

## **The American Recovery and Reinvestment Act of 2009 Impact for Low and Moderate Income Rhode Islanders**

March 2009

The American Recovery and Reinvestment Act (The Recovery Act), provides \$787 billion of federal spending to preserve and create jobs, help people impacted by the recession and provide fiscal relief to states. It is estimated that Rhode Island will receive approximately \$2.4 billion dollars in federal support over the next several years, including \$1.1 billion in new federal funds and the balance through tax cuts to individuals and businesses.

The provisions providing relief to low and modest-income families are among the most effective in the package and will mean hundreds of millions of dollars for low- and modest-income Rhode Islanders. This summary provides information, where available, on what Rhode Island is likely to receive for programs that will directly benefit thousands of Rhode Islanders as well as fiscal relief for the state that can help avert cuts to services and programs.<sup>1</sup>

**MEDICAID:** The Recovery Act provides an increase in the share of the Medicaid program paid by the federal government (known as the Federal Medical Assistance Percentage or “FMAP”) for the period October 2008 – December 2010. The enhanced match includes three components: a “hold harmless component to the base”, an additional 6.2 percentage point increase to the base and an unemployment adjustment.<sup>2</sup> This means that for Rhode Island, the FMAP will increase from 52.59% to 63.89% beginning October 2009. It is estimated that Rhode Island will receive approximately \$470 million for state fiscal years 2009 – 2011 in increased federal cost-sharing.<sup>3</sup> To qualify for the enhanced FMAP, the state may not reduce eligibility below the limits in effect as of July 2008 and must comply with prompt payment provisions to providers.<sup>4</sup> The state recently received \$93 million as a result of the increased FMAP effective October 2008.

**Rhode Island Amount:** \$470 million

---

<sup>1</sup> Unless otherwise noted, information is from The Center on Budget and Policy Priorities, 2/25/09 report: American Recovery and Reinvestment Act of 2009: State by State Estimates of Key Provisions Affecting Low and Moderate Income Individuals. Available: <http://www.cbpp.org/1-22-09bud.pdf> We also provide citations to the analysis by the State Budget Office, Senate Fiscal Staff and House Fiscal Staff in the document, “The American Recovery and Reinvestment Act of 2009, Rhode Island Impacts and Opportunities”, Feb. 25, 2009 (“ARRA-RI”). Available: <http://www.rilin.state.ri.us/HouseFinance/ARRActOpportunities.pdf>

<sup>2</sup> The enhanced match does not apply to administrative costs or disproportionate share hospital payments. The FMAP for foster care and adoption assistance also increases (to 58.79%) but does not include the unemployment adjustment.

<sup>3</sup> The \$470 million is the estimate by the Center on Budget and Policy Priorities. The ARRA-RI estimates that the additional FMAP will total \$393.4 million. The Center for American Progress estimates that the FMAP total for Rhode Island will be \$543 million. (see [http://www.americanprogress.org/issues/2009/02/av/recovery\\_compromise.xls](http://www.americanprogress.org/issues/2009/02/av/recovery_compromise.xls)). The differences in the estimated totals have to do with assumptions about state Medicaid spending and enrollment. The exact amount of additional federal funds will depend on state expenditures for Medicaid over the period the enhanced FMAP is in effect.

<sup>4</sup> A provision of the federal law allows Rhode Island to keep parent eligibility at 175% FPL and still qualify for the enhanced FMAP.

**Timeframe:** Beginning October 2008. State has received funds to account for increased FMAP applied to spending since October 2008 and will be paid based on increase FMAP as additional Medicaid expenditures are incurred through December 2010.

**Number of Rhode Islanders impacted:** There are more than 180,000 Rhode Islanders who rely on services funded by Medicaid.

