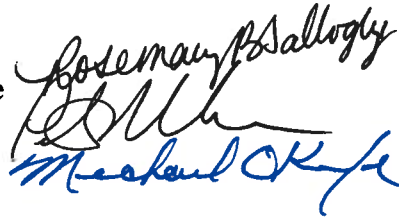


# The American Recovery and Reinvestment Act of 2009 Rhode Island Impacts and Opportunities

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## Introduction

On February 17, President Obama signed the American Recovery and Reinvestment Act of 2009. Generally referred to as the Stimulus Act, it provides \$789 billion of federal spending designed to prevent further deterioration in the national economy, provide relief to states and individuals, and create new jobs.

There are estimates that the bill provides approximately \$1.0 billion to Rhode Island over its life, not including tax cuts for individuals and businesses. It appears, however, that the general budget relief to the state budget is less than \$450 million over fiscal years 2009, 2010, and 2011 with some of that potentially lowered by tax law changes.

On February 25, the Budget Office Staff, Senate Fiscal Staff, and House Fiscal Staff issued an initial joint memorandum to explain the direct impact of the Act on Rhode Island state and local budgets and Rhode Island citizens. It was prepared with the cooperation of the agencies and departments, including federal agencies and quasi-public ones, who reviewed approximately 1,500 pages of legislation. The staffs noted that it was by no means a finished product as many details and requirements were still unknown at that time and would not become clearer until the federal departments publish rules and regulations. It is likely that the spending authority for FY 2009 would be contained in the FY 2009 supplemental budget; that for FY 2010 would be in the Governor's FY 2010 Budget.

Staffs committed to continue to monitor and provide new or revised information as it becomes available. This revision reflects what we have learned since that time. It also adds an appendix, which focuses on those parts of the Act that primarily deal with opportunities for local governments. Copies of the most current version of the memorandum are presented on the Assembly's website, [www.rilin.state.ri.us](http://www.rilin.state.ri.us), under *House Fiscal Reports* and *Senate Fiscal Reports*, and on the Budget Office website, [www.budget.ri.gov](http://www.budget.ri.gov).

The Act is contained in two divisions, A and B, with numerous titles within each division. In general, the items discussed in this memorandum are in the same sequence as in the Act,

except those affecting the FY 2009 budget, which are discussed first in Section I. The division and title within the division are noted after each item described in the memorandum.

Readers may be interested in two specific sections of the Act dealing with requirements for transparency and public information. Title XV in Division A establishes a Recovery Accountability and Transparency Board, which must establish and maintain within 30 days of enactment a user-friendly website that provides information about grants, projects and processes. That website has been established at [www.recovery.gov](http://www.recovery.gov).

Further, that title requires that Governors or other appropriate chief executives certify that infrastructure improvements have received full review and vetting required by law and that the Governor or other chief executive, and that certification must include a description of the investment, estimated total cost, and amount of funds under the Act to be used. It must be posted on a state or local website that is linked to the Recovery Accountability and Transparency Board website, [www.recovery.gov](http://www.recovery.gov), before the funds may be received. Rhode Island has established its website at [www.recovery.ri.gov](http://www.recovery.ri.gov).

**Section I** of the memorandum describes those items that present immediate state budgetary relief based on the Governor's FY 2009 Revised Budget as contained in 2009-H 5019, with his amendments. FY 2010 and FY 2011 impacts are based on that budget assuming no changes or growth for purposes of comparison.

**Section II** describes items that potentially reduce state revenues due to state ties to federal tax laws. **Section III** discusses potential opportunities for state and local governments through either formula or competitive grants. **Section IV** includes other items of interest such as conditions for use of funds. The Appendix includes a multi-page quick reference schedule and a fuller description of the analysis of the State Fiscal Stabilization Fund along with a restatement of those items that primarily offer opportunities for local governments.

We have only focused on what appears to be major items of interest – there are many sections for which we did not go beyond initial review, because they did not appear to have immediate or proximate impacts on budgets.

## **Section I: State Budget Relief**

This section describes those items that present immediate state budgetary relief based on the Governor's FY 2009 Revised Budget as contained in 2009-H 5019, with his amendments. FY 2010 and FY 2011 impacts are based on that budget assuming no changes or growth for purposes of comparison. The single largest impact is the enhanced Medicaid match rate.

**Medicaid (B, Title V, Formula).** The Act provides an enhanced federal medical assistance percentage reimbursement for most Medicaid-related expenditures for the 27 months (nine quarters) from October 2008 through December 2010. Staff estimates that the enhanced

reimbursement rate would provide an additional \$129.6 million in FY 2009, a gain of \$102.0 million over the Governor's revised budget, which included \$27.6 million. The total increases for FY 2010 and FY 2011 are estimated to be \$172.7 million and \$86.4 million, respectively. Those amounts will likely be higher to account for Medicaid enrollment and cost.

The enhancement has three components. First, it holds the state harmless to a base that is the higher of the federal fiscal year rates for FFY 2008, FFY 2009, and FFY 2010. Second, it provides an additional 6.2 percentage points to the rate during the period. Third, it provides an unemployment adjustment based on growth in unemployment rates.

The unemployment-related bonus calculation is based on a state's unemployment rate in the most recent 3-month period for which data are available compared to its lowest unemployment rate in any 3-month period beginning on or after January 1, 2006. The bonus can fall into three tiers of reductions in state share: 5.5 percent if unemployment rate increase is 1.5 to 2.5 percentage points; 8.5 percent if 2.5 to 3.5 percentage points; and 11.5 percent if equal to or greater than 3.5 percentage points. The percentage increase is equal to the state rate minus 3.1 percent times one of three percentages based on unemployment. In Rhode Island's case, that is likely to be an 11.5 percent increase. The table below shows the adjustments.

	<b>FFY 2008</b>	<b>FFY 2009</b>	<b>FFY 2010</b>
FFY Regular FMAP	52.51%	52.59%	52.63%
Hold Harmless Rate		52.59%	52.63%
Unemployment Adjustment		5.10%	5.10%
Base Adjustment		6.20%	6.20%
Enhanced Rate	52.51%	63.89%	63.93%
Convert to Blended State Rates	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>State Blended Rate</b>	<b>61.04%</b>	<b>63.92%</b>	<b>58.28%</b>

The enhanced match does not apply to administrative charges, disproportionate share hospital payments, Temporary Assistance to Needy Families, child welfare, child support enforcement, and State Children's Health Insurance. States must maintain their Medicaid eligibility standards, methodologies, and procedures in effect as of July 1, 2008 and demonstrate that they are in compliance with Medicaid prompt payment requirements regarding claims made for covered items and services during the preceding month. This prompt payment requirement is extended to nursing facilities and hospitals. According to the Department of Human Services, Rhode Island complies with prompt pay requirements. The Act also mandates that a state is not eligible for an increase in the Medicaid rate if any amounts directly or indirectly attributed to the increase are deposited or credited into any reserve or rainy day fund.

**Medicaid - School Districts. (B, Title V, Formula).** The Medicaid formula adjustment also applies to early, periodic, screening and diagnostic treatment (EPSDT) services provided through the local school districts. Local sources serve as the match for these expenditures. Staff estimates that statewide the districts will realize medical service savings of \$10.0 million from the enhanced Medicaid match, \$3.3 million for FY 2009, \$4.5 million for FY 2010 and \$2.2 million for FY 2011.

**Supplemental Nutrition Assistance Program (A, Title I, Block).** This is a block grant that allows the Department of Human Services to increase the Supplemental Nutrition Assistance Program benefits by 13.6 percent. It appears that the Department of Human Services will receive \$52.9 million in additional temporary emergency funding for the Supplemental Nutrition Assistance Program to be expended by September 30, 2010, of which \$52.0 million would be for additional benefit payments and \$0.9 million for administrative costs.

The Department began to program the InRhodes system to reflect the increase of the benefits to recipients by 13.6 percent, on February 19, 2009 and notes that recipients will begin to receive the increase in benefits after April 1, 2009. The increase in funding for administration costs is based upon the average Supplemental Nutrition Assistance Program participation rates, 91,000 recipients, for the last 12 months. This funding can be used on all administrative costs including staffing, systems development, outreach, as well as the costs associated with the increase of administering the additional benefits.

The Supplemental Nutrition Assistance Program typically requires a 50.0 percent state contribution for costs associated with administering the program; however, the Act does not include a state matching requirement.

**Title IV-E Foster Care and Adoption Assistance (B, Title V, Formula).** The enhanced match, not including the unemployment adjustment, also applies to Title IV-E. Staff estimates this would decrease state general revenues by \$1.3 million in FY 2009 and \$1.8 million and \$0.9 million in FY 2010 and FY 2011, respectively.

**Disproportionate Share Increase (B, Title V, Formula).** This is a formula grant to provide for a 2.5 percent increase in the hospitals' disproportionate share payment allotments for federal fiscal years 2009 and 2010. Rhode Island currently receives \$61.4 million in federal funding to support uncompensated care payments for Eleanor Slater Hospital and the community hospitals, which are matched by general revenues for total funding of \$117.0 million. The state's federal allotment is increasing to \$63.7 million to reflect a 4.0 percent ceiling adjustment. Along with the 2.5 percent increase, the state will receive \$65.3 million to bring funding to \$124.2 million for uncompensated care costs.

The enacted budget includes \$117.0 million from all sources and staff estimates that \$3.2 million from state funds would be needed to match the additional \$3.9 million from federal resources. Since the payment to the community hospitals will be made in July 2009, this will be reflected in the FY 2010 budget. The FY 2010 payment, reflected in the FY 2011 budget, will also be increasing by another 2.5 percent for total funding of \$127.2 million, \$66.9 million from federal funds.

**State Fiscal Stabilization Fund – Education (A, Title XIV, Formula).** This formula grant provided to the states is aimed to avert reductions in public higher and elementary and secondary education. It appears Rhode Island will receive \$164.9 million over the three year period FY 2009 through FY 2011. Of the total available funding, 81.8 percent is to restore

elementary and secondary education and public higher education to the greater of the FY 2008 or FY 2009 levels for FY 2009, FY 2010 and FY 2011. In order to be eligible for these funds, states must first provide support for both elementary and secondary education and public higher education at no less than the FY 2006 level for fiscal years 2009, 2010 and 2011. This is referred to as maintenance of effort.

Determining maintenance of effort requires a number of steps and decisions. For higher education, expenditures for "construction" are excluded from the calculation, but it is unclear whether debt service is considered a construction expense or an operating expense. Regardless of how debt service is treated, the state does not meet the maintenance of effort requirement for public higher education. Meeting that would require a contribution totaling between \$25.7 million and \$73.5 million.

The legislation does not specify which state expenditures to include in the calculation of elementary and secondary education maintenance of effort. It appears unlikely that the state meets maintenance of effort in any scenario that excludes school housing aid from the calculation. Excluding housing aid, maintenance of effort would require between \$18.9 and \$59.0 million in total state contributions.

If the state meets the maintenance of effort threshold, it becomes eligible for the remaining 18.2 percent, or \$30.0 million in general use funds that could be used to offset the general revenue contribution as well as the \$134.9 million to be split proportionally between public higher education and local school districts. The general use funds can be used for public safety and other state government services. This may include education related activities, such as school repair, renovation or modernization. Federal Funds Information for States estimates that Rhode Island's share of this funding would be \$30.0 million.

The Secretary of Education has discretion to waive the maintenance of effort requirement; however, no rules or regulations have been posted. The only guidance in the act is that there must be a "precipitous" decline in financial resources and that the state must commit the same percentage of state revenue to elementary and secondary education as the preceding fiscal year.

