

Summary of the “American Recovery and Reinvestment Act of 2009”

**House Appropriations Committee
January 30, 2009**

House Appropriations Staff

Stimulus Bill Overview

- American Recovery and Reinvestment Act of 2009
 - House version (HR 1) passed the House of Representatives this Wednesday
 - Both the Senate Appropriations and Finance committees completed mark up of S 336 on Wednesday
 - It is expected to be debated on the floor of the Senate beginning Monday, and may last 1-2 weeks
 - Indications are that the Administration hopes to have a bill completed in the February 15-22 time frame
 - Hill staffers indicate that given the tight time constraints, if both bodies have provisions that are identical or quite similar, consider them “conferenced”
- This is – at best – a moving target
 - Information has been spotty – bill draft is not yet available for Senate Finance components
 - Debate in House was very limited – reports are that amendments needed to House bill will occur in Senate
 - States working to influence Senate bill to ensure that provisions are not so cumbersome that states cannot access the funding
 - Goal is to ensure that state flexible funding can be used to address prospective cuts and is not limited to “maintenance of effort” compared to prior years

Stimulus Bill Overview

- House version includes \$819 billion in spending increases and tax reductions intended to spur economic growth
 - \$544 billion in spending
 - About \$320 billion will flow to state and local governments
 - \$275 billion in tax relief
- Senate version still does not have a final price tag
 - Spending levels mirror that in House bill
 - Amount in tax relief still unknown
 - Expectation that this could grow in the Senate
 - President's meetings with Congressional leadership this week focused on their interest in increasing the tax relief component
- In both versions, the majority of funding is distributed through existing federal funding formulas and to existing federal programs

Stimulus Bill Summary – Virginia's Share

- Based on initial reports of the House bill as adopted, Virginia would receive funding totaling about \$5.8 billion over approximately two years, exclusive of the tax provisions and payments to individuals (i.e. unemployment benefits, Pell grants, etc.)
- Largest program allocations include:
 - State Fiscal Stabilization Fund
 - Medicaid FMAP Increase
 - K-12 Funding
 - Energy Related Programs
 - Transportation and other infrastructure improvements
- In general, the funding is available upon passage of the legislation, through September 30, 2010
 - However, many programs have specific eligibility time periods and must be analyzed on a program by program basis
 - For example, Medicaid match looks back to October, 2008

Stimulus Bill Summary – Virginia's Share

- In contrast to early discussions, it appears that only about 10% of the funding is being used for infrastructure-type improvements
- The majority of the funding is, in essence, one-time infusions of funding to existing operating programs
 - For example, funding flows through existing homeless shelter grants, Title I, special education, child care and development block grants, and workforce investment act formulas
- It appears that state discretion with regards to funding distribution is limited to:
 - K-12 and Higher Education modernization funding
 - State Fiscal Stabilization Fund
 - Highway apportionments
 - Medicaid FMAP

State Fiscal Stabilization Fund

- One of the largest single spending items is a \$79 billion State Fiscal Stabilization Fund
 - In HR 1, half of the funds would become available on July 1, 2009 and the remainder on July 1, 2010
 - Each year's allocation is available for 15 months, taking it through the first quarter of state FY 2012
 - In S 336, all funds expire on September 30, 2010
 - \$7.5 billion each year is taken off-the-top and set aside for state “competitive grants”
 - Criteria are related to improvements in K-12 education, and 50% of any grant must be directed to local education agencies
 - The remaining \$64 billion is distributed among the states as follows:
 - 61 percent on the basis of school-age population (5-24)
 - 39 percent based on total population
- Virginia's share is estimated to total \$1.58 billion over the two year period
 - Does not reflect receipt of any of the competitive grant funding

State Fiscal Stabilization Fund

- Uses of the funding are prescribed as follows:
 - 61 percent for K-12 and/or higher education
 - These funds are to be used to restore state government cuts to the fiscal year 2008 level
 - A maintenance of effort requires state support at FY 2006 levels
 - On the higher education side, funds are to be used to mitigate in-state tuition and fee increases
 - If there are no education cuts to restore, the 61% share flows to schools based on Title 1
 - Senate version of the bill includes language allowing the funding to be used to maintain funding levels for fiscal years 2009 through 2011 using existing state distribution formulae
 - The remaining 39 percent of funding is available for other government activities (inclusive of K-12 / Higher Education)
 - Virginia's share is approximately \$600 million
 - It appears there is no language governing the use of these funds and there is broad flexibility as to its use

