

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

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

CCPS Potential Allocation ARRA of 2009

2009-2010

Title 1	\$2,294,900
IDEA	\$6,176,900
Construction	\$5,286,700

2010-2011

Title 1	\$2,294,900
IDEA	\$9,373,900
Construction	\$7,079,000