To qualify their states for these funds, Governors must submit an application to the Secretary of Education. The application must include assurances that the state will meet its maintenance of effort requirements, take actions to improve teacher effectiveness and address inequities in the distribution of high quality teachers between low and high poverty schools, establish a longitudinal data systems, enhance the quality of academic assessments, improve student achievement standards and ensure implementation of corrective action and restructuring options for schools identified for these interventions. The application must also indicate how the state will use its allocation.

The appendix to this memo includes a fuller description of the Fund and describes a number of scenarios that incorporate these maintenance of effort calculations.

**State Fiscal Stabilization Fund General Use (A, Title XIV, Formula).** Of the \$53.6 billion state fiscal stabilization funds, approximately \$8.8 billion (18.2 percent) are to be used for public safety and other state government services. This may include education related activities, such as school repair, renovation or modernization. It appears Rhode Island will receive \$30.0 million over the three years FY 2009 through FY 2011. The funds are available to states immediately, and must be spent within two years of receipt of funds.

The General Use funds are also tied to the maintenance of effort requirements set out for the whole allocation, as described above. The Governor must apply for these funds along with the education portion of the allocation, identify proposed uses and indicate compliance with those requirements. There is a provision allowing the Secretary of Education to waive maintenance of effort requirements at his discretion and with the limitations described above.

**Education for Disadvantaged Title I (A, Title VIII, Formula).** The Act contains a total of \$13.0 billion in formula grants over FY 2010 and FY 2011 to be distributed through three existing Title I funding streams. Of the total, \$5.0 billion is for targeted grants to local education agencies, \$5.0 billion is for education finance incentive grants, and \$3.0 billion is for school improvement grants, for distribution as subgrants to local education agencies identified for improvement, corrective action and restructuring. Funding is to help school districts mitigate the effects of recent reductions in local revenues and state support. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education. The formulas are based on census poverty estimates and per pupil expenditures for each state.

It appears Rhode Island's share of the targeted and education finance incentive grants to local education agencies will be \$35.8 million over two years, FY 2010 and FY 2011. Distribution formulae for these grants are weighted so that local education agencies with higher percentages of poor children will receive more funds.

Of the \$3.0 billion for school improvement grants, it appears that Rhode Island will receive \$11.3 million over the two years FY 2010 and FY 2011 that will be administered by the Department of Elementary and Secondary Education. While not required, states are encouraged to use 40 percent of this funding for middle and high schools.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This is a web based system that allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system to modify it to align it with reporting requirements in the stimulus guidelines, once those guidelines are developed.

The local government appendix includes a table with estimates of Title I and IDEA distributions by district. Title I estimates are those of the United States Department of Education and differ from the estimates provided earlier by staff. The difference is due to the update of district data based upon newer poverty census data.

Title I fund distributions to states are calculated through four distinct formulas based upon different levels of poverty; however, funds are allocated to districts as one amount. The original staff estimate was based upon the distribution of all Title I funds that districts received. The stimulus funds are being distributed through the two formulas that require a district to have at least 5.0 percent poverty. Some districts are not eligible for these funds and other districts that were eligible for these funds last year are no longer eligible due to changes in poverty data.

It should also be noted that the estimates do not account for distributions to charter schools and the state schools, and other required set-aside amounts that the Department is required to adjust for when it receives funding from the United States Department of Education.

**Special Education (A, Title VIII, Formula).** This is a formula grant to states to provide funding for students with disabilities. The Act contains a total of \$12.3 billion for students with disabilities through three formulary-funding streams over FY 2010 and FY 2011. Funding includes \$11.3 billion for Part B - state grants, \$400.0 million for Part B – preschool grants and \$600.0 million for Part C – infant and toddler grants. It appears Rhode Island will receive \$47.6 million over two years, FY 2010 and FY 2011. Funds will be distributed to local education agencies by formula driven subgrants. A state is eligible to receive this funding if it submits a state plan with assurances that it has policies to provide a free and appropriate public education to children with disabilities between the ages of 3 and 21. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education.

In order to receive Part B funds, states must submit a state plan that outlines its policies to ensure that all children with disabilities between the ages of 3 and 21 can receive a free and appropriate public education. The Preschool grants are allocated to states that are eligible to receive Part B funds and that make a free and appropriate public education available to all children with disabilities between the ages of 3 and 5. These funds are generally used for salaries of special education teachers, speech language pathologists, physical and occupational therapy, psychological services, parent counseling and training, and social work services in schools.

The Part C, infant and toddler funds are provided to implement and maintain statewide, comprehensive, interagency systems to make early intervention services available for all infants and toddlers with disabilities from birth to age 3. The statewide system must include a written individualized family service plan developed by a multi-disciplinary team for each infant or toddler with a disability.

The Department of Elementary and Secondary Education implemented a web-based statewide federal grants application system during FY 2008 that allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system to modify it to align it with reporting requirements in the stimulus guidelines, once those guidelines are developed.

The local government appendix includes a table with estimates of Title I and Special Education distributions by district. The Special Education estimates are staff estimates based upon the proportion of FY 2009 distributions. These distributions will change with more updated data.

**Small Business Administration (A, Title V).** The Act appears to provide additional funding and authority for the Small Business Administration. Governor Carcieri included Article 14 to provide tax credits for Small Business Administration loan guaranty fees and Article 15 to give the Economic Development Corporation authority for \$25 million of moral obligation debt to increase the guaranty on Small Business Administration loans to 90 percent and to directly back bank loans at the same 90 percent guaranty. It appears that the federal Stimulus Act may provide some or all of the goals of these articles in the short term through 2010.

Loan Guarantees. The Act allows the Small Business Administration to raise its loan guaranty from the current levels to as much as 90 percent for some loans. At present, the Small Business Administration can guarantee loans up to 85 percent on loans up to \$150,000, and up to 75 percent on loans greater than \$150,000.

Deferred Payment Loans. The Act creates a new loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by Small Business Administration. Repayment would not have to begin until 12 months after the loan is fully disbursed.

Microloans. The Act expands the Microloan program that provides loans up to \$35,000 paired with technical assistance to start-up, newly established or growing small businesses. The Act provides funding to increase the loans to participating Micro lenders by \$50 million through September 30, 2010, and adds \$24 million in grants to provide technical assistance to borrowers. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas.

Refinancing. The Act also gives it the authority to use the 504 Certified Development Company program to refinance existing loans for fixed assets, providing fresh support for small business expansion.

Secondary Market Expansion. The Act authorizes the Administration to establish a secondary market for pools of "first lien" loans under the 504 program. These "first lien" loans from commercial lenders currently have no guarantee. The bill authorizes it to deploy federal guarantees for pools of these first lien loans, so that they can be sold to investors in a secondary market and empowers it. The Act sets up a Secondary Market Lending Authority that would make direct loans to broker-dealers that participate in the secondary market for guaranteed 7(a) loans. These broker-dealers would use the funds to purchase backed loans from commercial lenders, assemble them into pools and sell them to investors in the secondary loan market.



**Investment Program.** The Act helps Small Business Administration-licensed Small Business Investment Companies and families of these funds better leverage the capital they use to invest in small businesses. The Act sets maximum levels of funding the agency can provide to these companies at up to three times the private capital raised by those companies, or \$150 million, whichever is less. It also raises the percentage any one Small Business Investment Company can invest in a single small business to 10 percent of total capital, and raises from 20 percent to 25 percent the percentage of any licensee's dollar investments that must be made in "smaller" businesses.

**Surety Bonds.** The Act also raises the maximum contract amount that can be covered by Small Business Administration guaranteed surety bonds from \$2.0 million to \$5.0 million, and, under certain circumstances, for contracts amounting to \$10.0 million, and provides additional funds to cover the costs of expanding this program. Small businesses need surety bonds in order to bid on and obtain many federal and other contracts; this provides surety bonds to small businesses that private surety companies would not otherwise be able to extend.

**Highway Infrastructure Investment (A, Title XII, Formula).** This is a formula grant to provide additional construction funds for states. It appears Rhode Island will receive total additional funds of \$137.1 million, of which expenditures will be spread out in both FY 2009 and FY 2010 for approximately 50 separate projects throughout the state. The Act provides \$27.5 billion to states for construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements for highways, interstates, bridges, passenger rail, freight rail and port infrastructure projects.

Funding is apportioned to each state based on the Surface Transportation Program formula, as well as Federal Highway Administration obligation limitations from FY 2008. The Act requires that 3.0 percent of the funding must be allocated to enhancement projects. Funding will be available through September 30, 2010 and not require a state match. The funds must be allocated within the time frame provided in the Act.

If the state does not obligate the total amount within 120 days of the federal apportionment, the Secretary of Transportation may withdraw up to 50.0 percent of the total funding apportioned to the state, and redistribute those funds to other eligible states. One year after the original apportionment, the Secretary of Transportation may withdraw all remaining unobligated funds, and redistribute those funds to other eligible states. The Act does not include a requirement to allocate funding to municipalities; however, project funding must be allocated to projects included in the statewide Transportation Improvement Program, which is developed in conjunction with municipal transportation agencies.

**Transit Capital Grants (A, Title XII, Formula).** This is a formula grant to provide additional capital funds for transit projects in urban and rural areas. It appears Rhode Island will receive a total of \$29.5 million through the Rhode Island Public Transit Authority. Of this amount, \$28.6 million will be used for projects in urban areas, and \$0.9 million will be used for projects in rural areas.

State apportionments are based upon the following: 80 percent for urbanized area formula grants; 10 percent based upon growing states and high density state formula factors; and 10 percent as formula grants for other than urbanized areas. The funds under this Act must be apportioned no later than March 10, 2009, and states have 180 days to obligate their funds or risk losing 50 percent of unobligated funds to other states. States risk losing all funds unobligated after one year.

The Rhode Island Public Transit Authority has drafted a preliminary list of projects, including the following: \$11.0 million to convert currently owned diesel vehicles to hybrid, as well as the purchase of additional hybrid vehicles to replace diesel buses that are reaching the end of their useful lives, \$2.5 million for Intelligent Transportation System technology, \$4.2 million for maintenance and support equipment such as forklifts and brake lathes, \$2.2 million for facility upgrades such as new garage doors, lighting enhancements and roof repair, as well as \$1.0 million for the repaving of Kennedy Plaza.

**Employment and Training – Dislocated Worker Assistance National Reserve (A, Title VIII, Competitive).** There is \$200 million available in competitive national emergency grants to help states respond to plant closings, mass layoffs and other worker dislocations. These grants are available immediately and will remain available to states through June 30, 2010. The Department of Labor and Training has indicated its intention to apply once rules and regulations become available.

**Employment and Training – Workforce Investment Act (A, Title VIII, Formula).** Formula grants are available to states to provide training and employment services for activities related to the Workforce Investment Act of 1998. It appears Rhode Island will receive \$14.8 million for three programs, according to Federal Funds Information for States. This includes \$2.1 million for supportive services and needs-related payments for adult employment and training activities targeting priority populations, including recipients of public assistance and other low-income individuals. Rhode Island's share also includes \$7.0 million for employment and training programs for dislocated workers in the state and \$5.7 million in additional funding for youth activities, including summer employment programs for which the state is allowed to raise the program's age limit from 21 to 24 years of age. This additional funding is available immediately and will remain available through June 30, 2010. The Department of Labor and Training will administer these funds.

**Employment and Training - Community Service Employment (A, Title VIII, Formula).** The Act includes funding for community service employment grants within Title V of the Older Americans Act of 1965, which provides grants to states to promote part-time community service activities for unemployed, low-income persons aged 55 years or older. The formula was based upon the FY 2008 allotments, and it appears Rhode Island will receive a total of \$644,000 in additional funds, which will be available through June 30, 2010. The Act does not waive the 10.0 percent minimum state match; therefore a general revenue expenditure of \$64,400 would be required, unless in-kind services can be used to meet the match. The Department of Labor and Training will likely administer these funds.

