

How Much Does Oregon Stand to Gain From the House Economic Stimulus Package?

With unemployment at 9 percent and rising, Oregon could use an economic boost. Congress is working on legislation, the American Recovery and Reinvestment Act (ARRA), to stimulate the nation's economy. What could the package mean for Oregon?

Mark Zandi, chief economist of Moody's Economy.com, estimates that the \$825 billion House plan, if enacted, would generate substantial economic activity. For instance, he predicts that Oregon's unemployment rate will be 2.9 percent lower by the end of 2012 than if no stimulus were initiated.¹

Much of what's contained in the legislation provides substantial economic "bang for the buck." For instance, the package provides fiscal relief to state and local governments, which Zandi predicts would result in \$1.38 in economic activity per dollar invested. Likewise, the plan provides increased funds for food stamps, unemployment insurance benefits and infrastructure projects, which would produce \$1.73, \$1.63 and \$1.59 in economic activity per dollar invested, respectively.

By contrast, the proposed bonus depreciation tax break for businesses would yield only in \$0.25 per dollar spent.

The following chart summarizes key measures that would result in increased income to Oregon in the House version of the ARRA and their estimated impact.

| Description of Selected Provisions (Total national spending shown as available) | Impact in Oregon |
|---|------------------------------|
| Fiscal Relief to State and Local Governments | |
| <u>Medicaid</u> — \$87 billion through 2010 to help states maintain Medicaid programs. Requires states to maintain eligibility rules and provide required matching funds. | \$802.6 million ² |
| <u>State and Local Law Enforcement</u> — \$4 billion for local law enforcement equipment and operating costs and to hire new police officers. | \$33.4 million ³ |
| <u>State Fiscal Stabilization Fund</u> — \$79 billion to local school districts, public universities and other public services. | \$750.4 million ⁴ |

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| Help for Workers and Others Hurt by the Recession | |
| <u>Child Care</u> — \$2 billion to provide child care services for children of working parents. | \$22.5 million ⁵ 4,860 Oregon children helped ⁶ |
| <u>Child Tax Credit</u> — Temporarily expands the credit of up to \$1,000 per child by lowering the income threshold to zero, making more low-income families eligible. | \$153 million ⁷ 203,000 Oregon children helped ⁸ |
| <u>Community Development Block Grants</u> — \$1 billion for housing and services for those hit hardest by the recession. | \$10.2 million ⁹ |
| <u>Community Services Block Grant</u> — \$1 billion to local communities to support employment, food, housing and healthcare services for those hit hardest by the recession. | \$8.0 million ¹⁰ |
| <u>Earned Income Tax Credit</u> — Temporarily increases the credit for working families with three or more children and raises the starting point of the phase-out for all married couples filing a joint return. | \$50.7 million ¹¹ |
| <u>Food Stamps</u> — \$20 billion to provide a 13.6 percent increase in benefits, to temporarily lift the three-month limit for unemployed childless adults and for state administrative costs. | \$307 million in increased benefits ¹² \$5.7 million for state administrative costs ¹³ 507,000 Oregonians helped ¹⁴ |
| <u>Home Weatherization</u> — \$6.2 billion to help low-income families lower energy costs by weatherizing their homes. | \$62.4 million ¹⁵ |
| <u>Low-Income Home Energy Assistance Program</u> — \$1 billion to help low-income families with home heating and cooling costs. | \$12.1 million ¹⁶ |
| <u>Making Work Pay Credit</u> — New credit of up to \$500 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. | \$1.8 billion ¹⁷ 1,351,000 Oregonians helped ¹⁸ |
| <u>Senior Nutrition</u> — \$200 million for senior food programs, including Meals on Wheels and Congregate Meals. | \$2.7 million ¹⁹ |
| <u>Supplemental Security Income</u> — \$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. | \$36.6 million ²⁰ 64,200 Oregonians helped ²¹ |

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| <u>Training and Employment Services</u> — \$4 billion for job training, including grants for adults, youth and dislocated workers. | \$6.4 million for adults ²² \$15.2 million for youth ²³ \$11.8 million for dislocated workers ²⁴ |
| <u>Unemployment Insurance Benefits</u> — Benefit increase of \$25 per week through December 2009. 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). | \$162.1 million for benefit increase ²⁵ ; 329,000 Oregonians helped ²⁶ \$548.4 million for extended benefits ²⁷ ; 53,000 Oregonians helped ²⁸ \$91.5 million for UIMA ²⁹ |
| Education | |
| <u>Education Technology</u> — \$1 billion for computer and science labs. | \$9.1 million ³⁰ |
| <u>Head Start</u> — \$2.1 billion for preschool for disadvantaged children. | \$7.2 million ³¹ |
| <u>Higher Education</u> — \$15.6 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. | \$206.1 million ³² |
| <u>Higher Education Modernization</u> — \$6 billion for renovation, technology upgrades and energy efficiency improvements. | \$66.9 million ³³ |
| <u>K-12 Education</u> — \$26.6 billion help to prevent cuts in programs including Title I for disadvantaged children and special education (IDEA). | \$134 million for Title I ³⁴ \$151.2 million for IDEA ³⁵ |
| <u>K-12 School Modernization</u> — \$14 billion for renovation, technology upgrades and energy efficiency improvements. | \$141 million ³⁶ |

