

# The American Recovery and Reinvestment Act (ARRA) and Pennsylvania

House Democratic Caucus –Presentation  
April 7, 2009

# Monitoring ARRA

- ▶ Caucus Leadership recognizes the importance of General Assembly oversight of ARRA implementation in Pennsylvania.
- ▶ Convened working groups of Appropriations, Leadership and Standing Committee staff to review the provisions of ARRA and how each component will impact the Commonwealth.

# Caucus Working Groups on ARRA

- ▶ Aging
- ▶ Agriculture
- ▶ Community and Economic Development
- ▶ Criminal Justice
- ▶ Education
- ▶ Environment and Energy
- ▶ Health and Human Services
- ▶ Housing
- ▶ Infrastructure
- ▶ Labor
- ▶ Military, Veterans Affairs & Emergency Preparedness
- ▶ Transportation

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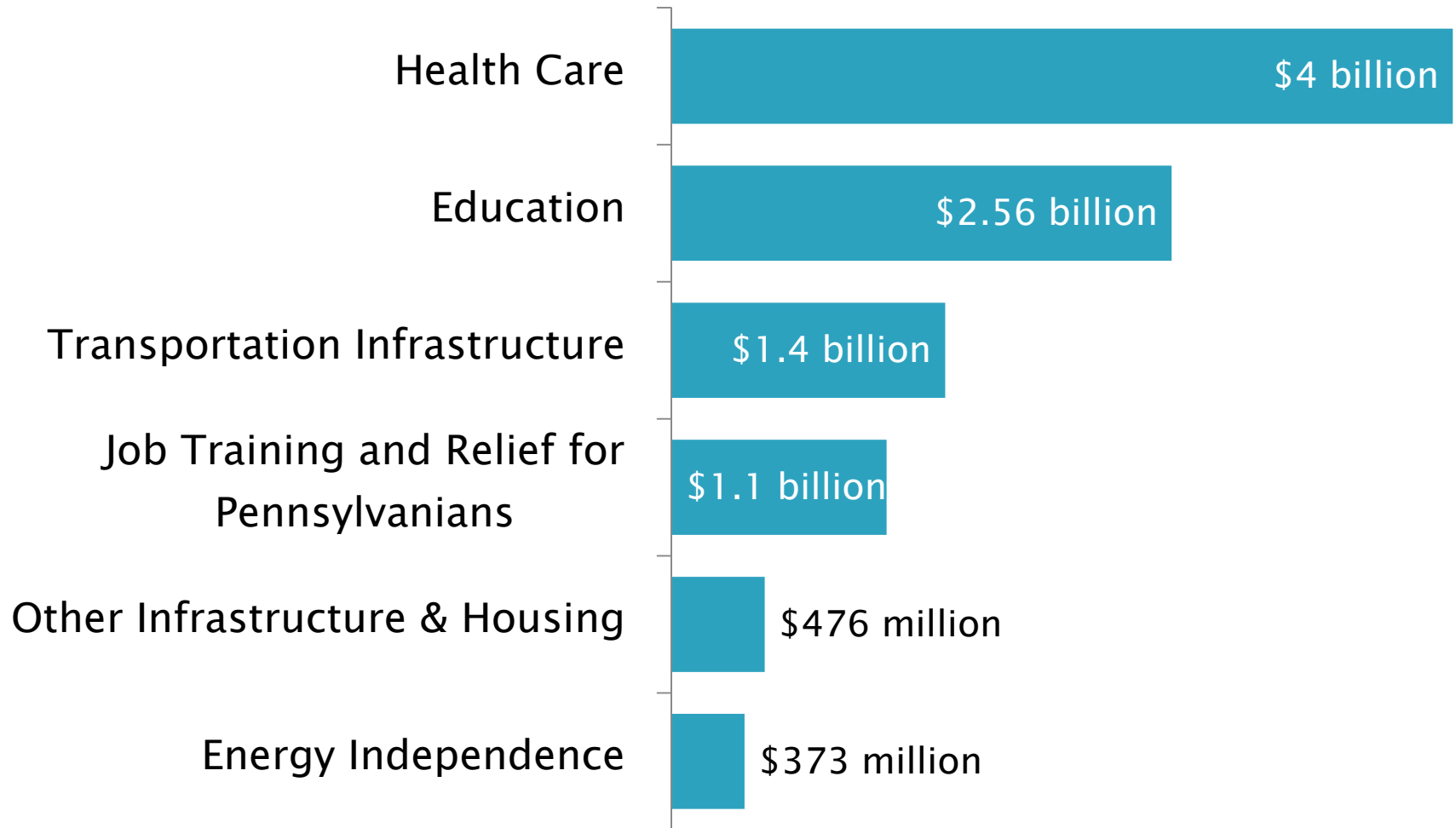
# Overview: Federal Stimulus in PA

