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## **Enhancing the Safety Net for Individuals and Families: *A Summary of Key Provisions in the American Recovery and Reinvestment Act***

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The American Recovery and Reinvestment Act (ARRA), signed into law on February 17, 2009, provides stimulus funds for the economy and additional support for individuals and families most affected by the economic downturn. A portion of the funds have been allocated to strengthen the public safety net and alleviate the economic burden on families and communities through both tax relief and direct supports. The Recovery Act also invests in improvements or expansions of various critical programs and offers additional funds to the states to offset deep cuts at the state level.

The following summary provides an overview of many of the key provisions that will directly benefit individuals, particularly low-income workers or the unemployed. The summary also includes a listing of additional resources that provide more in-depth information and analysis of these different programs.

It will be important for advocates to become familiar with these changes in the Recovery Act in order to ensure that individuals are aware of the benefits to which they are entitled and to ensure that these programs are implemented at the federal and state level in a way that most effectively helps survivors, children, families, and communities.

### ***Social Security and Supplemental Security (SSI) Benefits***

- **Social Security and SSI Beneficiaries receive a one-time additional payment.**

The Recovery Act provides for a one-time economic recovery payment of \$250 to adult Social Security beneficiaries and to SSI recipients. More than \$13 billion will be distributed to over 50 million Americans. To receive the payment, the individual must be eligible for Social Security or SSI during the months of November 2008, December 2008 or January 2009. Payments will not be made to those receiving Medicaid in care facilities.

The Recovery Act also provides for a one-time payment to Veterans Affairs (VA) and Railroad Retirement Board (RRB) beneficiaries. It also provides a one-time refundable \$250 tax credit to certain government retirees who are ineligible for Social Security.

People getting Social Security or SSI should refrain from contacting the Social Security agency unless a payment is not received by June 4, 2009.

## ***Unemployment Insurance (UI)***

- **More money for unemployed workers.** Some federal help for unemployed workers is automatic under the Recovery Act and has already begun taking effect.
  - All states are currently implementing benefit increases funded by the Recovery Act that provide an extra \$25 per week in unemployment compensation. This additional money will be distributed to individuals receiving unemployment compensation beginning with the week for which a state enters into agreement with the U.S. Secretary of Labor until individuals exhaust their benefits, but no later than June 30, 2010. This extra \$25 a week, which is fully paid with federal funds, will impact unemployed workers on regular state Unemployment Insurance (UI) benefits as well as those getting benefit extensions. Workers will receive the increased amounts automatically, either as an increase in the amount of their weekly benefits or in a separate check (or direct deposit or debit card, depending upon each state's payment methods).
  - The first \$2,400 of UI benefits in 2009 will not be subject to federal income taxation. In some cases where state income tax laws are linked to federal taxation rules, this will also mean that state income taxes also will not apply to a portion of UI benefits. This temporary exemption from taxation (for 2009 only) will provide partial relief to unemployed workers' families tax bills next year.
- **Help for Long-term Unemployed Workers.** The Recovery Act contains several provisions to assist unemployed workers who have already exhausted state UI benefits.
  - The Emergency Unemployment Compensation (EUC) program that provides federally funded benefits to workers who exhaust regular state benefits is extended through the end of December 2009. Benefits will then phase out, unless Congress acts to extend EUC. Under EUC, workers in most states (those with unemployment levels above 6 percent) are getting up to 33 weeks of benefit extensions. Those in states with lower unemployment levels receive 20 added weeks of benefits.