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| Healthcare Cost Containment | |
| <u>Prevention and Wellness Fund</u> — \$3 billion to fight preventable diseases. | \$2.2 million for state and local public health agencies ³⁷ \$11.5 million for immunization services ³⁸ |
| Housing | |
| <u>Emergency Shelter Grant Program</u> — \$1.5 billion to provide short-term rental assistance, housing relocation and stabilization services. | \$15 million ³⁹ 3,400 households helped ⁴⁰ |
| <u>HOME Investment Partnerships</u> — Provides \$1.5 billion to build and rehabilitate low-income housing using green technologies. | \$18.5 million ⁴¹ |
| <u>Neighborhood Stabilization</u> — \$4.2 billion to purchase and rehabilitate foreclosed and vacant properties. | \$20.3 million ⁴² |
| <u>Public Housing Capital Funds</u> — \$5 billion to repair and modernize public housing and vacant properties to create more affordable housing and prevent blight. | \$20.3 million ⁴³ |
| Infrastructure | |
| <u>Clean Water</u> — \$9.5 billion in loans to upgrade wastewater treatment and drinking water systems. | \$65.6 million for waste treatment systems ⁴⁴ \$29.2 million for drinking water systems ⁴⁵ |
| <u>Highway Infrastructure</u> — \$30 billion for highway and bridge construction projects. | \$349.4 million ⁴⁶ |
| <u>Public Transit</u> — \$3 billion for new mass transit projects and for upgrading existing infrastructure. ⁴⁷ | \$83.4 million ⁴⁸ |
| <u>Transit Capital Assistance</u> — \$6 billion for buses and equipment to increase public transportation. | \$68.3 million ⁴⁹ |
| Provisions for Businesses | |
| <u>Bonus Depreciation</u> — Continue a 2008 business tax break that allows companies to deduct the cost of equipment purchases on an accelerated basis. | -\$67 million ⁵⁰ |

Other ARRA Provisions Would Also Benefit Oregon

ARRA also includes a number of provisions expected to benefit Oregon but for which dollar estimates of the impact in Oregon 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 \$30.3 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.

Medicaid Coverage for the Unemployed — Provides \$8.6 billion to allow states to offer Medicaid coverage to laid-off workers whose income does not exceed 200 percent of poverty or who are receiving food stamps. Federal funds would cover 100 percent of the cost of coverage.

Medicaid Regulations — Extends to October 1, 2009, moratoria on a number of Medicaid regulations that would cut funds to Oregon. The relevant regulations include those regarding targeted case management, rehabilitation services, school-based services, government provider cost limit and graduate medical education.⁵¹

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 TANF for work and provide one-time payments to families in need. States must maintain their own spending on TANF to receive the federal funds.

Endnotes

¹ Mark Zandi, *The Economic Impact of the American Recovery and Reinvestment Act*, Moody's Economy.com, January 21, 2009, p. 16, available at www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf.

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 January 29, 2009. Federal Funds Information for States (FFIS), *Budget Brief 09-02: How Would the House Economic Stimulus Bill Affect States?* January 28, 2009, shows \$833.6 million in Medicaid funds to Oregon. Neither estimate includes the impact of the FMAP boost on foster care Title IV-E payments, which would increase the amount to Oregon slightly. Center for American Progress (CAP), email transmission of spreadsheet on House economic recovery package state-by-state data, updated January 26, 2009 (hereafter CAP spreadsheet), estimates \$871.5 million in additional Medicaid funds to Oregon (it is unclear whether the CAP figures include foster care Title IV-E payments). The increase would not apply to non-Medicaid program costs like SCHIP, whose matching rates are also based on the Federal Assistance Medicaid Percentage (FMAP), with the exception of Title IV-E foster care program costs. ARRA funds to Title IV-E would be based on a different distribution formula than ARRA Medicaid funds to states.

³ FFIS, *Estimated State Allocations of Selected Proposed House Stimulus Funds*, January 23, 2009; FFIS, *Budget Brief 09-02*.

⁴ CBPP, *Economic Recovery Packages*. FFIS, *Budget Brief 09-02*, shows \$747.2 million (\$455.8 million for education, plus \$291.4 million for general purposes) in stabilization funds to Oregon. CAP spreadsheet estimates \$756.5 million in stabilization funds to Oregon.