State Fiscal Stabilization Fund

- Provisions governing the State Fiscal Stabilization Fund reference the Governor as the recipient of the funds
- Constitutionally, the General Assembly appropriates all dollars
 - However, language in Part 4 of the budget authorizes the Governor to appropriate federal funding in the absence of the General Assembly

Stimulus Bill Summary – Tax Provisions

- Tax provisions of HR 1 total about \$275 billion
- As of Thursday afternoon, the bill text of the Finance portion of the Senate bill was not available yet
 - Belief is Senate provisions may include additional tax cuts, including an adjustment to the alternative minimum tax to help middle class families
 - This could bring the total cost of the Senate package to about \$900 billion
- No analysis of the impact of the tax cuts on Virginia revenues has been performed, however, because Virginia has fixed date conformity there would be no revenue loss unless the General Assembly chooses to conform to the new provisions next year
 - HB 1737 moves Virginia's conformity date to December 31, 2008
 - It is not an all-or-nothing proposition – Virginia could chose to adopt partial conformity

Stimulus Bill Summary – Tax Provisions

- Listed below are the major tax provisions in HR 1 by area:
- Individual Tax Provisions
 - Total about \$185 billion and include the following:
 - “Making Work Pay”
 - Earned Income Tax Credit Increase
 - Child Credit – increases eligibility
 - College Education Tax Credit
 - First-Time Home Buyer Tax Credit
- Business Tax Provisions
 - Total about \$27 billion and include the following:
 - Extension of Bonus Depreciation
 - Extension of Enhanced Small Business Expensing
 - 5-Year Carryback of Net Operating Losses
 - Hiring Incentives – Veterans and Disconnected Youth
 - Repeal of Treasury Section 382 Notice

Stimulus Bill Summary – Tax Provisions

- Tax Policy Changes to Assist State and Local Governments total about \$44 billion and include the following:
 - Exclude investments in tax exempt bonds in disallowed interest deductions
 - Eliminate costs to states of AMT
 - Create new category of tax credit bonds for school construction
 - Extend the Qualified Zone Academy Bonds (QZAB)
 - Tax Credit Bonds for state and local governments
 - Repeal 3% withholding on government contractors
- Energy Tax Policy Changes total about \$20 billion and include the following:
 - Extension and modification of renewable energy tax credit
 - Allowance to claim investment tax credit in lieu of production tax credit
 - Repeal subsidized energy financing limitation
 - Remove dollar limits on certain energy credits
 - Clean Renewable Energy Bonds (CREBs), Qualified energy conservation bonds
 - Tax credits for energy-efficient improvements to existing homes and alternative fuel pumps,
 - Enhanced R and D Credit

Transportation Infrastructure

- In the adopted version of HR 1, transportation funding totals \$46 billion, as follows:
 - \$30 billion for highways
 - \$9/12 billion for transit
 - \$3 billion for airports
 - \$1.1 billion for Amtrak/passenger rail
 - Floor amendment added an additional \$3.0 billion in transit funding which is reflected above
- In S 336, the current amount is about \$44 billion:
 - \$27 billion for highways
 - \$8.4 billion for transit
 - \$5.5 billion in multi-modal discretionary grants
 - \$2 billion for high speed rail
 - \$1.3 billion for airports
 - \$1.1 billion for Amtrak/passenger rail

Transportation Infrastructure

- Under HR 1, initial estimates are that Virginia would receive the following through formula allocations:
 - \$745.5 million for highways
 - \$100.6 million for transit capital grants
 - \$86.9 million for urban formula grants
 - \$13.7 million for rural formula grants
 - The transit amounts may increase 25% to reflect the addition of \$3.0 billion in a floor amendment
 - \$32.7 million for fixed guideway modernization funding
- 100% federal funding – no match required
- 50% of a state's allocation must be obligated within 90 days in the House version, Senate version stipulates 180 days
- The remainder must be obligated within one year (August 2010)

