



Michigan League FOR Human Services

February 19, 2009

The American Recovery and Reinvestment Act: Balm for Michigan's Economic Pain

Michigan will soon be the recipient of at least \$18 billion from the recently passed federal stimulus package. This sorely needed money will create and preserve jobs, stimulate local and state economies and fund services for Michigan's most vulnerable populations.

Infrastructure projects funded by the federal stimulus at the state and local level will create jobs directly associated with the project, as well as stimulate additional economic activity as spending ripples through to other local businesses. These projects will put people back to work and will save other jobs that would have been lost. The Obama Administration estimates that as many as 109,000 jobs could be created or saved here in Michigan.

Over \$2 billion of Michigan's share of the stimulus money will be used by the Medicaid program to provide health care for low-income households and those newly unemployed. This will allow Michigan to maintain its Medicaid program at a time when enrollment is increasing and state revenues are down. The additional federal Medicaid dollars will free up state funds to be used for other safety net programs, some of which are slated for cuts in the Governor's proposed budget.

Safety net spending will not only relieve financial stress for families and help them meet basic needs, but will also stimulate the economy. Food stamps will be spent at the local grocery store. Unemployment benefits will be used to buy household goods and clothes, and to make mortgage payments. Medicaid dollars will pay local health care providers. All of this means more dollars flowing into the Michigan economy.

According to Mark Zandi, chief economist for Moody's Economy.com, these types of stimulus efforts provide substantial economic bang for the buck. Fiscal relief to state and local governments results in \$1.38 in economic activity per dollar invested. Likewise, increased funds for food stamps, unemployment benefits and infrastructure projects produce \$1.73, \$1.63 and \$1.59 in economic activity per dollar invested.¹

These one-time dollars are designed to be used in the short-term in order to restore economic confidence. In addition to addressing immediate needs, the stimulus dollars will also buy time as Michigan looks at ways to address the structural deficit in the state budget on a long-term basis. Modernization of Michigan's tax structure to create revenue sources that are adequate, fair and stable is essential for the future of this state.

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The following allocations are preliminary estimates based on current available data. Allocations based on new data may result in changes from these preliminary estimates. Updates will be posted on the Michigan League for Human Services website.

DESCRIPTION OF SELECTED PROVISIONS (Total National Spending Shown As Available)	IMPACT IN MICHIGAN
FISCAL RELIEF TO STATE AND LOCAL GOVERNMENTS	
<i>Medicaid</i> - \$87.1 billion through first quarter of FY 2011 to help states maintain Medicaid programs. Requires states to maintain eligibility rules and provide required matching funds.	\$2.27 billion ²
<i>State Fiscal Stabilization Fund</i> - \$48.34 billion for education and state services block grants to maintain K-12, university and other public services spending and potentially to fund building projects and other initiatives.	\$1.59 billion ³
<i>State and Local Law Enforcement</i> - \$4 billion for local law enforcement equipment and operating costs and to hire new police officers.	\$168 million ⁴
HELP FOR WORKERS AND OTHERS HURT BY THE RECESSION	
<i>Child Care</i> - \$2 billion to provide child care services for children of working parents	\$58.68 million ⁵ 12,860 Michigan children assisted ⁶
<i>Child Tax Credit</i> - Temporarily expands the credit of up to \$1,000 per child by lowering the income threshold to zero, making more low-income families eligible.	\$388 million ⁷ 518,000 Michigan children assisted ⁸
<i>Community Development Block Grants</i> - \$1 billion for housing and services for those hit hardest by the recession.	\$34 million ⁹
<i>Community Services Block Grant</i> - \$200 million for housing and services for those hit hardest by the recession.	\$7.36 million ¹⁰
<i>Earned Income Tax Credit</i> \$4.6 billion to temporarily increase the credit for working families with three or more children and raise the starting point of the phase-out for all married couples filing a joint return.	\$143 million ¹¹
<i>Food Stamps</i> - \$19 billion to provide a 10%+ percent increase in benefits, to temporarily lift the three-month limit for unemployed childless adults and for state administrative costs.	\$760 million in increased benefits ¹² \$13.9 million for state administrative costs ¹³ 1,304,000 individuals assisted ¹⁴