- The Recovery Act makes the permanently authorized Extended Benefits (EB) program a 100 percent federally-funded program until December 31, 2009. Normally, EB is paid 50 percent by federal funds and 50 percent by state UI trust funds.
- **Unemployment Modernization Incentives.** The Recovery Act contains federal financial incentives for states to “modernize” their Unemployment Insurance (UI) laws. According to the National Employment Law Project, in the U.S. only 37 out of 100 jobless workers received regular state UI benefits in 2008. This level of UI benefit receipt is among the lowest levels found among countries with highly developed economies. Under UI modernization, the Recovery Act provides up to \$7 billion in federal incentive funding for states that already have or subsequently enact positive UI law provisions that make more jobless workers eligible for benefits.
  - In order to access these funds, states must first have an alternative base period, which means that they use recent wages to determine UI eligibility. States that already use the alternative base period or enact this change in their UI laws will be eligible to receive one-third of their overall UI modernization funding.
  - To access the remaining two thirds of their potential Recovery Act incentive payments, states must have two of four remaining modernization elements in their state UI laws: (1) eligibility for part time workers who have a history of part time work, (2) permitting individuals to leave work without disqualification when they have compelling family reasons for quitting, (3) providing at least 26 weeks of additional UI benefits for individuals participating in approved training, and (4) paying dependents’ allowances of at least \$15 a week per dependent. Under this second optional portion of UI modernization, states can apply for their incentive payments once they have at least 2 of the 4 modernization elements in place.
  - It is important to note that compelling family reasons includes caring for ill or family members with disabilities, relocating with a spouse whose job has moved to another area, or **escaping domestic violence** in which the abuser follows the woman to her workplace. The specific options that states will take will be determined by Governors and State Legislatures. States must act by August 2011.

## ***Workforce Development***

- **Workforce Investment Act**

The Recovery Act provides a total of \$2.95 billion for the Adult, Youth, and Dislocated Worker employment and training programs. This includes \$1.25 billion

for the Dislocated Worker program, \$1.2 billion for summer jobs and other youth activities, and \$500 million for the Adult program. The Recovery Act raises the eligibility age for the Youth program from 21 to 24. It also specifies that a priority use for funds in the Adult program is for public assistance recipients and other low-income individuals, and specifies that the funding can support the provision of needs-related payments and support services.

- **Community Service Employment for Older Americans**

The Recovery Act provides \$120 million for the Community Service Employment for Older Americans program.

### ***Health Benefits***

- **COBRA Continuation Coverage**

The Recovery Act offers a temporary measure under COBRA to expand the number of unemployed workers maintaining health care coverage. Under existing COBRA law, employers of 20 or more individuals with health plans must offer a former employee the option to pay on their own for the continuation of their health insurance coverage. Regular COBRA payments are 102 percent of the group health rate for either individuals or family members, depending upon the circumstances. In reality, this COBRA option is not affordable for most unemployed workers. As a result, under provisions of the Recovery Act, individuals who were involuntarily terminated from their jobs will receive a subsidy of 65 percent of health care premium costs.

The premium reduction applies to periods of health coverage beginning on or after February 17, 2009 and lasts for up to nine months. This benefit is made available to those eligible for COBRA during the period beginning September 1, 2008 and ending December 31, 2009 due to an involuntary termination of employment that occurred during that period.

This subsidy is limited to individuals with income under \$125,000 and families with income under \$250,000. Workers falling under this new subsidized COBRA provision will get notice from their employers or health plans of their COBRA option and must pay 35 percent of the premium costs within the enrollment period. The government will pay the 65 percent portion of the premium directly to the health care plan. Workers who get a notice from their employers or health plans will need to respond in a timely manner.

- **Transitional Medical Assistance:** The Recovery Act extends Transitional Medical Assistance (TMA) from June 30, 2009 through December 31, 2010. TMA provides families with up to 12 months of Medicaid coverage once they become employed and would otherwise lose benefits due to their earnings.

- **Medicaid Aid to the States:** The Recovery Act includes an \$87 billion temporary increase in the rate of federal matching funds for Medicaid that the federal government would pay to all states over nine calendar quarters (from October 1, 2008, through December 31, 2010), providing Medicaid fiscal relief assistance to states. States that are experiencing higher unemployment rates will receive an additional increase.

