



The American Recovery & Reinvestment Act of 2009



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CONNECTICUT
VOICES
FOR CHILDREN

The Purposes of the ARRA

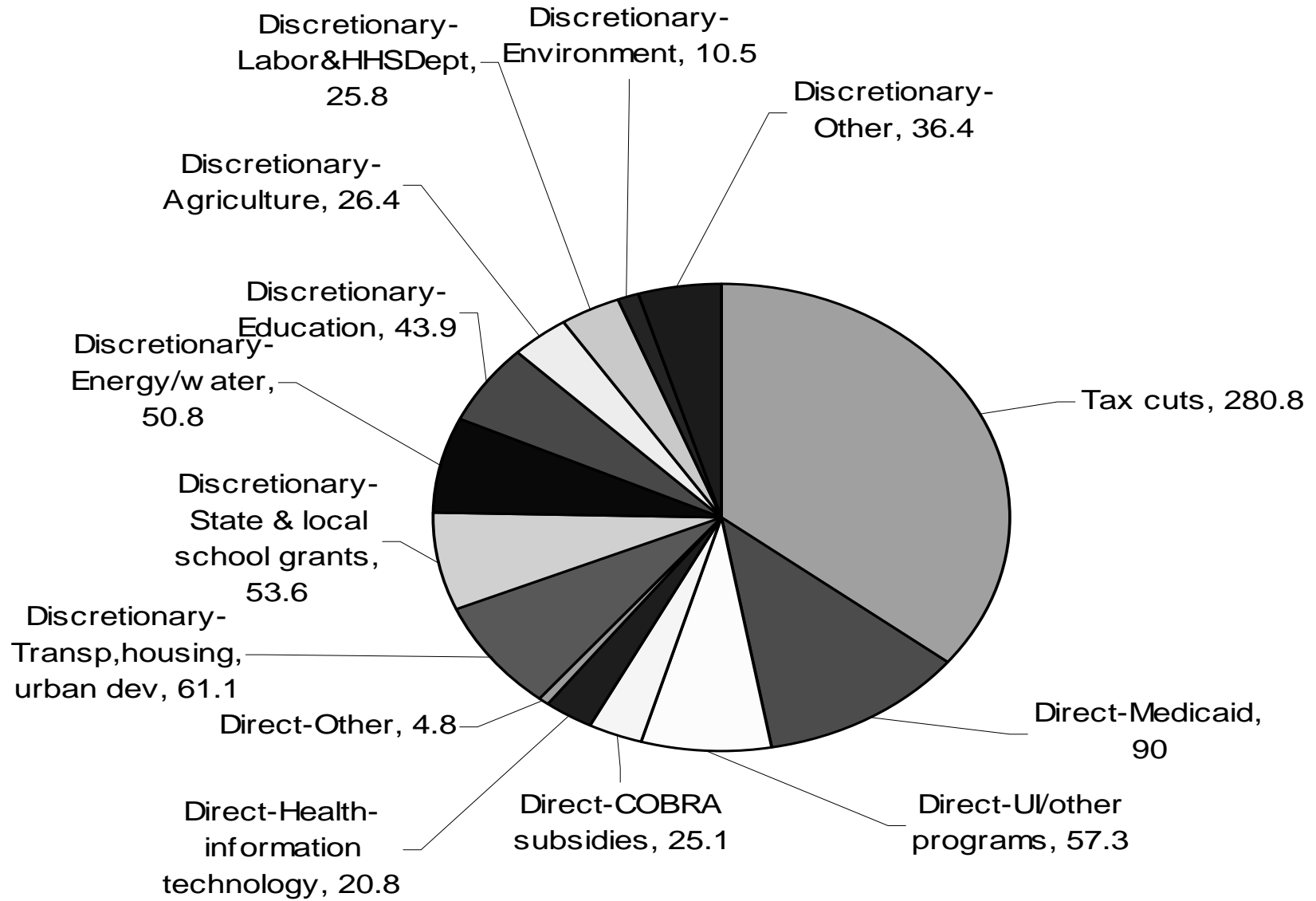
1. To preserve and create jobs and promote economic recovery
2. To assist those most impacted by the recession
3. To provide investments needed to increase economic efficiency by spurring technological advances in science and health
4. To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
5. To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Scope of the ARRA