# American Recovery and Reinvestment Act of 2009 (ARRA)

- ▶ Signed into law on February 17, 2009.
- ▶ **\$787 billion nationwide** in economic stimulus funding including spending programs, tax cuts and other provisions.
- ▶ Includes billions of dollars in direct relief for Pennsylvania taxpayers and **more than \$9.8 billion over two years** in funding for health care, education, infrastructure, job training, housing and other aid.



# Where is ARRA going in PA?



Source: [www.recovery.pa.gov](http://www.recovery.pa.gov)



# ARRA Funds for Pennsylvania

## *Categories*

- ▶ Closing the Budget Gap
- ▶ Enhancements to existing programs
- ▶ Formula-driven spending
- ▶ Competitive grants

# ARRA Funds for Pennsylvania

## *Closing the Budget Gap*

- ▶ Nearly \$4 billion over three years in enhanced Medicaid funding
- ▶ \$346 million in flexible funds to support government services
- ▶ Additional funding for Education

# State Fiscal Stabilization Fund (SFSF)

## *Closing the Budget Gap*

- ▶ ARRA includes \$1.9 billion in State Fiscal Stabilization Fund (SFSF) dollars over two years
  - \$346.8 million for support government services
  - \$1.559 billion targeted toward education support

# ARRA Funds for Pennsylvania

## *Enhancements to Programs*

- ▶ Additional assistance for nutrition programs
- ▶ Additional benefits for unemployment compensation
- ▶ Funding for workforce development
- ▶ Funding for child care assistance

# ARRA Funds for Pennsylvania

## *Formula Grants*

- ▶ Criminal Justice programs
- ▶ Energy programs
- ▶ Employment and Training programs
- ▶ Education programs
- ▶ Transportation programs

# ARRA Funds for Pennsylvania

## *Competitive Grants*

- ▶ Education improvements
- ▶ Health services improvements
- ▶ Transportation improvements
- ▶ Infrastructure improvements
- ▶ Housing improvements

# General Fund Budget Impact



# Governor's February 4<sup>th</sup> proposal

## *General Fund Financial Statement*

- ▶ Based on the U.S. House version of stimulus
- ▶ No SFSF–Education to be used at the state level for basic and higher education

	FY 2008/09	FY 2009/10
Enhanced Federal Medical Assistance Percentage (FMAP)	\$1.1 billion	\$1.9 billion
State Fiscal Stabilization Fund (SFSF)– General Purpose	\$0	\$493 million
<b>TOTAL</b>	<b>\$1.1 billion</b>	<b>\$2.393 billion</b>

# Impact of ARRA on Governor's Proposal

## *General Fund Financial Statement*

- ▶ Provides SFSF–Education funds to be used at the state level for basic and higher education
- ▶ Allows redirection of \$300 million in General Funds initially proposed for basic education