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."

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- ⁷ CAP spreadsheet. 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, 173,000 Oregon children would benefit, according to CBPP).
- ⁹ CAP spreadsheet.
- ¹⁰ FFIS, *Budget Brief 09-02*.
- ¹¹ CAP spreadsheet. The Brookings Institution estimates the impact for Oregon at \$48.5 million. See Elizabeth Kneebone, *Economic Recovery and the EITC: Expanding the Earned Income Tax Credit to Benefit Families and Places*, Brookings Metropolitan Policy Program, January 2009, available at www.brookings.edu/papers/2009/0129_eitc_kneebone.aspx.
- ¹² CBPP, *Economic Recovery Packages*.
- ¹³ CBPP, *Economic Recovery Packages*.
- ¹⁴ CBPP, *Economic Recovery Packages*.
- ¹⁵ FFIS, *Budget Brief 09-02*. CAP spreadsheet estimates \$86.4 million.
- ¹⁶ CAP spreadsheet.
- ¹⁷ CAP spreadsheet.
- ¹⁸ CBPP, *Economic Recovery Packages*.
- ¹⁹ FFIS, *Budget Brief 09-02*.
- 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 CAP spreadsheet.
- 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 CAP spreadsheet.
- ²⁸ NELP, “American Recovery and Reinvestment Tax Act of 2009.”
- ²⁹ NELP, *The Unemployment Insurance Modernization Act: Filling the Gaps in the Unemployment Safety Net While Stimulating the Economy*, November 2008.
- ³⁰ FFIS, *Budget Brief 09-02*. CAP spreadsheet estimates \$11.4 million.
- ³¹ CAP spreadsheet.
- ³² CAP spreadsheet.
- ³³ CBPP, *Economic Recovery Packages*. FFIS, *Budget Brief 09-02*, and CAP spreadsheet both estimate \$68.2 million.
- ³⁴ CBPP, *Economic Recovery Packages*. FFIS, *Budget Brief 09-02*, estimates \$130.6 million. CAP spreadsheet estimates \$139.3 million.
- ³⁵ CBPP, *Economic Recovery Packages*. FFIS, *Budget Brief 09-02*, estimates \$149.5 million. CAP spreadsheet estimates \$148.5 million.
- ³⁶ CBPP, *Economic Recovery Packages*. FFIS, *Budget Brief 09-02*, estimates \$141.7 million. CAP spreadsheet estimates \$150 million.
- ³⁷ FFIS, *Budget Brief 09-02*.
- ³⁸ FFIS, *Budget Brief 09-02*.
- ³⁹ CBPP, *Economic Recovery Packages*.
- ⁴⁰ CBPP, *Economic Recovery Packages*.
- ⁴¹ CAP spreadsheet.

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⁴² Email message from John Fletcher, Oregon Housing and Community Services, to OCPP, February 2, 2009. CAP spreadsheet estimates \$21 million.

⁴³ CAP spreadsheet.

⁴⁴ FFIS, *Budget Brief 09-02*. CAP spreadsheet estimates \$63.6 million.

⁴⁵ FFIS, *Budget Brief 09-02*.

⁴⁶ FFIS, *Budget Brief 09-02*. CAP spreadsheet estimates \$355.3 million.

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, *Budget Brief 09-02*. Urban capital transit projects in Oregon would be funded \$57,062; rural capital transit projects, \$11,248, fixed guideway modernization, \$15.1 million.

⁴⁹ CAP spreadsheet.

⁵⁰ Oregon Center for Public Policy, *First, Stop Digging: Why the Oregon Legislature Must End Rolling Reconnect and Decouple from the Bonus Depreciation Business Tax Break to Avoid Deepening the State's Fiscal Hole*, January 28, 2009, available at www.ocpp.org/cgi-bin/display.cgi?page=iss20090128stop. OCPP estimates the cost to the state of Oregon of the bonus depreciation measure would be slightly less but on the same order of magnitude as the 2008 federal bonus depreciation measure. According to the Joint Committee on Taxation, the price tag for the first two years of the U.S. Senate's version of the bonus depreciation provision would be about 78 percent of what the first two years of the 2008 measure cost. Using that as a yardstick, OCPP estimates that the 2009 measure would reduce revenues to Oregon by roughly \$67 million over two years.

⁵¹ For a description of the regulations and estimates of the harm to Oregon if the regulations were to become effective, see Oregon Center for Public Policy, *New Medicaid Regulations Will Reduce Federal Health Care Dollars to Oregon*, revised April 14, 2008, available at www.ocpp.org/cgi-bin/display.cgi?page=fact080229medica.

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