



CALIFORNIA BUDGET PROJECT

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California Could Receive More Than \$50 Billion From the Federal Economic Stimulus Package

Provides Opportunity To Meet \$10 Billion Threshold Stipulated in State Budget

SACRAMENTO – A new analysis by the California Budget Project, a nonpartisan public policy research group, examines the impact of the federal economic recovery package on the state. The report, *What Does the American Recovery and Reinvestment Act of 2009 Mean for California?*, outlines the more than \$50 billion in federal funds that California and Californians could receive from the package of spending and tax measures.

"This is great news for California, particularly since many of the provisions in this package will directly benefit low- and middle-income Californians struggling during these difficult economic times," said CBP Executive Director Jean Ross.

The report estimates that California could receive:

- Nearly \$18 billion in temporary increases in federal funding designed to help states balance their budgets. This includes a temporary \$11.2 billion increase in funds for Medicaid (Medi-Cal in California); \$4.9 billion in education block grant funds for K-12 and higher education; and \$1.1 billion in flexible block grant funds for education;
- \$2.6 billion for highway and bridge construction projects;
- \$1.8 billion in child tax credits, providing assistance to an estimated 2.3 million California children;
- \$1.5 billion to increase SNAP benefits (formerly known as the Food Stamp Program), which would help nearly 2.5 million low-income Californians;
- \$1.5 billion in Title I grants for schools with a high concentration of students from low-income families;
- \$1.3 billion for special education, which will help an estimated 677,000 students in California; and
- \$1.0 billion to purchase buses and public transit equipment.

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Ross noted that the report identifies multiple sources of funds that can be used to meet the \$10 billion "trigger" included as part of the recent state budget agreement. The recent budget agreement includes provisions that would cut spending for IHSS, Medi-Cal, courts, higher education, and other programs and trigger an additional personal income tax increase unless the Director of Finance and State Treasurer certify that that California can expect to receive at least \$10 billion in federal funds that can offset state costs by June 30, 2010.

"Where there's a will there's a way," said Ross. "The ARRA offers multiple opportunities that are entirely consistent with federal law to offset costs that would otherwise fall on the state budget."

While the ARRA aims to "jump start" spending and consumer confidence, Ross noted that the recent state budget agreement will dampen the impact of the federal measure. The federal economic recovery package provides a one-time payment of \$250 in 2009 to Supplemental Security Income (SSI) recipients. This payment will help more than 1 million SSI/SSP recipients in California meet basic living expenses. However, this one-time benefit is more than offset by a \$57 per month cut to SSI/SSP payments that was included in the 2009-10 state budget agreement. Seniors and people with disabilities in California who receive SSI/SSP payments will lose \$684 over 12 months due to this reduction.

"This is an example in which our recent state budget agreement will weaken the impact of the federal recovery package," Ross said.

In many cases, the federal economic recovery package requires the Legislature and/or Governor Schwarzenegger to act in order to receive funding. For example, in order to claim the full amount of additional federal funding for Medicaid policymakers must reinstate annual eligibility renewals for children in Medi-Cal before July 1. Currently, eligibility renewals are done twice a year. The state will lose an estimated \$3.7 billion in federal funding for Medicaid in 2008-09 if it misses this deadline and will lose even more federal funds for every quarter that it delays making this change.

A full copy of the report is available at www.cbp.org.

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The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's website at www.cbp.org.