Transportation Infrastructure

- Allocation of Highway Funds is 55% to any area of the state and the remaining 45% through the Surface Transportation Program (STP) sub-allocation requirements
- STP requires:
 - 10% for enhancement projects
 - Of remaining 90%, 62.5% is distributed based on population and 37.5% can be used in any area of the state
- Priority is to be given to projects that:
 - Can be awarded contract within 120 days
 - Are included in a statewide transportation improvement program (STIP), a Transportation Improvement Program (TIP), or both
 - Can be completed within 3 years
 - Are located within “economically distressed areas”

Title I

- Title I: Education for the Disadvantaged - \$13.0 billion included in both HR 1 and S 336
 - \$5.5 billion for targeted grants
 - \$5.5 billion for education finance incentive grants
 - \$2.0 billion for school improvement grants
 - 50% of the funding is available July 1, 2009, with remainder available July 1, 2010
 - Each year's allocation is available for 15 months – through the end of the next federal fiscal year
- Virginia's estimated allocation is \$202.8 million
- If a state reaches its maximum allocation, provision is made for the reallocation of funds to other states
- No new or additional flexibility is provided for a state to meet the existing federal Maintenance of Effort requirements

Individuals Disability Education Act (IDEA)

- IDEA - \$13.0 billion included in both HR 1 and S 336
 - \$6.0 billion available from July 1, 2009 to September 30, 2010
 - \$7.0 billion available from July 1, 2010 to September 30, 2011
- Virginia's estimated allocation is \$326.4 million
 - \$152.1 million available July 1, 2009
 - \$174.3 million available July 1, 2010
- If a state reaches its maximum allocation, any remaining funds will be reallocated to other states
- No new or additional flexibility is provided for a state to meet the existing federal Maintenance of Effort requirements

School Improvement Programs

- Title II: Education Technology State Grants - \$1.0 billion
 - Split into two equal \$500 million allocations, available on July 1, 2009 and July 1, 2010
 - Virginia's estimated total allocation is \$16.4 million
- Title VII: McKinney-Vento Homeless Assistance Act \$66 million for the education of homeless students
 - State allocations not available yet

K-12 Modernization & Repair Program

- \$14.0 billion for a new “21st Century Green High-Performing Public School Facilities” program
- Funding is awarded to states in proportion to FY 2008 Title I allocation under ESEA
 - State may reserve up to 1% of funds to provide technical assistance and to inventory all public school facilities and the repair, modernization, or renovation needs, and energy use by, and the carbon footprint of such schools
 - Remaining funds distributed to local education agencies, relative to their Title I awards
 - U.S. DOE and states have 30 days to distribute funds
 - “Use it or lose it’ provisions are included for local education agencies (LEA):
 - 1 year for an LEA to enter into a contract for 50% of the funds
 - 2 years after the date of enactment to use the remaining funds
 - Unused funds will be redistributed to other local education agencies
 - At least 25% of funds must be used for LEED ‘green schools’ requirements
 - Funds may not be used for payment of maintenance costs, stadiums, or other facilities primarily used for athletic contests
- Virginia’s estimated allocation is \$228.5 million

Other Education Programs

- Title V: Innovation and Improvement = \$225 million
 - Allocations shall be used by states and school divisions to develop and implement innovative principal and teacher compensation model to support recruitment and retention efforts in high-need schools and subjects
- Credit Enhancement for Charter School Facilities: \$25 million for charter schools to meet facility needs
- Pre-School to College (P-16) Alignment:
 - Statewide Data Systems: \$250 million for competitive grants to states to develop statewide longitudinal data systems

Higher Education Infrastructure

- Modernization, Renovation & Repair
 - House version - \$6 billion Senate version - \$3.5 billion
 - Allocation based on undergraduate enrollment
 - Virginia share about \$146 million
 - Priority allocation for Title III & Title V institutions, impacted by major disasters, LEED & energy efficiency
 - Permissible uses:
 - Repair, replacement, or installation of roofs, electrical wiring, plumbing systems, sewage systems, or lighting systems
 - Repair, replacement, or installation of heating, ventilation, or air conditioning systems (including insulation)
 - Compliance with fire and safety codes
 - Retrofitting necessary to increase the energy efficiency of the institution's facilities
 - ADA compliance
 - Asbestos abatement
 - Modernization, renovation, and repair relating to improving science and engineering laboratories, libraries, and instructional facilities
 - Upgrade / installation of technology infrastructure
 - Renewable energy
 - Not for New Construction