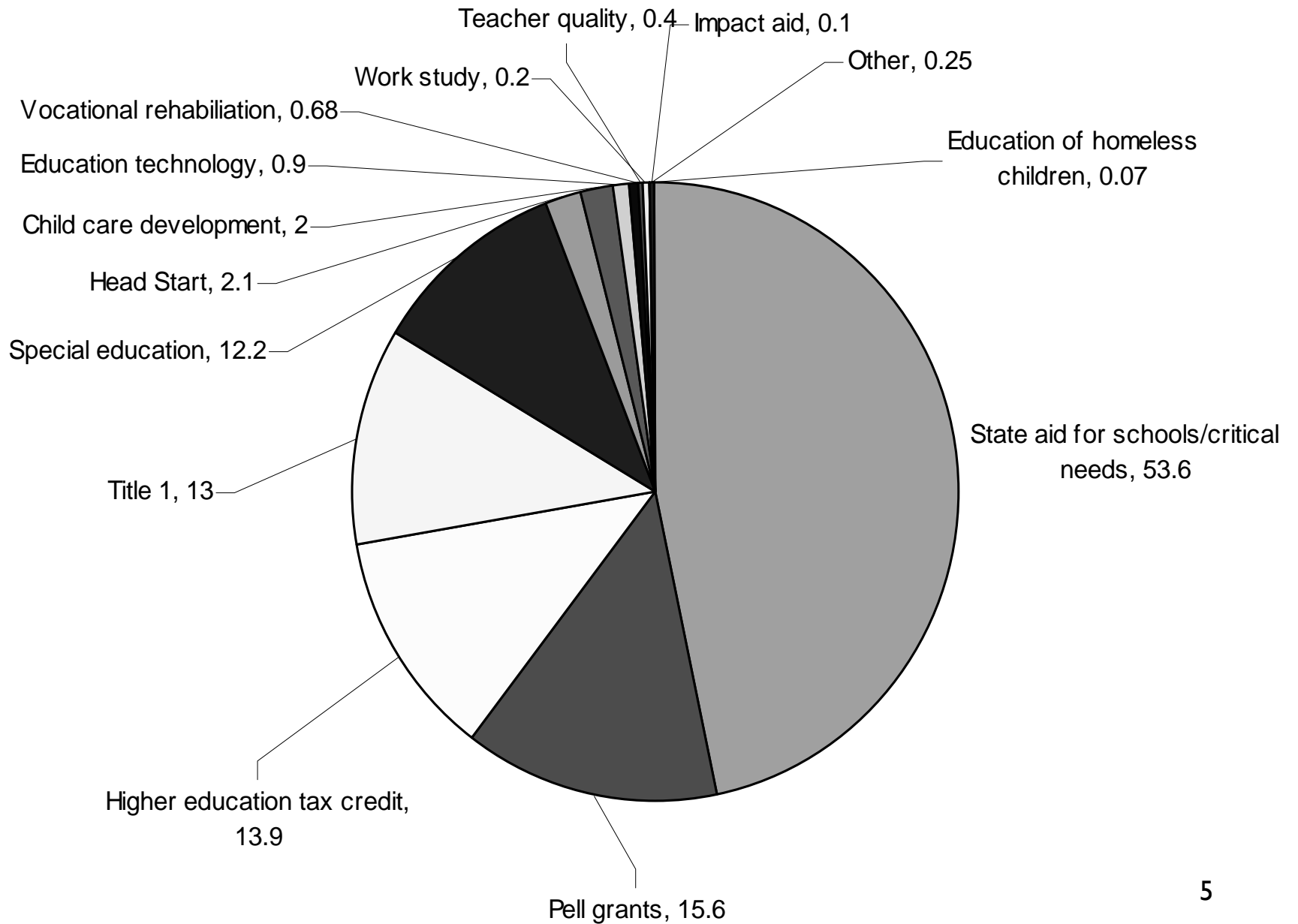
The \$787 billion ARRA provides the nation with:

- \$280.8 billion of federal aid through tax cuts
- \$198 billion through direct spending (e.g., Medicaid, unemployment insurance, COBRA subsidies, health information technology)
- \$308.5 billion through discretionary spending (e.g., for transportation, housing/urban development, state/local school grants, energy, water, job training, food assistance).

