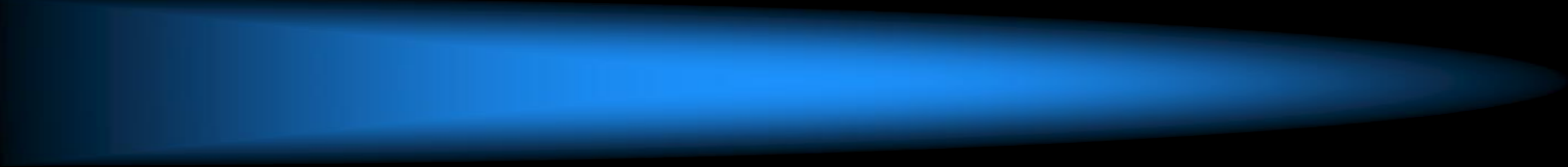


*American Recovery and Reinvestment
Act of 2009
(Stimulus)*



Staff Presentation to the House
Finance Committee
February 25, 2009

American Recovery and Reinvestment Act of 2009

Introduction

American Recovery and Reinvestment Act of 2009

- | Signed into law February 17
- | Approximately 1,100 pages organized into two divisions and multiple titles within divisions
- | Additional 400 pages of Joint Explanatory Statement of the Conference Committee

American Recovery and Reinvestment Act of 2009

- | Budget Office, Senate Fiscal and House Fiscal combined efforts for staffs memo
- | Consensus on what key issues are at this point
- | Preliminary until rules, regulations, and procedures published
- | Fiscal information from Federal Funds Information for States

American Recovery and Reinvestment Act of 2009

- | Additional help from numerous sources
 - u Congressional delegation, CBPP, NCSL, CSG, Departments, agencies, interest groups
- | Basis for analysis is FY 2009 Revised Budget with recommended Governor's Amendments
- | FY 2010 and FY 2011 assume no changes for analysis purposes

American Recovery and Reinvestment Act of 2009

I General Rules

- u Quick Start – preference for projects started and completed expeditiously that maximize job creation and economic benefit
- u Prevailing wage and Buy American
- u Availability of appropriated funds for obligation until Sep 30, 2010
- u No supplanting

American Recovery and Reinvestment Act of 2009

- | Governor must certify within 45 days intention to use funds
- | If Governor does not, Legislature may by concurrent resolution
- | Governor has authority to accept, but Assembly must appropriate (42-41-6)
 - └ Unless approved by Governor, Speaker & President

American Recovery and Reinvestment Act of 2009

- | Organization of Memo and Presentation
 - u State Budget Relief
 - u Tax Issues
 - u Potential Opportunities
 - u Other Items of Interest
- | Generally in same order, within sections, as the bill

American Recovery and Reinvestment Act of 2009

State Budget Relief

Medicaid

- | Enhanced match for 27 months from Oct 2008 through Dec 2010
- | Unemployment adjustment based on levels relative to Jan-Mar 2006
- | Includes 6.2% adjustment

Medicaid

- | Does not include admin charges, DSH, TANF, Title IV-E, EPSDT, SCHIP
- | Increased funds cannot be used to replace rainy day funds
- | Cannot reduce benefits; enhanced match cannot be used for increased benefits
- | Exit strategy will be a problem

Medicaid

	2008	2009	2010
Regular (FFY)	52.51	52.59	52.63
Unemployment Adj.		5.10	5.10
Base Adj.		6.20	6.20
Enhanced Rate	52.51	63.89	63.93
State FY	2009	2010	2011
Impact*	\$131.1	\$174.9	\$87.4

** Governor's Revised FY 2009 includes \$27.6 million*

Supplemental Nutrition Assistance

SNAP, formerly food stamps

- | \$52.0 million in additional funding for benefits
- | \$0.9 million for administrative costs
- | DHS will increase benefits to recipients by 13.6 percent

Title IV-E

Foster Care and Adoption Assistance

- | 6.20 percent match enhancement
- | \$1.3 million in FY 2009
- | \$1.8 million in FY 2010
- | \$0.9 million in FY 2011

Disproportionate Share Medicaid

- | Medicaid caps the amount available
- | Added 4.0% subsequent to enacted FY 2009
- | The Act increases cap additional 2.5% for FFY 2009
- | Will require additional \$3.2 million from state sources in FY 2010 budget and additional 2.5 percent for FFY 2010

State Fiscal Stabilization Fund

- | Avert reductions in public higher and elementary and secondary education
- | Federal Funds Information for States estimates \$164.9 million
- | 81.8 percent of funds for education - \$134.9 million
- | 18.2 percent available for state flexible use - \$30.0 million

State Fiscal Stabilization

- | Maintenance of Effort Required = funding for both public higher education and elementary and secondary education for FY 2009 – FY 2011 be no less than FY 2006
- | Secretary of Education can waive requirements if a precipitous decline in financial resources

