

# THE AMERICAN RECOVERY AND REINVESTMENT ACT of 2009

## A Summary of Allocations To Nebraska

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# American Recovery and Reinvestment Act (ARRA) of 2009

- Recovery Act involves temporary funding for more than 50 state-administered federally funded programs and a number of other direct aid programs to local governments, non-governmental entities, and individuals
- State administered funding primarily for programs that create and maintain jobs, support education, provide human services and health care assistance to help vulnerable Nebraskans, and make infrastructure investments in transportation, the environment and sustainable energies
- Approximately \$1.7 billion for Nebraskans, not including tax benefits for individuals and businesses

NOTE: Dollar values displayed throughout this presentation are primarily derived from information from the administering federal agencies. Estimates of projected federal distributions are used when the federal agency announcements are still pending. Amounts greater than \$1 million are rounded.

# American Recovery and Reinvestment Act (ARRA) of 2009

- Generally categorized in Nebraska as follows:
  - Budget Stabilization - \$555 million
  - Infrastructure Improvements - \$553 million
  - Increased Federal Support for Various Services - \$550 million
- Objective for the funds to be obligated and disbursed quickly
- Federal agencies are issuing guidance regarding application and disbursement of the funds
- Some projects and uses already moving forward in Nebraska
- This should be viewed as an opportunity to do good things for our state

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# Budget Stabilization - \$555 million

- Federal funding for “fiscal stabilization”
  - assist States suffering from severe budget shortfalls
  - maintain adequate funding for critical government services
- Budget Stabilization funding split into three parts
  - Medicaid (FMAP) - \$269 million
    - temporarily increases the federal match rate for providing medical assistance to low-income elderly, disabled, and children
    - also federal match increase for IV-E foster care and adoption assistance
  - State Fiscal Stabilization Fund: Education - \$234 million
    - funding for education to be distributed through primary state formula
  - State Fiscal Stabilization Fund: General Purpose - \$52 million
    - for Governors to address unique fiscal stabilization concerns not specifically contemplated by Congress
    - public safety and other government services

# Budget Stabilization

- Temporary FMAP Increase - \$269 million
  - increases the federal share of support for Nebraska's Medicaid program and for IV-E foster care and adoption assistance
  - temporarily increases the Federal Medical Assistance Percentage (FMAP)
  - decreases the financial burden on the state budget allowing the state to avert cuts in services for recipients
  - \$65 million drawn to date from the federal government to help stabilize the state budget
  - includes an additional enhanced FMAP increase as a result of Nebraska's state unemployment rate reaching above a certain level as determined by the ARRA

# Budget Stabilization

- State Fiscal Stabilization Fund: Education - \$234 million
  - According to the ARRA, governors shall first use the funds to:
    - (1) provide funds to K-12 education to
      - (a) restore, in FY09, FY10, and FY11, the level of state support through the state funding formulae to the greater of FY08 or FY09
      - (b) and where applicable, to allow existing state formula increases to support K-12 in FY2010 and FY11 to be implemented and allow funding to phase in State equity and adequacy adjustments, if such increases were enacted prior to October 1, 2008
    - (2) to provide public higher education institutions in FY09, FY10, and FY11 the amount of funds needed to restore state support (excluding tuition and fees paid by students) to the greater of FY08 or FY09
  - In Nebraska, pursuant to Legislative appropriation, the full amount of the Education portion of the State Fiscal Stabilization Fund has been allocated to K-12 schools through the state's school finance formula-TEEOSA

# Budget Stabilization

- State Fiscal Stabilization Fund: General Purpose - \$52 million
  - provides the Governor funding to relieve state fiscal burden and distress
  - intended to support government services, including but not limited to, public safety, K-12 and higher education modernization, renovation or repair
  - In Nebraska, pursuant to Legislative appropriations, the full amount of the General Purpose portion of the State Fiscal Stabilization Fund has been allocated to the Department of Correctional Services to save jobs and to avoid the need for tax increases to support continuation of essential government services

# Infrastructure - \$553 million

- Funding for capital investments
  - Funding intended to:
    - create jobs in the short term
    - improve economic potential through modernization of our industrial base
- Much of the infrastructure funding is through formula grants
  - Previously unfunded projects in:
    - Transportation - \$275 million
    - Energy - \$106 million
    - Water – \$67 million
    - Community Development - \$57 million
    - Environment - \$41 million
    - Government Facilities - \$7 million
    - Technology – pending