### ***Temporary Assistance to Needy Families (TANF) and Food Assistance***

- **TANF Emergency Contingency Fund:** The Recovery Act creates a new Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund that covers 80 percent of the cost of increased assistance payments in states with caseload increases, as well as 80 percent of additional spending on short-term non-recurring benefits and subsidized employment for FY 2009 and FY 2010. A total of \$5 billion is appropriated for the contingency fund. The Act also includes a provision that temporarily removes the disincentive to allowing families to receive assistance created by the caseload reduction credit and extends the TANF Supplemental Grants through the end of FY 2010. Additionally, it allows states to use unspent TANF funds from previous years for any benefit or service allowable under TANF. Under prior law, reserves could be used only for TANF cash welfare programs.
- **Supplemental Nutrition Assistance Program (SNAP):** The Recovery Act increases funds for SNAP, formerly called Food Stamps, by 13.6 percent. The Act also lifts restrictions that limit how long unemployed individuals without children can receive benefits. Starting in April 2009, a participating household of four will receive an increase of \$80 in benefits. Over 5 years, the increases in benefits are estimated to total \$20 billion. The Recovery Act also provides nearly \$300 million to states for SNAP administrative expenses in FY 2009 and 2010.
- **Additional Food Assistance:** The Recovery Act also provides \$500 million for the Women, Infant, and Children (WIC) nutrition program, \$150 million for the Emergency Food Assistance Program, and \$100 million for equipment grants for the school lunch program.

### ***Expanded Tax Credits***

The American Recovery and Reinvestment Act (ARRA) provides substantial new tax benefits for most working families for 2009 and 2010, including low- and moderate-income workers with little or no federal income tax liability. There are different thresholds of qualifying income for refundability of these tax credits.

- **Child Tax Credit:** The Child Tax Credit (CTC) can be worth up to \$1,000 per child for families with qualifying children under the age of 17. But the CTC is only partially refundable depending on family earnings. The refundable portion of the CTC is 15 percent of earnings above a threshold, up to the maximum value of the credit. For the 2008 tax year, a family earning less than \$8,500 a year could not benefit from the child tax credit. However, the Recovery Act lowers the threshold for refundability to \$3,000 for 2009 and 2010.

As a result, any family earning above \$3,000 a year in 2009 and 2010 can obtain a child tax credit refund at a rate of \$0.15 per \$1 of earnings above \$3,000. A family with two children would still need \$16,333 in earnings to qualify for the full tax credit of \$1,000 per child. Tax filers will receive the credit on their tax returns the year after it is earned.

- **Earned Income Tax Credit:** The Earned Income Tax Credit (EITC) provides a wage supplement for low-income workers, particularly those with children. The credit equals a fixed percentage of earnings up to a maximum dollar amount and then phases out to zero. The maximum credit depends on the number of children in the family. Under prior law, the EITC rate was 40 percent of qualifying earnings for families with two or more children. Whereas in 2008 there was no additional credit for families with more than 2 children, the Recovery Act temporarily creates a new tier with a higher rate for families with three or more qualifying children for 2009 and 2010. In this tier, the credit is increased to 45 percent of qualifying income and the maximum credit for these families increases by almost \$600.

In addition, the Recovery Act increases marriage penalty relief by raising the phase-out threshold for married couples by \$1,880. As a result, the EITC will phase out for married couples starting at \$5,000, which is higher than the threshold for single people.

The EITC is fully refundable. Workers may choose to receive the EITC as a refund on tax returns filed the year after it is earned, or they may choose to receive a portion in their paychecks as it is earned.

- **Making Work Pay Tax Credit:** For 2009 and 2010, the Recovery Act creates a credit of up to \$400 for individuals and \$800 for married couples who work. It phases in at 6.2 percent of each dollar earned, so an individual would need \$6,452 in earnings to qualify for the full \$400 credit. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).

Workers will see larger paychecks beginning April 1, 2009, because the IRS released new withholding tables. For 2009, many workers will receive about \$10-\$20 extra each week (totaling \$400 for the year for individuals and \$800 for

married couples). Workers who do not receive the full credit through reduced withholding will receive the outstanding amount when they file their tax returns the next year.

