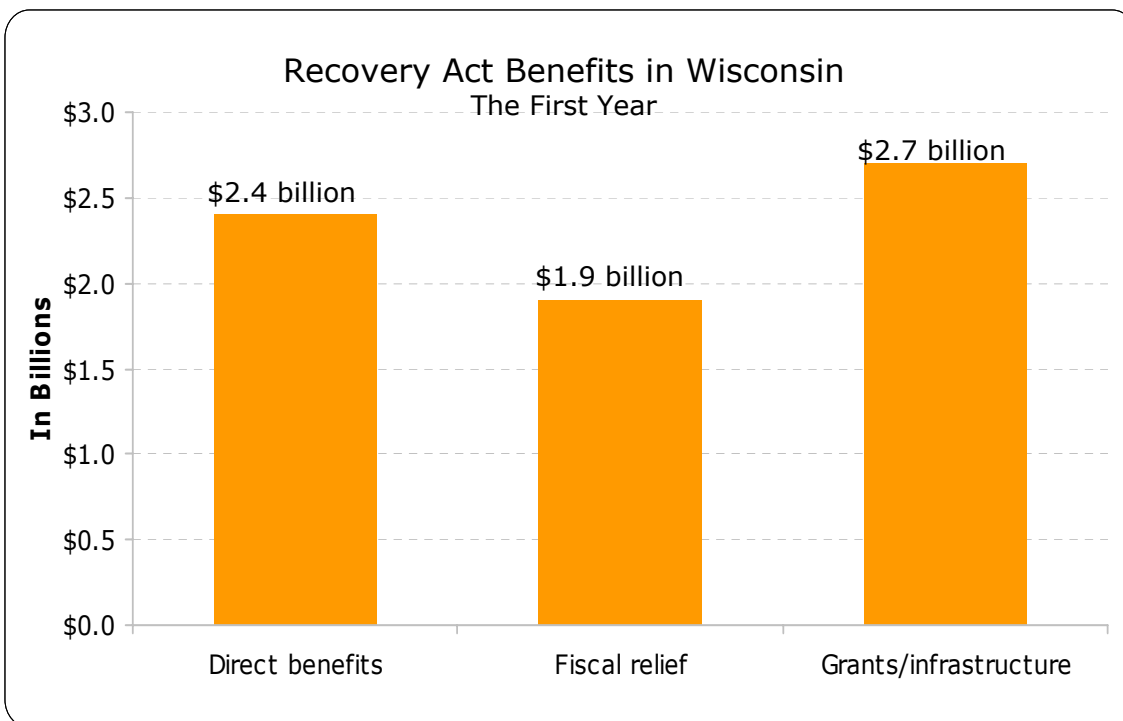




## Recovery Act Benefits in Wisconsin: The First Year

In the first year since the American Recovery and Reinvestment Act (also known as ARRA, or the Recovery Act) was enacted in February 2009, Wisconsin has received approximately \$7.0 billion in funding. About one-third of this amount, or \$2.4 billion, went straight into the pockets of individuals in the form of direct benefits, such as unemployment benefits and various tax credits.<sup>1</sup> Another \$1.9 billion went for state and local fiscal relief to help maintain critical services to Wisconsin communities. The third category, about \$2.7 billion in the first year of the Recovery Act, consists of infrastructure spending and other grants.

Spending in each of these three categories was intended to create or retain jobs. The direct benefits and tax credits are largely aimed at people hurt the most by the recession, who are likely to bolster the economy by spending the extra income right away. Expenditures for fiscal relief and for infrastructure support a variety of jobs and programs in the public and private spheres.



There are multiple methods of categorizing and analyzing stimulus funding. For some types of funding, particularly the tax credits, hard numbers by state aren't yet available. In addition, somewhat different assumptions about when people receive the tax benefits or regarding how benefits are divided between categories may yield somewhat different totals for the first year of ARRA spending. In light of those sorts of challenges, these dollar amounts should be taken as general estimates.

### Direct Benefits: An Estimated \$2.4 Billion in Wisconsin in the First Year

Direct benefits include many types of cash assistance that help people directly. These benefits were largely aimed at the people hurt the most by the recession, who are likely to bolster the economy by spending the extra income right away. These provisions operate through existing funding mechanisms, so no new delivery systems had to be created. Several business tax credits are also included in this category.

Examples of direct benefit provisions in Wisconsin include:

- The Making Work Pay tax credit, which resulted in a 2009 credit of \$800 for most married couples and \$400 for others (\$852 million). Payroll deductions were adjusted so earners began realizing the benefit right away;
- One-time \$250 “Economic Recovery Payments” to Social Security and SSI recipients, as well as certain other people (\$254 million). This provision insured that retirees and others not eligible for the Making Work Pay tax credit still received a benefit;
- Extended Unemployment Compensation, which provided additional weeks of unemployment benefits to workers who have exhausted their benefits (\$599 million);
- An additional \$25 per week in unemployment benefits (\$261 million);
- An increase in FoodShare benefits (\$111 million).

### State and Local Fiscal Relief: An Estimated \$1.9 Billion in Wisconsin in the First Year

This category includes about \$1.7 billion that goes into the state budget or directly into aid to local governments, with a goal of ensuring that state and local services could remain relatively stable despite a steep drop in revenues.

