

# HEARING - FEDERAL STIMULUS TRANSPARENCY MARCH 25, 2009

## BACKGROUND PAPER

### **American Recovery and Reinvestment Act will provide approximately \$800 Billion in stimulus funding.**

The American Recovery and Reinvestment Act (ARRA) funds investments in many programs, including health care, energy, infrastructure, education, and public safety. According to the League of California Cities, the total cost of the package is \$828 billion, and consists of nearly \$396 billion for upgrades to transportation, infrastructure, construction, health care programs, education and housing assistance, and energy efficiency projects, \$144 billion in state and local fiscal relief, and \$288 billion in personal and business tax credits.

Unprecedented accountability and transparency requirements are also included in the ARRA and the government website ([www.Recovery.gov](http://www.Recovery.gov)) will list each recipient of funds and project details. Each state will also be required to pursue rigorous accountability and transparency in the use of funds received. Each state agency will be in charge of the ARRA funding it receives and since all programs are different, reporting requirements will differ. The agency that "touches the funding" will be responsible for reporting.

As such, [www.recovery.ca.gov](http://www.recovery.ca.gov) is intended as the single, consolidated California portal to that information.

### **Federal Agency Transparency and Reporting Requirements**

- **Major Communications** – All must be posted on line.
- **Weekly Reports** - Starting 3/3/09, agencies must submit weekly reports providing a breakdown of funding, major actions taken to date, and major planned actions.
- **Monthly Financial Reports** - Starting 5/8/09, agencies must provide monthly financial reports providing obligations, expenditures, and other financial data by Treasury Account, vendor, and award number, as well as information on allocations of mandatory and entitlement programs by State, county, or other appropriate geographical unit.
- **Award Transaction Data Feeds** - Starting on 5/5/09, agencies must provide all Recovery Act assistance transactions (primarily grants, loans, and loan guarantees) and begin planning now for how they would provide this information on a more frequent basis if a decision were made to do so.

- **Agency Recovery Plan** - No later than May 1, agencies must provide their “Agency Recovery Plan” that describes both broad recovery goals and the agency’s coordinating efforts.
- **Recipient Reporting** - Starting 7/10/09, recipients are required to begin reporting, data to be reported is still being developed.

## California Will Receive Over \$31 Billion in State Aid

(In Millions)

Program Area	Federal Fiscal Year			Totals
	2008-09	2009-10	2010-11	
Health	\$3,986	\$4,026	\$1,024	\$9,036
Education	—	7,973	—	7,973
Labor and workforce development	3,498	2,420	79	5,997
Social Services	1,500	1,441	577	3,518
Transportation	1,302	1,302	—	2,604
General purpose fiscal stabilization	—	1,100	—	1,100
Resources/environmental	597	—	—	597
Housing programs	381	—	—	381
Criminal justice	264	—	—	264
Other	27	—	—	27
<b>Totals<sup>a</sup></b>	<b>\$11,555</b>	<b>\$18,262</b>	<b>\$1,680</b>	<b>\$31,497</b>

<sup>a</sup> Does not include significant additional federal funds the state is likely to receive from competitive grants. (source: LAO)

## INFORMING CALIFORNIANS AND REPORTING TO THE FEDERAL GOVERNMENT

Stimulus funds will be directed to a wide array of state departments and all will be required to report on the use of funds but reporting requirements will vary in content depending on the programs or services covered. The federal reporting requirements are intended to demonstrate the economic benefits derived from the stimulus dollars and the maintain accountability. Likewise, the federal government is requiring each state to have an internet site dedicated to making the information available and useful to the public. To that end, the Governor has set up [www.recovery.ca.gov](http://www.recovery.ca.gov) to act as our main portal to all information on state receipt and use of stimulus dollars.

As an example of the differences in program content, several examples of stimulus funding directed to California follow. There are additional funds available through a competitive grants process but we do not know how successful California will be at this time.

## Transportation

California will receive about \$3.6 billion in additional federal funds from formula-based highway and transit programs. None of these additional funds will offset General Fund expenditures. In addition, the state, local governments, and transit agencies can apply for additional funding that will be provided on a discretionary basis.

**Transportation Component of the American Recovery and Reinvestment Act**

*(In Millions)*

Program	Nationwide Total	California's Share
<b>Formula-Based Funding</b>		
Highways and roads	\$27,500	\$2,570
Transit	7,550	1,068
<b>Discretionary Funding</b>		
High-speed and intercity rail	\$8,000	— <sup>a</sup>
Supplemental discretionary grants	1,500	
Aviation infrastructure	1,300	— <sup>a</sup>
Other transit grants	850	— <sup>a</sup>
<b>Totals</b>	<b>\$46,700</b>	<b>\$3,638</b>

<sup>a</sup> The amount is unknown as it will depend on receipt of discretionary grants. (source: LAO)

## Energy

The California Energy Commission and California Department of Community Services and Development expect to receive over \$400 million in economic stimulus funds including \$185,811,061 for the **Weatherization Assistance Program** and \$226,093,000 for the **State Energy Program**.