**Employment and Training – Unemployment Insurance (A, Title VIII, Formula).** Grants, based on the current formula for distribution of administrative funds, are available to Rhode Island for non-benefit related unemployment insurance expenses. Rhode Island expects \$1.7 million in additional funding for state unemployment insurance administration and \$1.4 million for employment service operations. These funds are available immediately and will remain available until September 30, 2010. The Department of Labor and Training will administer these funds.

## **Section II: Tax Issues**

The Act contains a number of tax and tax related items affecting businesses and individuals. Many have no impact on Rhode Island tax revenues because the state has uncoupled from federal tax changes in most tax areas, including tax credits, but not tax deductions.

From its inception until 2001, the Rhode Island personal income tax rate was a percentage of federal income tax liability on income earned in Rhode Island. This made Rhode Island one of only two “piggyback” states in the country -- the other being Vermont. While it produced significant administrative ease, it also tied Rhode Island to federal tax policy. When Congress passed, and President George W. Bush signed, the Economic Growth and Tax Relief Reconciliation Act of 2001 that lowered federal tax liability through lower rates and changes to taxable income, Rhode Island and Vermont changed their state tax codes to move off the “piggyback” on federal income tax *liability* to tax schedules applied to federal *taxable income*.

The 2002 Assembly negated the impact on Rhode Island corporate and personal income taxes of the bonus depreciation and expanded net operating loss carry back provisions of the federal Job Creation and Workers Assistance Act of 2002. When Congress passed the Jobs and Growth Tax Relief Reconciliation Act of 2003 that changed the amount that business filers could expense during a tax year, the 2003 General Assembly enacted legislation to not allow that for Rhode Island purposes. The 2008 Assembly permanently uncoupled from federal changes regarding bonus depreciation and section 179 expensing. The Assembly had not allowed these federal changes in previous years by uncoupling each time the federal changes were enacted.

The federal Job Creation and Workers Assistance Act of 2002, which became law on March 9, 2002, allowed businesses to claim immediate tax deductions of up to 30 percent of the cost of new equipment purchases rather than using the standard depreciation over life of the asset method. This “bonus depreciation” change was effective retroactive to September 11, 2001 and lasted through September 2004. In addition, the Act temporarily extended the general net operating loss carry back period to five years from the current two years in taxable years ending in 2001 and 2002.

There are a number of provisions that will affect state tax collections unless the Assembly modifies tax laws to uncouple, either temporarily or permanently. This section begins with

those features of the Act that will modify Rhode Island tax revenues, and is followed by other features that are likely to be of interest.

### **Affecting Rhode Island Tax Revenues**

**Earned Income Tax Credit Increase (B, Title I).** The Act increases benefits from 40 percent to 45 percent of the first \$12,570 in earned income for families with three or more children for tax years 2009 and 2010. The credit begins to phase out at a rate of 15.98 percent of earnings above \$16,420 for individuals and \$21,420 for those married and filing jointly. Since Rhode Island's credit is 25 percent of the federal amount, Rhode Islanders with three or more children eligible for a credit would see an increase in their credit for tax years 2009 and 2010. Based on tax year 2007 returns, the total estimated revenue loss would be \$175,306.

The 2003 Assembly provided for a permanent 5.0 percent refundable earned income tax credit for eligible individuals beginning with tax year 2003. Rhode Island had allowed the credit only to the extent of Rhode Island liability. This change provided that 5.0 percent of the amount of credit above that used to offset Rhode Island tax liability would be paid to the taxpayer. The 2005 Assembly increased the refundable credit to 10.0 percent; the 2006 Assembly increased it to 15.0 percent.

**Vehicle Purchase - Sales Tax Deduction (B, Title I).** For tax year 2009 only, the Act provides an itemized deduction for the state and local sales taxes paid on a new vehicle under 8,500 lbs and up to \$49,500 in value purchased between February 17, 2009 and December 31, 2009. The deduction is subject to a phase out for individuals with modified adjusted gross income between \$125,000 and \$135,000 and \$250,000 and \$260,000 for those married and filing jointly.

The deduction would be either an addition to itemized deductions or an addition to the standard deduction for non-itemizers. The deduction taken by non-itemizers will not affect Rhode Island tax revenues, as the state is not coupled to the federal standard deduction. However, the additional itemized deduction would flow through on the Rhode Island return, costing state revenue.

From February 2008 to December 2008, the state collected \$82.8 million from sales tax on automobiles. Estimating that 44 percent of the filers will itemize their deductions, and using an effective tax rate of 4.6 percent, the revenue loss to Rhode Island would be \$1.67 million. The state could amend its income tax statutes to not allow this deduction.

**Unemployment Benefit Taxation Suspension (B, Title I).** For tax year 2009 only, the Act suspends federal income tax obligations on the first \$2,400 in unemployment benefits received. Unemployment benefits in excess of \$2,400 would be subject to federal income tax. The Act also increased the weekly benefits by \$25 and extended benefits to 33 weeks. Since Rhode Island piggybacks on federal taxable income, any income excludible from federal taxable income would be excludible from Rhode Island taxable income.

The net effect to Rhode Island taxable income would be a decrease of \$1,575 for each person receiving unemployment compensation for the full 33 weeks. Since Rhode Island has 56,800 individuals unemployed as of December 2008, the total amount of income excludible from gross income would be \$136,320,000. Estimating an average effective tax rate of 3.94 percent, the revenue loss based on this income exclusion would be \$3.5 million in FY 2010 unless the state amends its income tax statutes to not allow this deduction for Rhode Island tax purposes.

**Alternative Minimum Tax Relief Extension (B, Title I).** For tax year 2009 only, the Act would extend the Alternative Minimum Tax relief for nonrefundable personal credits and increase the exemption from \$69,950 to \$70,950 for married joint filers, from \$46,200 to \$46,700 for unmarried individuals and from \$34,975 to \$35,475 for married individuals filing separately. For tax years beginning in 2009, taxpayers may offset the entire regular tax liability and Alternative Minimum Tax liability by the nonrefundable personal credit.

### **Items of Interest Not Directly Affecting Rhode Island Tax Revenues**

**Making Work Pay Tax Credit (B, Title I).** For tax years 2009 and 2010, the Act establishes a refundable tax credit up to \$400 for working individuals and \$800 for working families. The credit is calculated as the lesser of 6.2 percent of earned income or \$400 (\$800 in the case of joint returns). The credit would phase out at a rate of 2.0 percent once individual adjusted gross income exceeds \$75,000 or \$150,000 for those married and filing jointly. The credit can be incorporated into an adjustment in withholdings or through tax returns.

While estimates indicate that there may be up to 400,000 eligible taxpayers in Rhode Island, this would not impact Rhode Island income tax revenues.

**Refundable Child Credit – Increase in Eligibility (B, Title I).** For tax years 2009 and 2010, the Act would have the refundable child credit apply to 15.0 percent of earned income in excess of \$3,000 instead of \$8,500 as was the case in 2008.

**Net Operating Loss Carry Back (B, Title I).** The Act extends the 2008 net operating loss carry back to three, four, or five years from the current two years for businesses with less than \$15.0 million in gross receipts. Rhode Island does not allow for net operating loss carry backs for individuals or corporations.

**Hope Credit Modification - American Opportunity Tax Credit Expansion (B, Title I).** For tax years beginning in 2009 or 2010, the Act would provide a higher education tax credit of up to \$2,500 (up from \$1,800) for the cost of tuition and related higher education expenses during each of the first four years (up from two years) of a student's post-secondary education. Taxpayers would receive a tax credit based on 100 percent of the first \$2,000 and 25 percent of the next \$2,000 of eligible expenditures. The provision will also permit taxpayers to take advantage of the credit for up to four years as opposed to two in prior legislation. The Act would permit 40.0 percent of the credit to be refundable, but would be subject to a ratable

phase-out based on adjusted gross income between \$80,000 and \$90,000 for individuals and between \$160,000 and \$180,000 for those married and filing jointly.

**Expansion of Eligible Expenditures for 529 Education Plans (B, Title I).** For tax years 2009 and 2010, the Act would permit expenditures for computers and related technology, such as software and internet access expenses to qualify as eligible expenditures for use by the designated beneficiary who is enrolled in an eligible higher education institution.

**Refundable First-time Home Buyer Credit Changes (B, Title I).** The Act eliminates the obligation for repaying this tax credit for those who purchase homes between December 31, 2008 and December 1, 2009 unless the house is sold within three years of purchase. Prior to the Act, the credit was recaptured ratably, interest free, over a fifteen-year period. The Act also increases the value of the credit from a maximum of \$7,500 to \$8,000. It also allows the credit to be applied to financing mechanisms from mortgage revenue bonds, but does retain the phase out of the tax credit at adjusted gross income of \$75,000 for individuals and \$150,000 for those married and filing jointly.

### **Section III: Potential Opportunities**

Section III discusses potential opportunities for state and local governments through either formula or competitive grants. They do not have immediate impact on the revised FY 2009 budget, but may appear for inclusion in the final FY 2009 revisions or FY 2010 enacted budget. In many cases, the state or applicable agencies will have to submit specific applications for the federal funding.

**Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (A, Title I, Formula).** This is a formula grant that provides \$500.0 million nationally for the special supplemental nutrition program for women, infants and children, of which \$400.0 million will be to ensure adequate funding for increased caseloads and food expenses, and \$100.0 million will be available to states as a formula grant for implementing and upgrading management information systems. Rhode Island's share is still not known, but the Department of Health indicates that it expects to receive this guidance as early as March 5, 2009. It also expects to learn if there will be any change to income eligibility. While it does not anticipate the stimulus allocation to be based on the current formula, Rhode Island received \$20.0 million, or 0.3 percent of \$6.4 billion in national expenditures for FFY 2008; this same share of the stimulus funds would equate to \$1.5 million. Funding is available until September 30, 2010.

**School Lunch Equipment (A, Title I, Formula).** This is a formula grant to provide school lunch program equipment assistance. The Act contains a total of \$100.0 million to be distributed in the same proportion as federal child nutrition funds. Rhode Island is eligible to receive \$251,000. States must make competitive grants to districts through which priority will

be given to schools in which at least 50.0 percent of the students are eligible for free or reduced lunch.

**Aquaculture Assistance (A, Title I, Formula Grant).** This is a formula grant to provide the state's aquaculture producers with financial assistance for losses associated with high feed costs during calendar year 2008. Rhode Island producers do not use feed to grow aquaculture and therefore would not be eligible, according to the Coastal Resources Management Council.

**Victims of Crime (A, Title II, Formula Grant).** This is a formula grant providing additional funds for Crime Victims Compensation and Assistance programs. Rhode Island will receive a total of \$758,000, which must be obligated by September 30, 2010. Of that amount, \$572,000 is intended for Crime Victims Assistance programs through the Rhode Island Justice Commission. This is 31.1 percent of grant appropriated for FY 2009. The remaining \$186,000 will be used for Crime Victims Compensation, which is one-fourth of the regular compensation grant.

The Crime Victims Assistance programs provide additional support to victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other federal and state crimes. State and local non-profit agencies compete for additional funds by submitting grant requests to a federal advisory committee. It appears that the additional funds are available upon passage of the Act and will be electronically transferred to a crime victims' account in a few days. There is a three to five month distribution process involved in awarding the funds to the sub-grantees, and the Justice Commission is planning to expedite its procedures and allocate the funds within one or two months.

The state agencies eligible for additional funds for their victim assistance programs include the Department of Corrections, the Judiciary, and the Office of the Attorney General. The local eligible agencies include Rhode Island Coalition Against Domestic Violence, Community Counseling Center, Mothers Against Drunk Driving, and several others. It is possible that the Department of Corrections could offset approximately \$72,000 of general revenue expenses with the additional federal funds. The Office of the Attorney General and the Judiciary's victim assistance programs are fully federally funded.

