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# Impact of Stimulus Funds on Kids and Families: What it Means for the State Budget

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# Federal Guidance Issued on Stimulus Funds

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- In May, the U.S. Treasury released federal guidance pertaining to how state and local governments can use funds from the American Rescue Plan Act of 2021, or ARP stimulus dollars.
- This guidance had been long-awaited by policymakers in Harrisburg since the ARP passed in March, as it is a key piece needed to complete the state budget puzzle nearing its June 30th deadline.

## Guidance... (continued)

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- States are required to obligate the funds, which nationally total \$195 billion for those entities and \$55 billion for local entities, by December 31, 2024. Pennsylvania's state coffers stand to gain nearly \$7.3 billion in direct aid.
- In some areas, additional guidance is still forthcoming.
- The guidance that has been released for state aid is broad in its construct and notes Pennsylvania and other states must use the funds for the following purposes:

# Guidance for state funding...

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- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

## Guidance... (continued)

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- While the breadth of the guidance may give legislative leaders in the state capitol building the flexibility needed to bring a budget to closure, such latitude may also prompt the General Assembly to be cautious in its approach to allocating significant funds at this time.
- Reports from the legislature also continue to reinforce a modest approach to the FY 2021-22 budget with the potential of flat-funding many or most line items.

# Refresher: PPC core policy areas

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- Early care and education: pre-k, child care, as well as home visiting
- Maternal and child health: health care access and coverage, nutrition and lead screening
- Child welfare: prevention, kinship care, reduction in congregate care, systems and structural supports (budgetary/workforce)
- K-12 education: basic education, special education, career and technical education

# Policy Overview: From Another Perspective

	<b>CHILD WELFARE</b>	Ensure each child in Pennsylvania has the opportunity to grow up in a home where they are safe and protected from abuse and neglect.
	<b>EARLY CHILDHOOD EDUCATION</b>	Ensure each child in Pennsylvania has the opportunity for affordable and accessible high-quality early childhood education, including infant and toddler child care, as well as pre-kindergarten education.
	<b>HOME VISITING</b>	Ensure each child in Pennsylvania has the opportunity to grow up in a safe and healthy home environment.
	<b>K-12 EDUCATION</b>	Ensure each child in Pennsylvania has the opportunity for an adequate and equitable high-quality public education.
	<b>MATERNAL AND CHILD HEALTH</b>	Ensure each pregnant woman and child in Pennsylvania has the opportunity for affordable, quality health care access.

# Essential Elements for Kids and Families in the American Rescue Plan

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- \$350 billion for state and local aid with \$195 billion explicitly set aside for state aid.
  - Funds for Pennsylvania: nearly \$7.3 billion in direct aid to state government; direct aid to local government in the totals \$6.1 billion.
- Child Tax Credit – increases the age of qualifying children to include 17-year-olds.
  - Increases the credit from \$2,000 to \$3,000 for children age 6 to 17; and \$3,600 for children under age 6.
  - Phases out starting at \$75,000 (\$150,000 for joint filers).
- Dependent care assistance tax credit - allowable expenses increased from \$3,000 to \$8,000 for one dependent and from \$6,000 to \$16,000 for two or more dependents.
  - The percentage of allowable expenses is increased from 35 to 50 percent.



# Essential Elements of the ARP by Policy Area

# K-12 Education

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- \$122.8 billion for schools via the Elementary and Secondary School Emergency Relief Fund (ESSER) – available through September 2024.
- Funds for Pennsylvania: \$4.99 billion (more than double than previous package).
- Requirement for local education agencies (LEAs) to reserve at least 20% of funds to address learning loss. In PA = approximately \$900 million.
- States must also address summer enrichment and afterschool programs (In PA = about \$50 million for each).
- No new funding for GEER initiatives as in prior stimulus packages.
  - Does allow PDE discretionary funds for activities to support entities that are not eligible for Title I-A funding – includes career and technical education centers = \$124.9 million in total.
- Federal dedicated funding for special education (about \$3 billion) – PA’s estimated allocation = \$109 million (including \$8.3 million for Part C Early Intervention).
- Federal dedicated funding to provide assistance for homeless students (\$800 million). PA’s estimated allocation = \$32.7 million.
- [Click here](#) for LEA allocations
- The state Department of Education recently opened the [application process](#) to access the ESSER funds under the ARP as well as an [implementation guide](#).

# Child Care

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- \$40 billion in funding for child care – about \$15 billion through the Child Care Development Block Grant and approximately \$25 billion allocated for a child care stabilization fund.
  - Funds for Pennsylvania: just under \$1.2 billion. (\$455 million for CCDBG and \$729 million for the stabilization fund).
  - Uses for stabilization fund: States may retain up to 10 percent for administration, providing technical assistance, and advertising. Remaining funds shall be provided to eligible qualified child care providers, on a rolling basis, to support the stability of the sector. Providers must certify they will: follow local/CDC guidance; not reduce employees' compensation including benefits; not furlough or reduce hours impacting full compensation; and provide relief from copayments and tuition payments to the extent possible, prioritizing families struggling to make payments.
  - Regular CCDBG federal appropriations were increased by \$633 million – Pennsylvania funding: \$18 million.
- ARP funds for child care are in addition to \$10 billion contained in December 2020 Reconciliation stimulus package and additional stimulus relief in 2020 via the CARES package: at the state level approximately \$525 million in federal stimulus support across previous federal packages for child care in total.
- Head Start – \$1 billion
  - Funds for Pennsylvania: \$34.7 million.