**STATE FISCAL STABILIZATION FUND:** The Recovery Act creates a \$53.6 billion “State Fiscal Stabilization Fund” to help state and local governments fund education and other key services. The Fund will be distributed through two block grant programs allocated by population formulas. Rhode Island’s share will total \$164.9 million.<sup>5</sup>

The larger block grant, the Education Block Grant, will make \$134.9 million available to Rhode Island over the three year period SFY 2009-2011 to support K-12 and higher education. Funds must first be used to restore state education funding up to the greater of the Fiscal Year 2008 or Fiscal Year 2009 level for the three year period. Any remaining funds are sent to the local school districts.

The second block grant, the Flexible Block Grant, could bring \$30.0 million to Rhode Island over two years to support state services including averting budget cuts in education or in other basic state services such as public safety and law enforcement, services for the elderly and people with disabilities, or child care. Funds can also be used for education related activities such as school repair, renovation or modernization.

To qualify for both funds, the state must show that it’s funding for both K-12 and higher education is no less than the fiscal year 2006 level in fiscal years 2009, 2010 and 2011 although the Secretary of Education may waive this “maintenance of effort” requirement.<sup>6</sup>

The Governor must apply for both of these block grants through the US Dept of Education, showing, among other things, how the state intends to use the funds and that the state meets the MOE requirement or qualifies for a waiver.

The law also includes \$5 billion for “State Incentive Grants”, which states will have to apply for, showing they have made progress on initiatives such as improving the distribution of teachers between high-poverty and low-poverty schools or establishing longitudinal data systems. For states receiving these grants, half of the funds must be passed through to local governments.

**Rhode Island Amount:**

- **Education Block Grant:** \$134.9 million over SFY2009-2011
- **Flexible Block Grant:** \$30.0 million over SFY2009-2011

**Timeframe:** Governor must apply. Funds are available immediately.

**Numbers of Rhode Islanders Impacted:** Not available

---

<sup>5</sup> Both the Center on Budget and Policy Priorities and the “ARRA-RI” analysis cite the total as \$164.9 million.

<sup>6</sup> “ARRA-RI” analysis indicates that the state may not meet the “maintenance of effort” requirements for higher education or for elementary and secondary education with current expenditures but that more information is needed as to what expenditures count toward the MOE requirement. It also notes that rules defining the criteria by which the MOE can be waived have yet to be issued by the Secretary of Education.

**CHILD CARE:** The Recovery Act provides an additional \$2 billion in child care funding under the Child Care and Development Block Grant (CCDBG). CCDBG provides funding to states to subsidize child care for children in low-income working families and low-income families in which parents are engaged in education or training. Rhode Island will receive an additional \$5.2 million total over two years in CCDBG funds.<sup>7</sup> There is no state match required, but funds cannot be used to supplant state funding. A portion of Rhode Island's funds would be targeted for quality expansion (\$431,873) and a smaller portion targeted for activities to improve the quality of care for infants and toddlers (\$250,111). The Recovery Act also provides an additional \$2 million for Rhode Island for Head Start.

**Rhode Island Amount:** \$5.2 million over SFY2009-2010 in CCDBG funds. Of this: \$431,873 for quality and \$250,111 for quality care of infants/toddlers. Additional \$2 million for Head Start Programs.

**Timeframe:** Funds are available for distribution in Fiscal Year 2009 and Fiscal Year 2010 as determined by the Secretary of HHS.

**Numbers of Rhode Islanders Impacted:** Not available.

**WORKER TRAINING & EMPLOYMENT SERVICES:** The Recovery Act provides \$3.95 billion for Workforce Investment Act ("WIA") training and employment services. A portion of the funding will be distributed to states using standard grant formulas. The funding under the Adult Formula Grant includes supportive services and needs-related payments and provides that priority for intensive and training services must be given to recipients of public assistance and other low income individuals. Rhode Island will receive \$2.1 million under this funding stream. For Youth Services, the law expands the age eligibility from 21 to 24 and targets the funds to summer jobs. Rhode Island will receive \$5.7 million in this funding stream. In addition, Rhode Island will receive \$7.0 million for Dislocated Workers. All funding is for Fiscal Year 2009. States can also compete for additional grant money (\$750 million total) to use on worker training and placement in high growth and emerging industries.

