alaska	7,000	±2,000
Arizona	75,000	±17,000
Arkansas	44,000	±9,600
California	522,000	±44,800
Colorado	36,000	±11,700
Connecticut	30,000	±9,100
Delaware	8,000	±2,400
D.C.	10,000	±2,300
Florida	195,000	±25,900
Georgia	120,000	±20,000
Hawaii	11,000	±3,100
Idaho	20,000	±4,700
Illinois	156,000	±23,300
Indiana	76,000	±16,000
Iowa	25,000	±7,800

Kansas	33,000	±8,600
Kentucky	72,000	±15,100
Louisiana	77,000	±15,800
Maine	17,000	±4,600
Maryland	53,000	±13,600
Massachusetts	71,000	±15,400
Michigan	121,000	±20,300
Minnesota	41,000	±11,800
Mississippi	63,000	±11,700
Missouri	74,000	±15,800
Montana	12,000	±3,000
Nebraska	17,000	±4,900
Nevada	32,000	±8,200
New Hampshire	9,000	±3,000
New Jersey	77,000	±16,400
New Mexico	36,000	±8,000
New York	295,000	±32,600
North Carolina	118,000	±20,200
North Dakota	6,000	±1,800
Ohio	128,000	±20,600
Oklahoma	53,000	±12,200
Oregon	41,000	±11,400
Pennsylvania	138,000	±21,700
Rhode Island	14,000	±3,600
South Carolina	58,000	±13,800
South Dakota	7,000	±2,000
Tennessee	87,000	±17,100
Texas	346,000	±37,200
Utah	24,000	±6,300
Vermont	5,000	±1,700
Virginia	71,000	±15,500
Washington	67,000	±15,600
West Virginia	27,000	±5,600
Wisconsin	63,000	±14,700
Wyoming	5,000	±1,500
United States	3,762,000	±107,900

Source: CBPP estimates based on data from the 2005-2007 Annual Social and Economic Supplements to the Census Current Population Survey, which cover years 2004-2006. Figures are averages for 2004-2006, based on 2009 tax law.

The estimates refer to numbers of high-school-age children, rather than those of college age, because Census data do not link college-age children living away from home with the incomes of their parents. We take the number of high-school-age students in families with too little tax liability to benefit from a non-refundable education tax credit as an indicator of what the number will be in four years when these same children reach college age. The estimates shown here may be too conservative insofar as they do not take into account any other tax credits or deductions to which families may be entitled, and thus may understate the number of families with insufficient tax liability to benefit from the credit.



## Unemployment Insurance

The economic recovery package includes federal funding for a \$25 per week increase in unemployment benefits. The package also extends the deadline to qualify for the Emergency Unemployment Compensation extensions through December 31, 2009.

The National Employment Law Project (NELP) has estimated the number of people that will benefit from these two provisions. These estimates can be found here:

<http://www.nelp.org/page/-/UI/RecoveryPlanEstimates.pdf>

The recovery package also includes the provisions in the Unemployment Insurance Modernization Act (UIMA). Those provisions provide financial incentives to states to adopt reforms to their Unemployment Insurance programs that would make the program accessible to more low-wage workers and part-time workers. (The recovery package also includes \$500 million in new funding to help states address the administrative demands of fielding claims from the growing number of workers applying for benefits.) NELP's estimates of the state-by-state distribution of additional unemployment benefits and administrative funds can be found here:

<http://www.nelp.org/page/-/UI/UIMAFactSheet2008.pdf?nocdn=1>.

## Child Care

The economic recovery package will provide an additional \$2 billion in child care funding under the Child Care and Development Block Grant (CCDBG). CCDBG provides funding to states to subsidize child care for children in low-income working families and low-income families in which parents are engaged in education or training.

Due to funding constraints, only a minority of children eligible for child care assistance currently receive any help paying for child care. Moreover, need for child care assistance will remain high despite the recession. Some employed parents who previously could afford child care will need help when their earnings fall. Parents who are out of work but are going to school or are engaged in training programs to retool their skills will also need help paying for child care. And many parents who are unaffected by the recession will continue working for low or moderate pay and will still struggle to pay the high cost of child care.

