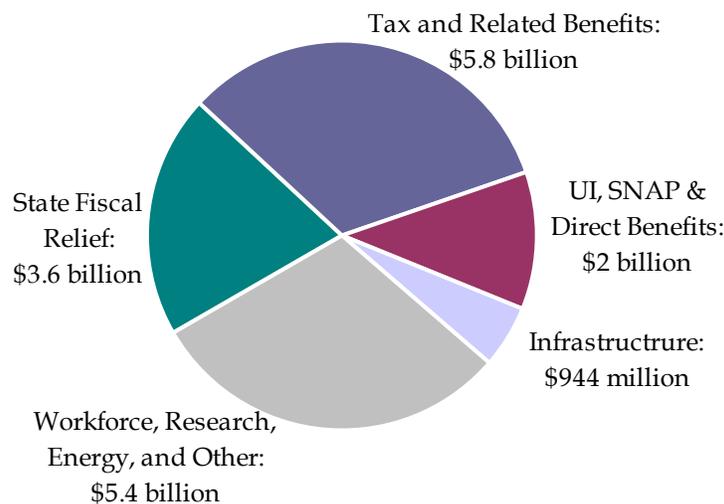


## American Recovery and Reinvestment Act – Total Funding

The American Recovery and Reinvestment Act (ARRA) is intended to create and save jobs, protect public services, provide assistance to people looking to find long-term employment, and make long-term investments that will foster economic development in the future. *MassBudget* estimates that ultimately \$17.7 billion in ARRA funds will come to Massachusetts, which can be grouped into five major categories.

### ARRA Spending in Massachusetts



#### TAX AND RELATED BENEFITS

ARRA includes tax breaks and related benefits which will bring an estimated \$5.8 billion to state residents:

- The Making Work Pay Credit - this new tax credit provides \$400 for workers and \$800 for working families. An estimated 2.45 million workers in Massachusetts will receive this credit.
- The American Opportunity Tax Credit - this expansion of the Hope Credit provides tax relief for expenses of a post-secondary education. Under the ARRA expansion, all four years of post-secondary education are now covered by the credit, as opposed to the first two. An estimated 71,000 college students in Massachusetts will benefit through the American Opportunity Credit.
- Changes to the Alternative Minimum tax - ARRA provides a one-year increase in the AMT floor for joint filers in 2009. The national total for this provision is \$70 billion, with \$2.5 billion estimated for Massachusetts. The estimated tax benefit for Massachusetts taxpayers so far is \$74.2 million.
- One-time Economic Recovery Payments - ARRA provides one-time \$250 payments to an estimated 1.2 million retirees and recipients of Social Security Insurance in Massachusetts.

#### STATE FISCAL RELIEF

ARRA includes \$3.6 billion to help Massachusetts face fiscal challenges in the recession and limit service cuts:

- Increased federal Medicaid reimbursements (FMAP) - under ARRA the federal government will temporarily reimburse states for a higher percentage of eligible Medicaid spending than usual.

Because these increased funds reimburse spending that has already taken place, they can be used for any purpose. It is estimated that Massachusetts will receive \$2.6 billion in increased FMAP.

- Education block grant – ARRA creates a State Fiscal Stabilization Fund designed to help states meet fiscal challenges. The largest component of this fund is a \$36.7 billion education block grant to offset potential cuts to public K-12 schools and higher education campuses. The goal of the funds is to keep these schools at their pre-recession funding levels and to provide funding increases when called for by the state’s distribution formula. Massachusetts will receive \$813 million in block grant funds.
- Flexible block grant – The State Fiscal Stabilization Fund also includes an \$8.87 billion flexible block grant to be used by states to limit or eliminate cuts to education and other government services. Massachusetts has received its total \$181 million allocation in flexible block grant funds.
- Aside from \$3.6 billion in direct fiscal relief, the state will receive at least \$129 million in ARRA funds to cover the costs associated with increased demand for health care and other safety net services.

### **DIRECT BENEFITS**

Direct benefits in ARRA are primarily targeted to low-income families, workers who have lost their jobs, and college students. In total, Massachusetts residents are likely to receive more than \$2 billion in these direct benefits over the coming years. Notable benefits include:

- Extended and increased unemployment compensation – ARRA includes an increase of \$25 a week for unemployment insurance (UI), as well as extensions to the time period that many unemployed workers are eligible for receiving UI. While it is difficult to estimate how much in these enhanced UI benefits will ultimately bring to Massachusetts residents, as of Oct. 1, the total was \$816 million.
- Increased Supplemental Nutrition Assistance Program (SNAP) payments – SNAP (formerly known as food stamps) payments have been increased by 13.6 percent. Ultimately, this increase will pay an additional \$323.7 million to 654,000 SNAP recipients in Massachusetts.
- Extended health insurance for unemployed workers – ARRA amends the COBRA health insurance benefit to allow recently laid-off workers to continue to receive their employer-provided group health coverage. In Massachusetts, 200,000 workers will receive an estimated \$483 million from this change.

### **INFRASTRUCTURE**

ARRA also spurs economic growth in the short-term and makes investments for the long-term through infrastructure spending. Massachusetts will receive \$944 million for public transportation, highway and bridge, and municipal water projects. The state has identified major transportation renovations and improvements for these funds, many of which are already ongoing. The state will also receive infrastructure funds for port and train infrastructure; it is unknown how much the state will receive from these other funds.

### **WORKFORCE TRAINING, EDUCATION, RESEARCH, ENERGY AND OTHER**

Massachusetts will receive an estimated \$5.4 billion through a number of other programs in ARRA that include workforce development, education programs, medical and environmental research, energy efficiency and public safety. Many of the funds have not yet been awarded, but already the state is benefitting from:

- \$462.7 million in federal funding for special education and programs for low-income students.
- \$69.8 million in grants to hire and retain police officers and for other public safety programs.
- \$56.1 million in increased funding for Workforce Investment Act programs that help unemployed workers receive training and education and ultimately find new jobs.
- \$241 million to provide rental assistance for low-income housing and to weatherize homes and reduce energy costs for low income families.
- \$503 million in estimated health care research funds.