The Crime Victims Compensation program is administered by the Treasurer's Office and provides financial support to the state to help victims with expenses such as medical bills, loss of earnings, and funeral expenses. The Treasurer's Office has the year of the award, plus three more years, to spend the regular compensation grant, but will have only until September 30, 2010 to spend the additional funds. The additional compensation funds are based on the same formula that determines the regular Crime Victims Compensation grant.

**Byrne-Justice Assistance Grants (A, Title II, Formula).** This is a formula grant that may be used by both local and state law enforcement agencies to purchase equipment, information technology updates, as well as offset overtime expenditures. It appears that Rhode Island will receive \$9.5 million between FY 2009 and FY 2011 of which \$3.7 million will be distributed

directly to local law enforcement agencies. The distribution is based upon the number of serious crimes such as homicide; sexual assault; robbery; aggravated assault; larceny; auto theft; and arson that take place within a community and is shown in the table below.

<b>Police Department</b>	<b>FY 2009 Allocation</b>
Bristol	\$ 31,208
Burrillville	20,464
Central Falls	168,829
Coventry	50,649
Cranston	197,991
Cumberland	38,370
East Greenwich	10,744
East Providence	95,158
Hopkinton	11,767
Johnston	52,184
Lincoln	37,859
Middletown	21,487
Narragansett	16,883
Newport	179,061
North Kingstown	40,928
North Providence	58,834
North Smithfield	11,255
Pawtucket	390,865
Portsmouth	17,395
Providence	1,615,134
Smithfield	22,511
South Kingstown	30,185
Tiverton	15,348
Warren	31,719
Warwick	182,643
West Warwick	95,158
Westerly	43,998
Woonsocket	254,779
<b>Total</b>	<b>\$ 3,743,406</b>

Of the remaining \$5.7 million, the Bureau of Justice Assistance requires that 42 percent, or \$2.4 million, be passed through to local governments. The Department indicates that the Local Law Enforcement Planning Committee will determine the allocation of these funds but has not yet scheduled meeting to do so. Historically, the Local Law Enforcement Planning Committee has waived a portion of this pass through funding to allow state agency projects that specifically provide direct benefits to local law enforcement agencies. The Commission can use 10.0 percent of the total for administrative expenses before applying the state/local allocation percentages, allowing for a reduction in general revenue expenditures.

**Violence Against Women (A, Title II, Formula).** This is a formula grant that provides additional funding to the Department of Public Safety for violence against women prevention and prosecution programs. It appears that Rhode Island will receive \$1.1 million for these initiatives. The table below displays how the Public Safety Grant Administration Office distributed funding among program areas in FY 2008.



<b>Program Area</b>	<b>FY 2008 Distribution</b>
Victims Services	30%
Discretionary (Victims Services)	15%
Prosecution	25%
Courts	5%
Law Enforcement	25%
<b>Total</b>	<b>100%</b>

The Department has indicated that a similar funding formula will be used when the violence against women act planning committee convenes to allocate this additional funding. A date has not been set for this meeting.

**Internet Crimes Against Children (A, Title II, Formula).** This is a formula grant that provides additional funding to combat internet crimes against children. It appears that Rhode Island will receive \$0.4 million for additional funding to support a statewide multi-agency law enforcement task force to target online predators and child exploitation investigations.

The Department of Public Safety has indicated it intends to use the funding to hire two full-time civilian forensic examiners, provide online safety and public educational training, provide statewide law enforcement training, and rent additional facilities for the unit's operations. The Act provides \$50.0 million nationwide for the measure. Funding is available until expended, or until September 30, 2010.

**Community Oriented Policing Services (A, Title II, Competitive).** This is a competitive grant that will provide additional funding to the local law enforcement agencies for enhanced community oriented policing services. The Act includes \$1.0 billion in total funding for enhanced Community Oriented Policing Services. The Rhode Island Police Chiefs Association indicated to staff that the local law enforcement agencies are aware of this funding possibility and many of them have shown an interest in applying for the additional funding.

The United States Attorney General administers this grant program to allow states, units of local government, Indian tribal governments, other public and private entities, and multi-jurisdictional or regional consortia to hire, re-hire, train and equip law enforcement officers. Funds made available through the program are not to be used to supplant state or local funds, and provide 100.0 percent federal funding for three years for salaries and benefits of additional officers. The program requires that grantees maintain newly-hired positions for one full budget cycle after grant funding terminates.

**Economic Development Administration (A, Title II, Competitive).** The Act provides \$150.0 million nationally for Economic Development Assistance programs to leverage private investment, stimulate employment, and increase incomes in economically distressed communities. The Rhode Island Economic Development Corporation indicates that funding will be distributed to the nine federal Economic Development Administration regions to be disbursed to each state within the region on a per capita basis; it anticipates \$2.5 million for Rhode Island. The Corporation also notes that funds will be used to initiate one of the

elements of the Governor's Small Business Stimulus Plan, the recapitalization of the Small Business Loan Fund to provide new funds to the depleted program.

**Operation and Maintenance, Army National Guard (A, Title III, Competitive).** This is a competitive grant that provides \$266.3 million nationally for operations and maintenance for the Army National Guard for maintaining the physical plant at Department of Defense posts, camps and stations. Rhode Island's Military Staff submitted an eight-item project list. Two of the projects, which total \$604,900, will be funded from grants funds provided directly to the state. The National Guard Bureau will directly fund four projects, totaling \$1.8 million, from a portion of these grant funds, which will not appear in the state budget. The remaining project will not be funded because state matching funds are unavailable. Funding is available for obligation until September 30, 2010.

**Operation and Maintenance, Air National Guard (A, Title III, Competitive).** This is a competitive grant that provides \$25.8 million nationally for operations and maintenance for the Air National Guard. Rhode Island's Military Staff indicates that there are no projects for the Air National Guard that meet criteria for stimulus funding.

**Army Corps of Engineers - Construction (A, Title IV, Discretionary).** This is a discretionary grant, which provides \$2.0 billion in additional funds for water related environmental infrastructure projects to the Army Corps of Engineers. After discussions with the Corps, the Coastal Resources Management Council has determined that it is unlikely it will receive additional funding from this grant. The funding included in the Act will be appropriated to the Corps for its construction operations, and not passed through to the states. Funding will be obligated at the discretion of the Secretary of the Army.

**Army Corps of Engineers - Operation and Maintenance (A, Title IV, Discretionary).** This is a discretionary grant, which provides \$2.1 billion to the Army Corps of Engineers to fund projects that concentrate on water and energy development. After discussions with the Corps, the Coastal Resources Management Council has determined that it is unlikely it will receive additional funding from this grant. The funding included in the Act will be appropriated to the Corps for its operations, and not passed through to the states. Funding will be obligated at the discretion of the Secretary of the Army.

**Weatherization Assistance Program (A, Title IV Formula).** This is a formula grant that provides \$5.0 billion nationally to be used through federal fiscal year 2010 for the Weatherization Assistance Program. It appears that Rhode Island will receive \$20.5 million. According to the Department of Energy, the Weatherization Assistance Program formula is based on three factors for each state. First is the low-income population, as a percentage of the total for the country. Second are climate conditions. Third is residential energy expenditures by low-income households. The Act further expands the number of households eligible for assistance by increasing eligibility levels to households from 150.0 percent to 200.0 percent of the federal poverty level and increasing maximum assistance from \$2,500 to \$6,500. For FY 2009, eligibility is based on 60.0 percent of the state's median income, which is

approximately 220.0 percent of the federal poverty guidelines, or \$46,913 for a family of four in Rhode Island.

The Weatherization Assistance Program provides cost effective, energy efficient weatherization improvements. The program provides low-income individuals, particularly elderly, persons with disabilities, families with children, high residential energy users, and households with a high energy burden, with weatherization improvements to lower utility costs. It currently assists approximately 850 households in Rhode Island. The program provides for installation of weatherization materials such as attic insulation, caulking, weather-stripping, furnace efficiency modifications, certain mechanical measures to heating and cooling systems, and replacement of furnaces, boilers, and air-conditioners.

The Office of Energy Resources subcontracts with seven local community action agencies to provide the program's services. The Office of Energy Resources currently receives \$1.0 million annually from the Department of Energy for weatherization assistance. The Office indicates that it has not received guidance from the Department of Energy and is unclear when the funds will become available. The Office requested that the community action agencies gear up, and it appears that they have hired and are training additional staff; however, no official action plans have been submitted. The Office also notes that the community action agencies are using some of their current weatherization funds to purchase necessary equipment.

**Energy Efficiency and Conservation Block Grants (A, Title IV, Formula).** The Act provides \$2.8 billion nationally to be used through federal fiscal year 2010. The funds will be distributed on existing formula, which takes into account population and other factors. The amount that Rhode Island will receive is not yet known. The funds will be used for the implementation of programs established under subtitle E of title V of the Energy Independence and Security Act of 2007; to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The formula for the program allocates 70.0 percent of the funds to cities with populations of 50,000 or more and counties of 200,000 or more, which by Energy Efficiency and Renewable Energy rules will be 10 cities in Rhode Island. The remaining 30.0 percent will be distributed by formula as follows: 2.0 percent is for Native Americans and 28.0 percent is for state energy offices, of which 60.0 percent is for sub-grants to local governments that are not eligible under the population formula and 40.0 percent for the state energy program.

**Energy Efficiency and Conservation Block Grants (A, Title IV, Competitive).** The Act provides \$400.0 million to be awarded on a competitive basis. The funds will be used for implementation of programs established under subtitle E of title V of the Energy Independence and Security Act of 2007, to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The Office of Energy Resources has not received guidance from the Department of Energy.

**State Energy Program (A, Title IV, Formula).** The Act provides \$3.1 billion nationally for the State Energy Program to be distributed on a formula basis to take into account population

and energy usage. The Program provides direct funding to state energy offices and the states use the funds to address their energy priorities and programs to adopt or support energy efficiency and renewable energy programs and strategies. It appears Rhode Island will receive \$24.3 million. The state currently receives \$0.3 million annually for the State Energy Program. The Office of Energy Resources has not received guidance from the Department of Energy and therefore is unclear what the timeline is for the use of the funds.

The Act requires the state or local government must implement energy codes for residential and commercial buildings that meet or exceed certain conservation and efficiency standards. The Governor submitted a certification letter, which provided assurances that Rhode Island is committed to implementing necessary actions to be in compliance with federal regulations in order to receive the funds. The Act also waives the 20.0 percent state match requirement and waives the limitation on the percentage of funding that can be used for the purchase and installation of energy efficiency equipment.

**Innovative Technology Loan Guarantee Program (A, Title IV Competitive).** The Act provides \$6.0 billion nationally to provide loan guarantees for renewable technologies and transmission technologies, which will remain available until expended. The amount that Rhode Island could potentially receive is undeterminable. According to information obtained from the Department of Energy, funds will be used to decrease air pollutants or man-made greenhouse gases. Other projects could include renewable energy systems, advanced fossil energy technologies, and production facilities for fuel-efficient vehicles. Additionally, the Act expands the size of the loan guarantee program and increases the amount of loan guarantees authorized specifically for renewable energy and electric power transmission systems.

The Rhode Island Economic Development Corporation is seeking to develop a wind farm project sited on former United States Navy land in Middletown. The Corporation stated that this project would be eligible to receive funding under the Innovative Technology Loan Guarantee Program and may be eligible to receive additional federal stimulus funding under the other energy programs administered by the Department of Energy.