The Center for Law and Social Policy has estimated the funding each state will receive from the recovery package and the average monthly number of children the state will be able to serve with those additional resources. Its analysis is found here: [http://clasp.org/publications/aara\\_childcarestatealloc.pdf](http://clasp.org/publications/aara_childcarestatealloc.pdf)

# CLASP

CENTER FOR LAW AND SOCIAL POLICY

## How Much Restored Child Support Funding Will Each State Receive Under the American Recovery and Reinvestment Act?

By Vicki Turetsky  
February 13, 2009

The child support enforcement program is a major part of the safety net for struggling families. One in four children—17 million—receive child support services. Families quickly spend their child support income to pay for basic needs, shoring up consumer demand for goods and services, and preserving jobs in the community. The child support program is cost-effective: it collects \$6 for every federal dollar invested.

The American Recovery and Reinvestment Act includes \$1 billion to temporarily suspend a provision in the Deficit Reduction Act of 2006 that reduced federal child support funding by 20 percent. The DRA eliminated the longstanding federal match on incentive payments that states earn and reinvest in the program based on their performance rates. This funding will be available to states and counties through September 30, 2010. The funding will allow families to continue to receive child support payments and prevent imminent cutbacks in the child support program.

The following table shows the approximate amount of federal matching funds that the state can now draw down during next two years.

State	Additional funds state could receive during 2-year period from restored performance incentive matching funds (\$ millions)
Alabama	16.5
Alaska	6.8
Arizona	22.1
Arkansas	14.5
California	154.5
Colorado	19.1
Connecticut	16.1
Delaware	4.9
District of Columbia	3.0
Florida	100.1
Georgia	43.2
Guam	0.4
Hawaii	6.0
Idaho	9.6

Illinois	37.0
Indiana	31.8
Iowa	27.2
Kansas	13.1
Kentucky	28.8
Louisiana	24.0
Maine	8.4
Maryland	29.2
Massachusetts	35.2
Michigan	104.1
Minnesota	47.6
Mississippi	12.9
Missouri	41.2
Montana	4.2
Nebraska	10.3
Nevada	7.9
New Hampshire	7.1
New Jersey	63.3
New Mexico	4.6
New York	101.0
North Carolina	52.7
North Dakota	6.5
Ohio	114.4
Oklahoma	16.3
Oregon	22.2
Pennsylvania	99.5
Puerto Rico	13.0
Rhode Island	4.6
South Carolina	13.3
South Dakota	5.9
Tennessee	32.0
Texas	160.7
Utah	13.3
Vermont	3.9
Virginia	40.4
Virgin Islands	0.4
Washington	49.2
West Virginia	15.4
Wisconsin	52.8
Wyoming	4.7

Source: CLASP calculation based on OCSE 2006 data (latest available). Amounts are based on the maximum amount of federal matching funds available to match two full years of incentive payments, and do not take into account any match received on state and county funds.

## Training and Employment Services

The Workforce Investment Act (WIA) provides funds to localities for job training and employment services for dislocated workers, youth, and adults.

The economic recovery package will provide \$3.95 billion for WIA training and employment services.

A portion of the funding — \$2.95 billion — would be distributed to states using standard WIA grant formulas. The package provides \$1.2 billion for youth activities, \$1.25 billion for dislocated workers, and \$500 million for adult activities.

In addition to the \$2.95 billion in formula grants, the bill provides \$50 million for YouthBuild, \$750 million for a new program of competitive grants for worker training and placement in high growth and emerging industries, and \$200 million for the dislocated workers assistance national reserve.

The table shows estimates of how the recovery package will distribute the \$2.95 billion in WIA formula funding for adult, dislocated worker, and youth services grants. These estimates are based on data from the Congressional Research Service. The non-formula funds are not included in this table.

