

# American Recovery and Reinvestment Act (ARRA) Funds

## FY 2010 – FY 2014 Overview

The following excerpt is taken directly from the Governor's Five Year Financial Projections.

### **Summary**

This Five-Year Financial Projection has been prepared pursuant to Section 35-3-1 of the Rhode Island General Laws, which requires that the Budget Officer: (6) Prepare a five-year financial projection of anticipated general revenue receipts and expenditures, including detail of principal revenue sources and expenditures by major program areas, which projection shall be included in the budget submitted to the general assembly pursuant to subsection 35-3-7.

The FY 2010-FY 2014 five year forecast reveals the impact of recent federal action, which was aimed at generating economic activity and providing the states with fiscal relief. Congress proposed, and on February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA"). The Act provides \$789 billion nationwide through spending programs, tax cuts, and other provisions. While one of the goals of the ARRA is to generate economic activity that will result in improved financial performance, this five year forecast does not attempt to estimate the impact, if any, the stimulus will have on state revenues. It does discuss two major components of the ARRA, the State Fiscal Stabilization Fund and the increased Federal Medicaid Assistance Percentage (FMAP) both of which have a direct impact on the State operating budget. This forecast shows that the federal stimulus funds provide relief of \$231.2 million in FY 2010 and \$139.2 million in FY 2011, and will cause stress as the stimulus funds sunset pursuant to federal law.

The provisions of the American Recovery Act and Reinvestment (ARRA) are temporary, providing an increase in the FMAP only through December 31, 2010. The five year forecast reflect a change in the FMAP rate from 52.62 percent to 63.92 percent in State FY 2010, and an assumed change in FY 2011 from a base rate of 52.63 percent to 58.28 percent, and an assumed rate in FY 2012 of 52.63 percent. When applied to the applicable base Medicaid expenditures, the resultant increase in federal participation totals \$184.2 million, which is included in the Governor's recommended FY 2010 budget. The appropriation of these additional federal funds allows a reduction of an equivalent amount of general revenue expenditures in the Medicaid program. The forecast includes federal participation declines of an estimated \$92.2 million in FY 2011 and, further declines of \$184.2 in FY 2012 when the program sunsets pursuant to federal law.

Agency	General Revenue Expenditures Relieved by ARRA – FMAP (In millions)			
	FY 2009	FY 2010	FY 2011	FY 2012
Department of Human Services	\$95.0	\$129.0	\$64.5	0
Department of Health	0.1	0.1	0.1	0
Department of Mental Health, Retardation and Hospitals	35.2	45.6	22.8	0
Department of Elderly Affairs	.7	.9	.4	0
Department of Children, Youth and Families	<u>6.3</u>	<u>8.5</u>	<u>4.2</u>	<u>0</u>
Total	\$137.3	\$184.2	\$92.2	0

The State Stabilization Fund for Rhode Island totals \$164.9 million and may be used in FY 2009, FY 2010, and FY 2011. Of the total, 81.8 percent is to be allocated to elementary and secondary education and public higher education and the remaining 18.2 percent for public safety or other government services, including K-12 or higher education. The Governor's budget strategy for FY 2009 and FY 2010 assumes the funds are used evenly over the three year period. The Governor's budget proposes that \$55.0 million be incorporated each year from FY 2009 through FY 2011. Higher Education would receive \$6.7 million, \$7.8 million and \$7.8 million in fiscal years 2009 through 2011, K-12 would receive \$38.3, \$37.2 and \$37.2 million, and the general purpose funds would be allocated \$10.0 million each year. The FY 2010 budget incorporates the availability of new K-12 education federal stimulus funds and the need to reduce the growth in local government costs by providing local government officials more flexibility to manage efficiently and effectively through legislative changes proposed in the FY 2009 Supplemental Budget. For FY 2010, when local education authorities begin to receive increased Title I and IDEA funds, in addition to the Stabilization funds, the Governor recommends a decrease in general revenue funded state education aid of \$37.0 million, as an offset to the stabilization funds. No offset is recommended relating to Title I (\$17.0 million) or IDEA (\$19.8 million) funds which are distributed to the local governments. The FY 2010 budget also allocates \$10.0 million of general purpose stabilization funds to distressed communities aid, with a commensurate reduction in general revenue funding. The table below displays the impact of the State Stabilization Fund in the period FY 2010 through FY 2012.

Agency	General Revenue Expenditures Relieved by ARRA – FMAP (In millions)			
	FY 2009	FY 2010	FY 2011	FY 2012
Department of Elementary and Secondary Education	\$31.0	\$37.0	\$37.0	0
Higher Education	[6.7]	[7.8]	[7.8]	0
Department of Administration	<u>10.0</u>	<u>10.0</u>	<u>10.0</u>	<u>0</u>
Total	\$41.0	\$47.0	\$47.0	0

Total All General Revenue Expenditures Relieved by ARRA (In millions)				
	FY 2009	FY 2010	FY 2011	FY 2012
FMAP	\$137.3	\$184.2	\$92.2	0
Stabilization	<u>41.0</u>	<u>47.0</u>	<u>47.0</u>	<u>0</u>
Total	\$178.3	\$231.2	\$139.2	0