**Rhode Island Amount:**

- **Youth Services:** \$5.7 million
- **Dislocated Workers:** \$7.0 million
- **Adult Activities:** \$2.1 million

**Timeframe:** Same as other WIA funds.

**Numbers of Rhode Islanders Impacted:** Not available.

**UNEMPLOYMENT INSURANCE:** The Recovery Act includes federal funds to increase unemployment benefits by \$25/week. On March 1, 56,800 Rhode Islanders receiving unemployment benefits will start to receive this increase. It is estimated that approximately 86,110 Rhode Islanders will benefit from this increase in calendar year 2009. In addition, federal funds are provided to extend the federal Emergency Unemployment Compensation Program of 2008 through the end of 2009. The extension of the program (which was set to expire on March 31, 2009) will benefit 17,442 Rhode Islanders.<sup>8</sup>

The Recovery Act also includes the Unemployment Insurance Modernization Act which provides financial incentives to states to adopt reforms to make the unemployment insurance program more

---

<sup>7</sup> Calculations from Center on Law and Social Policy: Impact of American Recovery and Reinvestment Act (ARRA) of 2009. February 13, 2009. Available: [www.clasp.org/publications/aara\\_childcarestatealloc.pdf](http://www.clasp.org/publications/aara_childcarestatealloc.pdf)

<sup>8</sup> National Employment Law Project, <http://www.nelp.org/page/-/UI/Recoveryplanestimates.pdf>

accessible to more low-wage and part-time workers. Rhode Island could qualify for \$23.5 million in additional benefits for unemployed workers and \$1.7 million for administrative costs. One third of the funding is available if the state utilizes an alternative base period for calculating benefits which Rhode Island does. To qualify for the balance, the state must have two of four provisions as part of its UI program: eligibility for part-time workers; eligibility based on compelling family reasons; dependents' allowance of at least \$15/dependent/week; or making satisfactory progress in a state-approved training program.<sup>9</sup> The Department of Labor and Training is confirming with the US Department of Labor that Rhode Island meets the "compelling family reasons" criteria. There is a bill pending (H-5383) which would satisfy the part-time criterion if passed<sup>10</sup> or Rhode Island could seek to increase its dependent allowance from \$10 to \$15.<sup>11</sup>

**Rhode Island Amount:**

- \$25/week/per recipient benefit increase; \$42.4 million total
- Benefit extensions will amount to \$219.0 million for Rhode Island<sup>12</sup>
- Modernization: \$23.5 million in benefits and \$1.7m. for administrative costs

**Timeframe:** Benefit increase effective March 1, 2009. Modernization funds: eligible for 1/3 immediately and balance if reforms are made to Unemployment Insurance program.

**Numbers of Rhode Islanders Impacted:**

- Benefit increase: 56,800 effective 3/1/09; 86,110 in calendar year 2009
- Extended Unemployment Compensation through 12/31/09: 17,422

**CHILD TAX CREDIT:** The Recovery Act temporarily expands the Child Tax Credit, a partially refundable credit of up to \$1,000 per child under 17 designed to help off-set the cost of raising a child. For tax years 2009 and 2010, the credit will apply to 15 percent of earned income in excess of \$3,000 (lowering the threshold from \$8,500).<sup>13</sup> This would mean a total of \$44.3 million for Rhode Island families.<sup>14</sup>

**Rhode Island Amount:** Up to \$1,000/per eligible family; \$44.3 million total

**Timeframe:** Tax year 2009 and 2010.

**Numbers of Rhode Islanders Impacted:** Approximately 3,900 children will either become newly eligible for the credit or will receive an increased amount from the credit.<sup>15</sup>

**MAKING WORK PAY TAX CREDIT:** The Recovery Act provides for a new Making Work Pay Tax Credit. For 2009 and 2010, the Act creates a credit of up to \$400 for individuals and \$800 for married couples, if both spouses are working. The credit phases out for taxpayers with adjusted gross income in excess of

---

<sup>9</sup> <http://www.nelp.org/page/-/UI/UIMAFactSheet2008.pdf?nocdn=1>.