	FY 2008/09	FY 2009/10	Difference versus Feb 4 <sup>th</sup> Proposal
Enhanced Federal Medical Assistance Percentage (FMAP)	\$1.1 billion	\$1.9 billion	\$0
State Fiscal Stabilization Fund (SFSF) – General Purpose	\$0	\$173 million	(\$320 million)
Additional state funds proposed for basic education		\$300 million	\$300 million
<b>TOTAL</b>	<b>\$1.1 billion</b>	<b>\$2.373 billion</b>	<b>(\$20 million)</b>

# Impact of ARRA on Governor's Proposal

## *Enhanced FMAP Percentage*

- ▶ Medicaid is jointly funded by the federal government and the states.
  - Federal government provides a match for state spending (currently 54.52%)
- ▶ ARRA temporarily increases the federal match (FMAP) for nine quarters, October 2008–December 2010
- ▶ Under the formula set forth in ARRA, PA will receive a 6.2 percentage point increase plus an additional quarterly increase based on the state's unemployment rate.
  - Expected to reach 65.85% by October 2009.

# Impact of ARRA on Governor's Proposal

## *Enhanced FMAP Percentage*

- ▶ The higher FMAP will help close the budget gap in the current 2008/09 fiscal year, the upcoming 2009/10 fiscal year, and the 2010/11 fiscal year.

	2008/09	2009/10	2010/11
Enhanced Federal Medical Assistance Percentage (FMAP) – Revenue for PA (estimated)	\$1.1 billion	\$1.9 billion	\$964 million

- ▶ Actual Federal funds depend upon actual Medicaid expenditures and PA unemployment during the nine quarters.
- ▶ The disappearance of this temporary increase in the federal match will create a significant funding gap in future years.

# Impact of ARRA on Governor's Proposal

## *Funding for Education*

- ▶ \$780 million in State Fiscal Stabilization Funds (SFSF) will be available in 2009/10 for education programs.
- ▶ Governor proposes using these funds for:
  - \$44 million to restore the cuts initially proposed for the four state-related universities
  - \$418 million to fully fund the second year of the costing-out study in basic education
  - \$317 million to be allocated to school districts for other academic investments

# Impact of ARRA on Governor's Proposal

## *Other Funding Sources*

- ▶ ARRA temporarily repeals a provision of the Deficit Reduction Act of 2005 (DRA) which will allow the Commonwealth to use Title IV–D incentive funds (relating to child support collections) to match federal dollars.
- ▶ ARRA applies an enhanced federal match on Title IV–E dollars (relating to Foster Care and Adoption) which may offset some state general and local funds.

# Transparency and Reporting

## General Requirements:

- ▶ Amount of funds appropriated, allocated, obligated and outlayed
- ▶ How the funds were used
- ▶ How the funds were distributed
- ▶ Estimated number of jobs saved or created using the stabilization funds
- ▶ Tax increases averted
- ▶ May 18, 2009; August 16, 2009, Feb 17, 2010

## Program Specific Reporting:

- ▶ Vary based upon type of funds received (education, transportation, etc)

Financial Guidance available: [www.recovery.gov](http://www.recovery.gov)



# Transparency and Reporting

The General Accounting Office testified before the U.S. Senate on March 5, 2008.

- ▶ Selected a core group of 16 states (including Pennsylvania) to follow over the next few years to provide an ongoing longitudinal analysis of the use of funds under the Recovery Act.

# Stimulating PA's Economy

# Relief for Pennsylvanians

- ▶ ARRA includes funding for
  - job training
  - unemployment services
  - tax credits
  - public assistance programs
  - criminal justice
  - transportation
  - infrastructure
- ▶ These funds will not alleviate stressors on the General Fund budget, but will provide valuable services to citizens, local governments and the economy as a whole.