American Recovery & Reinvestment Act of 2009 (in billions)



Education Funding in ARRA: \$115 Billion



Federal Stimulus Funding Mechanisms

BY FORMULA: Federal agencies distribute funds to states/localities using pre-existing formulae (e.g., Medicaid, Highway infrastructure investment)

BY COMPETITION: Federal agencies distribute FRPs and convene panels to evaluate applications (e.g., NIH, NSF, broadband program)

BY DEMAND: Funding awarded to respond directly to demand from eligible individuals (e.g., premium subsidies for COBRA continuation coverage, Unemployment Insurance, Pell grants, Food Stamps/SNAP, small business loans)

BY ONE-TIME AUTOMATIC DISBURSEMENTS: (e.g., \$250 to Social Security, Veterans and Supplemental Security Income beneficiaries)

BY FEDERAL AGENCY PLAN: Funding awarded according to federal agencies' own operating/spending plans (e.g., environmental cleanup of nuclear waste sites, national park construction, defense/veterans infrastructure programs)

Help for State/Local Government/Non-Profits

THE BIG CHECK. Close to \$100B sent directly to states to help address budget gaps. Can *supplant* some needed state spending.

EX: Increase in federal rate of reimbursement for Medicaid (~\$87B); flexible funding for education & other public purposes through the State Fiscal Stabilization Fund (\$8.8B)

THE HELPING HAND. As much as \$130B in formula funding that may *supplement* state spending

EX: For education (\$64B); for transportation/infrastructure (\$40B)

THE COOKIE JAR. Up to \$100B in *competitive grant opportunities*

EX: Education Incentive Grants (\$5B); Energy Efficiency Grants (\$3.2B)

Help for Individuals/Businesses

TAX RELIEF FOR INDIVIDUALS/FAMILIES

EX: Making Work Pay Tax Credit; Refundable First-Time Homebuyer Credit; increase in EITC, American Opportunity Education Tax Credit, expansion of Child Credit, temporary suspension of federal income tax on first \$2,400 of UI benefits, extension of AMT relief for 2009; tax credits for energy-efficient improvements to existing homes

TAX INCENTIVES FOR BUSINESSES

EX: extend bonus depreciation, tax incentives to hire unemployed veterans and disconnected youth, 5-year carry-back of net operating losses for small businesses, enhanced small business expensing

ECONOMIC RECOVERY & INFRASTRUCTURE FINANCING TOOLS

EX: new Recovery Zone Bonds, Qualified School Construction Bonds, “Build America” bonds

INVESTMENTS IN RENEWABLE ENERGY

EX: expansion of energy-related tax credits

Federal Timeline

2/13/09: ARRA passed by US House/Senate

2/17/09: ARRA signed by President. www.recovery.gov goes live

2/19/09: Federal agencies start reporting formula block grant awards

3/3/09: Federal agencies start reporting use of funds

5/3/09: Federal agencies to make Performance Plans public and report on their allocations for entitlement programs

5/13/09: Detailed agency financial reports to be made publicly available

5/20/09: Federal agencies to begin reporting their competitive grants and contracts

7/15/09: Recipients of federal funds to begin reporting on their use of funds

For other key dates see:

www.staterecovery.org/Websites/staterecovery/Images/Appendix.pdf

Release of Federal Funds Is *Purposefully* Fast

EX: HUD allocated ~75% of its \$13.6B ARRA funding (i.e. \$10.1B) within one week of the President signing ARRA. Remaining 25% is to be awarded later through competitive grants. HUD ARRA stimulus funding includes:

Promoting Energy Efficiency/Creating Green Jobs

- Public Housing Capital Program, \$3B (CT=\$37.5M)
- Lead Hazard Reduction/Healthy Homes, \$100M (CT=\$7.6M)

Supporting Shovel-Ready Projects/Assisted Housing Improvements

- Tax Credit Assistance Program, \$2.25B (CT=\$26.2M)
- Project-Based Rental Assistance, \$2B (CT=\$48.3M)

Promoting Stable Communities/Helping Hard-Hit Families

- Community Development Block Grant Program, \$1B (CT=\$11.1M)
- Homelessness Prevention Fund, \$1.5B (CT=17M)
- FHA Loan Limits

Accountability & Transparency

The ARRA includes unprecedented requirements for accountability and transparency.

President's five objectives for federal agencies:

- Award and distribute recovery funds in a prompt, fair, and reasonable manner
- Ensure that the recipients and uses of all recovery funds are transparent to the public, and that the public benefits of these funds are reported clearly, accurately, and in a timely manner
- Use recovery funds for authorized purposes; take every step needed to prevent instances of fraud, waste, error, and abuse
- Ensure that projects funded under the recovery legislation avoid unnecessary delays and cost overruns
- Require that programs meet specific goals and targets, and contribute to improved performance on broad economic indicators.

Millions of Dollars Are at Stake for CT's State & Local Governments

State Allocations for <u>Some</u> of the ARRA Grant Programs					
(in millions)					
Medicaid	\$1,178	Drinking & Clean Water	68	Highways & Bridges	302
Fiscal Stabilization	542	Weatherization	66	Transit Capital Grants	105
Title I- Ed	95	State Energy Program	46	Rail Modernization	30
Special Ed	142	Housing	90	UI State Administration	6
Early Care	18	Public Safety	21	Dislocated Workers	14
Food	6	Workforce Investment Act	16	Foster Care	15

Millions of Dollars Are at Stake for CT: Medicaid FMAP Increase

ARRA increases CT's Federal Medicaid Assistance Percentage (FMAP) by:

- **ACROSS-THE-BOARD INCREASE:** Increases each state's FMAP rate by 6.2 percentage points. In CT, means federal reimbursement increases from 50% to 56.2%.
- **HIGH UNEMPLOYMENT BONUS:** Increases state FMAP with bonus based on state's quarterly unemployment rate relative to its base rate (the lowest 3-month average rate CT has experienced since 1/2006, i.e., 4.2%). If unemployment is 1.5-2.5 percentage points over base, get 5.5% multiplier, if 2.5-3.5 percentage points get 8.5% multiplier, if more than 3.5 percentage points get 11.5% multiplier.

CT's new FMAP (est) = 60.2%. Results in \$514.2M more federal funds in FY 2009 and \$653.5M more in 2010/2011, for total of \$1.178B more in federal reimbursements.

Millions of Dollars Are at Stake for CT: State Fiscal Stabilization Fund

Total of \$53.6B in grants to Governors for state fiscal relief: a) \$39.6B for local schools and higher education & b) \$8.8B for public safety and other government services (that can include education-related spending).

Allocations to states based 61% on state's share of population age 5-24 and 39% on share of total population.

Funds can be used in FY 2009, 2010 and 2011. Governor submits application to DOEd with required assurances, baseline data on assurances, and plan for how will use funds. State gets 2/3 of funds within two weeks of submitting application. Other 1/3 not paid until DOEd has approved the state's plan to comply with the law's assurances that states take steps to increase teacher quality, build better data systems, improve standards and assessments, and working to turn around failing schools. 50% of Title I and special education funds will be available by the end of March.

Funds *can* be used to meet current state MOE requirements for special education and Elementary & Secondary Education Act.