# Infrastructure

- Transportation - \$275 million
  - Highway infrastructure investments allocated directly to the state and local levels for “shovel-ready” construction projects
    - highway and bridge projects
    - rural road improvements
    - overpasses and interchanges
    - bridge replacements
    - route realignments
  - Roads and Bridges Funding Distribution
    - \$228 million statewide
      - State Highway System - \$158 million
      - City of Omaha - \$23 million
      - City of Lincoln - \$9 million
      - First Class Cities (pop. 5,000 to 200,000) - \$28 million
      - Counties/Cities (pop. < 5,000) - \$10 million

# Infrastructure

- Transportation - \$266 million
  - Funding to enhance urban and rural public transit services
    - Transit Funding Distribution - \$24 million
      - City of Omaha - \$10 million
      - City of Lincoln - \$4 million
      - South Sioux City - \$300,000
      - Rural Areas - \$10 million
  - Aid for Airport Improvements - \$15 million
    - Grants to public use airports to repair and improve critical infrastructure, with emphasis on safety and capacity
  - Transportation Enhancement Projects - \$7 million
    - funding reserved for ancillary construction projects such as trails, bike paths, landscaping and beautification, and historic preservation
  - Road Maintenance on Indian Reservation Lands - \$1 million
  - Amtrak Infrastructure Improvements - \$405,889

# Infrastructure

- Energy - \$106 million
  - Grants distributed through State government to local communities
    - assist lower-income families improve energy efficiency in their homes
    - special emphasis on supporting equipment and infrastructure that utilize renewable sources of energy
    - Reduce fossil fuel emissions and decrease total energy consumption
  - Funding for conversion of certain federal buildings to “High-Performance Green Buildings”
  - Programs:
    - Weatherization Assistance Program - \$42 million
    - State Energy Program - \$31 million
    - Energy Efficiency and Conservation Block Grant - \$19 million
    - GSA Federal Buildings Fund - \$14 million

# Infrastructure

- Water - \$67 million
  - Funds to improve drinking and waste water systems in local communities
    - Priority given to water quality protection projects and waste water infrastructure improvements identified as “shovel-ready”
    - Funds provided through a combination of loans and grants
  - Funds for the Army Corps of Engineers to conduct public infrastructure projects
  - Programs:
    - Civil Works Projects - \$26 million
    - Drinking Water State Revolving Fund - \$20 million
    - Clean Water State Revolving Fund - \$20 million
    - Rural Water and Environmental Programs - \$1 million
    - Bureau of Reclamation Water and Related Resources - \$250,000

# Infrastructure

- Water - \$67 million
  - Projects already awarded for communities such as:
    - Ainsworth
    - Dorchester
    - Scottsbluff
    - Gothenburg
    - Uehling
    - Auburn
    - Bridgeport
    - Omaha
    - Laurel
    - Wynot

# Infrastructure

- Community Development - \$57 million
  - Direct loans to assist beginning and established farmers
  - Grants for local public housing authority capital projects
    - priority given to projects that can award contracts the soonest
  - Funding available for capital investment in construction projects that qualify for the Low Income Housing Tax Credit (LIHTC)
  - Funds also available on a competitive basis to fund the Neighborhood Stabilization Program
    - assist in the purchase and rehabilitation of foreclosed and abandoned vacant properties
    - help create affordable housing and stabilize neighborhoods
  - Increased CDBG grant funding for new investment aimed at job creation through the expansion and retention of businesses

# Infrastructure

- Community Development - \$57 million
  - Programs:
    - Farm Operating Direct Loans - \$15 million
    - Public Housing Capital Fund - \$13 million
    - Tax Credit Assistance Program - \$11 million
    - Neighborhood Stabilization Program - \$10 million
    - Community Development Block Grant (CDBG) - 5 million
    - Native American Housing Block Grant - \$2 million
    - Community Development Financial Institutions Fund - \$600,000
    - Aquaculture Grant Program - \$25,536
    - Recovery Zone Bonds - pending