# Support for Pennsylvanians

Federal Stimulus Working Groups:  
Aging, Agriculture, Health and Human Services, and  
Military, Veterans Affairs & Emergency Preparedness

# Support for Pennsylvanians

- ▶ Nutrition programs for seniors and needy Pennsylvanians
- ▶ Additional funds for federally qualified Community Health Care Centers
- ▶ Enhanced COBRA benefits
- ▶ Additional funds for federal Firefighters Assistance Grants
- ▶ Support for military and veteran's through capital funding for bases and the Homeowner's Assistance Fund

# Federal Stimulus Working Group: Housing

# Housing

- ▶ Various funding for public housing (including capital funding, gap financing grants, energy and green retrofit projects, and Section 8 housing)
- ▶ Additional funding for rural housing programs.
- ▶ Additional funding for emergency food and shelter programs, in the event of a declared emergency.



# Federal Stimulus Working Group: Community and Economic Development

# Economic Development

- ▶ Additional funding through:
  - Community Services Block Grant (CSBG) and
  - Community Development Block Grant (CDBG)
- ▶ Additional funding for weatherization programs
- ▶ Competitive grant programs for
  - small business support,
  - economic development assistance programs,
  - community development financial institutions,
  - neighborhood stabilization and
  - ports/shipyards.

# Federal Stimulus Working Group: Infrastructure

# Infrastructure

- ▶ Funding related to the development of electricity infrastructure
- ▶ Competitive grant funding for building broadband infrastructure

# Federal Stimulus Working Group: Environment and Energy

# Environment and Energy

- ▶ Funding for energy conservation, weatherization, green job training, and state energy programs.
- ▶ Funding for water and sewer projects.
- ▶ Funding for tax credits, guaranteed loans, research programs, and other competitive grants.

# Federal Stimulus Working Group: Criminal Justice



# Criminal Justice

- ▶ Additional funding for the JAG program, to support a broad range of activities to prevent and control crime and improve the criminal justice system.
- ▶ Funding for the COPS program, to fund law enforcement officers in entry-level positions. Agencies must retain these funded officers after expiration of the grant money.
- ▶ Funding for victims compensation and assistance programs.

# Federal Stimulus Working Group: Labor

# Labor and Employment

- ▶ Over \$1 billion in funding to PA for workforce development programs.
- ▶ Approximately \$26 million for Vocational Rehabilitation Programs
- ▶ Unemployment Compensation (within existing federal–state program)
  - Extension of Emergency UC through 12/09
  - Increased UC benefits (\$25/week)
  - Expansion of Extended Benefits Program
  - Additional administrative funding for UC Modernization
  - Temporary waiver of interest payments on Federal UC Loans through December 31, 2010

# Labor and Employment

## *(continued)*

- ▶ Unemployment Compensation (requires legislative change)
  - \$273 million for PA relating to UC Compensation Modernization
    - Can receive 1 / 3 of PA's share by changing law to provide for an "alternative base period"
    - Can receive 2 / 3 of PA's share by changing law to cover additional categories of claimants
- ▶ Additional briefings on this issue to follow

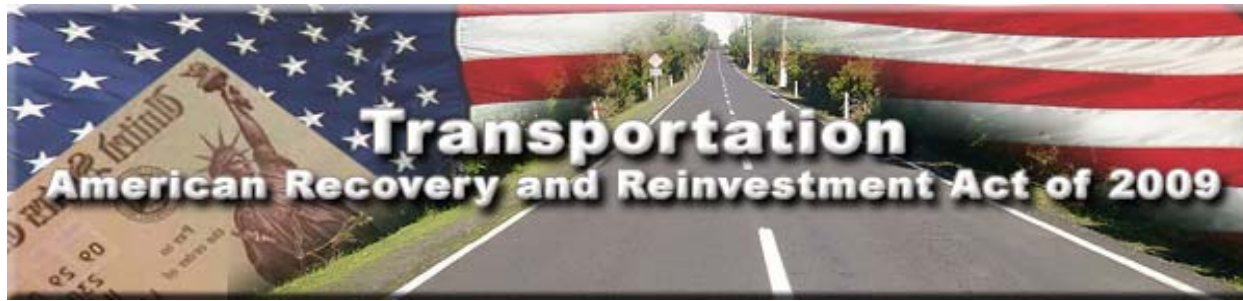
# Federal Stimulus Working Group: Education

# Education

- ▶ Flexibility in State Fiscal Stabilization Fund (SFSF) dollars for Education.
  - Governor's proposal to spend for basic education, restoring funding in higher education, with the remainder to local school districts.
- ▶ General Assembly input on spending these dollars
- ▶ More detailed briefing to follow.

