

# FY2010 Federal American Recovery and Reinvestment Act (ARRA) Funds

## Governor's Recommendations

Rhode Island General Laws Chapter 42-41, entitled "Budgeting, Appropriation and Receipt of Federal Monies" requires the General Assembly to appropriate federal funds received by the State of Rhode Island. Specifically Section § 42-41-5 reads as follows:

**Legislative appropriation authority and delegation thereof.** – (a) No agency shall establish new, or expand existing programs including any program involving federal or other nonstate monies, beyond the scope of those already established, recognized, and appropriated for by the general assembly until the program and the availability of money is submitted by the agency to the budget officer for recommendations to the general assembly.

(b) No state agency may make expenditures of any federal monies, whether such monies are advanced prior to expenditure or as reimbursement, unless such expenditures are made pursuant to specific appropriations of the general assembly.

Therefore the Governor included his recommendations for expenditure of the ARRA Funds in his budget recommendations for FY2009 and FY2010. The following is taken from the Governor's FY2010 Budget Executive Summary.

The national economy is in a crisis, facing the prospects of a deep and prolonged recession. Initiated by a freeze in the credit markets, home prices across the country have spiraled downward coupled with a drop in consumer confidence and decreased spending. As a result, the stock market has withdrawn to a level that has wiped out a decade of gains, and investors have seen personal and retirement income almost halved in a brief period. The national unemployment rate has reached levels not seen since the recession of 1983. As such, 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.

Over the life of the stimulus, it is estimated that the bill will provide over \$1.0 billion to Rhode Island, not including tax cuts for individuals and businesses. Based on formula-driven grants, the Governor has included \$252.1 million in the Revised FY 2009 budget and \$529.1 million in the FY 2010 budget. Potential competitive grant awards have not been included, and any grants awarded to Rhode Island will be budgeted at that time. The categories in the stimulus act that affect the Governor's Budget for FY 2009 and FY 2010 include:

- State Fiscal Stabilization Fund – ARRA provides grants to state governors for fiscal relief including funding for local schools and higher education, public safety, and other government

organizations. The majority of the stabilization fund must be used for education and the balance is flexible for the Governor to allocate for fiscal relief. The Governor recommends \$55.0 million in the FY 2009 revised budget and \$55.0 million in the FY 2010 budget. The Governor will seek a waiver from the maintenance of effort requirements, and has recommended that the funds be allocated in FY 2009 to Higher Education (\$6.6 million), K-12 (\$38.3 million), and general purpose funds to the Station Fire settlement (\$10.0 million). In FY 2010, the Governor recommends that the funds be allocated to Higher Education (\$7.8 million), K-12 (\$37.2 million), and general purpose funds to relieve the state of distressed communities' aid (\$10.0 million).

- **Health** – ARRA includes provisions for increased aid for state health mandates. Of the health categories receiving additional funding, the increased Federal Medicaid Assistance Percentage (FMAP) is especially important to the State. This is the federal cost-share of Medicaid and Foster Care and Adoption Assistance. The increased percentage rate paid by the federal government provides direct relief to general revenues. Again, the general revenue reduction in the FY 2009 and FY 2010 budget is largely driven by the provision of the American Reinvestment and Recovery Act (ARRA) establishing a temporary increase in the Federal Medicaid Assistance Percentage (FMAP), from 52.62 percent to 63.93 percent in (Federal) FY 2010. When applied to the applicable base Medicaid expenditures, the resultant increase in federal participation totals \$137.3 million in the FY 2009 revised budget and \$184.2 million in the FY 2010 budget, with appropriation of these additional federal funds allowing for withdrawal of an equivalent amount of general revenues in the Medicaid program.