Millions of Dollars Are at Stake for CT: Education

State Allocations for <u>Some of the</u> ARRA Education-Related Funding (in millions)					
Aid for schools (SFSF)	\$541.9	Head Start	4.7	Work-Study	2.3
Pell grants	170.9	Child Care Development Block Grant	13.7	Education of Homeless Children	0.2
Title I	95.5	Education Technology	4.7	Independent Living	0.2
Special Education	142.2	Vocational Rehabilitation	3.3	Higher Ed Tax Credit	D

Millions of Dollars Are at Stake for CT: Labor

State Allocations for <u>Some of</u> the ARRA Labor-Related Funding					
(in millions)					
Education & Training Adult	4.4	Youthbuild Green Jobs Training Job Corps	C C C	State Employment Services	4.4
Education & Training Youth	11.1	High Growth & Emerging Industry Training Grants	C	UI Incentive Payments	84
Dislocated Workers	13.5	Dislocated Worker	C	UI State Admin grants	6.0
Comm. Svs older Am	1.3	Work Opportunity Tax Credit	D	COBRA Continuation	D 16

Millions of Dollars Are at Stake for CT: Environment & Energy

State Allocations for <u>Some of the</u> ARRA Energy & Environment Funding (in millions)					
Drinking Water SRF	19.5	Weatherization	65.8	Transportation Electrification Grants	C
Clean Water SRF	48.4	State Energy Program	46.0	Energy-Efficient Appliance Rebate	D
Brownfields Projects	C	Energy Efficiency & Conservation Block Grants	32.2 & C	Smart Grid Investment Program	C
Diesel Emission Grants	C	Adv. Battery Mfg Grants	C	Altern Fueled Vehicles	C

Millions of Dollars Are at Stake for CT: Health/Nutrition

State Allocations for <u>Some of</u> the ARRA Health/Nutrition Funding					
(in millions)					
Medicaid		Immunization	4.2	Supplemental Nutrition Assistance Program	152
FMAP Increase	1,178				
DSH	9.9				
Community Health Centers Infrastructure & Services	\$3.7 & C	Transitional Medical Assistance Extension	D	Food Stamp Admin	2.5
Health Information Technology	C	WIC	32.2	School Lunch Equipment	0.9
Medicaid HIT-Related Funding	D	Emergency Food/Shelter	1.1	Elderly Nutrition	0.8

Millions More Can Be Claimed by CT Taxpayers

Making Work Pay Tax Credit: Estimated 1.3 million CT taxpayers can benefit, claiming \$1.36 billion in refundable credits

Expanded Child Tax Credit: Estimated 116,000 CT children can benefit, claiming \$52 million in benefits from expanded credits

American Opportunity Tax Credit (for higher education expenses): Estimated 30,000 CT low-income college students will benefit

CT's Implementation of ARRA

2/11/09: Gov. Rell convenes 21-person CT Recovery Working Group to determine “shovel ready” projects to be funded

(www.ct.gov/recovery/lib/recovery/Purposed_Stimulus_Projects.pdf)

2/27/09: Gov. Rell sends required certification to OMB that CT “will request and accept funds” provided by the ARRA and “use such funds to create jobs and promote economic growth in a manner that is in the best interests of the taxpayers of the State of Connecticut.”

Gov. Rell establishes Stimulus Expediting Group to help cities/towns and organizations that receive stimulus funds with any impediments/concerns with their projects (e.g., permits).

3/6/09: CT Recovery Initiative Website launched (www.recovery.ct.gov) to be “clearinghouse” for: soliciting funding requests and submitting projects; tracking deadlines and “progress of stimulus-funded projects;” latest news on the stimulus in CT; e-alerts, etc.



**THE AMERICAN RECOVERY AND
REINVESTMENT ACT'S
CHALLENGES FOR CONNECTICUT**

I. Conditions Are Attached to Some Stimulus Funds

CT Should Ensure It Complies

EX: To claim State Fiscal Stabilization Fund funds, CT must: maintain state support for K-12 and public higher education in FY 09-FY 11 at least at the level of FY 06; achieve equity in distribution of highly qualified teachers; establish a P-16 longitudinal data system; enhance the quality of educational assessments for English Language Learners and students with disabilities; and ensure compliance with corrective actions required for low-performing schools.