### ***Higher Education Assistance***

- **Pell Grants:** The Recovery Act provides \$15.6 billion for Pell Grants to low-income students, increasing the maximum grant by \$500 for two years, to \$5,350 in 2009-2010, and \$5,550 in 2010-2011. The Act also addresses the existing shortfall in the program.
- **American Opportunity Tax Credit:** The “Hope Credit,” which provided a tax subsidy for college tuition costs, was established in 1997. To help lower income families pay expenses for higher education, the Recovery Act replaces the Hope Credit, which was not refundable, with a partially refundable American Opportunity Tax Credit (AOTC). This means that lower-income households that have limited or no federal income tax liability to offset can now receive a partial credit in the form of a tax “refund” of up to 40 percent of qualifying expenses (for a maximum refundable credit of \$1,000 for \$4,000 in educational expenses.)

Coverage has been extended from two years to four years of schooling for 2009 and 2010, which will enable some students currently enrolled to complete their education. Students must attend school at least half-time. In addition to tuition and fees, the costs of books and course materials can be claimed for the credit. The AOTC is worth up to \$2,500 a year, increased from \$1,800. The AOTC starts to phase out for tax filers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). Individuals with income above \$90,000 and couples with income above \$180,000 will not get the credit.

Unlike the Hope Scholarship Credit, 40 percent of the AOTC (up to \$1,000 per year for 2009 and 2010) is refundable and thus available to households with little or no tax liability. Tax filers will receive the credit on their tax returns the year after they pay the expenses. Currently the expansion is temporary, applying to 2009 and 2010, although the President's budget proposes that the expanded credit be made permanent.

- **Work Study:** The Recovery Act includes \$200 million for the Federal Work Study program, which provides part-time jobs for financially disadvantaged college students and allows them to earn money to help pay education expenses.

## ***Housing***

- **Section 8 Rental Assistance**

The Recovery Act provides \$2 billion for HUD to use to fund contract renewals under the Section 8 Program in order to provide rental subsidies for eligible tenant families (including single persons) residing in newly constructed, rehabilitated and existing rental and cooperative apartment projects. In line with Congressional directives, the department will use the money provided under the Project-Based Rental Assistance formula grants to fund contract renewals on a full twelve-month cycle in order to avoid the payment disruptions that have occurred in recent years and enable owners to maintain their properties in an acceptable condition. There are 6,300 contracts that will be funded.

- **First-Time Home Buyer Credit**

First-time home buyers who purchase a principal residence between January 1 and December 1, 2009 are allowed a refundable tax credit equal to the lesser of \$8,000 (\$4,000 for married-filing-separate returns) or 10 percent of the purchase price. This is an increase of \$500 from the 2008 credit amount, which still applies to purchases made between April 8 and December 31, 2008.

Under the law in effect for 2008 purchases, the credit was an interest-free loan that had to be paid back in installments over 15 years. For qualified purchases in 2009, repayment is waived for taxpayers who remain in their homes for at least three years.

The 2009 credit begins to phase out for taxpayers with adjusted gross income of \$75,000 (\$150,000 for joint filers) and is not available to those with an adjusted gross income of \$95,000 (\$170,000 for joint filers) or more. Individuals will have the option of claiming the tax credit on either their 2008 return or their 2009 return. Taxpayers who complete their purchase before they file their 2008 returns (due April 15, 2009) or choose to file an amended return for 2008 after the purchase can take immediate advantage of the cash benefit of the credit rather than having to wait another year to claim it.



## ***Sources and Additional information:***

### **General Overview**

- *Preliminary Summary of Key Provisions of the American Recovery and Reinvestment Act Aimed at Improving the Lives of Low-Income Americans.* Center for Law and Social Policy (CLASP); February 13, 2009  
[<http://www.clasp.org/publications/preliminarysummaryofarra021309.pdf>]
- *American Recovery and Reinvestment Act of 2009: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals.* Center on Budget and Policy Priorities [<http://www.cbpp.org/files/1-22-09bud.pdf>]
- *Human Services Provisions of the American Recovery and Reinvestment Act of 2009.* National Conference of State Legislatures - This brief summarizes the human needs investments and provides information on TANF funding available for states, as well as funding for other programs affecting children and families.  
[<http://www.ncsl.org/print/statefed/HumanServicesStimulus.pdf>]
- *The New Economic Recovery Law: Helping Children and the Economy.* The Children's Defense Fund [<http://www.childrensdefense.org/helping-americas-children/ending-child-poverty/american-recovery-and-investment-act.html>]