# Infrastructure

- Environment – \$41 million
  - Grants for projects to cleanup various waste sites
  - Funding to assist state enforcement of petroleum cleanup and to reduce diesel pollutant emissions
  - Funding for improvements to watershed structures and to control erosion
  - Programs:
    - Hazardous Substance Superfund - \$30 million
    - Watershed and Flood Prevention - \$6 million
    - Leaking Underground Storage Tank Trust Fund Program - \$2 million
    - State Clean Diesel Grant Program - \$2 million
    - Wildlife Refuge - \$1 million
    - U.S. Geological Survey Stream Gauge Upgrades - \$298,000
    - National Park Improvements - \$179,000

# Infrastructure

- Government Facilities - \$7 million
  - Army National Guard facilities - \$6 million
    - Cooperative agreements between the federal government and the Nebraska Army National Guard
    - Priority given:
      - energy consumption reduction
      - utility modernization
      - solve health and safety concerns
      - improve the living conditions of building users
    - Tentative Projects:
      - Camp Ashland
      - Hastings - Greenlief Training Facility
      - Lincoln Readiness Center
  - Agricultural laboratory and research facilities - \$1 million

# Infrastructure

- Technology – Pending
  - Funding for open access broadband infrastructure projects
    - serve rural and/or underserved areas
    - federal loans, grants and loan guarantees, all on a competitive basis
  - ARRA also makes some funds available to promote adoption of Health Information Technology
- Programs:
  - Broadband Technology Opportunities Program - pending
  - USDA Rural Utilities Service – Broadband Infrastructure - pending

# Services - \$550 million

- Increased funding for a number of federally subsidized social programs
- Temporary funding for expansion of existing basic government services
  - Education - \$224 million
  - Labor - \$164 million
  - Health and Human Services - \$139 million
  - Law Enforcement - \$23 million

# Services

- Education - \$224 million
  - Increased grants to local schools for federally mandated initiatives
    - Special Education (IDEA) for infants through age 21 - \$80 million
    - Education for the Disadvantaged (Title I, ESEA) - \$62 million
    - Education Technology - \$3 million
    - Impact Construction Aid (>50% of students on Indian land or military children) - \$1 million
    - School Lunch Equipment (priority to high-poverty districts) - \$532,209
    - Homeless Education (McKinney-Vento) - \$228,080

# Services

- Education - \$224 million
  - Funding for increased financial aid for low-income college bound students
    - Pell Grants - \$73 million
    - Federal Work-Study - \$1 million
  - Vocational rehabilitation services for disabled and visually impaired
    - Vocational Rehabilitation - \$3 million
    - Rehabilitation Services for the Blind & Visually Impaired - \$695,201
  - Promotion of the Arts
    - Projects which preserve jobs
    - Statewide - \$295,800

# Services

- Labor - \$164 million
  - Additional unemployment benefits
    - Program eligibility expansion - \$104 million
      - \$25 per week increase
      - Extended period of eligibility
    - Unemployment Insurance Modernization - \$47 million
    - State Administration - \$3 million
  - Job training and job placement programs
    - Workforce Investment Act Job Training Programs - \$4 million
    - Dislocated Workers - \$3 million
    - Reemployment Services - \$4 million

# Services

- Health and Human Services - \$139 million
  - Funding for several federally supported social services
  - Supplemental Nutrition Assistance Payments (Food Stamps) - increased monthly benefits - \$83 million est.
- Programs (primarily administered by Nebraska HHS):
  - Child Care - \$12 million
  - Child Support Enforcement - \$10 million
  - Homelessness Prevention - \$8 million
  - Community Services Block Grants - \$7 million
  - Project Based Rental Assistance Program - \$7 million
  - Community Health Centers - \$5 million
  - Head Start - \$4 million

# Services

- Health and Human Services - \$139 million
  - Programs (continued):
    - Immunizations - \$1 million
    - Elderly Nutrition - \$562,321
    - Temporary Emergency Food Assistance Program - \$554,358
    - AmeriCorps - \$472,174
    - Community Service Employment for Older Americans - \$182,015
    - Women, Infants, and Children (WIC) - Pending

# Services

- Law Enforcement - \$23 million
  - Funding for general and targeted law enforcement programs
    - Justice Assistance Grant (JAG) - \$13 million
    - Community Oriented Policing Services (COPS) - \$5 million
    - Internet Crimes Against Children - \$2 million
    - Rural Drug and Violent Crime – pending
  - Assistance for victims of crime
    - Violence Against Women - \$2 million
    - Victims of Crime Act (VOCA) - \$633,663

