

ARKANSAS – AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA)

Overview

The American Recovery and Reinvestment Act (ARRA) is intended to: preserve and create jobs to promote economic recovery; provide investments in technological advances in science and health; invest in transportation, environmental protection, and other long term infrastructure improvements; and stabilize state and local government budgets. The State of Arkansas is currently projected to receive **\$2.9 billion** in one-time additional federal revenues, as administered by the state, split over 27 months. **The bulk of the stimulus funds are coming to states through existing federal programs already in place pursuant to federal law.**

General Provisions

The law contains several mechanisms to ensure funds are granted and expensed rapidly in order to provide the most immediate impact possible for the economy. The Act's language states: "recipients shall give preference to activities that can be started and completed expeditiously," including the goal of committing 50% of the funds within 120 days. Overall, there are 2 types of grants, Formula and Competitive. *Formula* (entitlement) grants are to be made available within 30 days of passage of the Act, while *Competitive* (applicant) grants shall be awarded within 90 days. These grants contain "Use it or Lose it" clauses which will require recipients to enter into binding contracts within one year of enactment of the Act for 50% of the funds, and within two years for the remainder of the funds. In general, funds appropriated by the Act and obligated within the first 120 days of each year shall remain available for expenditure until **September 30th** of the following year. Agencies will be required to report detailed expense records for publication on the website, Recovery.gov.

Health

Medicaid

The federal government uses state per capita income to calculate each state's reimbursement rate for Medicaid. This matching rate is known as the Federal Medical Assistance Percentage (FMAP). The FMAP is the share of state Medicaid benefit costs paid for by the federal government. It is recalculated each year based on a three-year average of state per capita personal income compared to the national average. A state with average per capita personal income receives an FMAP of 55%; no state may receive less than 50%. The FMAP for

Arkansas is currently around 73%. Factoring in the minimum 6.2% base increase in the Stimulus Act, this would give Arkansas an FMAP of 79%. This amount may be increased based on the state's unemployment rate.

The Stimulus Act also provides a temporary 2.5% increase in the Disproportionate Share Hospital (DSH) allotment. For Arkansas, this amount will be \$1.1 million.

Also included are competitive Health Information Technology grants to expand the use of electronic health records. These funds will require an estimated 10% match that will increase each year.

Under the Stimulus bills, the Department of Health will be eligible for competitive grants for the following programs:

Women, Infants & Children (WIC) Administrative Costs

Section 317 Immunization Grants

Healthy Communities

HIV/STD Testing

Environmental Health

Chronic Disease/Genomics

Research and Prevention

CITIES AND COUNTIES

Direct Assistance

The Stimulus Act offers over \$11 billion in direct assistance to county and municipal governments. The most significant of these programs are:

Public Housing Capital Fund (\$4.0 billion): To Public Housing Agencies (PHAs) for capital and management activities, including development, modernization and financing of public housing; the funds may not be used for luxury improvements or direct social services

Distance Learning and Telemedicine Program (\$2.5 billion) - Provides user equipment that connects students & teachers or medical professionals & patients at separate sites

Rural Water and Waste Disposal System (\$1.38 billion): For rural local drinking water and wastewater infrastructure to alleviate health hazards and promote orderly growth by meeting the need for new and improved facilities

Rural Community Facilities Direct Loans Program (\$130 million): Loans to rural cities and towns for essential community facilities projects such as patrol cars, pumper trucks, police surveillance equipment, city hall renovations, wood chippers, furniture, fixtures and equipment, garbage trucks, tractors and mowers

Energy Efficiency and Conservation Block Grants (\$3.2 billion): For implementing strategies to reduce fossil fuel and energy use

Bond Restructuring & Tax Credits

The Stimulus Act includes several provisions to improve the fiscal situation of state and local governments. Most of these provisions regard tax relief on bond funding. The key changes are temporary and are as follows:

Suspends certain limitations on the tax deduction allowed to financial institutions for interest expenses related to investments in tax-exempt bonds, exempts interest earned on tax-exempt private activity bonds from the alternative minimum tax

Allows a new tax credit for investment in bonds for the construction, rehabilitation, or repair of or land acquisition for public school facilities

Increases the issuance limitation for qualified zone academy bonds

Allows a new tax credit for investment in recovery zone economic development and recovery zone facility bonds issued

Repeals the 3% withholding requirement on payments by federal, state, or local governmental entities to individuals who provide property or services to such entities

Extends the tax credit for the production of electricity from wind facilities and from other renewable facilities

Increases the limitation amount on the issuance of new clean renewable energy bonds and qualified energy conservation bonds

General Government

The remaining 18% of fiscal stabilization funds (**\$80.8 million**) may be used for **public safety and other government services**". These funds may be allocated to any state program as the Governor deems necessary to prevent budget shortfalls for essential government services for FY09, FY10 and FY11. This may include Education and Higher Education.