**Emergency Management-State and Local Public Transportation (A, Title VI, Competitive).** This competitive grant provides \$150.0 million of funding for public transportation and railroad security consistent with the recommendations of the 9/11 Commission Act of 2007 regarding transportation security strategic planning. The Rhode Island Public Transportation Authority indicates that it will apply for all eligible funding; the Rhode Island Emergency Management Agency is the pass through agency for these funds. There is no cost sharing requirement for these funds. Funding is available for obligation until September 30, 2010. It is unclear what the distribution schedule is for each fiscal year.

State and local government will have to compete for Railroad Security Assistance grants with railroad carriers, owners of railroad cars, Amtrak, the Alaska Railroad, and offerors of security-sensitive materials who ship by railroad. Grants will be available to agencies only

after a security plan is developed or the agency undergoes a security assessment as described in section 1135 of the 9/11 Act.

**Emergency Management - State and Local Port Security (A, Title VI, Competitive).** This is a competitive grant that provides \$150.0 million of funding to enhance security measures at ports and may be used for staff training. The Quonset Development Corporation indicates that it submitted a project list and intends to apply for all funding for which it may be eligible. Funding is available for obligation until September 30, 2010. It is unclear what the distribution schedule is for each fiscal year. The Rhode Island Emergency Management Agency is the pass through agency for this grant. The Act includes a provision waiving the cost-share.

**Emergency Management - State and Local Fire Stations (A, Title VI, Competitive).** This competitive grant provides \$210.0 million for modifying, upgrading, or constructing non-federal fire stations. Funding will be provided through the Department of Homeland Security and the Rhode Island Emergency Management Agency is the pass through agency for this grant. Funding is available for obligation until September 30, 2010. It is unclear what the distribution schedule is for each fiscal year. Up to 0.5 percent of the funding is available for program administration, and no grant shall exceed \$15.0 million.

**Clean Water Revolving Fund (A, Title VII, Formula).** This is a formula grant to provide additional funds to the state's clean water revolving funds, to be used as subsidized loans to municipalities for wastewater infrastructure projects. It appears Rhode Island will receive \$26.7 million to finance wastewater infrastructure projects. The financing aspect of this program will be controlled by the Clean Water Finance Agency, with project selection and oversight performed by the Department of Environmental Management. Of the \$26.7 million, 20.0 percent will be used for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. In particular, these projects would include the installation of rain gardens to treat storm-water runoff, repairs to riparian buffers, and the installation of energy efficient structures such as wind farms at sewage treatment facilities. The Department of Environmental Management is requesting that the 39 municipalities submit projects with total costs of \$300,000 or more to the Department in order to determine which projects would be funded. Both the Agency and the Department believe that a \$300,000 minimum will ensure the full benefit of the subsidized loan is passed on to the municipalities.

The Act provides that not less than 50.0 percent of this amount be disbursed to subsidize eligible recipients in the form of forgiveness of principal, negative interest loans or grants, or any combination of these. The funds may also be used to buy, refinance or restructure debt obligations of eligible recipients only where such debt was incurred on or after October 1, 2008. The Department of Environmental Management has noted eligible projects would include construction and repairs to municipal wastewater treatment facilities, including those operated by the Narragansett Bay Commission. The Act waives the mandatory 20.0 percent state matching requirement. Priority will be given to projects on the state priority list that are

ready to proceed with construction before February 17, 2010, and the Department of Environmental Management notes that it is currently finalizing this list.

Once the list has been finalized, the Clean Water Finance Agency will meet with municipal borrowers to determine the size and structure of loans. The Agency has noted it has not yet determined a standard loan size or structure. It should be noted that statutory changes will be necessary to allow the Agency to issue loans that include negative interest or principle forgiveness.

**Drinking Water Revolving Fund (A, Title VII, Formula).** This is a formula grant to provide additional funds to the state's drinking water revolving funds, to be used as subsidized loans to water systems for drinking water infrastructure projects. It appears Rhode Island will receive \$19.7 million to finance drinking water infrastructure projects. The financing aspect of this program will be controlled by the Clean Water Finance Agency, with project selection and oversight performed by the Department of Health. Of the \$19.7 million, 20.0 percent of the funds must be appropriated for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. In particular, these would include water conservation projects such as leak detection and metering, and the relining and repair of transmission lines.

The Act provides that not less than 50.0 percent of this amount be disbursed to subsidize eligible recipients in the form of forgiveness of principal, negative interest loans or grants, or any combination of these. The funds may also be used to buy, refinance or restructure debt obligations of eligible recipients only where such debt was incurred on or after October 1, 2008. The Department of Health notes that these funds will be used for loans to water supply systems throughout the state, of which there are 482 separate suppliers. Projects would include repair and construction of distribution systems, as well as upgrades to wells and pump stations. The Act waives the mandatory 20.0 percent state match. Priority will be given to projects on the state priority list that are ready to proceed with construction before February 17, 2010, and the Department of Health notes that it is currently in the process of finalizing this list.

Once the list has been finalized, the Clean Water Finance Agency will meet with water suppliers to determine the size and structure of loans. The Agency has noted it has not yet determined a standard loan size or structure. It should be noted that statutory changes will be necessary to allow the Clean Water Finance Agency to issue loans that include negative interest or principle forgiveness.

**Leaking Underground Storage Tanks (A, Title VII, Formula).** This is a formula grant, which provides \$200.0 million for the federal Leaking Underground Storage Tank Trust Fund, which is for clean-up of leaking underground storage tanks. The state operates its own Underground Storage Tank Fund, which is administered by the Department of Environmental Management. It appears the Department of Environmental Management will receive approximately \$1.0 million from these funds, which must be spent within two years of receipt.

The Department notes it will use the additional funding for remediation of leaks and removal of tanks that are not eligible to receive funding from the state's fund. These sites include private or municipally owned sites, as well as abandoned sites. The Department has submitted an application for these funds to the Environmental Protection Agency, but it is currently unclear which sites would be remediated with the additional funding.

Title VII removes the state match requirement, and would allow the Department to retain up to 1.5 percent of the additional funds for administration of the program. The Environmental Protection Agency requires that the additional funding be targeted to projects that have not been eligible for state funds due to regulatory requirements such as the date or nature of the release.

**United States Geological Survey-Research Surveys and Studies (A, Title VII, Discretionary).** This is a discretionary grant which provides \$140.0 million for repair, construction and restoration of facilities; equipment replacement and upgrades including stream gauges, and seismic and volcano monitoring systems; national map activities; and other critical deferred maintenance and improvement projects. It appears Rhode Island will not receive funding from this grant. Currently, the Water Resources Board and the Department of Environmental Management use stream gauge data for drought and flood prediction models, public water supply management and permitting purposes. Funding provided in the Act will be apportioned at the Discretion of the Secretary of Agriculture to the United States Geological Survey, and not passed through to the states.

**Hazardous Substances Superfund (A, Title VII, Formula).** This is a formula grant which provides \$600.0 million for the federal Hazardous Substances Superfund. The Department of Environmental Management notes that it is awaiting guidance from the Environmental Protection Agency in order to determine the amount of funding as well as the timeframe it will have to obligate the funds. Funds can be used to carry out site assessment, study, design and remedial actions at superfund sites across the country. The hazardous substance Superfund was established by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 to address abandoned hazardous waste sites.

**Diesel Emission Reduction (A, Title VII, Formula).** This is a formula grant which provides \$90.0 million for diesel emissions reduction grants and does not mandate a matching requirement. It appears the Department of Environmental Management will receive approximately \$1.7 million in FY 2009, which it will use to retrofit state owned heavy-duty diesel vehicles.

**Diesel Emission Reduction (A, Title VII, Competitive).** This is a competitive grant which provides \$210.0 million for diesel emissions reduction grants and does not mandate a matching requirement. Funding will be disbursed on a competitive basis among state, municipal, private and non-profit entities, and the Department of Environmental Management is currently unclear on the amount of additional funding it could receive. These funds would be used in FY 2009

to retrofit state owned heavy-duty diesel vehicles. The Department has submitted an application as well as a detailed work plan to the Environmental Protection Agency.

**Brownfields Projects (A, Title VII, Competitive).** This is a competitive grant, which provides \$100.0 million for brownfields remediation projects, without the requirement of a local match. The Department of Environmental Management notes it has historically received these funds, but is currently unclear on the amount of additional funding it could receive, or the timeframe for obligation of the funds. The Environmental Protection Agency notes it has begun drafting regulations. Brownfields projects are defined as real property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. The Department notes the additional funding would be used to assess and clean-up additional contaminated properties, or expedite the clean-up of properties currently being remediated.

**National Endowment for the Arts (A, Title VII, Formula).** This is a formula grant which provides funds to help preserve jobs in the nonprofit arts sector. It appears that Rhode Island will receive approximately \$291,500, which will be provided through the Rhode Island State Council on the Arts. Federal guidelines indicate that the Arts Council must submit an application to the National Endowment for the Arts by March 13, 2009. The guidelines also indicate that the Arts Council must develop an application process for Rhode Island nonprofit organizations and begin to award grant funds on April 1, 2009. The Arts Council is currently in the process of preparing an application for the funds, as well as developing an application process to award the grants. It is likely that the application process will be similar to the Arts Council's current procedures. Funds are available until September 30, 2010 and will not require a state match.

**National Endowment for the Arts (A, Title VII, Competitive).** This is a competitive grant, which provides funds to help preserve jobs in the nonprofit arts sector. The total allocation of \$30.0 million is available until September 30, 2010 and will not require a state match. The Rhode Island State Council on the Arts indicates that applications are due to the National Endowment for the Arts by April 2, 2009 and it will work with constituents to help them prepare applications to access direct grants from the Endowment.

**Higher Education Teacher Quality (A, Title VIII, Competitive).** The Act contains a total of \$100.0 million in competitive grants to be distributed through the existing Teacher Quality Enhancement Program. The goal of the program is to reform and improve teacher preparation programs to improve student achievement, improve the quality of current and future teachers, and recruit highly qualified individuals into the teaching field. Both public and private institutions are eligible to compete for these grant awards directly through the United States Department of Education.

**Impact Aid – Construction (A, Title VIII, Formula).** The Act provides \$40.0 million over FY 2010 and FY 2011 for construction aid for emergency repair or modernization of school facilities. These funds will be distributed based on each local education agency's proportion of



children of members of the military service, children living on Indian lands, children living on federal property or federally subsidized housing and children whose parents work on federal property. This is an existing federal program. Funds are allocated to local school districts based on the number of eligible federally connected children they educate. For federal fiscal year 2009, Rhode Island school districts received \$1.3 million or 0.1 percent of available federal funds. Based on this same proportion, Rhode Island would be eligible to receive \$53,422.

**Impact Aid – Construction (A, Title VIII, Competitive).** The Act provides \$60.0 million over FY 2010 and FY 2011 for construction aid competitive grants. Grants will be for emergency repair or modernization of school facilities and targeted to districts that have “shovel ready” projects. Districts must apply directly to United States Department of Education for these funds, who will award them based on several criteria. These include whether the facility poses a health or safety threat or is in noncompliance with building codes, the extent to which the new project will utilize energy efficient and recyclable materials and the extent to which the project will utilize alternative building methods to expedite construction and maximize cost efficiency. Feasibility studies must be completed with 24 months of the grant award.

The Department of Elementary and Secondary Education has identified a total of \$395.1 million in “shovel ready” projects. This includes \$48.5 million for approved projects at the state run schools and career and technical centers, \$324.1 million in school district projects that have been approved by the Board of Regents, \$100,000 in a district project that has not yet received Regents’ approval, and \$22.4 million in statewide school technology projects.

**School Improvement (A, Title VIII, Formula).** The Act contains \$720.0 million in formula grants for school improvement programs for FY 2010 and FY 2011. Of this, \$650.0 million is for education technology, of which Rhode Island will receive \$3.2 million. The apportionments are based upon the state’s proportionate share of Title I funding.

