



Weighing the Options

What Should the Economic Recovery Package Include?

- ✓ There is much debate over what can be done to reverse the decline in our beleaguered economy. Congress is putting together an economic recovery package, but which tax and spending measures should it include? Economists tell us the most efficient way to reverse the current decline is to increase demand by putting money in the hands of people who will spend it quickly. The people who are most likely to do so are those who need to cover basic expenses such as housing, food and transportation.
- ✓ AACF believes the following well-designed policies would help low-income families while providing a meaningful boost to the economy and preserving and restoring jobs:
 - ❖ Funds to States to prevent cuts in key health and other programs.
 - ❖ Increased Food Stamp funding.
 - ❖ Lower Threshold for the Child Tax Credit.

State Fiscal Relief Will Help Prevent Cuts to Healthcare, Education

- ✓ Providing \$100 billion to states through a temporary increase in the federal Medicaid match. With this support, Arkansas will be better able to maintain funding for Medicaid and other key programs. It will also help ensure that we can better meet the health care needs of our most vulnerable people as we ride out the economic recession.
- ✓ Relief is needed to maintain funding for programs like healthcare and education and allow Arkansas to keep part of the rainy day fund for other critical budget needs for families.
- ✓ Aid is needed to relieve fiscal stress at the state level and prevent them from contributing to the economic decline by cutting services and taking money out of the economy at exactly the wrong time.

Food Stamps is One of the Most Effective Forms of Stimulus

- ✓ Economists list food stamps as one of the most efficient means of providing economic stimulus: one dollar in food stamp benefits generates about \$1.80 in economic activity. A \$20 billion increase in food stamps would quickly and efficiently help the more than 300,000 Arkansans who currently receive benefits. It would help them make ends meet and ease pressure on some emergency food providers seeing rising demand for their services.

Funds to Families from the Child Tax Credit Would Be Reinvested in the Economy Quickly

Providing temporary improvements in refundable tax credits like the child tax credit would help low-income consumers.

- ✓ As of January 1, a household must earn \$12,500 a year to be eligible to claim any of the child tax credit. The proposal under discussion would lower that threshold, possibly to \$3,000, a level favored by AACF. Currently, a part-time working mother earning \$5,000 a year would not qualify for the child tax credit. With a threshold lowered to \$3,000, she would be eligible for a \$300 benefit.
- ✓ Many of the parents who would be newly qualified for the credit work in low paying jobs; many provide critical services, such as caring for the elderly or teaching young children. These are families that often live paycheck to paycheck and would quickly put money back into the economy.