**State by State Impact of the American Recovery and Reinvestment Act of 2009**  
**Additional Funding in Worker Training & Employment Services**  
(Millions of dollars, total allocated in FY2009)

	<b>Youth Services</b>	<b>Dislocated Workers</b>	<b>Adult Activities</b>
<b>U.S. Total</b>	<b>\$1,200.0</b>	<b>\$1,250.0</b>	<b>\$500.0</b>
Alabama	\$11.8	\$10.3	\$5.2
Alaska	\$4.0	\$3.3	\$1.7
Arizona	\$18.0	\$18.5	\$7.7
Arkansas	\$12.2	\$7.6	\$5.1
California	\$188.5	\$225.0	\$80.9
Colorado	\$12.0	\$10.5	\$4.8
Connecticut	\$11.1	\$13.5	\$4.4
Delaware	\$2.9	\$1.8	\$1.2
District of Columbia	\$4.0	\$4.1	\$1.6
Florida	\$43.3	\$78.4	\$19.6
Georgia	\$31.7	\$41.2	\$13.3
Hawaii	\$2.9	\$2.1	\$1.2
Idaho	\$2.9	\$1.9	\$1.2
Illinois	\$62.8	\$65.3	\$26.1
Indiana	\$23.9	\$21.4	\$9.5
Iowa	\$5.2	\$6.3	\$1.6
Kansas	\$7.2	\$6.2	\$2.7
Kentucky	\$17.9	\$19.3	\$8.3
Louisiana	\$20.2	\$9.8	\$8.8
Maine	\$4.3	\$3.9	\$1.8
Maryland	\$11.7	\$12.3	\$5.0
Massachusetts	\$25.1	\$18.7	\$10.2
Michigan	\$74.7	\$90.8	\$31.2
Minnesota	\$18.0	\$17.5	\$7.0
Mississippi	\$18.9	\$18.3	\$7.9
Missouri	\$25.7	\$29.4	\$10.6
Montana	\$2.9	\$1.7	\$1.2
Nebraska	\$3.0	\$2.9	\$1.2
Nevada	\$7.6	\$14.1	\$3.4
New Hampshire	\$2.9	\$2.6	\$1.2
New Jersey	\$21.0	\$26.5	\$9.5
New Mexico	\$6.3	\$3.5	\$2.7
New York	\$72.2	\$70.2	\$31.8
North Carolina	\$25.3	\$39.8	\$10.4
North Dakota	\$2.9	\$1.0	\$1.2
Ohio	\$56.7	\$68.0	\$23.6
Oklahoma	\$8.8	\$7.4	\$3.7
Oregon	\$15.2	\$14.7	\$6.4
Pennsylvania	\$41.1	\$34.4	\$16.7
Rhode Island	\$5.7	\$7.0	\$2.1
South Carolina	\$25.0	\$28.7	\$10.5
South Dakota	\$2.9	\$1.1	\$1.2
Tennessee	\$25.4	\$29.0	\$10.9
Texas	\$82.8	\$57.5	\$34.7
Utah	\$5.1	\$3.3	\$1.8
Vermont	\$2.9	\$1.5	\$1.2
Virginia	\$13.1	\$13.6	\$5.3
Washington	\$23.7	\$16.8	\$9.8
West Virginia	\$5.4	\$3.6	\$2.4
Wisconsin	\$13.9	\$16.7	\$5.2
Wyoming	\$2.9	\$0.5	\$1.2
Puerto Rico	\$42.9	\$43.3	\$20.3

## Food Stamp (or Supplemental Nutrition Assistance) Program

The economic recovery package includes \$20 billion for the Food Stamp Program (recently renamed the Supplemental Nutrition Assistance Program). Most of this amount (about \$19 billion) would be used to fund a 13.6 percent increase to maximum food stamp benefits, which would go into effect in April 2009. (The new level will stay in place in subsequent years until the program's regular annual inflation adjustments overtake the benefit increase.) All food stamp households — currently about 14 million households containing almost 32 million individuals — would benefit from the increase.