The state must submit a comprehensive long-term statewide technology plan to the United States Department of Education to improve student achievement through the use of technology in elementary and secondary schools. Stimulus funds are to be used to support the existing school improvement program, which has a goal of helping all students become technologically literate by the end of the eighth grade, establish instructional methods, and integrate technology with teacher training and curriculum development.

The Department of Elementary and Secondary Education sent a technology survey to all districts on March 2, 2009 to document the technology needs of the districts. The Department indicates that student access to computers and other technology in the classroom is a high-priority area. The Department has identified \$22.4 million in statewide technology projects.

The remaining \$70.0 million will be distributed in FY 2010 and FY 2011 to states based on the proportion of homeless students identified by the state during the 2007-2008 school year

relative to the number of such children identified nationally. The Secretary of Education must distribute these funds to states within 60 days of enactment of the Act, by April 18, 2009. Rhode Island's share will be \$68,000.

States are to award sub-grants to local education agencies either on a competitive basis or using a formula based on the number of homeless students identified in each school district. States must award the sub-grants no later than 120 days after receiving the funding from the Secretary. These grants are to be used to ensure that homeless children have equal access to free and appropriate public education. In order to receive these funds, states must review and revise laws and practices that impede equal access to education. States are required to have an approved plan for addressing enrollment, attendance, and the success of homeless children in schools.

**Institute of Education Sciences (A, Title VIII, Competitive).** This competitive grant is designed to fund the creation of longitudinal data systems that include postsecondary and workforce information as well as elementary and secondary data. The Act contains \$250.0 million in total funding; of the total, up to \$5.0 million may be used to make awards to public or private agencies or organizations to improve data coordination. The Institute for Education Sciences will administer these funds.

The Institute was created within the United States Department of Education as part of the Education Sciences Reform Act of 2002. The mission of the institute is to provide rigorous evidence on which to base education practice and policy. The Institute's existing competitive grant program provides funds for state educational agencies to design, develop and implement statewide data systems to manage, analyze, and use individual student data. States that apply and receive these funds must ensure that the data systems include links to higher education, a teacher identification system, college readiness test scores, postsecondary remedial course work data and an audit system.

**Innovation and Improvement (A, Title VIII, Competitive).** The Act contains a \$200.0 million competitive grant for innovation and improvement through the Teacher Incentive Fund for FY 2010 and FY 2011. The Council of Chief State School Officers indicates that the United States Department of Education will make competitive grants to states, local educational agencies, or other educational partnerships to develop and implement performance-based teacher and principal compensation systems in schools with more than 30.0 percent of its enrollment from low-income families through the Department of Education's existing Teacher Incentive Fund.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This web based system allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system and has asked it to modify the existing system to align it with reporting requirements in the stimulus act, once those guidelines are developed.

**Aging Services Program (A, Title VIII, Formula).** This is a formula grant to provide congregate and home delivered nutrition services to elders. It appears Rhode Island will receive a one-time allotment of \$500,000 through the Department of Elderly Affairs. Funds are available for obligation until September 30, 2010; however, the Department of Elderly Affairs indicates that it currently does not know when it can begin drawing down funds. Current grants are used solely for meals and it is unclear if the same restrictions apply. There are currently six congregate meal sites throughout Rhode Island; Meals on Wheels is the sole provider for home delivered meals.

**Child Care Development Block Grant (A, Title VIII, Block).** This is a block grant and it appears that Rhode Island will receive an additional \$5.4 million for child care assistance for low income families. Currently, a Rhode Island family is eligible for subsidized child care if they receive assistance through the Rhode Island Works program or have a family income that is at or below 180 percent of the federal poverty level. Funding is available to supplement state funds, not supplant them and is available through September 30, 2010. This funding can be used to offset additional child care costs resulting from any caseload increases and does not require a state match.

**Head Start Grants (A, Title VIII, Formula).** This is a formula grant that will provide additional funding to the Head Start agencies. It appears that Rhode Island will receive additional funding of \$2.0 million for Head Start, a federally funded program that provides services to 2,369 children, ages three to five years old, at eight locations throughout the state. The Department of Human Services indicates that the \$2.0 million will be distributed among the Head Start agencies, likely through negotiation.

**Early Head Start (A, Title VIII, Competitive).** This is a competitive program that the Act provides \$1.1 billion nationally of additional funding for the expansion of Early Head Start Programs. Early Head Start is a federally funded program that provides educational activities for children and parents from pre-natal stages to age three. The Department of Human Services noted that Head Start providers are currently preparing proposals to submit to the Administration of Children and Families for additional Early Head Start funding. However, the number of Head Start providers applying for this additional funding is not currently known.

**Community Service Block Grant (A, Title VIII, Block).** This is a block grant that provides additional funding to the Department of Human Services for community action agencies. It appears that Rhode Island will receive \$5.5 million of additional funding for benefit enrollment coordination at the community action agencies. Funding will be available through September 30, 2010. The Department indicated to staff that \$2.7 million will be expended in FFY 2009.

The Department is currently meeting with community action agency staff to develop a plan for the implementation of services both regarding short term service needs and long term service provisions that will continue after the stimulus funding. The state may retain one percent for benefits enrollment coordination activities relating to the identification and enrollment of eligible individuals and families. The remaining funds must be expended by September 30,

2010. The Department estimates the following distribution to the Community Action Agencies.

Community Action Agency	FY 2009	Stimulus	Total
	Enacted	Allotment	
Blackstone Valley	\$ 518,069	\$ 446,581	\$ 964,650
Comprehensive	256,870	174,086	430,956
East Bay	390,556	294,775	685,331
Providence	1,101,268	1,055,000	2,156,268
South County	281,043	199,304	480,347
Tri-Town	250,350	167,284	417,634
West Bay	283,209	201,564	484,773
Family Resources	267,722	185,407	453,129
<b>Total</b>	<b>\$ 3,349,087</b>	<b>\$ 2,724,001</b>	<b>\$ 6,073,088</b>

**Vocational Rehabilitative Services (A, Title VIII, Formula).** This is a formula grant that will provide additional funding to the vocational rehabilitation services. It appears that Rhode Island will receive \$1.7 million in additional federal funding for rehabilitative services. It is unclear at this time how the Office of Rehabilitative Services intends to spend this money; however it is currently formulating a plan which will detail these expenditures.

Restrictions on the use of these funds are tied to the Department providing, expanding, and improving the condition of the independent living services and to develop and support statewide networks of centers for independent living. These funds are available for obligation until September 30, 2010. Currently, the Office of Rehabilitative Services assists individuals with mental and physical disabilities through the provision of specialized services aimed at leading the individuals to employment. In his FY 2009 revised budget, the Governor included \$14.3 million, including \$13.9 million from federal funds, for vocational rehabilitation services.

**Community Health Centers (A, Title VIII, Competitive).** This is a competitive grant that includes \$500.0 million to support new sites and service areas, to increase services at existing sites, and to provide supplemental payments for increases in uninsured populations. On March 2, 2009, the federal government provided \$2.4 million for two community health centers, Northwest Community Health Center and Tri-Town Community Action Agency. These funds represent a portion of the total available grant funding. These two health centers were eligible for funding because they were designated as federally qualified in the spring of 2008, but were unfunded. The Department of Health has indicated that it will continue to work with the Centers for Disease Control and the Office of Health and Human Services to determine the details of additional funding and its criteria in applying for funds as it relates to the health centers. The Department also indicates that funding will be used in the health centers to expand employment and will serve approximately 7,400 additional patients. It appears that funding will go directly to federally qualified health centers. Grants for new sites and service areas are to be for two years. Funds will not be allocated beyond September 30, 2010.

**Health Information Technology Systems for Health Centers (A, Title VIII, Competitive).** This is a competitive grant that includes \$2.0 billion to support construction, renovation and equipment, and for the acquisition of health information technology systems for health centers, including health center controlled networks receiving operating grants. The Department of Health has targeted staff to gather data and await instruction on how to proceed to receive a grant award. It indicates that rules and regulations will not be available until mid-March; however it intends to apply for all eligible funding. Funding is available until expended.

**Health Professional Workforce Shortages (A, Title VIII, Competitive).** This is a competitive grant that includes \$500.0 million to address the staffing shortage in the health professions workforce. It specifies that \$75.0 million of the total is for the National Health Service Corps, available through September 30, 2011 to provide scholarships, loan repayment, and grants for training programs and equipment and activities to foster cross-state licensure agreements. The remaining \$425.0 million will be allocated by the Health Resources and Services Administration and shall be available through September 30, 2010. The Department of Health indicates that its internal federal stimulus team continues to consult with the Centers for Disease Control and the Office of Health and Human Services to determine how much funding will be available to local communities and what the rules and regulations are. It appears detailed rules and regulations will not be available until mid-March; however the Department indicates that it will apply for all eligible funding.

**Prevention and Wellness (A, Title VIII, Competitive).** This is a competitive grant that includes \$1.0 billion for prevention and wellness activities. The Department of Health continues to work collaboratively with the Centers for Disease Control and the Department of Health and Human Services to determine the next steps. The Department also indicates that rules and regulations will not be available until at least mid-March; however, it intends to apply for all eligible funding. Prevention and Wellness initiatives have been subdivided into three categories: 1) immunizations, 2) clinical and community based prevention, and 3) healthcare acquired infections.

The Centers for Disease Control will receive \$300.0 million to administer immunization programs in partnership with healthcare providers in the public and private sectors, including state and local health departments and clinics. Another \$50.0 million is for states to carry out activities to implement health care associated with infectious disease reduction strategies. The remaining \$650.0 million will be for carrying out evidence-based clinical and community-based prevention and wellness strategies for the delivery of specific, measurable health outcomes that address the chronic disease rates, consistent with the Public Health Service Act. Prior to obligating funds for FY 2009 and FY 2010, the Secretary of the Department of Health and Human Services must provide Congress with operating plans. Funding is available through September 30, 2010.

**Pell Grants (A, Title VIII, Formula).** This formula grant provides financial assistance to low-income undergraduate students to help with the cost of college. The Act provides a total of \$15.6 billion to increase the total award of Pell grants in FY 2009 and FY 2010. It appears

that Rhode Island students will receive \$246.7 million of the total increase based on eligibility determinations made for the award of fall 2008 and spring 2009 financial aid. Grants are awarded based on a "financial need" formula determined by Congress using criteria submitted through the Free Application for Federal Student Aid. Increases in Pell Grants will be administered through existing programs. The result will be an average increase of \$500 per student in the current academic year and an additional \$500 the next academic year. Individuals apply directly for these grants through the Free Application for Federal Student Aid.

**Work Study (A, Title VIII, Formula).** The Act provides \$200.0 million to increase federal work study funding for college students. The work study program is a need-based student aid program. Undergraduate, graduate and professional students are given the opportunity to work in a field related to their course of study and the work study program provides compensation to the student for that work. The work study program is based on financial need and students must be accepted into the program. Initial estimates from the United States Department of Education suggest Rhode Island students would receive an additional \$1.6 million from these funds.

**Veterans Affairs Administration (A, Title X, Competitive).** This is a competitive grant to assist states to acquire or construct state nursing home and domiciliary facilities, and to remodel, modify, or alter such existing facilities furnishing care to veterans. The Act does not describe how these funds will be distributed, but the State Veterans Home in Bristol is an eligible facility. The Department of Human Services has indicated that an application will be submitted on behalf of the Veterans Home in Bristol.

**Military Construction, Army National Guard (A, Title X, Competitive).** This is a competitive grant that provides \$50.0 million for Army National Guard construction projects throughout the country. Rhode Island's Military Staff indicated that the initial feedback from the National Guard Bureau suggests that the Rhode Island National Guard will not receive any construction funding.

