

Highlights of the House Economic Recovery Package

January 27, 2009

The Economic Recovery and Reinvestment Act that is being debated this week in the House aims to create or sustain 4 million jobs, primarily by investing in infrastructure, strengthening federal programs and tax credits for vulnerable families, and providing aid to state and local governments. In addition, about one-third of the \$825 billion price tag is for a broad range of tax cuts.

This paper briefly summarizes the highlights of the bill relating to assistance for children and vulnerable families and aid to help state and local governments avoid making deep budget cuts.

Temporary assistance for vulnerable families

- **Medicaid** – Gives states \$87 billion in assistance by enhancing the federal match rate for Medicaid and child welfare spending, which would yield about \$1.1 billion for Wisconsin. That would allow Wisconsin to fill holes in its Medicaid and BadgerCare Plus budget and cope with caseload growth that is being driven up by the recession.
- **Nutrition Assistance** – Provides a \$20 billion increase to the food stamp (Supplemental Nutrition Assistance) program to temporarily increase benefits, and allows all states to participate in the Afterschool Feeding Program for At-risk Youth, which currently only serves 8 states.
- **Expanding eligibility for the child tax credit** – Makes the Child Tax Credit accessible to 13.3 million more children, including many in families who have recently lost their jobs, by temporarily lowering the earnings threshold from \$8,500 to \$0. It would benefit an estimated 260,000 children in Wisconsin.
- **Tax credits for working families** – Creates a new Making Work Pay Credit for all families and expands the Earned Income Tax Credit (EITC). The recession could push 3 million children into poverty and increase the number of children already living in deep poverty. Expanding the EITC and creating the new credit could slow these trends by directing tax benefits to families struggling to meet basic economic needs.
- **Child Care and Head Start** – Provides \$2 billion for the Child Care Development Block Grant, allowing an additional 300,000 children to participate, and \$2.1 billion for Head Start, which means 110,000 low-income children will be able to access the program. Wisconsin would receive about \$10 million for Head Start and \$30 million from the increase in the block grant, which would relieve a little of the pressure to cut the Wisconsin Shares child care subsidy program.
- **Unemployment Insurance (UI)** – Increases payments by \$25 per week, provides funding for extended UI benefits, and encourages UI modernization to allow more workers to claim benefits. If Wisconsin were to take advantage of the incentive funding for UI modernization, it could extend UI benefits to part-time workers who are now excluded from eligibility.
- **TANF** – Strengthens support for public assistance programs by creating a larger TANF contingency fund that would bear 80 percent of the cost of increased spending by states that are

struggling with burgeoning caseloads. Eligible costs in Wisconsin would include W-2 cash assistance, emergency assistance, and job training programs.

- **Weatherization and low-income energy assistance** – Provides an increase of \$6.2 billion for weatherization programs and \$1 billion for the Low-Income Home Energy Assistance Program, which helps low-income households with their energy bills. Wisconsin would get about \$194 million for weatherization and \$34.7 million for energy assistance.
- **Higher Education** – Increases the Hope Tax Credit, a credit for higher education, from \$1,800 to \$2,500, and broadens the educational expenses that can be considered in claiming the credit. Also increases the maximum Pell Grant from \$4,850 to \$5,350.

Fiscal relief for State and Local Governments

A major component of the bill is fiscal relief for state and local governments, which will help reduce the cuts that would otherwise be necessary in safety net programs and in state and local employment. Those sorts of cuts would undermine the goals of the stimulus legislation and exacerbate the recession. The following are some of the key components of the federal aid, including estimates of the Wisconsin allocations:¹

- **Fiscal stabilization fund** – The bill provides \$79 billion for a fund to help states pay for public services, with about three-fifths of that total designated for education. The Wisconsin share is estimate to be about \$1.16 billion.
- **Medicaid and child welfare matching rates** – Includes \$87 billion for a temporary increase in the federal matching rate for Medicaid and child welfare funding. Wisconsin would get roughly \$1.1 billion for Medicaid (including BadgerCare Plus), plus an undetermined amount for the child welfare portion.
- **Aid for school districts** – Provides a total of \$41 billion for school districts, including \$13 billion through Title I, \$13 billion for special education for children with disabilities (IDEA), \$14 billion for a new School Modernization and Repair Program, and \$1 billion for the Education Technology program. The Wisconsin allocations are estimated to total well over \$600 million (in addition to education dollars from the stabilization fund).
- **Infrastructure investments** – Includes \$43 billion for investments in infrastructure, including \$29.4 billion for highways and bridges (\$564 million for WI), \$5.9 billion for transit capital (\$73 million for WI), and \$5.7 billion for clean water (\$157 million for WI).
- **Job training (WIA)** – Provides \$4 billion for Workforce Investment Act (WIA) training and employment services, including \$1.2 billion for youth activities, \$1 billion for dislocated workers, and \$500 million for adult activities. Wisconsin's share of that aid would be about \$45.6 million. There would also be \$750 million nationally for competitive grants for worker training and placement in high growth and emergency industry sectors.
- **Community Services Block Grant** – Adds \$1 billion for the Community Services Block Grant, of which Wisconsin would get roughly \$12 million.
- **Child Support enforcement** – Includes \$1 billion to assist states and counties with child support enforcement, which would offset cuts made by Congress a few years ago. (The Wisconsin share is undetermined.)

¹ The state allocation estimates come from documents produced by the Congressional Research Service and the Center on Budget and Policy Priorities. In some cases the estimates differ, and all of the state-level figures should be considered as rough approximations.