Food stamps are one of the most effective forms of economic stimulus because low-income individuals generally spend their available resources on meeting their daily needs, such as shelter, food, and transportation. Therefore, every dollar in food stamps that a low-income family receives enables the family to spend an additional dollar on food or other items. USDA research has found that \$1 in food stamps generates \$1.84 in total economic activity. Mark Zandi of Moody's Economy.com estimates a similar multiplier (\$1.73 for every additional \$1 in food stamp expenditures), the highest of the various spending and tax measures he evaluated.

The package also would provide \$290.5 million in administrative funds to states to implement the change and help manage rising caseloads during the recession (another \$4.5 million would go to USDA for administrative costs), suspend for 18 months the three-month time limit on assistance that many unemployed childless adults face, provide a comparable increase for the food assistance block grant for Puerto Rico and American Samoa, and provide \$5 million for the Food Distribution Program on Indian Reservations.

The attached table shows the estimated state-by-state impacts of three of the food stamp provisions: the 13.6 percent maximum benefit increase, the increase for the Puerto Rico/American Samoa block grant, and the state administrative funds. Because all food stamp recipients would benefit from the increase, the number of individuals is based on food stamp participation for December 2008, the most recent month for which data are available. If food stamp participation continues to rise, the number of people helped also will grow. The distribution of dollars is based on Congressional Budget Office cost estimates and 2006 food stamp administrative data. We assume that the bill will help households that receive the minimum benefit or participate in Combined Application Projects (CAPs). Each state's share of administrative funds is based on USDA's allocations available at <http://www.fns.usda.gov/snap/rules/Memo/09/030609a.pdf>.

Sources: USDA, Economic Research Service, "Effects of Changes in Food Stamp Expenditures Across the U.S. Economy" by Kenneth Hanson and Elise Golan, August 2002. Mark Zandi, "The Economic Impact of the American Recovery and Reinvestment Act," January 21, 2009.

**State by State Impact of the American Recovery and Reinvestment Act of 2009**

**Food Stamps**  
(Millions of dollars)

U.S. Total	Increase in Food Stamp Benefits	Participants Receiving Stimulus	Food Stamp Administration
	Total over FY2009-FY2013		FY 2009      FY 2010
	<b>\$19,300</b>	<b>31,800,000</b>	<b>\$144.5      \$146.0</b>
Alabama	\$389	641,000	\$2.5      \$2.6
Alaska	\$36	57,000	\$0.2      \$0.2
Arizona	\$381	743,000	\$3.4      \$3.4
Arkansas	\$269	401,000	\$1.4      \$1.4
California	\$1,466	2,502,000	\$10.8      \$11.0
Colorado	\$181	292,000	\$1.2      \$1.2
Connecticut	\$152	244,000	\$1.3      \$1.3
Delaware	\$46	85,000	\$0.4      \$0.4
District of Columbia	\$63	101,000	\$0.5      \$0.5
Florida	\$879	1,782,000	\$10.1      \$10.4
Georgia	\$666	1,197,000	\$5.2      \$5.3
Hawaii	\$66	109,000	\$0.5      \$0.6
Idaho	\$65	123,000	\$0.5      \$0.5
Illinois	\$890	1,371,000	\$6.0      \$5.9
Indiana	\$409	670,000	\$3.0      \$2.8
Iowa	\$161	282,000	\$1.3      \$1.4
Kansas	\$127	201,000	\$0.8      \$0.9
Kentucky	\$427	681,000	\$2.9      \$2.9
Louisiana	\$461	703,000	\$2.7      \$3.2
Maine	\$114	189,000	\$0.9      \$0.9
Maryland	\$219	422,000	\$2.1      \$2.1
Massachusetts	\$317	583,000	\$3.3      \$3.4
Michigan	\$800	1,347,000	\$6.2      \$6.3
Minnesota	\$175	315,000	\$1.4      \$1.4
Mississippi	\$296	487,000	\$1.9      \$1.6
Missouri	\$562	981,000	\$3.2      \$3.3
Montana	\$57	85,000	\$0.3      \$0.3
Nebraska	\$83	125,000	\$0.4      \$0.5
Nevada	\$84	174,000	\$0.9      \$0.9
New Hampshire	\$38	72,000	\$0.4      \$0.4
New Jersey	\$297	482,000	\$2.2      \$2.3
New Mexico	\$172	268,000	\$1.1      \$1.1
New York	\$1,289	2,174,000	\$12.1      \$12.3
North Carolina	\$616	1,073,000	\$4.6      \$4.7
North Dakota	\$30	50,000	\$0.2      \$0.2
Ohio	\$756	1,265,000	\$5.5      \$5.6
Oklahoma	\$302	445,000	\$1.6      \$1.7
Oregon	\$307	525,000	\$2.8      \$2.9
Pennsylvania	\$779	1,277,000	\$5.6      \$5.8
Rhode Island	\$52	92,000	\$0.5      \$0.5
South Carolina	\$383	658,000	\$2.9      \$2.9
South Dakota	\$42	67,000	\$0.3      \$0.3
Tennessee	\$608	1,020,000	\$4.5      \$4.6
Texas	\$1,812	3,049,000	\$13.8      \$13.3
Utah	\$94	166,000	\$0.7      \$0.7
Vermont	\$34	63,000	\$0.3      \$0.3
Virginia	\$355	608,000	\$2.6      \$2.7
Washington	\$392	683,000	\$3.4      \$3.2
West Virginia	\$187	295,000	\$1.2      \$1.2
Wisconsin	\$246	491,000	\$2.3      \$2.4
Wyoming	\$17	24,000	\$0.1      \$0.1
Guam	\$18	30,000	\$0.1      \$0.1
Virgin Islands	\$9	15,000	\$0.1      \$0.1
Puerto Rico/ Am. Sam	\$579	N/A	N/A      N/A