Higher Education Financial Aid

- Pell Grants
 - House \$15.6 billion to increase maximum grant by \$500
 - Senate \$13.9 billion to increase maximum grant by \$300 to \$400
- College Work Study
 - House \$490 million
 - Senate N/A
- Student Loan Limits
 - House increases limit on unsubsidized by \$2,000
 - Senate N/A
- All additional student aid funds will flow according to existing law/formula

Scientific Research/Higher Education

- National Institutes of Health
 - House includes \$3.5 billion for biomedical research and facilities
 - Senate includes \$3.5 billion for biomedical research
- National Science Foundation
 - House includes \$2.9 billion for grants and infrastructure
 - Senate includes \$1.4 billion for grants and infrastructure
- NASA
 - House includes \$0.6 billion for climate change research
 - Senate includes \$1.5 billion
- House includes \$300 million to construct research buildings at colleges through National Institute of Standards and technology
- House includes \$209 million for deferred maintenance on research facilities

Overview - Medicaid Provisions

- Medicaid relief totals \$87 billion over 27 months for the period of October 1, 2008 to December 31, 2010
- Increases the federal medical assistance percentages (FMAPs) for state Medicaid programs
- Provides an additional FMAP adjustment based on rising state unemployment rate
- Hold states harmless from a decline in their current FMAP
- Requires states to maintain Medicaid eligibility as of July 1, 2008
- Option to extend transitional Medicaid for those leaving welfare (TANF)

Medicaid - continued

- **HR 1**

- 4.9% increase in Virginia's FMAP (Oct. 2008 through Dec. 2010)
 - Estimated at \$268 million in FY 09 and \$288 million in FY 10
- 6%, 12% and 14% additional increases in federal match rate based on change in unemployment rates
 - Virginia would likely be eligible for the 6% adjustment bringing our FMAP up by an additional 3%
 - Would also apply to Title IV-E foster care and adoptions
 - Does not apply to children's health insurance FMAP or Disproportionate Share payments
- Medicaid option to cover COBRA health care for unemployed for certain individuals with 100% federal funding through December 31, 2010
 - Receiving unemployment compensation
 - With incomes up to 200% of the federal poverty level Senate

- **S 336**

- 80% of \$87 billion to be distributed as in increase to FMAPs
 - 5.6% increase in Virginia's FMAP (Oct. 2008 through Dec. 2010)
 - Estimated at about \$330 million each year
 - 20% of \$87 billion to be distributed using an unemployment factor
 - 5%, 10% and 13% additional increases in federal match rate based on change in unemployment rate
- 30-day prompt payment requirement for clean claims

Social Services Programs

- Temporary Assistance to Needy Families (TANF)
 - Creates a new emergency contingency fund for FY 2009 and FY 2010 for increased caseloads and expenditures
 - Requires 20% state match
 - Can be used for cash benefits, short-term non-recurrent benefits or subsidized employment
- House provides \$2.5 billion
- Senate provides \$3.0 billion in FY 2009, available for obligation through FY 2010
 - Hold harmless provision related to caseload reduction credit used in calculating work participation rates for FY 2009, FY 2010 and FY 2011, when a state's caseload increases
 - Allows TANF carryover amounts to be used for any TANF benefit or services (not solely cash assistance as required by current law)
- Not clear if Virginia could access these funds

Child Care and Early Childhood Education

- Both House and Senate provide \$2.0 billion for the Child Care Development Block Grant
 - Would flow through existing formula as discretionary funding which doesn't require state match
 - House provides half in FY 2009 and half in FY 2010
 - Senate provides all in FY 2009 but can be spent in FY 2010
 - Cannot supplant state general funds for child care assistance
 - Reserves small amount for quality initiatives, including efforts to increase quality of infant and toddler care
 - Virginia estimated to receive \$37.9 million
- Provides \$2.1 billion for Head Start and Early Head Start
 - \$1.0 billion for Head Start
 - \$1.1 billion for Early Head Start
 - Half of above amounts available October 1, 2009
 - Up to 10% for training and technical assistance and up to 3% for monitoring programs
 - Virginia estimated to receive \$11.2 million