A variety of services were funded through state fiscal relief, including energy efficiency, foster care and adoption assistance, shared revenue, and immunization programs. Examples of programs for which Wisconsin received significant fiscal relief include:

- Medical Assistance/BadgerCare (\$934 million);
- State aid to K-12 education (\$836 million);
- Shared revenue to local governments (\$51 million);
- Subsidized child care for low-income workers (\$20 million); and
- Justice assistance grants to state and local agencies (\$11 million).

### Infrastructure Spending and Other Grants: An Estimated \$2.7 Billion in Wisconsin in the First Year

Recovery Act funding in this category supports a wide variety of programs, from highway construction to weatherization to human services. Some of these funds were expended at the state level, and others were expended by local governments, educational facilities, nonprofits, or businesses that received funding. Some of the funding was allocated through formula grants, while other portions were awarded through a competitive process.

Examples of infrastructure spending and other grants in Wisconsin include:

- High speed rail from Milwaukee to Madison (\$810 million);
- Low-income weatherization (\$94 million);
- Assistance for the City of Milwaukee to address the effects of vacant and abandoned homes (\$25 million);

- Bringing broadband service to schools in rural Wisconsin (\$23 million); and
- Research by the University of Wisconsin System on infectious diseases (\$1 million).

### Bonding and Lending

In addition to the benefits already mentioned, several types of bonds have been created or expanded by the Recovery Act. Actual utilization of bonds is likely to be less than the amount of bonding authority.

- Recovery Zone Facility Bonds, which are tax-exempt private activity bonds and may be used to finance certain kinds of business development activities in areas of significant economic distress. Through the Recovery Act, Wisconsin received \$238 million in bonding authority for Recovery Zone Facility Bonds to be issued by the end of 2010.
- Qualified School Construction Bonds, which may be used to finance construction or repair public schools. Wisconsin was allotted \$99 million in this type of bonding authority to be used in 2009.
- Recovery Zone Economic Development Bonds, which may be used to finance government projects with economic development outcomes. Wisconsin received \$159 million in this type of bonding authority to be issued before the end of 2010.
- Qualified Energy Conservation Bonds, which may be used by state, local and tribal governments to finance certain types of energy projects. Wisconsin received \$58 million in this type of bonding authority.
- Tribal Economic Development Bonds, of which \$50 million in bonding authority was announced for Wisconsin tribes in 2009 and 2010.

Other bonding programs created or expanded by the Recovery Act include Build America Bonds, which can be used by state and local governments for capital projects; Qualified Zone Academy Bonds, which can be used to rehabilitate public schools, purchase equipment, or train personnel; Qualified Energy Conservation Bonds, which can be used to reduce energy consumption using a variety of methods. A variety of other types of loans and assistance are also available.

### Conclusion

The Recovery Act delivered about \$7.0 billion to Wisconsin during the first year after its enactment. This represents \$2.4 billion in direct benefits, \$1.9 billion in state and local fiscal relief, and \$2.7 billion in infrastructure spending and other grants. In addition to the \$7.0 billion, Wisconsin public and private entities received bonding authority and loans for a variety of projects through the Recovery Act. Due to the ongoing nature of the stimulus and the variation in how state-level benefits are calculated, the figures in this analysis should be viewed as estimates.

Wisconsin will receive additional benefits in the second year of the Recovery Act through direct aid for individuals and families, state and local fiscal relief, and spending for infrastructure and other grants. In addition, many Wisconsin residents have been benefiting from several important tax credits as they file their 2009 income taxes, such as the expanded Earned Income Tax Credit, Alternative Minimum Tax Relief, and the Child Tax Credit. Benefits that are likely to be realized

at the time when families receive their tax returns are excluded from our analysis of the Recovery Act's benefits in the first year, due to the timing of the benefit. However, many of these provisions, such as the Homebuyer's Credit, likely had a significant stimulative effect on consumers' actions in the first year of the Recovery Act, even if the credit was not received until the second year.

By Tamarine Cornelius, Research Analyst  
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#### Methodology

Dollar amounts for the Direct Benefits category are based on information from the Wisconsin Department of Revenue, U.S. Department of Agriculture, Social Security Administration, Recovery.gov, ProPublica.org, and the Center on Budget and Policy Priorities based on U.S. Department of Treasury outlays. For more on direct benefits estimates, see the WCCF press release at [http://wccf.org/pdf/arra\\_county-by-county\\_table\\_021810.pdf](http://wccf.org/pdf/arra_county-by-county_table_021810.pdf).

Dollar amounts for State and Local Fiscal Relief are predominantly based on Wisconsin Legislative Fiscal Bureau documents. These figures include full dollar amounts approved by the Wisconsin Legislature in FY 2009 and two-thirds of the dollar amounts approved in FY 2010. Federal stimulus amounts approved by the Legislature in a few selected categories are instead categorized as Infrastructure Spending and Other Grants. The dollar amount for Medical Assistance is taken from U.S. Department of Health and Human Services estimates.

Dollar amounts for Infrastructure Spending and Other Grants are largely based on Wisconsin Legislative Fiscal Bureau documents and the federal Recovery.gov website, excluding any awards to state agencies. Recovery.gov includes amounts awarded through the end of 2009, and a variety of other state and federal sources provided information on amounts awarded between the end of 2009 and the end of February 2010.

Dollar amounts for Bonding are from the U.S. Department of Treasury.

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<sup>1</sup> Our estimate of the direct benefits and the \$7.0 billion total are conservative because we did not count tax credits that people generally wouldn't receive until they filed their 2009 tax returns.