## Homelessness Prevention Fund

The Homelessness Prevention Fund (HPF) will provide formula grants to states and localities that may be used for homelessness prevention. Twenty-five percent of the funds go to states; the rest of the funds go to localities, using the same formula HUD uses to distribute Emergency Shelter Grant funds. The economic recovery package provides \$1.5 billion for HPF for homelessness prevention activities (not for emergency shelters). The funds could be used for short-term or medium-term rental assistance, housing stabilization services, and housing relocation assistance, including security or utility deposits and moving costs. HUD will issue guidance on the use of the funds, likely in mid-March. The funding will help some families avert homelessness by providing them with help to pay for a few months of overdue rent or utility bills or the costs of moving into a new apartment. Relocation funds will help families meet the one-time costs associated with getting settled in new housing after being displaced by foreclosure, including many renters who are left without housing when the property in which they live is foreclosed upon. These funds will be spent quickly, boosting local economies and improving cash-flow for rental property owners, which are typically small businesses.

This table shows the amount of HPF funds each state (including localities within a state) will receive under the final recovery package, according to HUD, and CBPP's estimate of the number of families assisted with such funds. To estimate the number of households assisted, we assumed that the national average cost per household assisted would be \$5,000, and weighted this estimate by the average HUD Fair Market Rent for the state.

HUD Homelessness Prevention Fund allocation: <http://www.hud.gov/recovery/homeless-prevention.cfm>

State by State Impact of the American Recovery and Reinvestment Act of 2009

**Homelessness Prevention Fund**

(total allocated in FY09)