State Fiscal Stabilization

Secretary of Education can waive requirements if a precipitous decline in financial resources

- | 4.0 percent drop in revenues in Governor's revised budget
- | 5.7 percent drop when adjusted for tax law changes

State Fiscal Stabilization

- | Waiver requirement, if granted = state percent of general revenues spent on elementary and secondary education remain the same as prior year
 - FY 2008 – 25.5%
 - FY 2009 Gov. Revised – 25.8%
- | If met, no other maintenance requirement for public higher education

State Fiscal Stabilization

Best Case – waiver

	General Revenues	Stimulus	Total
Higher Ed	\$ --	\$ 12.5	\$ 12.5
EI/Sec	--	122.5	122.5
All Education	\$ --	\$ 134.9	\$134.9
State Govt.	--	30.0	30.0
Net	\$ --	\$ 164.9	\$ 164.9

State Fiscal Stabilization

If no waiver, issues around debt service in public higher education

- | Capital does not count for MOE; worst case = debt service = capital = not MOE
- | If it does count, how is it apportioned within unrestricted budget
- | Best case assumes it counts or that all general revenue goes to operating

State Fiscal Stabilization

Elementary and Secondary issues involve what counts as spending

- | Worst case assumes narrow definition of support as operations aid to LEAs only, excluding retirement and housing
- | Best case assumes including them, plus either Davies or Deaf or Dept.

State Fiscal Stabilization

<i>Best Case – No Waiver</i>	General Revenues	Stimulus	Total
Higher Ed	\$ 25.7	\$ 12.5	\$ 38.2
EI/Sec	--	122.5	122.5
All Education	\$ 25.7	\$ 134.9	\$160.6
State Govt.	(25.7)	30.0	4.3
Net	\$ --	\$ 164.9	\$ 164.9

State Fiscal Stabilization

*Worst Case –
No Waiver*

	General Revenues	Stimulus	Total
Higher Ed	\$ 73.5	--	73.5
El/Sec	59.0	134.9	193.9
All Education	\$132.5	\$ 134.9	\$267.4
State Govt.	(132.5)	30.0	(102.5)
Net	\$ --	\$ 164.9	\$ 164.9

State Fiscal Stabilization

<i>Prudent Guess – No Waiver</i>	General Revenues	Stimulus	Total
Higher Ed	\$ 42.1	\$ 5.8	\$ 47.9
El/Sec	--	129.1	129.1
All Education	\$ 42.1	\$ 134.9	\$ 177.0
State Govt.	(42.1)	30.0	(12.1)
Net	\$ --	\$ 164.9	\$ 164.9

Local Education Agencies Relief

Education

- | Title I - \$35.8 million for RI
- | Special Ed - \$47.6 million
- | Existing Distribution Formulae

Small Business Administration

- | Governor recommended
 - u Article 14 for SBA loan guaranty tax credit
 - u Article 15 for \$25.0 million moral obligation debt to boost SBA guaranty to 90% and to provide state only guaranty at 90%
- | The Act provides resources and authority for these purposes

Small Business Administration

- | Increase guaranty from 75% to 90%
- | Waive loan guaranty fees
- | Increase surety bond backing from \$2.0 million to \$5.0 million
- | Increase Microloan program funding for loans up to \$35k
- | Funding to help business pay principal and interest on loans

Highway Infrastructure

- | Est. \$137.1 million for state, no match
- | Roads and bridges, passenger and freight rail, and port infrastructure projects
- | Must be obligated within 120 days or 50% can be redistributed to other states
- | Unobligated within one year can be redistributed to other states

Highway Infrastructure

- | State intends to use all on state road and bridge projects, including repair, resurfacing, enhancements, lighting and drainage
- | Does not include any funding to locals

Transit Capital Grants

- | Staffs estimate \$29.5 million for RIPTA
- | \$28.6 million for projects in urban areas transit; \$0.9 million for projects in rural
- | 180 days to obligate or risk 50% redistribution to other states
- | Could lose unobligated after one year
- | RIPTA has not yet submitted list

Employment and Training Admin.