### **Social Security and SSI Benefits**

- For more detailed information about the \$250 one-time economic recovery payments, go to <http://www.socialsecurity.gov/payment>.
- Additional information is available at the Department of Labor website at <http://www.workforcesecurity.doleta.gov/unemploy/>

### **Unemployment Insurance**

- See "Women Need to Know their New Jobless Benefits" at <http://www.womensenews.org/article.cfm?aid=3959>
- "U.S. Department of Labor Announces Boost in Weekly Unemployment Benefits," February 26, 2009 and accompanying Fact Sheet. Provides guidance to states for obtaining the new unemployment benefits.  
[<http://www.dol.gov/opa/media/press/eta/ETA20090196.htm>]
- "U.S. Department of Labor Announces Funding for Employment and Training Programs Under American Recovery and Reinvestment Act of 2009," March 6, 2009. This announcement explains how funds will be allotted and includes state-by state allocations for the Workforce Investment Act Programs (including Youth, Adult, and Dislocated Workers) and allocations for the Employment Service.  
[<http://www.dol.gov/opa/media/press/eta/eta20090249.htm>]

- The National Employment Law Project (NELP) released several documents providing detailed descriptions of ARRA's features and model state implementation legislation. These as well as any future documents on UI modernization are posted on their website at [http://www.nelp.org/index.php/site/issues/category/modernizing\\_unemployment\\_insurance](http://www.nelp.org/index.php/site/issues/category/modernizing_unemployment_insurance)
- Jobless workers can go to <http://www.unemployedworkers.org> to sign up for email updates and to find up to date information on what states are doing to implement the Recovery Act.

### **Workforce Development**

- *Funding for Workforce Development in the American Recovery and Reinvestment Act of 2009*, February 19, 2009 by the Congressional Research Service. This brief provides an overview of the Act's key provisions for workforce development and state-by-state estimates of anticipated increases in several of the Workforce Investment Act Programs, including state grants for youth activities under Title I-B of the Workforce Investment Act. [<http://opencrs.com/document/R40182>]

### **Health Benefits**

- For a fact sheet on the COBRA Continuation coverage visit: <http://www.dol.gov/ebsa/pdf/fsCOBRAPremiumreduction.pdf>
- The Department of Health and Human Services (HHS) has posted a number of useful resources at <http://www.hhs.gov/recovery/>
- Medicaid - the state by state breakdown of how grants are being distributed is available at: <http://www.hhs.gov/recovery/statefunds.html>
- *Recovery Act Provides Much-Needed Targeted Medicaid Assistance to States* is a brief by the Center on Budget Policy and Priorities that describes the Medicaid FMAP increases in more detail, available at <http://www.cbpp.org/files/2-13-09sfp.pdf>
- "Frequently Asked Questions about the Temporary Extra Medicaid Funding in the Economic Recovery Package" by Families USA. An easy-to-read explanation of how states can access the new Medicaid funds and how certain specific provisions work. [<http://www.familiesusa.org/assets/pdfs/faq-temporary-fmap-increase-2-16-09-iv-4.pdf>]
- "Understanding COBRA and Mini-COBRA Premium Assistance" by Families USA provides an extensive overview of Recovery Act funds for health care premium assistance to workers recently laid-off and a discussion of actions that states can take. [<http://www.familiesusa.org/issues/private-insurance/understanding-cobra-premium.html>]

- "How States Can Build on New Federal Legislation that Subsidizes COBRA Coverage for Laid-off Workers." State Coverage Initiatives (A program of the Robert Wood Johnson Foundation administered by AcademyHealth). This summary describes the new COBRA subsidies and includes a list of state actions to supplement the new funds for COBRA subsidies moving forward. [<http://newsmanager.commpartners.com/ahstd/issues/2009-02-27/2.html>]

