



## Children's Defense Fund

*Leading our nation since 1973 to ensure a level playing field for all children*

# The New Economic Recovery Law: Helping Children and the Economy

*The American Recovery and Reinvestment Act*—the economic recovery law passed by Congress and signed into law by President Obama—contains numerous provisions that will stimulate the economy and help children and families and:

offers direct assistance (tax credits, unemployment benefits, food stamps) to lower income families who will spend the money quickly to keep their heads above water  
 offers temporary fiscal relief to states to help prevent painful budget cuts in essential services, which would further erode the economy  
 funds infrastructure investments, such as school repair projects, that will create jobs  
 will make preventive investments in children before they face greater risks, such as family instability, homelessness, neglect and abuse.



The Act will help put our nation on a path to economic recovery. Some of its key provisions that will help children and families include the following:

### **Creates New and Expanded Tax Credits**

Several temporary tax credits for 2009 and 2010 help lower- and middle-income families who are likely to quickly spend the money to meet basic needs. *These three tax provisions will keep an estimated 1 million children— and more than 2.3 million Americans of all ages—out of poverty and will reduce the depth of poverty for millions more children.*

**Child Tax Credit:** expands for families earning above \$3,000 benefiting an estimated 13 million children (in 2008, threshold was \$8,500)

**Earned Income Tax Credit (EITC):** increases for families with three or more children who previously only received the same credit as those with two children, despite higher child-rearing expenses

**"Making Work Pay" Tax Credit:** creates new refundable credit of up to \$400 per worker (\$800 per couple)

### **Increases and Extends Unemployment Benefits**

**Extended unemployment benefits:** continue through December 2009, helping more than three million jobless workers

**Unemployment benefits:** increase by \$100 per month, benefiting almost 18 million unemployed workers

**Unemployment Insurance Modernization:** provides up to \$7 billion in incentives for states to implement reforms including extending benefits to part-time workers and other workers who often do not receive benefits, and for states to provide dependent allowances for families with children

### **Increases Food Stamps**

The U.S. Department of Agriculture estimates that every \$1 in food stamps generates \$1.84 in economic activity. This makes food stamps one of the most effective forms of economic stimulus because lower-income individuals tend to spend extra funds quickly to meet their basic needs.

**Supplemental Nutrition Assistance Program (or SNAP, formerly the Food Stamp Program):** provides \$20 billion, mostly to increase benefits by more than 13 percent, helping more than 31 million Americans—about half of whom are children.

### **Helps with Health Care Costs**

Increases in health care funding will help states avoid budget cuts that would further erode the economy, and help workers and their families keep coverage after losing jobs.

**Medicaid:** \$87 billion to increase the federal share over the next two years

**Subsidies for COBRA premiums:** 65% COBRA subsidy for workers who lose jobs so they can continue individual and family health coverage for up to 9 months

## Increases Investments in Early Childhood Development and Education

The law increases investments so child care workers and teachers can keep their jobs, provides job supports for working parents, and helps ensure that children succeed in school to prepare for future productive employment.

**Early Head Start:** \$1.1 billion

**Head Start:** \$1 billion

**Child Care Development Block Grant:** \$2 billion

**Title I:** \$13 billion, particularly in high-poverty areas for disadvantaged school children, including pre-schoolers

**Special education:** \$12.2 billion, including young children with disabilities

**Pell Grant:** increases maximum by \$500 in 2009 and 2010, as well as filling the program's funding shortfall

**College tax credit:** creates new, partially refundable \$2,500 credit for 2009 and 2010 for families paying tuition

**State Fiscal Stabilization Fund:** provides almost \$54 billion, mostly for local school districts to prevent cutbacks and layoffs, modernize schools or other education purposes

## Expands Job Training

Job training and employment services help unemployed workers and youths increase their skills to meet the needs of businesses, while increasing the nation's long-term competitiveness.

**Training and employment services:** \$4 billion for job training, employment services for dislocated workers, and youth activities (including summer job funding)

## Reaches Other Vulnerable Populations

**Temporary Assistance for Needy Families (TANF) program:** \$3 billion for states to address increased need

**Housing assistance for struggling families:** \$2 billion for Neighborhood Stabilization Program and \$1.5 billion for Emergency Shelter Grant program

**Child support enforcement:** \$1 billion to restore program cuts

**Foster care and adoption assistance:** \$875 million for increased federal match to help offset child welfare cuts

Sources:

[American Recovery and Reinvestment Act](#) (.pdf, 1.1 MB).

Sherman, Arloc. [Recovery Agreement Temporarily Expands Child Tax Credit for Large Numbers of Children in Every State](#), Center on Budget and Policy Priorities. Updated February 12, 2009.

[American Recovery and Reinvestment Act: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals](#). Center on Budget and Policy Priorities. Updated February 13, 2009.

[American Recovery and Reinvestment Act of 2009 Estimates of Jobless Workers Benefiting from Selected Unemployment Insurance Provisions](#) (.pdf). National Employment Law Project. Updated February 13, 2009.