Social Services Programs

- House provides \$1.0 billion for the Low-Income Home Energy Assistance Program (LIHEAP) beginning October 1, 2009
 - Virginia estimated to receive \$19.0 million
- House provides \$1.0 billion for the Community Services Block Grant
 - Majority of funding flows to Community Action Agencies
 - Virginia estimated to receive \$16.0 million over 2 years
- Senate provides \$400 million for the Social Services Block Grant (SSBG)
 - Flexible funding to assist States in providing a wide range of services to children and families; vulnerable older adults; persons with disabilities; and at-risk adolescents and young adults
 - Virginia estimated to receive about \$10.2 million
- Child Support Enforcement
 - Provisions allow states to use their federal incentive payments to match federal child support dollars
 - Virginia estimated to receive \$40.4 million over 2-year period

Food Stamp Program

- Provides significant amounts for the for the Food Stamp Program (now called Supplemental Nutrition Assistance Program or SNAP)
- House provides \$20 billion, effective April 2009
 - 13.6% increase to maximum food stamp benefits
 - Smaller increases in subsequent years as the provision phases out
 - Suspends the three-month time limit on assistance that affects unemployed childless adults for 18 months
 - Virginia estimated to receive \$355 million for benefits and \$4.5 million for administration
- Senate provides \$16.6 billion, effective April 2009
 - Provides a one-time benefit increase equal to 85 percent of the maximum food stamp benefit
 - In subsequent months of fiscal year 2009 food stamp households would receive a 12 percent increase to maximum food stamp benefits
 - Smaller increases in 2010 and 2011
 - Virginia estimated to receive \$288 million for benefits and \$5.2 million for administration
- Affects about 582,000 program participants

Other Health and Human Services

- House provides \$600 million for Part C Early Intervention for Infants and Toddlers
 - Virginia estimated to receive \$11.6 million over 2-year period
- Senate provides \$380 million for Women, Infants and Children (WIC) program
 - Contingency fund to ensure WIC program will have adequate funds to meet increased participation and food costs
 - Distributed by funding formula
 - Virginia estimated to receive \$9 million
- House provides \$200 million for elderly nutritional services provided through Area Agencies on Aging
 - Funding provided over a 2-year period, distributed by formula
 - Congregate meals and home delivered meals
 - Virginia estimated to receive \$4.4 million over a 2-year period

Other Health and Human Services

- Provides \$2 billion for capitalization grants under the Safe Drinking Water Revolving Fund
 - No state match required
 - 50% must be used to provide assistance to municipalities in the form of additional subsidies, forgiveness of principal, negative interest loans and grants
 - Virginia estimated to receive \$21.2 million
- House provides \$3.0 billion for Prevention and Wellness Fund
 - Funding for Preventive Health and Health Services Block Grant to State and local public health departments
 - Includes funds for public health departments for immunization programs
 - Portion to be used for healthcare-associated infection prevention programs and public health workforce development activities as determined by the Secretary of Health and Human Services and Director of the Centers for Disease Control and Prevention
 - Unclear how much Virginia would receive

Rehabilitation Services

- House provides \$500 million for Vocational Rehabilitation State Grants
 - Distributed by formula grants to states
 - To be used to address waiting lists for services
 - Virginia estimated share is \$8-10 million
- House provides \$200 million for Independent Living
 - Population based formula
 - \$34.8 million for state grants
 - \$114.6 million for Centers for Independent Living
 - \$50.6 million for services for older blind individuals
 - Estimates not yet available for Virginia

Housing

- HR 1 provides a total of about \$19 billion in housing-related program funding
- S 336 includes about \$14 billion

Provision	House	Senate
Public Housing Capital Fund	5.0 billion	5.0 billion
Elderly, disabled and Section 8 energy retrofit	2.5 billion	2.1 billion
Community Development Block Grants	1.0 billion	
Neighborhood Stabilization Program	4.2 billion	2.3 billion
Weatherization	6.0 billion	2.9 billion
Emergency Shelter Grants	1.5 billion	1.5 billion

