



From the Desk of Lieutenant Governor Matthew Denn

Reviving Delaware

Weekly Stimulus Update

May 22, 2009

I would like to use this weekly update to give you a larger picture sense of where Delaware currently stands with the American Recovery and Reinvestment Act.

There are really two stages to the ARRA, the formula funding stage and the competitive grant funding stage. The formula funds are essentially distributed based upon population, the competitive grants based somewhat upon competition (although some of the competitions favor or disfavor certain states). We are nearing the end of the formula funding stage, so I think we are getting a better picture of the impact that the formula funding is likely to have on our state.

The groups that have received the largest sums from the formula funding are state governments and businesses in the construction and building trades, to a lesser degree businesses in energy conservation. In Delaware, just under 32% of the formula ARRA funds will go to help Delaware balance its state budget. That is an important indirect stimulus in some ways—we won't have to raise that money in taxes or potentially cut state benefit programs—and a direct stimulus in that it will allow us to avoid layoffs.

Another third of the money is going directly into construction. About two thirds of the construction money is being spent by the federal government on federal building projects such as Amtrak and the Dover Air Force Base, the rest on state highway construction and some on publicly-subsidized housing. People and companies that do this type of construction work should see a noticeable increase in business opportunities.

What about the remaining third of the formula ARRA funds? In Delaware, just over half of those remaining funds are going directly to local school districts, some to help those local districts offset state funding cuts, and some in new programs to benefit economically disadvantaged and disabled children. The rest are being split between state and local governments, independent agencies that deal with criminal justice and social service non-profits, Pell Grants, increases in state benefit payments, and a myriad of smaller state programs—the biggest of those being energy conservation.

To date, the most significant business opportunities created by the ARRA have been in construction and building areas. With respect to funds spent by the state (which, again, is only 1/3 of

the total building and construction money), the funds are being spent on DelDOT projects, clean water and drinking water projects, and work on public housing.

Some of the local school funding provided by the ARRA will present opportunities for businesses that have fairly specific missions surrounding children—businesses that provide before-and-after school care, businesses that provide educational support services. There are some real opportunities for businesses that can operate on a fairly large scale to have a lot of success in this area—the schools are receiving enormous, short-term funding increases—50% per year over two years for Title 1 and IDEA.

Outside of construction and design and education, most of the new business opportunities that will come from the formula funding will be in the area of energy conservation—the portfolio of energy audits, weatherization, and installation of energy conservation equipment that is subsidized by the federal weatherization, state energy plan, and block energy grants. These are obviously areas where some level of expertise is required, but the amounts of new money are sufficient that there should be at least some new opportunities for business.

The next wave of business opportunities will be determined in large part by how the federal government distributes competitive grant funds. The President and the other authors of the stimulus bill clearly want to encourage particular types of economic activity, and the competitive grant funds that will be made available reflect those priorities. Rural broadband, health information technology, and smart grid efforts on the business side, education funding on the government side—these are the areas where the largest sums of competitive dollars are located, at least for the areas where Delaware is eligible to compete. The specifics with respect to each of the competitive grant areas are still being developed, but we hope and expect that our small size and our ability to work closely as a government with our business sector will give us an opportunity to be very successful in seeking these competitive funds.

The stimulus bill also creates other opportunities for business, particularly small business, with respect to expanded federally-backed loan financing opportunities and federal tax opportunities.

Finally, we are facing the same challenge that I suspect most other states will face with respect to tracking and accounting for federal stimulus dollars. The President and Vice President Biden have emphasized that there will be extraordinary scrutiny of how these federal stimulus dollars are spent and severe consequences for governments that mispend them. So we have spent several weeks putting in place what will be, for Delaware, unprecedented oversight and transparency measures for spending stimulus dollars. With the exception of some agencies that already have equivalent systems; any state purchase order for a check that involves federal stimulus funds will have to be pre-approved by our stimulus group. And any expense involving stimulus funds will also require that the agency in question complete a fairly exhaustive form explaining the purpose for the expenditure in far more detail than is currently required. We, in turn, will be putting that information on our web site and providing it to the federal government.

Matt Denn