# Federal Stimulus Working Group: Transportation





I-95 Girard Point Bridge, Philadelphia



SEPTA: Hybrid Buses



Transportation Investment Generating  
Economic Recovery (TIGER) team 44



# ARRA: Transportation

	Program/Process	Time-frame	National	PA
Highway Infrastructure	Formula: MPOs/RPOs/PennDOT	4-12 months	\$27.5 B	\$1.026 B
Transit	Formula: FTA/PennDOT	6-12 months	\$8.4 B	\$347 M
Airports	Discretionary: FAA	Available through 9/30/2010	\$1.3 B	Unknown*
Discretionary Grants	Discretionary: US DOT Secretary	Available through 9/30/2011	\$1.5 B	No more than \$300 million
Investments in Amtrak	Amtrak Only	Available through 9/30/2012	\$1.3 B	Unknown
High Speed and Intercity Rail	Discretionary: FRA	Available through 9/30/2012	\$8 B	Unknown

\*To date, PA awarded \$12.8 million for projects at Pittsburgh International, (10M) Allegheny County (2M) , and Johnstown (\$800,000)

# ARRA: PA Transportation Picture

- ▶ “Use it or lose it”: Funds not obligated in one year may be subject to reallocation to another State. (PA could gain additional funds)
  - \$1 billion from ARRA
    - 241 Projects
    - 399 Structurally Deficient Bridges (105 SD designations will be eliminated)
    - 608 Miles of resurfacing/pavement rehabilitation
- ▶ “Maintenance of Effort”: PA must maintain current highway program. If not, PA becomes ineligible for redistribution of additional economic recovery funds.
  - \$1.8 billion in State and Federal Funds for PennDOT projects
- ▶ No Funding in ARRA for local/municipally owned roads and bridges.
- ▶ To date, Act 44 of 2007 has provided \$1.4 B
- ▶ \$1 Billion investment in transportation = 30,000 jobs

# Conclusion and Questions

# Definitions

- ▶ **Federal Medical Assistance Percentage (FMAP):** The federal share of the state–federal Medicaid program; each state’s FMAP is determined annually from a formula (specified in the Social Security Act) that is based on per capita income.
- ▶ **Alternative Base Period:** under the Unemployment Compensation program, would apply to wages earned in the most recent completed calendar quarter to be included in calculating the financial eligibility if those wages are needed to make the claimant eligible.
- ▶ **State Fiscal Stabilization Fund:** funding source under ARRA focused on providing state fiscal relief; with funds targeted toward education and other government services.

# Definitions

## *Highway and Bridge Terms:*

- ▶ **Apportionment:** The distribution of funds as prescribed by a statutory formula; a “line of credit”
- ▶ **Obligation:** A contractual agreement of the Federal Government to pay its share of the project cost. Federal funds are obligated to a project through the execution of a specific project agreement between the federal government and the state. Once a project agreement is executed, the State will then proceed to award a construction contract for the project work covered by the project agreement through competitive bidding.

# Additional Information

- ▶ Federal Recovery website:  
[www.recovery.gov](http://www.recovery.gov)
- ▶ PA Recovery website:  
[www.recovery.pa.gov](http://www.recovery.pa.gov)
- ▶ The Appropriations Committee will be distributing a chart outlining ARRA programs (including estimated allocations and website references) in the near future.

**Thank you to all staff for  
your hard work and  
dedication!**



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