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## The Federal Stimulus Package: Information and Points to Consider

The more than \$800 billion dollar economic stimulus package recently passed the House and is currently being debated in the Senate. Both packages include stimulus dollars for infrastructure, state revenue shortfall relief, additional money for safety net programs, tax cuts for individuals and families, and tax cuts for businesses. However, the details of the package differ in each Chamber. In an effort to keep you informed about what the stimulus package might mean for your programs and for Kentucky we are providing links to additional information as it becomes available.

It is important to note that the stimulus bill would certainly reduce Kentucky's need for new revenue to weather the existing budget shortfall – but it would not be a panacea. The government must still work to identify sustainable revenues to provide stability in the Commonwealth – this means finding greater efficiencies and new revenue sources. A few points to consider regarding the stimulus packages' impact on the state budget follow:

- ⇒ **Only a portion of the stimulus money can be applied to state general funds in a flexible way.** Many of the provisions in the House version of the bill and expected in the Senate version require that the stimulus money be used in a specific way or for a specific purpose. For example, some of the education related dollars come with a requirement that they be used only for the population of children with special needs – Title I funding.
- ⇒ **Districts and cities are facing shortfalls in addition to the state – states will have to decide how much money to pass on to localities.** Again, with respect to education, school districts tax receipts are down because of the losses in property taxes and occupational taxes. These local tax losses compound the state revenue shortfall.
- ⇒ **Revenue forecasts have not been issued for FY2010 or for FY 2011 – shortfalls similar to the one we are currently facing are expected to persist into 2011.** The stimulus package mainly addresses budget years 2009 and 2010. States need to prepare appropriately for persistent in the current tax structure.

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⇒ **The Federal Stimulus Package is one-time money – it will do nothing to fix Kentucky’s structural deficit problem and, without proper foresight it could make it worse.** If new programs are established with the fiscal stimulus money they will need to end or new revenue will have to be added to the state budget to maintain spending levels without making the structural deficit worse.

**Links to more information on the stimulus package:**

- [Stimulus: What's on the table](#) – CNN article (2/2/09)
- [ECONOMIC RECOVERY PACKAGES: State-by-State Estimates of Key Provisions Affecting Low- and Moderate-Income Individuals](#) - Center on Budget and Policy Priorities (2/3/09)
- [Congress’s stimulus bills would provide Kentucky families with children an average \\$903 to \\$989 in tax cuts](#)- Citizens for Tax Justice (2/2/09)