## **TANF and Food Assistance**

- *Human Services Provisions of the American Recovery and Reinvestment Act of 2009.* National Conference of State Legislatures - This brief summarizes the human needs investments and provides information on TANF funding available for states, as well as funding for other programs affecting children and families. [<http://www.ncsl.org/print/statefed/HumanServicesStimulus.pdf>]
- The Potential Role of the Temporary Assistance for Needy Families (TANF) Block Grant in the Recession, February 24, 2009, by the Congressional Research Service. This brief highlights the risks and opportunities posed by TANF for states to help disadvantaged families during an economic downturn and mentions briefly some of the Recovery Act changes intended to relieve pressure temporarily on the program. [[http://assets.opencrs.com/rpts/R40157\\_20090224.pdf](http://assets.opencrs.com/rpts/R40157_20090224.pdf)]
- "Overview of the TANF Provisions in the Economic Recovery Act" by the Center on Budget and Policy Priorities. This brief identifies the maximum amount of new funds that a state can draw down in TANF and how the funds can be spent. [<http://www.cbpp.org/cms/index.cfm?fa=view&id=2693>]
- Online Information About Key Low-Income Benefit Programs  
Links to Policy Manuals, Descriptive Information, and Applications for State Food Stamp, TANF, Child Care, Medicaid, and SCHIP Programs; Center on Budget and Policy Priorities. [<http://www.cbpp.org/cms/index.cfm?fa=view&id=1414>]
- The Department of Agriculture has posted a number of useful resources generally describing the Recovery Act funding for nutrition and other programs at <http://www.fns.usda.gov/fns/recovery/default.htm>
- "Agriculture, Nutrition and Rural Provisions in the American Recovery and Reinvestment Act (Recovery Act) of 2009," by the Congressional Research Service, February 23, 2009. This brief describes the increases for each affected nutrition program. [<http://opencrs.com/document/R40160/>]

## **Expanded Tax Credits**

- *Family Tax Credits in the American Recovery and Reinvestment Act of 2009*  
National Women's Law Center  
[[http://www.nwlc.org/pdf/Family\\_Tax\\_Credits\\_in\\_ARRA.pdf](http://www.nwlc.org/pdf/Family_Tax_Credits_in_ARRA.pdf)]

- State-by-state information on the funds that will be distributed in each state through the Making Work Pay Credit, the Child Tax Credit, and the Earned Income Tax Credit is available at [www.nwlc.org/pdf/State-by-State\\_ARRA\\_Credits.pdf](http://www.nwlc.org/pdf/State-by-State_ARRA_Credits.pdf).
- *Concise Guide to Assistance for Jobless Workers in the American Recovery and Reinvestment Act*, National Employment Law Project  
[[http://www.nelp.org/page/-/UI/ARRAConcise.pdf?nocdn\\_1](http://www.nelp.org/page/-/UI/ARRAConcise.pdf?nocdn_1)]

### Higher Education Assistance

- An assessment of the American Opportunity Tax Credit is provided by the Tax Policy Center of the Urban Institute and Brookings Institution at [http://www.taxpolicycenter.org/taxtopics/conference\\_american\\_opportunity.cfm](http://www.taxpolicycenter.org/taxtopics/conference_american_opportunity.cfm)

### Housing

- Information about programs funded by the Recovery Act through the U.S. Department of Housing and Urban Development (HUD) is available at <http://www.hud.gov/recovery/>

### Special Online Collection of Recovery Act Resources

[www.vawnet.org](http://www.vawnet.org)

To support these efforts, the NRC DV has developed a special online collection of Recovery Act resources. This special collection organizes materials related to Recovery Act (Stimulus) funds to assist state and local practitioners and policymakers identify, influence, and access information and programs of potential benefit to victims/survivors of domestic and sexual violence. The document entitled *Enhancing the Safety Net* provides an overview of many of the key provisions that will directly benefit individuals, particularly low-income workers or the unemployed, organized by specific issue areas. Also included is a listing of Recovery Act resources from key federal agencies and, since states and territories are using different approaches, specific resources to help you understand how to access funds at these levels.

For more detailed or updated information related to Recovery Act funds, please make full use of this special collection.