\$18.6 million for five programs

- | Workforce Investment - \$2.1 million
- | Youth, incl. summer jobs - \$5.7 million
- | Dislocated Workers - \$7.0 million
- | Unemployed, low income elderly
community svc. activities - \$0.6 million
- | UI and employment service operations -
\$3.2 million

American Recovery and Reinvestment Act of 2009

Tax Issues

Tax Issues

- | Some have state impact, many do not
- | State uncoupled from piggyback on federal income tax liability in 2001
 - u Currently use taxable income
 - u Federal changes in credits have no impact; changes to deductions do
- | State uncoupled from most federal business tax changes in 2008

Tax Issues Affecting

Earned Income Tax Credit

- | State provides refundable credit of 15%
- | Act increases benefits for tax years 2009 and 2010 for families with three or more children from 40% to 45% of first \$12,570
- | \$175k impact

Tax Issues Affecting

Vehicle Purchases

- | Tax Year 2009 only
- | Deduction of sales tax
 - └ Vehicles under \$49,500 and 8,500 lbs.
 - └ Phase out between \$125k and \$135k modified AGI (\$250k and \$260k couples)
- | \$1.7 million state revenue loss unless state disallows the deduction

Tax Issues Affecting

Unemployment Benefits

- | Tax Year 2009 only
- | Suspends federal income tax on first \$2,400 of unemployment benefit
- | Taxation estimates \$4.1 million impact unless state uncouples

Tax Issues not Affecting

- \$400 tax credit for working individuals (\$800 for families) for tax years 2009 and 2010
- 15% Child credit Tax Year 2009 only changed from income base of \$8,500 down to \$3,000
- NOL Carry back – state does not allow

Tax Issues not Affecting

- | Higher Education credit
 - └ Expand from 2 years to 4
 - └ Increase from \$1,800 to \$2,500
 - └ Gross income phase out between \$80k and \$90k (\$160k-\$180 for married)
- | Higher Ed Eligible – allow computers and related technology
- | Both tax years 2009 and 2010

American Recovery and Reinvestment Act of 2009

Potential Opportunities

Potential Items

Mainly items that affect state and local

- | Formula and competitive grants
- | No immediate FY 2009 impact
- | Likely to appear for inclusion in final FY 2009 revisions and FY 2010 enacted
- | Generally require agency applications
- | Description in memo and listing at end of memo with title and other information

Potential Items

I Capital

- u Corps of Engineers Projects
- u Army and Air National Guard Projects
- u Energy Efficiency and Renewables
- u Innovative Technology Loan Guarantees

Potential Items

I Public Safety

- u Crime victims and Crimes against Women
- u Byrne Grants, Internet Crimes against Children , and Community Oriented Policing
- u Emergency Management – Security

Potential Items

I Environment

- u Brownfields
- u Clean Water and Safe Drinking Water Revolving Funds Capitalization
- u Leaking Underground Storage Tanks
- u Superfund Remediation
- u Diesel Emission Reduction

Potential Items

I Education

- u Construction Aid – National \$40 million formula and \$60 million competitive for shovel ready (RI shares unknown)
- u School Improvement - \$3.2 million
- u Education Flex Funds
 - Competitive grants
 - Must meet Stabilization Fund MOE

Potential Items

I Education

- u National Endowment for Arts grants
- u Innovation and Improvement performance based K12 teacher quality
- u Institute of Education Sciences competitive grants for state education data systems
- u Higher Ed Teacher Quality
- u Pell Grants
- u Work Study

Potential Items

I Human Services

- u Aging - \$500k for meals services
- u Child Care Development Block Grant - \$5.4 million may not supplant
- u Head Start - \$2.0 million
- u Vocational Rehabilitative Services
- u Community Health Centers
- u TANF Emergency Funding

Potential Items

I Transportation

- u National Surface Transportation – competitive large projects
- u Airport Grants
- u Commuter Rail and Fixed Guideway
- u Small Shipyards
- u Capital Investments – small grants

Potential Items

I Housing

- u Energy efficiency
- u Lead Hazards
- u HOME Investment Partnerships
- u Homelessness Prevention
- u Public Housing Capital

Potential Items

- | Health Information Technology
 - u Health Information Exchange for regional and sub-national
 - u Medicare and Medicaid Information Technology incentive for electronic health records systems

Potential Items

- | Unemployment Insurance
 - u Extended benefits – full federal
 - u \$25 per week addition
 - u Incentive awards for state systems

American Recovery and Reinvestment Act of 2009

Other Items of Interest

Other Items

Economic Recovery Payment

- | \$250 one time payment to recipients of benefits from Social Security Admin.

Other Items

- | Broadband Technology Opportunities - competitive grants
- | Digital to Analog Converter Box Program – education and outreach
- | Research Construction – competitive grants
- | Community Development Finance Institutions – US Treasury direct funding

Other Items

- | COBRA Subsidy – 65% of health insurance premiums
 - u Nine months
 - u Workers laid off between Sep 1, 2008 and Dec 31, 2009
 - u \$125k AGI limit for single, \$250k for families
- | Employers provide the coverage then take the subsidy as a credit against payroll taxes

American Recovery and Reinvestment Act of 2009

Parting Thoughts

American Recovery and Reinvestment Act of 2009

- | This has been an initial survey - there is more unknown than known in most cases, pending federal guidance
- | In key cases, the state must act expeditiously – a bias toward action
- | There are substantial audit requirements
- | Exit strategy remains a problem

American Recovery and Reinvestment Act of 2009