Agency	FY 2009			FY 2010
	FY 2009 Original Supplemental Estimate of Enhanced Match	Final FY2009 Supplemental	Change	Governor's Recommended Enhanced Match
Department of Human Services	(\$19.5)	(\$95.0)	(\$75.5)	(\$129.0)
Department of Health	(0.1)	(0.1)	(0.0)	(0.1)
Department of Mental Health, Retardation	(6.3)	(35.2)	(29.0)	(45.6)
Department of Elderly Affairs	(0.2)	(0.7)	(0.5)	(0.9)
Department of Children, Youth, and Families	(1.5)	(6.3)	(4.8)	(8.5)
Total	(\$27.5)	(\$137.3)	(\$109.8)	(\$184.2)

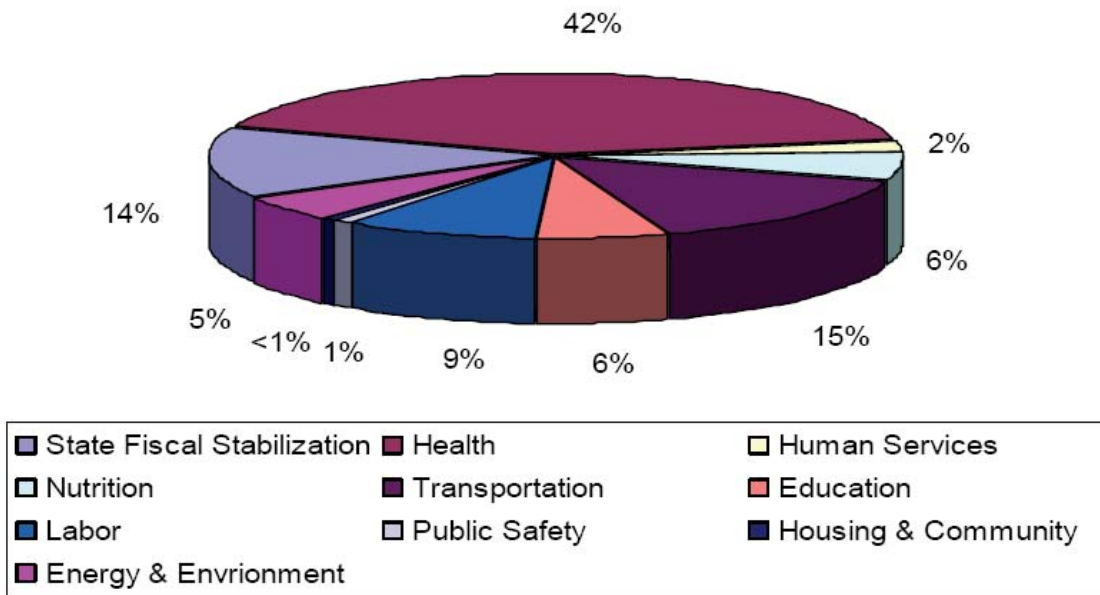
- **Human Services** – ARRA provides additional grants for child care development, Head Start programs, community services, and child support enforcement. The Governor recommends \$3.0 million in the FY 2009 revised budget and \$13.9 million in the FY 2010 budget.

- **Nutrition** – ARRA includes additional funding for the Special Supplemental Nutrition Program for Women and Children (WIC) and the Supplemental Nutrition Assistance Program (SNAP). The Governor recommends \$8.1 million in the FY 2009 revised budget and \$35.9 million in the FY 2010 budget.

- Transportation – ARRA provides additional federal grants to state and local governments for transportation-related programs, including funding for federal highways, transit formula grants, fixed guide way modernization, surface transportation grants, competitive airport grants, and passenger rail grants. The Governor recommends \$20.0 million in the FY 2009 revised budget and \$97.4 million in the FY 2010 budget.
  
- Education – ARRA provides additional funding through existing K-12 federal-state programs. This includes Title I, Special Education, Education for Homeless Children & Youth, Teacher Incentive Fund, Impact Aid, and Vocational Rehabilitation. The Governor recommends \$215,641 in the FY 2009 revised budget and \$48.9 million in the FY 2010 budget.
  