Section 14002(2)(b):

OTHER GOVERNMENT SERVICES. -

*(1) IN GENERAL - The Governor shall use up to **18.2% of the State's allocation under section 14001 for public safety and other government services**, which may include assistance for elementary and secondary education and public institutions of higher education..."*

Human Services

Various sections of the Act impact the Department of Human Services (DHS) divisions. The Food Stamp Program (SNAP) provides a 13.6% increase in the June 2008 maximum household benefits rate. Jobless adults who comply with work registration and employment training shall not be disqualified from participation. The Child Care Development Block Grant funds must be used to "supplement, not supplant" state general revenue in providing child care assistance to low income families. The Community Services Block Grants provide funds to alleviate the causes and conditions of poverty in communities. Head Start promotes school readiness by enhancing the social and cognitive development of children through education, health, nutrition, and parental involvement services. Foster Care/Adoption Assistance provides support for child protection and adoption assistance. Commodity Assistance distributes USDA donated foods to food banks statewide. Emergency Food & Shelter and Homelessness Prevention Grants provide for shelters, homeless rental assistance & utility payments. The Elderly Nutrition Program provides additional amounts for aging services.

A competitive grant is also available for AmeriCorps through the DHS Division of Volunteerism.

Community

The Arkansas Economic Development Commission is responsible for administration of the Community Development Block Grant Program (CDBG). This program was authorized under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301) to assist low and moderate-income families, for the prevention and elimination of slums or blight, and to address other urgent community development needs. Eligible activities under the CDBG program include the construction of water and wastewater systems, childcare facilities, senior citizen centers, public health facilities and multi-purpose community centers. In addition, funds are provided for fire protection improvements and for economic development pursuits whose primary focus is the creation of jobs for low and moderate-income families. The Stimulus Act distributes these funds according to the 2008 funding formula. Grantees will not be required to submit an additional action plan to HUD for these funds.

Frequently Asked Questions

What is the American Recovery and Reinvestment Plan (ARRA)?

The American Recovery and Reinvestment Act of 2009 (ARRA) is intended to:

- Preserve and create jobs to promote economic recovery

- Provide investments in technological advances in science and health

- Invest in transportation, environmental protection and other long term infrastructure improvements

- Stabilize state and local government budgets

President Obama's recovery plan represents the most ambitious effort to stimulate the economy in our nation's history. The State of Arkansas is currently projected to receive \$2.9 billion in one-time additional federal revenues, as administered by the state, split over 27 months.

What does the additional funding mean for Arkansas?

The Governor's Recovery Cabinet has been hard at work identifying the specific dollars that will come our way. Most of this money has already been designated to enhance established programs, meaning we will not have much discretion on how most of the money is spent. Our guiding principle is to advance projects and initiatives that will lay the groundwork for the future growth of Arkansas.

Some of the first work done will involve improving and modernizing our roads, highways, and bridges. These projects will make our State a safer place to live and work; they will create immediate jobs and make us more attractive to new business development. Our infrastructure opportunities reach beyond steel and asphalt. We will explore a rural broadband initiative to further both our educational and economic goals by bringing high-speed Internet access to people in the furthest reaches of Arkansas. Modernizing public school facilities and retrofitting public buildings for greater energy efficiency serves our fiscal, educational, and environmental bottom lines, simultaneously. Each of these projects - and many more like them - will improve Arkansas in the long term, while helping to save the jobs of companies already needing support and creating much-needed new ones to keep our economy steady.

How will Arkansas spend the federal economic stimulus funds?

The law contains several mechanisms to ensure funds are granted and expensed rapidly in order to provide the most immediate impact possible for the economy. The Act's language states: "recipients shall give preference to activities that can be started and completed expeditiously," including the goal of committing 50% of the funds within 120 days. Overall, there are 2 types of grants, Formula and Competitive. *Formula* (entitlement) grants are to be made available within 30 days of passage of the Act, while *Competitive* (applicant) grants shall be awarded within 90 days. These grants contain "Use it or Lose it" clauses which will require recipients to enter into binding contracts within one year of enactment of the Act for 50% of the funds, and within two years for the remainder of the funds. In general, funds appropriated by the Act and obligated within the first 120 days of each year shall remain available for expenditure until September 30th of the following year. Agencies will be required to report detailed expense records for publication on the website, Recovery.gov.

How will Arkansas decide which projects and programs will receive economic stimulus funds?

The American Recovery and Reinvestment Act sets out specific criteria that projects must meet to be eligible to receive funding as well as how and when the federal government will distribute these funds. The funding for many projects will be based on existing formulas, including Medicaid, unemployment insurance and funding for K-12 schools.

What accountability and transparency steps will be put in place?

The American Recovery and Reinvestment Act includes unprecedented guidelines for accountability and transparency. Taxpayers will be able to track the funds both at a state and national level and will be able to see to whom the funds were awarded and the amount of the

awards. In addition, both state and federal governments will have significant monitoring, reporting and risk management responsibilities to protect against fraud, mismanagement and waste.