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Home Weatherization - \$5 billion to help low-income families lower energy costs by weatherizing their homes.	\$279.8 million ¹⁵
Low-Income Home Energy Assistance Program - \$1 billion to help low-income families with home heating and cooling costs.	\$80 million ¹⁶
Making Work Pay Credit New credit of up to \$400 per worker. Would phase in at the same rate as Social Security taxes and would phase out for workers with \$75,000 to \$100,000 of earnings.	\$3.94 billion ¹⁷ 3,465,000 individuals assisted ¹⁸
Senior Nutrition - \$97.7 million for senior food programs, including Meals on Wheels and Congregate Meals.	\$3.45 million ¹⁹
Supplemental Security Income - \$4.2 billion for a one-time payment in 2009 to poor seniors and people with disabilities. The payment would be about \$450 for individuals, \$630 for couples.	\$130.1 million ²⁰ 228,000 individuals assisted ²¹
Training and Employment Services - \$2.9 billion for job training, including grants for adults, youth and dislocated workers.	\$31.2 million for adults ²² \$74.7 million for youth ²³ \$137.7 million for dislocated workers ²⁴
Unemployment Insurance Benefits - \$26.96 billion to increase benefits by \$25 per week through December 2009. \$8.8 billion to continue extended benefits through December 2009. Incentives for modernization of state programs that would increase access to benefits for more low-wage, part-time and other laid-off workers as provided in the Unemployment Insurance Modernization Act (UIMA).	\$512.4 million for benefit increase ²⁵ 1,040,000 individuals assisted ²⁶ \$1.611 billion for extended benefits ²⁷ 162,000 individuals assisted ²⁸ \$99.2 million for UIMA ²⁹
Education	
Education Technology - \$645 million for computer and science labs.	\$24.5 million ³⁰
Head Start - \$663.3 million for preschool for disadvantaged children.	\$21.9 million ³¹

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Higher Education - \$17.47 billion to increase the maximum Pell grant by \$500, from \$4,850 to \$5,350, plus additional funds to increase the maximum amount of an unsubsidized Stafford loan.	\$650 million ³²
State Education Incentive Grants - \$5 billion distributed based on application –50 percent distributed to locals.	Distributed based on application approval –50 percent to locals ³³
K-12 Education - \$25.2 billion to help to prevent cuts in programs including Title I for disadvantaged children and special education (IDEA).	\$501 million for Title I ³⁴ \$418 million for IDEA ³⁵
Work Study Programs -\$200 million to fund jobs for students attending college who need earnings to cover tuition, etc.	\$5.9 million ³⁶
Healthcare Cost Containment	
Immunization - \$300 million to continue and expand immunization services primarily to children.	\$9.3 million ³⁸
Housing	
Emergency Shelter Grant Program - \$1.5 billion to provide short-term rental assistance, housing relocation and stabilization services.	\$53.8 million ³⁹ 12,000 households helped ⁴⁰
HOME Investment Partnerships Provides \$2.25 billion to build and rehabilitate low-income housing using green technologies.	\$63.9 million ⁴¹
Homelessness Prevention - \$1.5 billion to help communities assist individuals in securing and retaining lodging.	\$53.4 million ⁴²
Public Housing Capital Funds - \$3 billion to repair and modernize public housing and vacant properties to create more affordable housing and prevent blight.	\$53.7 million ⁴³
Infrastructure	
Clean Water - \$5.895 billion in loans to upgrade wastewater treatment and drinking water systems.	\$171.1 million for waste treatment systems ⁴⁴ \$68 million for drinking water systems ⁴⁵

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<i>Highway Infrastructure</i> - \$26.81 billion for highway and bridge construction projects.	\$847.2 million ⁴⁶
<i>Rail Modernization</i> - \$742.5 million to upgrade rail infrastructure. ⁴⁷	\$133,000 ⁴⁸
<i>Transit Capital Assistance</i> - \$6.73 billion for buses and equipment to increase public transportation.	\$134.8 million ⁴⁹

Other ARRA Provisions Would Also Benefit Michigan

ARRA also includes a number of provisions expected to benefit Michigan but for which dollar estimates of the impact in Michigan are not available. Below is a list of those provisions. The dollar figures are for total national spending.

Child Support Enforcement Provides \$1 billion in federal incentives for states to collect support owed to families.

COBRA Healthcare for the Unemployed Provides \$21 billion for premium subsidies to help laid-off workers continue their employer-provided coverage for the first 12 months. Also allows older and tenured workers to continue COBRA coverage beyond the 18-month limit.

Temporary Assistance to Needy Families Provides \$2.5 billion to help states meet increased demand for temporary cash assistance and employment services among very low-income families with children, support families who have left the Families Independence Program (FIP) for work and provide one-time payments to families in need. States must maintain their own spending on FIP to receive the federal funds.