<sup>10</sup> "ARRA-RI" analysis

<sup>11</sup> At a House Finance Committee hearing on 2/28/09, DLT Director Powell stated that it would cost approximately \$4 million/year to implement the part-time provision and \$700,000/year to implement the increased dependent provision.

<sup>12</sup> Center for American Progress analysis. [www.americanprogress.org/issues/2009/02/av/recovery\\_compromise.xls](http://www.americanprogress.org/issues/2009/02/av/recovery_compromise.xls)

<sup>13</sup> <http://clasp.org/publications/preliminarysummaryofarra021309.pdf>

<sup>14</sup> [www.americanprogress.org/issues/2009/02/av/recovery\\_compromise.xls](http://www.americanprogress.org/issues/2009/02/av/recovery_compromise.xls)

<sup>15</sup> <http://www.cbpp.org/2-12-09tax.htm>

\$75,000 (\$150,000 for married couples filing jointly). Approximately 391,000 Rhode Islanders<sup>16</sup> will receive a total of \$428.6 million from this credit.<sup>17</sup>

**Rhode Island Amount:** \$400 per worker; \$428.6 million total

**Timeframe:** Tax year 2009 and 2010

**Numbers of Rhode Islanders Impacted:** 391,000

**EITC EXPANSION:**<sup>18</sup> The Recovery Act temporarily creates a new “third tier” of the Earned Income Tax Credit (EITC) for families with three or more qualifying children. In this tier the credit phases in at 45 percent of earned income (up from 40 percent under current law), and the maximum credit for these families increases by almost \$600. In addition, the Act increases marriage penalty relief by raising the phase-out threshold for married couples by \$1,880. Approximately 20,567 Rhode Islanders will receive \$12.3 million<sup>19</sup> from these changes.

**Rhode Island Amount:** \$12.3 million

**Timeframe:** Tax year 2009

**Numbers of Rhode Islanders Impacted:** 20,567

**FOOD STAMPS (SNAP):** The Recovery Act includes \$20 billion for the Supplemental Nutrition Assistance Program (formerly the Food Stamp Program) over FY2009-2013. Rhode Island will receive \$52.9 million in additional SNAP benefits and \$900,000 in additional administrative funding. Most of the funds will pay for a 13.6% increase to the maximum food stamp benefit, which will go into effect in April 2009. As of November, 2008, 91,000 Rhode Islanders were receiving SNAP benefits.

**Rhode Island Amount:** \$52.9 million

**Timeframe:** Benefits increase April 2009 and continue through Fiscal Year 2013

**Numbers of Rhode Islanders Impacted:** 91,000+ each year

**SSI / SOCIAL SECURITY / VETERANS:** The Recovery Act provides a one-time \$250 payment to individuals receiving SSI, Social Security, veteran’s benefits, and railroad retirement. It is estimated that more than 200,000 Rhode Islanders will receive a total of \$54.7 million from this provision. Payments will be made by May 17, 2009.<sup>20</sup> It also provides a one-time refundable \$250 tax credit to certain government retirees who are ineligible for Social Security.<sup>21</sup>

**Rhode Island Amount:** \$250 per person; \$54.7m total

**Timeframe:** Late May 2009

**Numbers of Rhode Islanders Impacted:** Approximately 219,000<sup>22</sup>

---

<sup>16</sup> <http://www.cbpp.org/1-21-09tax3.htm> & <http://clasp.org/publications/preliminarysummaryofarra021309.pdf>

<sup>17</sup> [www.americanprogress.org/issues/2009/02/av/recovery\\_compromise.xls](http://www.americanprogress.org/issues/2009/02/av/recovery_compromise.xls))