**Military Construction, Air National Guard (A, Title X, Competitive).** This is a competitive grant that provides \$50.0 million for Air National Guard construction projects throughout the country. Rhode Island's Military Staff indicated that the initial feedback from the National Guard Bureau suggests that the Rhode Island National Guard will not receive any construction funding.

**Homeowners Assistance Fund, (A, Title X, Other).** The Act contains \$555.0 million for homeowners assistance funding provided by the U.S. Department of Defense through the Homeowners Assistance Program. The impact for Rhode Islanders cannot be determined because it is unknown how many service members or federal civilian employees will be reassigned and how many of those will apply for assistance.

The program is available to eligible service members and federal civilian employees to assist eligible homeowners who face financial loss when selling their primary residence homes in areas where real estate values have declined because of a base closure or realignment announcement. The Homeowners Assistance Program provides assistance in four ways. For eligible applicants, the government may: 1) reimburse part of the loss of selling the home, 2) assist if funds from the sale of the home do not pay off the mortgage, 3) purchase the home by paying off the mortgage, and 4) provide assistance if mortgage is in default. Funding is to remain available until expended, and the Secretary of Defense is required to submit quarterly fund balance reports to Congress.

**Capital Investment (A, Title XII, Competitive).** This is a competitive grant which provides \$750.0 million for new start and small start capital projects. The Department of Transportation is currently unclear whether or not it has projects that would qualify for this funding. The Department is awaiting federal guidance in order to determine the amount of funding it could receive. New start projects include any fixed guideway system which utilizes and occupies a separate right-of-way, or rail line, for the exclusive use of mass transportation and other high occupancy vehicles. This includes, but is not limited to, rapid rail, light rail, commuter rail, automated guideway transit, people movers, and exclusive facilities for buses and other high occupancy vehicles.

Funding will remain available through September 30, 2010. A total of 1.0 percent will be available for administrative expenses and management oversight, through September 30, 2012. No commitment of local matching funds is required to receive this grant. These grants may be used for planning related analyses to develop alternatives for transportation and mass transit projects. There is currently no criteria established to determine how the grants will be awarded, except at the discretion of the Secretary of Transportation.

**Community Development Fund – Community Development Block Grant (A, Title XII Formula).** The Community Development Block Grant program provides annual formula grants to eligible municipalities to develop viable urban communities. The state currently receives \$5.0 million annually from this program; it will receive an additional \$4.6 million. The additional funding is designated for high-priority projects that can be under contract within 120 days of the funding award.

Information obtained from the Department of Housing and Urban Development indicated \$0.3 million was allocated to Cranston, \$0.2 million to East Providence, \$0.6 million to Pawtucket, \$1.5 million to Providence, \$0.2 million to Warwick and \$0.4 million to Woonsocket. The Office of Housing and Community Development was allocated \$1.4 million for non-entitlement communities. The Office notified applicants on February 13, 2009 to include information regarding high priority projects on their applications and anticipates making the additional awards through the current application process prior to June 30, 2009. The applications are due May 8, 2009. The Office indicates that an application steering committee, with representation from individuals and agencies with experience and expertise in housing and community development issues, awards the funds. For FY 2007, the committee reviewed over

300 projects and awarded \$5.2 million to 33 communities. The other six communities receive direct appropriations from the Department of Housing and Urban Development.

**Community Development Fund – Neighborhood Stabilization Program (A, Title XII Competitive).** The Neighborhood Stabilization Program provides grants through a competitive process to assist redeveloping abandoned property and foreclosed homes. The Act provides \$2.0 billion nationally for acquisition, rehabilitation, homebuyer assistance and demolition. The Office of Housing and Community Development indicates the Department of Housing and Urban Development will issue guidance next month. The Office will be working with local governments and non-profits to determine how best to compete for the funds.

Funding for this program first became available through the Housing and Economic Recovery Act of 2008 at \$3.9 billion nationally, distributed on a formula basis. Rhode Island has received a total of \$19.6 million under the 2008 Act; the funds are currently programmed at \$10.0 million in FY 2009 and \$9.6 million in FY 2010. Of the \$10.0 million in FY 2009, \$9.9 million is for grants to municipalities and \$0.1 million is to administer the program including one full-time position. The funds will be distributed to municipalities based on the predominance of the foreclosure rate. The Governor subsequently submitted an amendment to transfer the \$9.9 million budgeted for grants to Rhode Island Housing in order to expedite the expenditure of the funds. The Office of Housing and Community Development will still administer the program.

**National Surface Transportation (A, Title XII, Competitive).** This is a competitive grant which provides \$1.5 billion to state and local governments as well as transit agencies for projects that will have a significant impact on the nation, a metropolitan area or a metropolitan region. The Department of Transportation intends to apply for this grant, and is awaiting detailed federal guidance in order to submit its application for funding. Funding can be used for construction or repair of highways and bridges, overpasses and interchanges, as well as passenger and freight rail projects, and will be available through September 30, 2011. The Act includes a provision that total project costs must be between \$20.0 million and \$300.0 million, but does not mandate a state match requirement for the funding, which will be allocated on a competitive basis. Projects must be completed within three years of enactment, or February 17, 2012.

The Department of Transportation will submit an application for these funds to be used for the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place mall. The project would consist of replacing the current structure, which was built in 1964, with a new structure. Total project costs would be \$176.0 million, with anticipated completion within the three year time frame.

**FAA – Facilities and Equipment (A, Title XII, Formula).** This is a formula grant, which provides \$200.0 million to supplement existing funding for Federal Aviation Administration infrastructure, including upgrading FAA power systems, modernization of air traffic control



centers, and replacement of air traffic control towers. It appears Rhode Island will not receive additional funding, as the Rhode Island Airport Corporation does not receive grant funding through the provisions of this program.

**Airport Grants in Aid (A, Title XII, Formula).** This is a formula grant which provides \$1.1 billion for discretionary grants-in-aid for Airports. According to the Rhode Island Airport Corporation, the state could receive \$10.0 million, which would be used for various improvements that have not been identified. Priority will be given to projects that can be completed within two years and projects to install runway incursion prevention devices and systems. The Secretary of Transportation must award 50 percent of the total funding within 120 days of enactment, while the full \$1.1 billion must be obligated within one year. No commitment of local matching funds is required. The Rhode Island Airport Corporation has submitted a list of projects that are eligible for this program to the FAA, and are currently awaiting further guidance.

**Commuter Rail (A, Title XII, Competitive).** This is a competitive grant which provides \$6.9 billion for high speed rail corridors and intercity passenger rail service. The Department of Transportation intends to apply for this grant, and is awaiting detailed federal guidance in order to submit its application for funding. Projects will receive priority for funding if they support the development of high speed intercity rail service. By April 17, 2009, the Secretary of Transportation must submit a strategic plan to the House and Senate Committees on Appropriations describing plans to improve high-speed passenger rail systems. By June 17, 2009, interim grant guidance must be issued for three separate types of projects: intercity passenger rail service, high-speed rail corridor, and congestion management. The Department notes that until further guidance is issued, it will remain unclear the amount of funding it may receive as well as the time frame for obligation of funding.

**Fixed Guideway Infrastructure (A, Title XII, Formula).** This is a formula grant which provides \$750.0 million for fixed guideway infrastructure projects authorized for final design and construction. It appears the Department of Transportation will receive an additional \$612,000 for fixed guideway infrastructure in FY 2009. This allocation is based on the current funding formula. The funds under this Act must be apportioned no later than 21 days after the date of enactment. If the state does not obligate the total amount within 180 days of the federal apportionment, the Secretary of Transportation may withdraw up to 50.0 percent of the total funding apportioned to the state, and redistribute those funds to other eligible states. One year after the original apportionment, the Secretary of Transportation may withdraw all remaining unobligated funds, and redistribute those funds to other eligible states. No commitment of local matching funds is required to receive this grant. The Department has not identified expenditures for the additional funds, which could be used for activities such as repair and replacement of tracks or the purchase of additional rail cars.

**Small Shipyards (A, Title XII, Competitive).** This is a competitive grant that provides \$100.0 million to qualified small shipyards, which are defined as facilities in one geographic location that do not have more than 1,200 employees. At this time, the Economic

Development Corporation has not identified any specific projects eligible for assistance under the Act. The Quonset Development Corporation has provided a list of shipyard projects at Quonset to the Statewide Planning Office and is awaiting notification if any qualify for assistance under the small shipyard funding.

Assistance to these facilities can be provided in the form of grants, loans, and loan guarantees to small shipyards for capital improvements; and for maritime training programs to foster technical skills and operational productivity in communities whose economies are related to or dependent upon the maritime industry. Applications for projects must be submitted to the United States Maritime Administrator before April 17, 2009. Funding would require a 25 percent match and must be obligated within 180 days.

**Assisted Housing Stability & Energy & Green Retrofit Investments (A, Title XII, Formula).** The Act provides \$2.3 billion nationally to remain available through federal fiscal year 2012 to be distributed on a formula basis. There are 26 public housing authorities throughout Rhode Island that will receive direct funding from the Department of Housing and Urban Development indicates that Rhode Island will receive \$36.6 million for 81 projects from the \$2.0 billion available for the Section 8 program.

The Department contracts with the housing authorities to provide Section 8 voucher assistance to subsidize housing for very low-income households. Generally, the tenant pays a portion of the rent, which is based on no more than 30.0 percent of the family's income and the public housing authority pays the remainder of the rent.

The remaining \$250.0 million is available to increase energy efficiency including installation of new insulation, windows and furnaces; however, the Department has not developed plans for the distribution of these funds yet.

**Lead Hazard (A, Title XII, Competitive).** The Act provides \$100.0 million nationally in competitive grants for the Lead Hazard Reduction Program. Preliminary information from the Office of Housing and Community Development indicates that \$0.3 million might become available to local governments and nonprofit organizations to remove lead based paint hazards in housing. Information obtained from the Department of Housing and Urban Development indicates that Rhode Island did not receive any funding. The Act had required that priority be given to those projects that applied for lead hazard reduction funds in FY 2008 and were found to be qualified but were not awarded grants due to funding limitations.

**HOME Investment Partnerships (A, Title XII, Formula).** The Act provides \$2.3 billion nationally for the HOME Investment Partnerships Program to be distributed on a formula basis. Funds will be provided to state housing credit agencies. It appears that Rhode Island will receive \$9.3 million from this program. The Rhode Island Housing and Mortgage Finance Corporation currently receive an annual federal apportionment of \$5.0 million to administer this program. The cities of Providence and Woonsocket receive direct grants from the Department of Housing and Urban Development. Funds are allocated to state and local

governments and can be used for gap financing and capital projects to expand affordable housing particularly for low and very low-income persons. Funds will be distributed for projects that have received low income housing tax credits, a federal 9.0 percent tax credit program administered by the states. The Act requires that 75.0 percent of the funds must be committed within one year of enactment and must be expended within two years, while 100.0 percent of the funds must be expended within three years.

**Homelessness Prevention (A, Title XII, Formula).** The Act provides \$1.5 billion nationally for homelessness prevention to be distributed based on existing formula to be used through federal fiscal year 2011. The Act requires that 60.0 percent of the funds must be expended within two years, while 100.0 percent of the funds must be expended within three years. It appears that Rhode Island will receive \$7.0 million.

The Secretary of the Department of Housing and Urban Development will establish the requirements for this program by March 30, 2009. Some of the funding will be allocated directly to entitlement communities, including Pawtucket, Providence, and Woonsocket. Information obtained from the Department of Housing and Urban Development indicates that Providence will receive \$2.3 million, Pawtucket will receive \$0.8 million, Woonsocket will receive \$0.5 million and the state will receive \$3.2 million. The funds can be used for rental assistance, housing relocation and stabilization services to include housing search, security or utility deposits, utility payments and moving costs. The Office of Housing and Community Development contracts with non-profit and community-based providers for shelters and other services. The Office provides operating funds to Crossroads for a 48 bed family shelter. The Office also provides funds for Harrington Hall, which is the state's largest shelter for single men. The facility accommodates about 80 individuals and remains open throughout the year. The Urban League operates the shelter.