# Home visiting and child welfare

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- **Home Visiting:** \$150 million in stimulus funding for evidence-based home visiting – the first time these services received funds in a relief package.
  - Prescriptive list of how these funds can be spent although the categories are broad (i.e. supplies for families, support for continued virtual visits, etc.).
  - Funds for Pennsylvania: \$4.6 million.
  - As of May, the federal government is releasing \$40 million in total. PA is getting \$1.3 million.
- **Child Welfare:** \$350 million for child abuse and neglect prevention programs in the Child Abuse Prevention and Treatment Act (CAPTA), with \$250 million specific to the community-based child abuse prevention (CB-CAP) programs.
  - Pennsylvania funding: \$12.3 million.

# Health care

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- **Medicaid and CHIP:**
  - Language allowing states to extend Medicaid eligibility to women for 12 months postpartum.
    - Currently extended for this period under the Public Health Emergency Declaration.
    - Pre-pandemic, coverage in Pennsylvania is for 60-days postpartum.
    - PPC and partners are advocating for the administration to file a State Plan Amendment (SPA) to ensure this coverage is in place after the end of the PHE.
  - Additional 10 percent FMAP from April 1, 2021 to March 31, 2022.
  - CHIP: provides 100 percent FMAP to states (had been adjusted down to reduced, pre-ACA levels).

# Nutrition

- **WIC:**
  - \$880 million in funding for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - \$390 million for outreach, innovation, and program modernization efforts to improve participation and \$490 million to temporarily boost the value of the cash voucher up to \$35 per month for a four-month period (Pennsylvania funding = \$13.6 million).
  - PA WIC did boost the cash value voucher but its offline smartcard presents obstacles due to timing: increased in May but families who reloaded benefits in April/May will have to go back to get their cards reloaded in person to receive the enhanced benefit or may end up missing out on the full benefit/have to get it prorated.
- **SNAP:**
  - Extension of the 15% increase in the benefit through September; currently expires end of June.
  - \$1.135 billion in funding nationally for states' administration of SNAP for FFY 2021-2023.
    - Pennsylvania funding across the three fiscal years: \$45.6 million.
  - Online Purchasing Improvements - \$25 million.
  - H.R. 106 would end the state's COVID-19 Emergency Declaration in various stages including a date of October 1, 2021, with the potential to impact various federal funding streams from the pandemic.
    - Earlier this year DHS warned that abruptly ending the declaration would make the state ineligible for ARP funding for SNAP.
    - Stay tuned for further updates. HR 106 passed out of committee in late May.

# Next up: Infrastructure

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## Part One: Proposed American Jobs Plan

- Would allocate \$25 billion to a new Child Care Growth and Innovation Fund for building or upgrading child care facilities in underserved areas.
- Would also create an expanded tax credit to encourage businesses to construct child care facilities in their workplaces (would provide employers with 50 percent of the first \$1 million of construction costs).
- \$100 billion to upgrade and build new public schools, through \$50 billion in direct grants and an additional \$50 billion leveraged through bonds.

# Next up... (continued)

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## Part Two: Proposed American Families Plan

- Universal Pre-K for all 3- and 4-year-olds: \$2 billion cost for high-quality programs for teachers earning at least \$15/hour and those with comparable qualifications earning salary commensurate of a kindergarten teacher.
- Child care:
  - Affordability: families pay a portion of their income on a sliding scale – ranging from being fully covered to being capped at no more than 7 percent of income.
  - Quality: providers will receive funding to cover the true cost of quality early childhood care and education.
  - Workforce: above noted wage requirements in pre-k as well as professional development opportunities.
- National Comprehensive Paid Family and Medical Leave Program: guarantees twelve weeks of paid parental, family, and personal leave by year 10 of the program, and ensures workers get three days of bereavement leave per year starting in year one. Provides workers up to \$4,000 a month, with a minimum of two-thirds of average weekly wages replaced, rising to 80 percent for the lowest wage workers.

## *(American Families Plan... continued)*

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- Nutrition
  - Expand summer EBT to all eligible children nationwide (helps low-income families with children eligible for free and reduced-price meals during the school year purchase food during the summer).
  - Expand School Meal Programs by amending the Community Eligibility Provision (CEP):
    - \$17 billion to expand free meals for children in the highest poverty districts (at least 40 percent of students participating in SNAP) by reimbursing a higher percentage of meals at the free reimbursement rate through CEP;
    - Expand free meals for children in elementary schools by reimbursing an even higher percentage of meals at the free reimbursement through CEP and lowering the threshold for CEP eligibility for elementary schools to 25 percent of students participating in SNAP;
    - Expand direct certification to automatically enroll more students for school meals based on Medicaid and Supplemental Security Income data.
- Tax credits: extend the Child Tax Credit increases in the ARP through 2025; permanently increase the Child and Dependent Care Tax Credit.

# What Happens Next?

## HARRISBURG

- The House and Senate are in session to pass a final budget for the June 30th deadline.
- [Check out our videos!](#) See how PPC is working to build better futures for kids in the state budget, brought to you by members of our team!

## WASHINGTON

- On Friday, May 28<sup>th</sup>, President Biden released his [FFY 2022 budget plan](#) coming in at a \$6 trillion price tag and covering the elements contained in the previously announced [American Jobs Plan](#) and [American Families Plan](#).
- While the trajectory appears quicker for the *Jobs Plan* and has hope for bipartisan support, the runway for the *Families Plan* will likely go deeper into 2021.