EX: Enhanced federal reimbursements for Medicaid are provided only if: the state maintains the same eligibility standards as on July 1, 2008; the state reports on its compliance with Medicaid's "prompt provider payment" requirements; none of the additional funds are put into a rainy day fund.

EX: State Energy Program grants conditioned on state certification that public utility commission will implement policies to ensure state-regulated electric and gas utilities have appropriate incentives to reduce energy use and state building codes meet conservation/efficiency standards

II. Some Stimulus Funds May Only *Supplement*, Not *Supplant* – Current State Funding

EX: CT can receive additional Child Care Development Block Grant funds but only if the funds are used to *supplement* state General Fund spending on child care assistance & quality improvements for low-income families, not *supplant* it.

EX: New federal funds under ARRA for the Public Housing Capital Fund must supplement, not supplant, spending from other federal, state, and local sources independently generated by the public housing agency.

EX: For various of ARRA's transportation funding sections, the state must comply with maintenance of effort requirements. The Governor must provide to the US DOT a statement showing the amount of funds the state planned to spend from state sources as 2/17/09 (the date the ARRA was enacted) through 9/30/2010 for the types of projects to be funded (e.g., highways, high speed rail/intercity passenger rail, grants for airports, capital investment grants etc.). If the state cannot maintain its certified level of effort, it is restricted in getting additional federal funding.

III. Changes in Current State Law Are Needed to Take Advantage of Some of ARRA's Incentive Payments

EX: ARRA's Unemployment Insurance Provisions:

- Increases UI benefits by \$25/week increase (at wholly federal expense)
- Extends Temporary Emergency Unemployment Compensation program through 12/09 (not 3/09), providing more weeks of benefits
- Waives until 12/31/10 the accrual of interest and interest payments on loans to states from the Federal Unemployment Account
- Increases federal funding for state UI administration and picks up with federal funds all costs of Extended Benefits program for workers who exhaust UI in 2009 (so states don't have to pay their share).

ARRA also provides incentive payments for state UI reforms. CT already eligible for ~\$28M (1/3 of incentive) because has Alternative Base Period in state law. CT can receive ~\$56M more (2/3) if makes one minor change to UI state law regarding qualifying compelling family reasons for leaving work -- to include spouse relocation (in addition to domestic violence & illness/disability)

IV. Responding to ARRA's Competitive Grant Opportunities Requires Enhanced Capacity


EX: Education Incentive Grants.

Of the amount appropriated for the State Fiscal Stabilization Fund, the US Department of Education will use:

- At least \$4.35 billion to make competitive grants under the "Race to the Top" fund. GOAL: To help states to drive significant improvement in student achievement
- Up to \$650 million to make competitive awards under the "Invest in What Works and Innovation" Fund. GOAL: Reward LEAs, schools, non-profits that have made significant gains in closing achievement gaps to serve as models for best practices.

V. Other Challenges

- Unless CT residents/non-profits *know* of the ARRA provisions benefiting them, they're unlikely to take advantage of them. Education and outreach efforts are needed.
- Because ARRA funding is time-limited, care must be taken to not further exacerbate CT's structural deficit.
- Complying with ARRA's transparency & accountability provisions imposes additional responsibilities on beneficiaries.
- The capacity of state/local government to respond aggressively and competently to ARRA is undermined by other state budget-related challenges. Others *can* help, and *should*.



I'm reminded of words President Kennedy spoke in another time of uncertainty. "Do not pray for easy lives. Pray to be stronger men. Do not pray for tasks equal to your powers. Pray for powers equal to your tasks."

America, we will prove equal to this task. It will take time, and it will take effort, but working together, we will turn this crisis into opportunity and emerge from our painful present into a brighter future.

President Barack Obama (2/14/09)

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CT Voices' Federal Stimulus Webpage

<http://www.ctkidslink.org/federalstimulus.html>

CT Voices' State Budget Webpage

http://www.ctkidslink.org/announcement_83.html

To sign up for state budget alerts, e-mail

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