	<b>Funding (Actual from HUD)</b>	<b>Estimated number of households assisted</b>
<b>U.S. total</b>	<b>\$1,492,500</b>	<b>298,000</b>
Alabama	\$20,073,696	5,600
Alaska	\$1,920,455	300
Arizona	\$22,083,797	4,400
Arkansas	\$11,212,943	3,100
California	\$189,086,299	25,000
Colorado	\$15,491,118	3,100
Connecticut	\$16,960,432	2,500
Delaware	\$2,921,322	600
District of Columbia	\$7,489,476	900
Florida	\$65,297,986	11,400
Georgia	\$33,624,789	7,600
Hawaii	\$6,182,962	700
Idaho	\$4,972,218	1,300
Illinois	\$70,865,285	13,900
Indiana	\$28,383,426	7,000
Iowa	\$16,732,201	4,500
Kansas	\$11,349,968	3,000
Kentucky	\$18,557,372	5,000
Louisiana	\$26,576,197	5,900
Maine	\$8,056,972	6,100
Maryland	\$22,407,537	3,400
Massachusetts	\$44,558,792	6,200
Michigan	\$53,140,158	11,800
Minnesota	\$23,546,196	5,100
Mississippi	\$14,379,581	3,800
Missouri	\$27,263,384	7,000
Montana	\$3,731,327	1,000
Nebraska	\$7,871,814	2,000
Nevada	\$8,249,689	1,400
New Hampshire	\$5,378,867	900
New Jersey	\$40,919,501	5,800
New Mexico	\$8,585,909	2,100
New York	\$141,420,983	19,500
North Carolina	\$29,078,387	7,000
North Dakota	\$2,582,637	800
Ohio	\$65,653,996	15,900
Oklahoma	\$12,297,934	3,300
Oregon	\$14,907,179	3,400
Pennsylvania	\$89,983,651	19,700
Rhode Island	\$6,977,808	1,100
South Carolina	\$15,788,759	3,900
South Dakota	\$3,254,060	900
Tennessee	\$20,294,861	5,200
Texas	\$103,967,796	22,000
Utah	\$8,408,395	2,000
Vermont	\$3,398,824	700
Virginia	\$24,809,250	4,400
Washington	\$24,948,653	5,000
West Virginia	\$26,935,856	3,000
Wisconsin	\$10,198,601	6,200
Wyoming	\$1,718,313	500
Puerto Rico	\$45,002,388	15,700

## **Child Tax Credit Expansion**

The Child Tax Credit provides a partially refundable federal income tax credit of up to \$1,000 per child (under 17) to help offset the costs of raising a child. The economic recovery bill temporarily expands the Child Tax Credit by lowering the eligibility level, called the “refundability threshold,” to make the credit available to tax filers with at least \$3,000 of earnings. Under prior law, the credit was typically available only to those with earnings of \$8,500 or more in tax year 2008 and \$12,550 in tax year 2009.

Families with earnings just above the threshold qualify for a very small credit, because the credit "phases in" slowly as earnings rise above the threshold level. Under the expanded credit, a family with two children may qualify for the full Child Tax Credit if it has earnings of \$16,333 or more.

The Joint Committee on Taxation estimates that the two-year Child Tax Credit provision will cost \$14.8 billion as compared to current law (in which the threshold would equal \$12,550 in 2009 and slightly more than that in 2010).

The assistance provided under this provision can be expected to provide especially effective stimulus because it is well targeted to the lowest-income families who are most likely to spend the money. Data from the Tax Policy Center show that about 90 percent of the benefits of lowering the threshold from its 2008 level will go to the bottom two-fifths of Americans.

Two sets of state figures are shown here (<http://www.cbpp.org/2-12-09tax.htm>). The first column represents the number of children younger than 17 expected to receive help under the provision — that is, to become newly eligible for the credit because of the lower threshold or to receive more help from the credit than they would have received under an \$8,500 threshold. The third column shows the number of children expected to receive help under this provision as compared to the credit they would receive if the threshold were set at \$12,550. In both cases, the majority of children helped by the provision are children who were already eligible for the credit but will receive a larger credit as a result of the recovery bill.

The figures are national estimates from the Tax Policy Center, allocated by state by the Center using Census Bureau data. To allocate the TPC figures, the Center used data from the March 2005, March 2006, and March 2007 Current Population Survey to simulate families' taxes, first assuming a refundability threshold of \$8,500 and \$12,550 for the Child Tax Credit and then lowering the threshold to \$3,000. We used these figures to estimate each state's share of children benefiting from the CTC provision. Three years of Census data were used to improve the reliability of the state estimates.