# Tax Law Changes Affecting Nebraska

- Nebraska Individual Income Taxes
  - Increase in the Federal Earned Income Tax Credit (EITC) for 2009 and 2010
    - Nebraska's EITC will follow any increase in the federal EITC.
    - Example: A \$440 federal EITC would produce a state EITC as follows:  $\$440 \times 10\% = \$44$
  - Increased deduction for sales tax paid on new vehicles (used vehicle purchases do not qualify) purchased between February 17, 2009 and December 31, 2009
    - provided for state and local sales tax paid on the purchase of new cars, light trucks, RVs, and motorcycles not weighing more than 8,500 pounds up to \$49,500 of the purchase price
    - deduction is reduced for married, filing jointly taxpayers with modified AGI between \$250,000 and \$260,000; other taxpayers with modified AGI between \$125,000 and \$135,000
    - taxpayers that itemize deductions will see a reduction in Nebraska income taxes; taxpayers that use the Nebraska standard deduction will not see a reduction in Nebraska income taxes
  - Exemption from tax of the first \$2,400 of unemployment benefits received in 2009
    - first \$2,400 of unemployment benefits received during 2009 exempt from federal income tax
    - Nebraska taxpayers AGI for state income tax purposes will be reduced in tax year 2009

# Tax Law Changes Affecting Nebraska

- Nebraska Individual Income Taxes
  - Alternative Minimum Tax (AMT) patch for tax year 2009
    - will continue to allow many middle-income taxpayers to avoid paying the federal AMT by extending certain credits and increasing the AMT exemption.
    - Nebraska law will follow the increased AMT exemption
  - Expanded carryback period for net operating losses of certain small businesses
    - Allows certain businesses to elect extension of the current maximum two-year carryback period to either three, four, or five years
    - Irrevocable election only applies to small businesses with average three-year gross receipts of \$15 million or less
    - Nebraska law will follow this expanded carryback election for business owned by individual taxpayers
    - Nebraska law disallows carrybacks for corporate net operating losses

# Tax Law Changes Affecting Nebraska

- Nebraska Business Income Taxes

- Extension of 50% bonus depreciation for 2009

- allows businesses to depreciate the cost of assets faster than under the regular depreciation schedule
    - reduces a business's federal taxable income; Nebraska law also follows this provision.

- Extension of enhanced small business expensing (IRC Sec. 179)

- increases the federal Sec. 179 deduction for tax year 2009 from \$125,000 to \$250,000
    - allows small business taxpayers to write off less expensive, acquired assets in the year of purchase rather than over several years through depreciation
    - reduces a business's federal taxable income; Nebraska law also follows this provision.

- Delayed recognition of cancellation of debt income

- When a business repurchases or restructures its existing debt for a lesser amount than originally contracted, it owes income tax on the cancelled debt amount.
    - allows businesses to defer reporting any such income for tax years 2009 and 2010, and instead, pay the tax over a ten-year period
    - affected taxpayers will see a decrease in taxable income and a corresponding reduction in Nebraska tax in 2009 and 2010; instead, the tax will be paid over a ten-year period. Nebraska law also follows this provision

# Accountability and Transparency

- President Barack Obama
  - States are up to the task
  - Go above and beyond
- Vice-President Joe Biden
  - This is a big deal...all that is legal is not necessarily acceptable
  - ARRA of 2009 monies are different
- Office of Management and Budget (OMB)
  - quick, wise use of the funds with unprecedented accountability
- Recovery and Accountability Transparency Board (RATB)
  - coordinate and conduct oversight
  - prevent fraud, waste, and abuse
  - Websites: [recovery.gov](http://recovery.gov) and [recovery.nebraska.gov](http://recovery.nebraska.gov)
- Government Accountability Office (GAO)
  - bi-monthly review of selected states and localities
  - recipient reports on all 50 states

# Accountability and Transparency

- Provides state and local officials with additional resources and consequently additional responsibilities
- Many of those responsibilities, often referred to as transparency, accountability, certifications or assurances, are spelled out in the Recovery Act
- Quarterly recipient spending and jobs reports to be submitted beginning October 10, 2009 with data to be subsequently presented on [Recovery.Nebraska.gov](http://Recovery.Nebraska.gov) and federal [Recovery.gov](http://Recovery.gov)

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State of Nebraska

## QUESTIONS?

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