State agencies, regional and local government entities and other public and private stakeholders in the energy field will use these funds to establish the foundation for economic recovery and a more secure and cleaner energy future. The Federal Energy Stimulus Team will also ask for input on how to best develop partnerships and leverage different initiatives and public-private funding resources to help California succeed in the national competition for more than \$30 billion in additional federal energy funding opportunities.

# Education

## California to Receive Large Boost in Federal Funding for Education

(In Millions)

(source: LAO)

Program	Funding	Description
<b>State Fiscal Stabilization Fund</b>		
Education	\$4,875 <sup>a</sup>	Generally mitigates K-12 and higher education cuts.
State Incentive Grants	— <sup>b</sup>	Competitive program supports states that demonstrate need in certain education areas (including teacher quality, student data systems, and assessment systems) and presents innovative ways to address those needs.
Subtotal	(\$4,875)	
<b>K-12 Education</b>		
Title I	\$1,511 <sup>c</sup>	Supplemental services for low-income students and support for low-performing schools.
Individuals With Disabilities Education Act	1,268	Supplemental services for special education students.
Child Care and Development Block Grant	220	Approximately \$28 million is earmarked for specific activities. The rest must supplement state funding for child care for low-income families.
Enhancing Education Through Technology	71	Classroom use of technology. Funds may be used for hardware, software, infrastructure improvement, and professional development.
McKinney-Vento Homeless Assistance	18	School districts' efforts to educate homeless youth.
Child Nutrition	10	Assistance to high-need districts in purchasing meal-related equipment.
Institute of Education Sciences Grant	— <sup>b</sup>	Competitive program to help state develop/expand a statewide longitudinal student database.
School Construction Subsidies	— <sup>b</sup>	Tax credit bonds for public school construction or repair.
Qualified Zone Academy Bonds	— <sup>b</sup>	Interest-free tax credit bonds for qualified infrastructure efforts.
Impact Aid	— <sup>b</sup>	Facility cost funding for districts with high percentages of students living on federal land.
Title V Innovation and Improvement	— <sup>b</sup>	Competitive program to help districts and states develop performance-based compensation systems for teachers and administrators. Funds do not pass through state.
Subtotal	(\$3,098)	
<b>Total Education Funding</b>	<b>\$7,973</b>	

<sup>a</sup> An additional \$1.1 billion is provided for other government services.

<sup>b</sup> Total benefit for California is unknown at this time.

<sup>c</sup> Consists of \$1.1 billion in basic grants, \$45 million in Program Improvement Grants, and \$383 million in School Improvement Grants.

## Housing Programs

The ARRA provides approximately \$13.5 billion nationwide for various housing-related programs, including funds for affordable housing development, homelessness prevention, rental assistance, and emergency assistance for the redevelopment of abandoned and foreclosed homes. Of this amount, about \$10 billion will be allocated to state and local housing agencies based on funding formulas used to make the 2008 grant awards. The remaining \$3.5 billion will be competitively awarded.

### Major Housing Provisions

***California to Get Between \$1.1 Billion and \$1.3 Billion for Housing Programs.*** Preliminary estimates of California's share of the housing monies range from about \$1.1 billion to \$1.3 billion. (The actual amount will largely depend on how well California's state and local governments, and nonprofit entities fare in receiving competitive grants.) Of that amount, California state housing agencies—namely the Department of Housing and Community Development (HCD) and the Tax Credit Allocation Committee (TCAC)—are expected to receive about \$400 million in formula-based grants, as well as some unknown amount in competitive grants. Some, if not all, of this funding could be allocated to the state during the current state fiscal year. However, given the timing, it is not likely that the state would begin making awards for housing and community development projects until 2009-10.

***Housing Money Must Be Spent Rapidly.*** The ARRA places an emphasis on rapid distribution of the housing stimulus funds. For example, in the case of the Community Development Block Grant program, the act requires state and local recipients to give priority to projects that are ready to go (“shovel ready”) within 120 days from the date funds are made available to the recipient. Depending on the program, grant recipient agencies are required to spend between 50 percent and 75 percent of the funds within two years, and all of the funds within three years. Failure to meet these time frames could result in reallocation of the funds to other states or local governments.