The margins of error shown in the table reflect the fact that the data are based on a sample of households. There is approximately a 90 percent likelihood that an estimate based on all households in the state, rather than a sample, would equal the number shown plus or minus the margin of error.

## **Making Work Pay Tax Credit**

The centerpiece of the tax relief in the economic recovery bill is a new Making Work Pay Credit of up to \$400 per worker. The credit phases in at the same rate as Social Security taxes and is available to most workers not claimed as another taxpayer's dependent. The Center has estimated the number of people that will benefit from the Making Work Pay Credit here: <http://www.cbpp.org/1-21-09tax3.htm>.

Some families helped by the Making Work Pay Credit — those with children and low or moderate incomes — will receive additional help through expansions in the Earned Income Tax Credit and Child Tax Credit. The Center has estimated the number of people that will benefit from the expanded Child Tax Credit provision here: <http://www.cbpp.org/1-22-09bud-ctc.pdf>.

## **Economic Recovery Payments for Those with Social Security, SSI, and Veterans Benefits**

In addition to providing tax relief for workers, the economic recovery package provides a one-time Economic Recovery Payment in 2009 for retirees, veterans, and people with disabilities. The payment is \$250 for each person who received any Social Security, SSI, veterans disability compensation or pension benefits, or railroad retirement benefits in November or December 2008 or January 2009. (For tax filers who are eligible for both this payment and the new Making Work Pay tax credit, the value of the Economic Recovery Payment is to be deducted from the credit.)

The following table shows estimates, by state, of the number of people eligible to receive the Economic Recovery Payment. The Joint Committee on Taxation estimates that the payments will total \$14 billion in 2009, equivalent to 56 million recipients nationwide. The table distributes this number by state based on each state's percentage share of the number of Social Security and SSI recipients in December 2007 plus an adjustment for people receiving veterans benefits.<sup>1</sup>

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<sup>1</sup> In order to avoid double-counting people who received both veterans benefits and Social Security or SSI, we included only half of the number of veterans beneficiaries. Census data show that, nationally, about half of veterans beneficiaries already receive Social Security benefits or SSI.

State by State Impact of the American Recovery and Reinvestment Act of 2009

**Number of Persons Benefiting from One-Time \$250 "Economic Recovery Payments" to Recipients of Social Security, SSI, Veterans Benefits, and Railroad Retirees, 2009**

<b>U.S. Total</b>	<b>56,000,000</b>
Alabama	1,082,000
Alaska	83,000
Arizona	1,068,000
Arkansas	672,000
California	5,476,000
Colorado	687,000
Connecticut	642,000
Delaware	172,000
District of Columbia	91,000
Florida	3,908,000
Georgia	1,505,000
Hawaii	233,000
Idaho	266,000
Illinois	2,160,000
Indiana	1,200,000
Iowa	602,000
Kansas	500,000
Kentucky	977,000
Louisiana	871,000
Maine	313,000
Maryland	889,000
Massachusetts	1,226,000
Michigan	2,002,000
Minnesota	901,000
Mississippi	655,000
Missouri	1,205,000
Montana	195,000
Nebraska	326,000
Nevada	404,000
New Hampshire	250,000
New Jersey	1,524,000
New Mexico	379,000
New York	3,601,000
North Carolina	1,783,000
North Dakota	126,000
Ohio	2,236,000
Oklahoma	751,000
Oregon	712,000
Pennsylvania	2,757,000
Rhode Island	219,000
South Carolina	925,000
South Dakota	160,000
Tennessee	1,286,000
Texas	3,606,000
Utah	317,000
Vermont	128,000
Virginia	1,339,000
Washington	1,123,000
West Virginia	495,000
Wisconsin	1,073,000
Wyoming	92,000

Note: Figures are unduplicated counts of persons receiving Social Security or SSI in December 2007, plus one-half of the number receiving veterans benefits in 2007. (About half of persons receiving veterans benefits are already included in the Social Security count).  
 Source: Social Security Administration; Veterans Benefits Administration.