

American Recovery and Reinvestment Act – The Basics for Pennsylvania

Stimulus Funds that Directly Benefit Hard Hit Families:

The President and Congress have delivered real relief for Pennsylvania families:

- **Tax rebates** – Families are already receiving the tax benefit of the stimulus package. An estimated **4.7 million** Pennsylvanians are taking home more in their pay checks due to the \$400 tax rebate provided for individuals earning under \$75,000 or the \$800 tax rebate for families with earnings under \$150,000.
- **Federal tax cut** – With the correction in the federal AMT calculation, the federal government estimates that over **970,000 Pennsylvania families** will have more disposable income because they will pay less in federal taxes.
- **College tax credit** – An estimated **138,000 Pennsylvania families** will get extra help from the American Opportunity Tax Credit to pay for college this fall.
- **Increased unemployment benefits** – For Pennsylvanians who have lost their jobs, as of March 10th the checks they receive every other week for unemployment compensation will include an extra \$25 per week, and for those who lost their jobs as of last September, if they are not working yet, unemployment compensation payments will be extended to 59 weeks.
- **COBRA** – For some of the unemployed – those that received health benefits on the job – the stimulus package will help them keep their health benefits. This benefit is limited to those who lost their jobs in the last six months. The federal government will provide a rebate via refundable tax credits to the employer equal to 65% of the employee's COBRA premium. The former employee is required to pay the balance of the COBRA premium.
- **Increased food stamp benefits** – The stimulus package increased the amount of food stamps families receive. That increased spending power is now in the hands of nearly **1.3 million Pennsylvania** families and as a result grocers across the Commonwealth will experience nearly \$500 million in increased food purchases. (The food stamp benefit increase is 13.69%, or approximately \$32 more per month per household.)
- **Medicaid** – Of course this package preserved the medical care provided to poor older adults, disabled adults and single parents and children. As a result, **over two million Pennsylvanians** can continue to get health care via the Medicaid program.

- **SCHIP** – With passage of the federal SCHIP bill in late January, new federal funds helped preserve Pennsylvania’s Cover All Kids program, which continued to sign up children and offer health insurance to **186,000 children** in the Commonwealth.

Stimulus Investment in Pennsylvania – via Federal Formulas

Pennsylvania will receive \$9.8 billion in funds driven out by federal formula to the states, which can be spent over 24-27 months.

There are three big pools of funds that flow directly to the state:

- ♦ **\$4 billion to help the states pay for health care costs for the elderly, disabled and poor families under our Medicaid program.**
- ♦ **\$2.56 billion for public education** – school districts will make the decision on how to use 95% of these funds.
- ♦ **\$1.4 billion for highway, bridge, transit and passenger rail projects** – and I have already described how decisions are made on how these funds are used.

In total, these three big pools account for \$8 billion – or over 80% of the \$9.8 billion in funds we can count on from the stimulus package.

The remaining funds are available in smaller chunks to achieve equally important stimulus goals:

Infrastructure and Housing Construction – \$476 million to the State

- ♦ On top of federal funds that will be allocated directly by HUD to public housing authorities and federal CDBG entitlement, the state is responsible for oversight of **\$254 million**. DCED and PHFA will oversee \$95 million in low-income housing construction gap financing, \$197 million in exchangeable tax credits, \$30.45 million in homelessness prevention funds and \$12.2 million in CDBG funds.
- ♦ \$222 million for drinking and waste water system improvements – these funds will be managed by PennVest and are expected to be released in two tranches this April and July.

Energy Independence – \$373 million

- ♦ \$258 million for weatherization of homes will be managed by DCED with local vendors delivering the services across the state
- ♦ \$115 million for renewable energy and conservation investments, which will be distributed by DEP. Of these funds, \$13 million is designated for release

by DEP to communities with less than 35,000 residents. In addition, the U.S. DOE will release approximately \$76 million for energy efficiency activities to cities with more than 200,000 residents.

Child Care Services and Head Start – \$120 million – The Head Start funds go directly to the federally selected Head Start agencies. The Child Care funds can be used to decrease the waiting list for subsidized child care for working families and will provide us the critically needed funds to provide subsidized child care for working families with infants and toddlers.

Job Training and Improved Unemployment Services – \$425 million
Like the housing funds, a good deal of discretion in how \$191 million of these funds are used rests with local jurisdictions via Workforce Investment Boards. The balance of the funds provided are required to be used for two specific purposes – (1) to provide retraining for individuals who lose their jobs due to international trade and (2) to modernize the administrative systems for unemployment compensation.

Targeted Relief for Pennsylvania Families – \$116 million
This category includes funds for expansion and improvement of emergency shelters (\$3.7 million), commodity food purchases for food pantries (\$4 million), targeted food assistance for the elderly (\$1.9 million), increased support for foster care and adoption assistance (\$55.8 million), increased grants for Community Action Agencies who work with the poorest of the poor to help them get back on their feet (\$42.3 million), and expanded funds for immunizations (\$8.6 million) for uninsured and underinsured individuals.

Crime Fighting and Crime Victim Services – \$88 million

Stimulus Funds Make it Possible to Keep our Budget in Balance

When the Governor proposed his budget in early February, it included a projected \$493 million in flexible federal fiscal relief for next year and the year after based on the House-passed version of the federal stimulus bill. In addition, the budget projections included \$4 billion in additional federal funds for Medicaid over a three-year period.

The Medicaid funds will flow as expected. In fact, Pennsylvania received the first installment of the funds for this fiscal year last Friday. The federal government made \$680 million available to Pennsylvania for its Medicaid program.

However, the flexible funds did not come in as anticipated. Pennsylvania will receive a total of \$1.9 billion in funds under the State Fiscal Stabilization Fund. Of these funds, \$347 million can be used by the state to help us meet traditional state budget costs – \$173 million in FY 2009-10 and \$173 million the following year that we can use as we proposed in our budget for state stabilization purposes. Pennsylvania will

direct these funds to cover Corrections costs and thereby free up General Fund dollars for other critically needed state services.

The balance of the State Fiscal Stabilization Fund – \$1.56 billion – can only be used for K-12 and Higher Education. The federal law is prescriptive with respect to how these funds must be distributed. First the funds are intended to make up any cuts in current year state appropriations for K-12 or public colleges. Then the funds are to be directed to increases prescribed in state law (enacted before October 1, 2008) for the state’s primary basic education formula. Any funds not used for either of these two purposes are to be distributed to schools districts via the federal Title I formula. With the federal funds, Pennsylvania will make the full second and much of the third year installment towards reaching adequacy under our basic education formula. As a result, we will not have to spend \$300 million in General Funds on the basic education subsidy. That makes it possible for Pennsylvania to plug the hole created by receiving less than we anticipated in funds in flexible state aid.

On top of the \$418 million that will flow to school districts based on the state’s formula, Pennsylvania school districts will also receive \$317 million next year from the State Stabilization Fund and nearly another billion in new funds will go directly to the school districts from the federal government via the Title I and IDEA formulas.

As stated, these funds are also to be used to restore the proposed \$42 million in cuts to General Fund appropriation proposed in next year’s budget for Penn State, Pitt, Temple and Lincoln, and to restore \$2 million to the Thaddeus Stevens College of Technology.

The stimulus funds do not relieve the pressure on the Commonwealth’s 2009-10 budget, which is still built on \$1 billion in cuts in order to balance.