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State won't waste time in spending \$5B share

Governor, key lawmakers agree: Top priority is jobs

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The check isn't even in the mail, but Indiana already is considering the best ways to spend the estimated \$5 billion it will get under a federal stimulus package, including the potential of a one-time state tax cut.

Any such cut, Gov. Mitch Daniels cautioned, would have to "directly lead to jobs."

With Indiana's unemployment rate at 8.2 percent, a full percentage point higher than the national average, key lawmakers on Thursday also said creating jobs has to be the state's priority and questioned whether state tax cuts were necessary in light of federal tax cuts in the package.

"Tax cuts don't help the 266,000 people who don't have a job," said House Speaker B. Patrick Bauer, D-South Bend.

In any case, the state isn't waiting for President Barack Obama to sign the stimulus bill into law before taking action.

Daniels said that the Indiana Department of Transportation will start seeking bids on projects next week and that the Indiana Finance Authority will invite bids on clean-water projects.

"We're not waiting for the bill," he said. "We intend to come right out of the starting blocks as soon as the president signs (it)."

Daniels named Mitch Roob, his secretary of commerce and head of the Indiana Economic Development Corp., to lead a team looking for ways that Indiana's universities, communities, businesses and nonprofits can compete for the grants that also are available as part of the package.

First, though, the U.S. Senate has to act. The House passed the \$819 billion spending and tax-cut plan Wednesday.

As the package stands, Daniels' office said, Indiana is expected to receive \$5 billion, with \$1.5 billion to \$2 billion for capital projects.

Daniels said he wants "to make sure that when that bill happens in perhaps two to three weeks, Indiana is the smartest and fastest state at using it to improve the economy and, we hope, bring some people back to work."

Speed is essential, he said, because the legislation says states can lose money if they don't ask quickly. Daniels predicted that some states will "default, simply because they can't get organized to pick their projects and move quickly," meaning Indiana might see even more money.

On the question of taxes, the governor said, "I think in the end you're going to want a balance of spending and reduction, or at least moderation, of taxes."

Using some of the money to shore up the state's drained unemployment insurance trust fund -- now kept afloat through a federal loan -- is "one excellent example," he said, because not filling that hole could lead to a tax increase.

What isn't on the table, Daniels said, is anything that would cause Indiana to take on a responsibility

that it couldn't pay for once the federal stimulus package evaporates in 2012.

"It is one-time money," he said, "and must be used for one-time purposes."

About \$1 billion will flow directly to K-12 schools, which Daniels said should use the same discretion when they decide how to spend their share.

Battle ahead?

Having this much money to spend is sure to cause political tension at the Statehouse, particularly between Republican Daniels and the Democrat-controlled House.

Daniels said he plans to work with lawmakers to mutually decide how to use the cash. But he also noted that the bill "over and over again refers to 'the governor's will, the governor's will.' "

Bauer said the legislature appropriates money and that it should share in the decision on how to divvy up these dollars.

"I do think he probably needs to work with us to some extent," Bauer said, adding that he thinks some of the budget cuts proposed by the governor earlier this month were made in anticipation of using federal dollars instead.

Bauer also said Daniels should not use any of the money for projects that Indiana was going to fund anyway with state dollars.

Democrats have proposed using some of the state's Rainy Day Fund and money from the lease of the Indiana Toll Road for a state stimulus package, which then would be supplemented with the federal dollars.

"We are in a crisis," Bauer said. "We have to use what we have here in Indiana to stimulate Indiana jobs and take what we can get from Washington, D.C., and add more jobs."

Daniels and Bauer did agree on two things: the need to avoid using the money for anything that would boost Indiana's financial obligations, and the hope that the Senate will give states more flexibility in determining the best use of the dollars.

What might end up in your wallet

Here's how you could benefit in the next couple of years from the \$819 billion economic stimulus bill working its way through Congress:

Unemployment benefits

Benefits would be increased by \$25 a week through Dec. 31. The minimum unemployment benefit now paid in Indiana is \$50 per week; the maximum is \$390. As of December, at least 266,469 Hoosiers were unemployed.

Food stamps

Benefits would be increased by 13 percent, about \$13.25 a month for a person receiving Indiana's average of \$102 in stamps a month. The first additional food stamps could be delivered in April if the legislation passes by mid-February, officials told The New York Times. More than 600,000 Hoosiers -- about one in 10 -- receive food stamps.

Health coverage

Workers who lose their jobs would get help keeping their health coverage. The government would pay 65 percent of the cost of keeping up coverage through the former employer's plan via COBRA, a federal act that requires many employers to offer -- for a price -- former workers the option of keeping their health insurance for 18 months. That would save almost \$700 a month for the average family in Indiana, which faces a monthly COBRA premium of \$1,075.

Sources: Associated Press, Star research

Additional Facts

The package's proposed tax breaks

Many workers could expect to see \$12 or \$13 a week less withheld from their paychecks starting in June. The credit of 6.2 percent of earnings up to \$500 per worker or \$1,000 per couple would last two years. You're not eligible if you're claimed as a dependent by another taxpayer. Don't pay taxes? Millions of Americans who don't make enough money to pay federal income taxes could file returns next year and receive checks.

Greater access to the \$1,000-per-child tax credit for the working poor this year and next. Now, workers must make at least \$8,500 to get the credit. The bill would eliminate the floor: More workers who pay no federal income taxes could receive checks.

A \$2,500 credit for college tuition and related expenses this year and next. The credit would be phased out for couples making more than \$160,000.

First-time homebuyers would get to keep a \$7,500 tax credit. Now it must be repaid over time. The caveats: Homes must be purchased from Jan. 1 to July 1, and the credit would be phased out for couples making more than \$150,000.

Sources: Associated Press, The New York Times, Tax Policy Center, Family and Social Services Administration

Where the federal dollars might flow

Of the estimated \$5 billion expected to come to Indiana, \$1.5 billion to \$2 billion would be for capital projects. Categories and approximate amounts the state could receive:

\$750 million for roads and bridges.

\$100 million for mass transit.

\$250 million for K-12 renovation, repair and lab space.

\$130 million for higher education construction.

\$150 million for clean-water projects.

\$150 million for weatherization.

\$100 million for energy efficiency.

In addition, more than **\$1 billion** is likely to go directly to K-12 schools.