Broadband Funding

- HR 1 provides \$6 billion in broadband funding
 - Vast majority equally split between Rural Broadband Infrastructure and the National Telecommunications and Information Administration (NTIA)
 - 75% of the funding for the Rural Broadband Infrastructure Development must go towards rural areas without sufficient access to broadband
 - The grant distribution for NTIA funds must be allocated 25% for wireless and 75% for broadband
 - House also includes \$350 million for a nationwide broadband inventory map
- The Senate proposal allocates \$9.0 billion for broadband through NTIA
 - 50% of the funds must be directed towards rural areas
- In both programs, 50% of the funds must be awarded by September 30, 2009
 - This provision makes it difficult to move forward with any project not already contemplated
- Also includes \$650 million for the extension of the coupon program to purchase digital tv converters

Unemployment and Training Services

- Unemployment Insurance
 - UI modernization - \$7 billion nationally
 - Increase access UI benefits
 - Alternative base period - \$65.1 million
 - Virginia is not likely to be eligible for large portion of funding because it would have to change eligibility requirements substantially
 - Extension of Emergency Unemployment Compensation Program
 - Currently scheduled to phase out March 31, 2009, would be extended through December 2009
 - Increase unemployment benefits by \$25 per week using federal funds until December 2009
 - \$500 million to states for administration of UI programs - \$13.7 million for Virginia
- Workforce Investment Act Funding
 - HR 1 includes a total of \$3.5 billion in training programs
 - WIA Youth: \$1.2 billion
 - WIA Adult: \$0.5 billion
 - WIA Dislocated worker: \$1.0 billion
 - Dislocated worker national reserve, other youth employment training activities, and grants for training/placement in high growth emerging activities \$0.75 billion
 - Virginia would receive a total of about \$39 million

Natural Resources

- HR 1 includes a number of natural resources related spending items, including:
 - Clean Water State Revolving Loan Funds: \$6.0 billion
 - Rural Water and Waste Disposal Program: \$1.5 billion nationwide
 - Superfund Hazardous Waste Cleanup: \$800 million
 - Natural Resources Conservation Service: \$400 million nationwide
 - Could assist with rehabilitation of soil and water conservation district dams and provide some funding for easements
 - Leaking Underground Storage Tank Cleanup: \$200 million
 - Virginia could receive about \$4 million

Clean Water Revolving Funds

- HR 1 provides \$6.0 billion to states for their Clean Water State Revolving Fund
 - Funding is to be used for additional local subsidization for wastewater treatment plant projects, including grants
 - Unlike current requirements, states are not required to match these allocations
 - 80 percent is to be used for localities that meet affordability criteria determined by Governor
- The Senate bill provides \$4 billion to states for revolving funds
- Under the House proposal, Virginia is estimated to receive \$124.3 million
 - Based on the criteria in the House bill, it appears Virginia could use this amount to achieve Virginia's nutrient reduction goals for wastewater treatment plants
 - Affordability criteria were adopted by the General Assembly in 2005 and govern the percentage of local costs Virginia will pay
 - DEQ is currently negotiating 17 grant agreements with a potential total cost of \$128 million
- Under Senate proposal, Virginia would receive about \$81.4 million

Public Safety

- The House and Senate bills provide substantial amounts for public safety
 - HR 1 includes a total of \$4 billion
 - S 336 includes \$3.25 billion Virginia could be eligible
- Byrne Memorial Justice Assistance Grants
 - HR 1 provides \$3.0 billion
 - S 336 provides \$1.5 billion
 - Byrne grants support a variety of law enforcement purposes, including: drug control, drug treatment, crime prevention, anti-terrorism activities, victim witness programs, information systems, and child abuse prevention programs
 - Under the House proposal, Virginia is expected to receive an additional \$58.5 million in Byrne grants, much of which will be distributed directly to large localities
- Community Oriented Policing Services (COPS)
 - Provides funding for the hiring of additional police officers by localities
 - Both the House and Senate bills include \$1.0 billion
- S 336 contains about \$740 million in other public safety funding that could benefit Virginia such as: grants for criminal justice system improvements, crime victim assistance, rural drug crime prevention, and internet crimes against children