<sup>18</sup> <http://clasp.org/publications/preliminarysummaryofarra021309.pdf> and [http://www.brookings.edu/~media/Files/rc/papers/2009/0129\\_eitc\\_kneebone/20090126\\_eitc\\_kneebone.pdf](http://www.brookings.edu/~media/Files/rc/papers/2009/0129_eitc_kneebone/20090126_eitc_kneebone.pdf)

<sup>19</sup> [www.americanprogress.org/issues/2009/02/av/recovery\\_compromise.xls](http://www.americanprogress.org/issues/2009/02/av/recovery_compromise.xls)

<sup>20</sup> The Center for American Progress, cited in “ARRA-RI” analysis

<sup>21</sup> <http://clasp.org/publications/preliminarysummaryofarra021309.pdf>

<sup>22</sup> <http://www.cbpp.org/1-22-09bud.pdf>

**HOMELESSNESS:** The Emergency Shelter Grant (ESG) program, administered by HUD, provides formula grants to states and localities that may be used for homelessness prevention, emergency shelters, and street outreach. Rhode Island will receive an additional \$7.0 million in Fiscal Year 2009 through the Emergency Shelter Grant Program to be used for homeless prevention, not for emergency shelters. This money can be used to help families avert homelessness by providing them with funds for a few months rent or utility bills and could benefit approximately 1,100 Rhode Islander households.

**Rhode Island Amount:** \$7.0 million in Fiscal Year 2009

**Timeframe:** not available

**Numbers of Rhode Islanders Who Could be Assisted:** 1,100 households

**EDUCATION:** The Recovery Act provides \$44.6 billion in additional funds for the Department of Education. Of that amount, \$13 billion will be distributed to states through Title I and \$11.7 billion through the Individuals with Disabilities Education Act (IDEA). Rhode Island will receive an additional \$35.8 million in Title I funding and \$43.7 million in IDEA (Part B grants) funding.<sup>23</sup>

**Rhode Island Amount:**

- Title I: \$35.8 million
- IDEA (Part B): \$43.7 million

**Timeframe:** FY2009-2011

**Numbers of Rhode Islanders Impacted:** not available

**CASH ASSISTANCE (TANF)<sup>24</sup>:** The Recovery Act creates a new TANF Emergency Contingency Fund under which a state can receive 80 percent federal funding for increases (relative to a base year quarter) in TANF expenditures for basic assistance, short-term non-recurring benefits and subsidized employment. To qualify for basic assistance funds, the state must demonstrate an increase in the caseload, but there is no caseload increase requirement for the other two categories. The emergency fund is a temporary provision for 2009 and 2010 and is capped at \$5 billion. Rhode Island could access up to \$48 million over the two year period to provide additional assistance to families and to implement and expand jobs programs for the low-skilled parents who receive cash assistance.

**Rhode Island Amount:** Eligible to receive \$48 million FY2009-2010

**Timeframe:** Available over 2009-2010 as needed.

**Numbers of Rhode Islanders Impacted:** not available

**CHILD SUPPORT ENFORCEMENT PROGRAM<sup>25</sup>:** The Recovery Act includes \$1 billion to temporarily suspend a provision in the Deficient Reduction Act of 2006 that reduced federal funding for child support agencies by 20 percent. Rhode Island would receive approximately \$4.6 million over 2009 and 2010 if it meets certain performance measures.

---

<sup>23</sup> The Department of Education released its preliminary state allocations on February 19<sup>th</sup>.  
<http://www.ed.gov/about/overview/budget/statetables/09arrastatetables.pdf>

<sup>24</sup> <http://clasp.org/publications/preliminarysummaryofarra021309.pdf>

<sup>25</sup> [http://www.clasp.org/publications/state\\_by\\_state\\_match\\_012709.pdf](http://www.clasp.org/publications/state_by_state_match_012709.pdf)

**Rhode Island Amount:** \$1.7million immediately for FY2009 and up to \$2.9 million for FY2010  
**Timeframe:** Provision is retroactive to Oct. 2008 and extends through Fiscal Year 2010.  
**Numbers of Rhode Islanders Impacted:** Not applicable