

# Federal Stimulus

*The impact of federal stimulus dollars on Kansas children and families*

## FISCAL FOCUS

BUDGET AND TAX POLICY IN PERSPECTIVE

The American Recovery and Reinvestment Act (ARRA) has the potential to pump more than \$800 million earmarked for children and families into the Kansas budget over the next three years. Our state's ability to access maximum funding depends upon the decisions we make this Legislative Session regarding the 2010 budget. For example, dollars from the State Fiscal Stabilization are only accessible to states that fund K-12 and higher education at either: (1) the higher of FY08 or FY09 levels, or (2) up to existing state formula levels if greater.

The ARRA stands to support Kansas children and families both directly and indirectly in many ways, including through increased tax credits; additional child care assistance; and fiscal relief for the state's budget, which could minimize what might otherwise be serious cuts in education and social services.

While opinions may differ on the federal stimulus package, two factors should be taken into consideration when it comes to putting stimulus dollars to use for our state:

### **The positive impact that stimulus dollars would have on the Kansas economy**

According to estimations by Mark Zandi, the chief economist for Moody's Economy.com, every new dollar invested from the stimulus package will significantly increase

the GDP. For instance, a dollar invested in Food Stamps increases the GDP by \$1.73, in unemployment insurance by \$1.63, and in infrastructure spending by \$1.59.

### **The risk that unused Kansas stimulus dollars could be shifted to other states**

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The chart on the reverse side summarizes some of the provisions of ARRA that pertain to children and families, and the impact those provisions could have in Kansas.

**SELECTED STIMULUS PACKAGE PROVISIONS**

**IMPACT IN KANSAS**

<p><b>Child Care</b> \$2 billion to keep parents in the workforce through child care assistance</p>	<p>\$18.4 million (FY2009- FY2010) <sup>1</sup></p>
<p><b>Child Tax Credit</b> Temporarily expands the tax credit so that families begin qualifying with every dollar earned over \$3,000</p>	<p>Kansas families of 131,000 children will qualify for the tax credit <sup>2</sup></p>
<p><b>Food Stamps</b> \$20 billion to provide a 13.6 percent increase in benefits</p>	<p>\$127 million in increased benefits (FY2009-FY2013); 200,000 Kansans will eligible <sup>3</sup></p>
<p><b>Making Work Pay Credit</b> New credit of up to \$400 per worker, \$800 per couple filing jointly</p>	<p>1 million Kansas taxpayers will be eligible for the payroll credit <sup>4</sup></p>
<p><b>Unemployment Insurance Benefits</b> Benefit increases of \$25 per week and continues up to 33 weeks of extended benefits through December 2009</p>	<p>134,000 Kansans will be eligible for the increased benefit and 20,000 Kansans will be eligible for extended benefits <sup>5</sup></p>
<p><b>Head Start</b> \$2.1 billion for Head Start and Early Head Start programs</p>	<p>\$17 million 1,000+ new slots for Kansas children <sup>6</sup></p>
<p><b>K-12 Education</b> \$13 billion for Title I grants and \$12.2 billion for IDEA (special education)</p>	<p>\$86.6 million for Title I and \$111.5 million for IDEA (FY2009-FY2010) <sup>7</sup></p>
<p><b>Higher Education</b> Pell Grants for students pursuing college or vocational education</p>	<p>65,092 Kansas students will be eligible for increased Pell Grants</p>
<p><b>Medicaid</b> \$87 billion to help states maintain their Medicaid program</p>	<p>\$450 million (FY2009-FY2011) <sup>8</sup></p>
<p><b>State Fiscal Stabilization Fund</b> \$53 billion to prevent cutbacks in education and other key services</p>	<p>\$367.4 million for education and \$81.7 million for other state needs (FY2009-FY2010) <sup>9</sup></p>

**SOURCES AND NOTES**

1 — Center for Law and Social Policy, "Impact of American Recovery and Reinvestment Act (ARRA) of 2009 on Child Care and Development Block Grant (CCDBG) Funding: Estimated State Allocations," February 13, 2009

2 — Arloc Sherman, "Recovery Agreement Temporarily Expands Child Tax Credit For Large Numbers Of Children In Every State," Center on Budget and Policy Priorities, February 12, 2009

3 — Center on Budget and Policy Priorities, "American Recovery And Reinvestment Act Of 2009: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals," February 13, 2009

4 — Arloc Sherman, "Tax Aid in Recovery Package Would Reach Large Numbers of Workers in Every State," Center on Budget and Policy Priorities, February 13, 2009

5 — National Employment Law Project, "American Recovery and Reinvestment Act of 2009: Estimates of Jobless Workers Benefiting from Selected Unemployment Insurance Provisions," January 13, 2009

6 — National Women's Law Center, "State Funding and Enrollment Estimates with \$3 Billion Increase in Head Start Funding" (Kansas estimates adjusted for lower appropriation in final bill)

7 — Center on Budget and Policy Priorities, American Recovery And Reinvestment Act Of 2009

8 — Center on Budget and Policy Priorities, American Recovery And Reinvestment Act Of 2009

9 — Center on Budget and Policy Priorities, American Recovery And Reinvestment Act Of 2009



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