- Employment & Labor Force – Additional grants for employment and labor force programs are included in the ARRA. These programs are the Workforce Investment Act (WIA), Employment Service, and Unemployment Insurance, which are all dedicated to aiding and training the unemployed. The Governor recommends \$17.1 million in the FY 2009 revised budget and \$54.8 million in the FY 2010 budget.
  
- Housing & Community Development – ARRA provides additional funding for existing state housing programs including the Community Development Block Grant, neighborhood stabilization grants, HOME funds, and public housing authorities. The Governor recommends \$270,594 in the FY 2009 revised budget and \$3.4 million in the FY 2010 budget.
  
- Energy & Environment – ARRA provides grants to the state for energy and environment improvements in three forms including the State Energy Program, Weatherization Assistance, and the Energy Efficiency and Conservation Block Grant. The Governor recommends \$7.0 million in the FY 2009 revised budget and \$33.0 million in the FY 2010 budget.
  
- Public Safety – ARRA provides additional funding for state justice programs including the Edward Byrne Memorial Justice Assistance Grant, the Violence against Women Grant, the Crime Victims Assistance Grant, the Internet Crimes against Children Grant, and the Operation and Maintenance – Army National Guard grant. The Governor recommends \$4.4 million in the FY2009 revised budget and \$4.0 million in the FY 2010 budget.

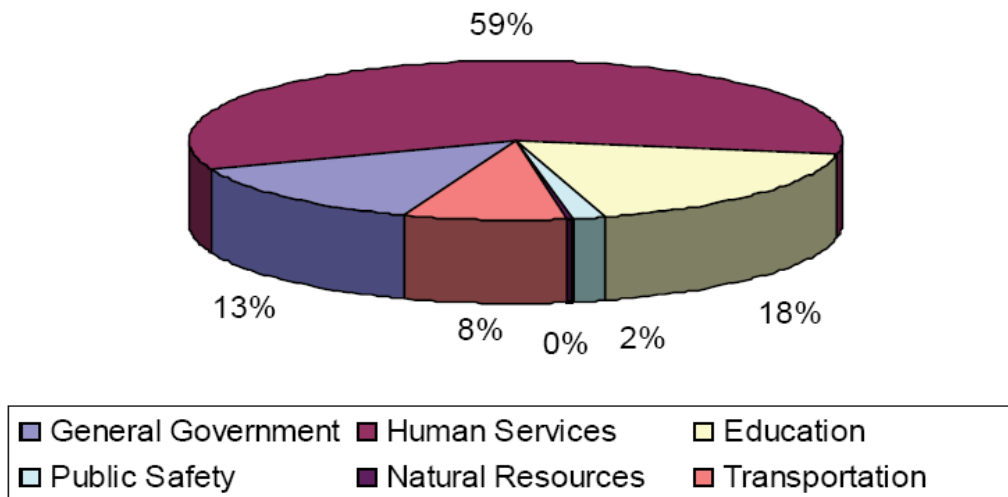
While the ARRA provides needed relief during this time of fiscal stress, the use of one time money for ongoing expenditures will create a larger structural deficit for the State. It is important that an appropriate “exit strategy” be developed in order to address the fall off in federal revenues which will occur. The five year financial projection will reveal the significance of the problem. The Governor’s recommendation for the stimulus funds over FY 2009 and FY 2010 are allocated by ARRA categories as follows:

### FY 2009 & FY 2010 Stimulus Allocation



The Governor recommends that the stimulus funds are budgeted in the FY 2009 revised budget in thirteen state agencies by function as follows:

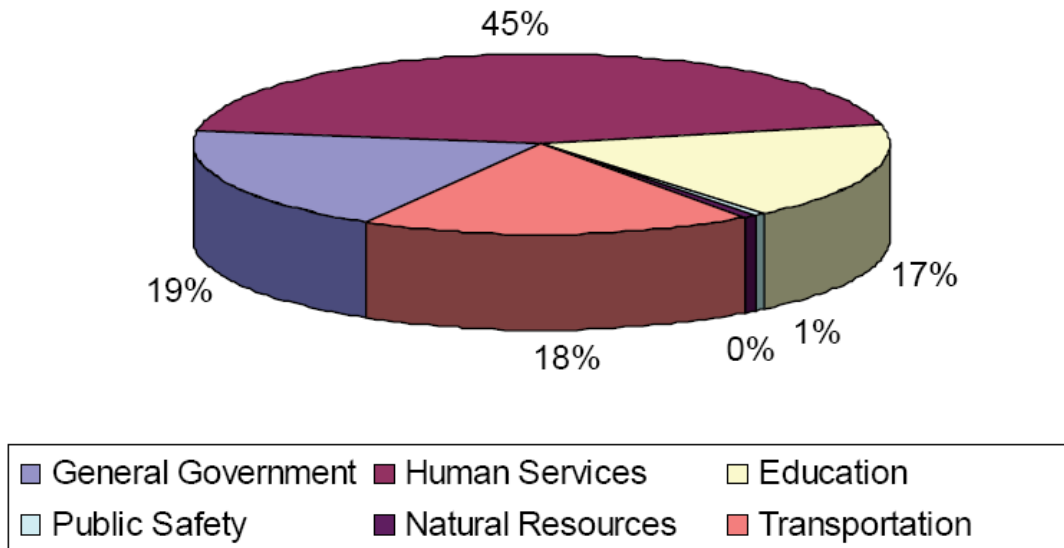
### FY 2009 Stimulus Agency Allocation



By far the largest amount of the federal stimulus funds is allocated to the Human Service agencies – \$148.4 million. Other categories of state agencies anticipating federal funds include: Education - \$45.1 million, General Government – \$33.6 million, Transportation – \$20.0 million, Public Safety – \$4.4 million, and Natural Resources – \$675,000.

For FY 2010, the Governor recommends that the stimulus funds are budgeted in fourteen state agencies by function as follows:

### FY 2010 Stimulus Agency Allocation



In FY 2010, the Human Services agencies expect the most funding – \$234.3 million, followed by General Government agencies – \$99.4 million, Transportation – \$97.4 million, Education – \$92.3 million, Public Safety – \$3.8 million, and Natural Resources – \$2.0 million.

Of the federal funds anticipated to be received by Rhode Island for FY 2009 through FY 2011, an estimated \$164.2 million will be used for capital projects. The Department of Transportation and Military Staff spending is reflected in the State Budget, but the funds received and expended for clean water and drinking water projects are not. They are recorded in the Clean Water Finance Agency, a quasi-public agency of state government.

- Additional funds of \$137.1 million for the Department of Transportation for highway infrastructure investment, which will be spent over three years for fifty separate projects throughout the state including highway, road and bridge repair, pavement resurfacing as well as enhancement projects, such as lighting and drainage improvements. The Department is also expected to receive a total of \$612,000 in fixed guideway infrastructure grants, which are expected to be spent over two years starting in FY 2010.
- Additional funds of \$604,900 for roof replacement to the U.S. Property and Fiscal Office and window replacement to the Federal Maintenance Shop of the Warwick Armory, which is used by the Rhode Island National Guard.

- Additional funds of \$26.5 million for the Clean Water Finance Agency for both clean water and drinking water projects that will be selected from the State of Rhode Island's priority project lists. At least 50.0 percent of grants must be devoted to subsidization in the form of loan principal forgiveness, negative interest loans, or grants. A total of 20.0 percent of grants should be devoted to projects that address green infrastructure, water or energy improvements, or other environmentally innovative activities. The grants cannot be used for the purchase of land or easements.

The Governor has certified Rhode Island's participation in the ARRA and thereby has assumed the responsibility that the funds are used to support activities that will create jobs and promote economic development. Further, the Governor, by Executive Order 09-04, has established the Office of Economic Recovery and Reinvestment within the Office of the Governor. The Office will be responsible for administering and complying with ARRA; establishing processes for identifying, evaluating, and tracking ARRA initiatives; and will be responsible for transparency, tracking, and reporting of the funds provided by the ARRA.