Footnotes:

1. Mark Zandi, *The Economic Impact of the American Recovery and Reinvestment Act*.
2. Center on Budget and Policy Priorities (CBPP), *Economic Recovery Packages: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals*, revised February 13, 2009.
3. CBPP, *Economic Recovery Packages*. FFIS, the CBPP analysis indicates Michigan could expect to receive \$1.31 billion as an education block grant and an additional \$291 million in the form of a general purposes block grant.
4. Michigan League for Human Services (MLHS) estimate of Michigan allocation from \$4 billion approved to support local law enforcement assuming funding is distributed proportionately to the states based on population.
5. Center for Law and Social Policy, *Impact of House Appropriations Committee Draft Proposal for the American Recovery and Reinvestment Bill of 2009 on CCDBG Discretionary Funding as of 01/16/09*, January 16, 2009.
6. Center for Law and Social Policy, *Impact of House Appropriations Committee Draft Proposal*. ”
7. Center for American Progress. Assumes income threshold is lowered from \$12,550 to zero.
8. CBPP, *Economic Recovery Packages*. Assumes income threshold is lowered from \$12,550 to zero. (If the income threshold is lowered from the 2008 level--\$8,500 --to zero, children would benefit, according to CBPP).
9. MLHS estimate assumes CDBG funding increase would be distributed on a proportionate among the 50 states based on population.
10. FFIS, *February 13th analysis of Federal Stimulus legislation*.
11. The Institute on Taxation and Economic Policy estimates the impact for Michigan at \$143 million.
12. CBPP, *Economic Recovery Packages*.
13. CBPP, *Economic Recovery Packages*.
14. CBPP, *Economic Recovery Packages*.
15. CBPP, *Economic Recovery Packages*.
16. Assumes Michigan would receive 6.8 percent of national total.
17. Center for American Progress Analysis of Federal Stimulus Package.
18. CBPP, *Economic Recovery Packages*.
19. FFIS, February 13th analysis of Federal Stimulus legislation.
20. CBPP, *Economic Recovery Packages*.
21. CBPP, *Economic Recovery Packages*.
22. CBPP, *Economic Recovery Packages*.
23. CBPP, *Economic Recovery Packages*.
24. CBPP, *Economic Recovery Packages*.

25. MLHS estimate of Michigan's share of \$9 billion intended for use in increase UI benefits by \$25 per week through December 2009.
26. National Employment Law Project (NELP), *American Recovery and Reinvestment Tax Act of 2009: Estimates of Jobless Workers Benefiting from Selected Unemployment Insurance Provisions*, January 21, 2009.
27. Center for American Progress analysis of the Federal Stimulus package.
28. NELP, *American Recovery and Reinvestment Tax Act of 2009*. "
29. Center for American Progress analysis of the Federal Stimulus package.
30. FFIS analysis of Federal Stimulus legislation dated February 18, 2009.
31. FFIS analysis of Federal Stimulus legislation dated February 18, 2009
32. FFIS analysis of Federal Stimulus legislation dated February 18, 2009.
33. CBPP, *Economic Recovery Packages*.
34. CBPP, *Economic Recovery Packages* and FFIS.
35. CBPP, *Economic Recovery Packages* and FFIS.
36. FFIS analysis of Federal Stimulus dated February 18, 2009.
37. N/A
38. FFIS analysis of Federal Stimulus Package dated February 18, 2009.
39. FFIS analysis of Federal Stimulus package.
40. CBPP, *Economic Recovery Packages*.
41. MLHS estimate assumes funding is distributed to the 50 states on a proportionate population basis.
42. MLHS estimate assumes funding is distributed to the 50 states on a proportionate population basis.
43. FFIS Federal Fiscal Stimulus analysis dated February 18, 2009.
44. CBPP, *Economic Recovery Packages*.
45. CBPP, *Economic Recovery Packages*.
46. FFIS, *analysis of Federal Stimulus package dated February 18, 2009*.
47. National-level data from U.S. House of Representatives, Committee on Appropriations, *Summary: American Recovery and Reinvestment*, news release, January 15, 2009. New construction investment of \$1 billion; upgrades and repair, \$2 billion.
48. FFIS analysis of Federal Stimulus package dated February 18, 2009.
49. FFIS analysis of Federal Stimulus package dated February 18, 2009.

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