**Public Housing Capital Fund (A, Title XII, Formula).** The Act provides \$3.0 billion to be allocated to public housing authorities based on the existing formula to be used through federal fiscal year 2011. This allocation would more than double funding for Rhode Island's public housing authorities in FY 2009. Information obtained from the Department of Housing and Urban Development indicates that Rhode Island will receive \$18.9 million; funds were allocated to 25 local housing authorities throughout the state, which ranged from \$23,424 to the Narragansett Housing Authority to \$5.1 million to the Providence Housing Authority. The Act requires that public housing authorities give priority to capital projects that can award contracts based on bids within 120 days from the date the funds are made available to the authorities. The funds can be used for capital improvements of public housing, including financing, rehabilitating, demolishing and increasing energy efficiency. The funds cannot be used for operations or rental assistance, and up to 0.5 percent can be used for administrative costs.

**Public Housing Capital Fund (A, Title XII, Competitive).** The Act provides \$1.0 billion in competitive grants for priority public housing authority investments nationwide, particularly those leveraging private funding. The amount that Rhode Island will receive is not yet

determined. The Act requires that the funds must be obligated by September 30, 2009. The Act also requires that public housing authorities give priority to capital projects that can award contracts based on bids within 120 days from the date the funds are made available to the authorities. Additional consideration must be given to the rehabilitation of vacant rental units.

**Health Information Technology (A, Title XIII, Competitive).** This is a competitive grant totaling \$2.0 billion for health information technology projects. It is unclear how much Rhode Island will receive. The Department of Health indicates that it is still unclear if they will receive funds directly or if funding will be allocated to state and local agencies. The Department is in the process of communicating with the Center for Disease Control and Health and Human Services to determine the next steps. At this time it appears that rules and regulations will not be available until late April or early May. The Department has indicated it will pursue all eligible funding.

Of the \$2.0 billion, \$300.0 million is available to support regional or sub-national efforts toward health information exchange. The Secretary may award a grant to a state or qualified state designated entity that submits and receives approval of a plan and submits an application. Amounts received under this act will be used to facilitate and expand the electronic movement and use of health information among organizations according to nationally recognized standards. The Secretary is required to give priority to public, non-profit, and critical access hospitals, community health centers, individual and small group practices, and entities that serve the uninsured, underinsured and medically underserved individuals. Funding entities may receive up to four years of funding to cover up to 50 percent of their capital and annual operating and maintenance expenditures. Continued grant funding after two years is contingent upon receiving a positive evaluation.

Under the program, the new National Coordinator of Health Information Technology would be authorized to award competitive planning and implementation grants to states or qualified state-designated entities to facilitate and expand electronic health information exchanges. Grants to states could begin immediately. States must contribute a certain portion of matching funds after FY 2010, at least \$1 for each \$10 of federal funds in FY 2011, at least \$1 for each \$7 of federal funds in FY 2012, and at least \$1 for each \$3 of federal funds in FY 2013 and each subsequent fiscal year. For fiscal years before FY 2011, the Health and Human Service Secretary has the discretion to determine if a state match is required.

**Education Flex Funds (A, Title XIV, Competitive).** Included in the state fiscal stabilization fund is a provision that the Secretary of Education may reserve \$5.0 billion to make competitive grants to states. States that receive these grants must provide at least 50.0 percent of the grant award to local educational agencies via the Title I formula. Of the total, the Secretary of Education may reserve \$650.0 million to make grants to local education agencies or partnerships of local agencies and non-profits; states are not eligible for these awards.

These funds will be available for FY 2010. Grants will be given to states that have made significant progress in achieving equity in teacher distribution, establishing longitudinal data

systems, and enhancing assessments for English language learners and students with disabilities. States must meet the maintenance of effort requirements for the state fiscal stabilization funds in order to be eligible for the education flex funds.

In order to qualify for these funds, Governors must submit an application to the Secretary describing the state's status in each of the areas addressed by the assurances in the application for the education stabilization funds. The application must include all strategies the state is using to ensure that students that have not met the state's proficiency targets will continue to make progress toward meeting state standards, the achievement and graduation rates of all public school students, how the grant funding will be used to improve student academic achievement and a plan to evaluate the state's progress in closing achievement gaps.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This web based system allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system and has asked it to modify the existing system to align it with reporting requirements in the stimulus act, once those guidelines are developed.

**Trade Adjustment Assistance for Workers – Community Grant Program (B, Title I, Competitive).** The Act provides for a competitive community grant program for “eligible communities” that are adversely affected by trade. There will be \$150.0 million for each federal fiscal year 2009 and 2010 and \$37.5 million from October 1, 2010 through December 31, 2010 available to communities in the form of competitive grants. There is a two-step application process, first a community must petition the U.S. Secretary of Commerce for designation as an “eligible community.” Once designated, the community can apply for a grant, not to exceed \$5.0 million, by submitting a description of its strategic plan to adjust to trade and the particular project to be funded. Communities can also apply for a grant to help develop the strategic plan, under certain requirements. The community itself must fund at least 5.0 percent of the project and priority will be given to small and medium-sized communities.

**Trade Adjustment Assistance for Workers – Community College Grant Program (B, Title I, Competitive).** The Act also provides for a competitive community college and career training grant program where community colleges, such as the Community College of Rhode Island, may receive one grant, not to exceed \$1.0 million, for the purpose of developing, offering, or improving educational or career training programs for eligible workers. There will be a total of \$90.0 million available from August 1, 2009 through December 31, 2010, though no school can be awarded more than one grant and these funds can not supplant other funds expended to support community college and career training programs.

**Trade Adjustment Assistance for Workers – Administrative and Case Management Funds (B, Title I, Other).** The Act provides for an additional block of \$350,000 to each state annually for providing employment and case management services to workers adversely

affected by trade. It appears Rhode Island will receive this funding, which is available immediately and indefinitely.

**Trade Adjustment Assistance for Workers – Administrative and Case Management Funds (B, Title I, Formula).** Additional funding, equal to 15 percent of a state’s current training funding, is available to states for administrative and case management expenses, instead of making the states draw from the appropriation for these expenses, which is current practice. The Department of Labor and Training indicates that its base is \$1.2 million for FY 2009, thus \$175,500 would be the additional 15 percent that Rhode Island should receive annually. Programs under the Trade Act of 1974 provide assistance to help United States industries become more competitive and to phase workers affected by trade into other industries or occupations. This additional compensation appears to be effective immediately and available indefinitely.

**Trade Adjustment Assistance for Workers – Training Funding (B, Title I, Formula).** The Act increases the amount of training funding going to states from \$220 million to \$575 million in federal fiscal years 2009 and 2010 and prorates such funding from October 1, 2010 through December 31, 2010 based on a five-part formula. Rhode Island’s share for these programs is unknown as the formulas are still being developed. The Act extends the timeframe for workers to enroll in training programs and extends the duration of additional benefits for workers engaged in long-term training programs from 52 to 78 weeks. It amends the law to disregard the wages earned by full-time training participants simultaneously working part-time when calculating unemployment and trade adjustment assistance benefits, which is a current disincentive.

**Unemployment Insurance – Modernization Incentive Payments (B, Title II, Subtitle A, Formula).** The Act includes provisions for special transfers as incentive payments for states that adopt permanent laws providing a more generous base period for determining eligibility, more lenient disqualification standards, and higher allowances to recipients with dependants. Of the \$7.0 billion available, it appears Rhode Island will receive a total of \$23.5 million for these incentive payments from federal fiscal years 2009 through 2011. The incentive payments will be calculated just as Reed Act funds would have been calculated if a distribution were to have been made October 1, 2008. To be eligible for one-third of the payment, states must utilize an alternative base period for calculation of benefits, which Rhode Island does.

The other two-thirds of the incentive payment is contingent on qualifying for the one-third payment plus having state law containing at least two of the four following provisions: no denial of compensation because an individual is seeking only part-time work; no disqualification for separation of employment for certain compelling family reasons; no denial of benefits for those whose benefits have exhausted while making satisfactory progress in a state-approved training program; and dependent’s allowances of at least \$15 per dependent per week. The Department of Labor and Training is in the process of confirming that Rhode Island already complies with the “compelling family reasons” and 2009-H 5383 would satisfy the part-time criterion if passed. Under current law, Rhode Island only pays a minimum of

\$10 per dependent per week (the greater of \$10 or 5.0 percent of the weekly benefits amount up to five dependents).

**Unemployment Insurance - Extension of Federal Emergency Unemployment Compensation Program (B, Title II, Subtitle A, Other).** The Act extends the federal Emergency Unemployment Compensation Program of 2008 for nine additional months. The program, which was due to expire on March 31, 2009, is extended to December 31, 2009. The state will receive full reimbursement for the benefits related to this provision.

**Unemployment Insurance - \$25 Increase in Benefits (B, Title II, Subtitle A, Other).** The Act allows states that wish to participate to provide an additional \$25 for each recipient each week any unemployment insurance benefits are received from February 22, 2009 through December 31, 2009. The states may pay this as an addition to regular benefits or as separate compensation, but the state must ensure the average weekly benefit of regular compensation is not below the average on December 31, 2008. Eligible recipients with claims that continue past December 31, 2009 are eligible to continue receiving this additional \$25 until their claim ends, or June 30, 2010, whichever is sooner. Rhode Island began paying out this benefit on March 1, 2009 and the Department of Labor and Training estimates this to cost \$16.1 million for the remainder of FY 2009 and \$37.2 million in FY 2010. The state will receive full reimbursement for the benefits related to this provision. In addition, this extended compensation shall be disregarded as income for Medicaid and the State Children's Health Insurance Program eligibility.

**Unemployment Insurance - Full Federal Funding of Extended Unemployment Compensation (B, Title II, Subtitle A, Other).** The Act includes full federal funding of the federal/state extended benefits program for weeks of unemployment beginning after February 17, 2009 through December 31, 2009. Normally, half of the funding for this program comes from the state and half from a special account at the federal level. The state will receive full reimbursement for the benefits related to this provision. The Act extends the waiver of the waiting period for eligibility of the federal match from December 8, 2009 to May 30, 2010 and also provides that from February 17, 2009 to December 31, 2010, any interest payments that are otherwise due from states for cash flow advances shall be considered paid and no interest shall accrue on unpaid balances during this period.

**Emergency Funding for Temporary Assistance to Needy Families (B, Title II, Formula).** This is a formula based block grant that provides \$5.0 billion for temporary emergency contingency funds to be distributed to eligible states and makes a minor change in the process to calculate the caseload reduction credit. It appears Rhode Island may not receive any emergency funds since those are only available to states whose caseloads are increasing when comparing the same quarter in either FY 2009 or FY 2010 to the same quarter in either FY 2007 or FY 2008, respectively. Based upon June 2008 caseload numbers, the state's current caseload is decreasing; however, the state may be able to realize the additional funding if there is a significant increase in the cash assistance caseload. The additional funding would support 80 percent of the expenses, with the state required to provide the remaining 20 percent. The

federal Department of Health and Human Services is authorized to determine whether states actually increase caseloads or spending.

**Economic Recovery Payments to Certain Individuals (B, Title II, Formula).** The Act provides for a one time payment of \$250 to all adults eligible for Social Security, Railroad Retirement, or Veterans compensation or pension benefits, as well as certain individuals eligible for Supplemental Security Income benefits, provided they were eligible under any of those programs for at least one of the three months prior to enactment. The Center for American Progress estimates that more than 200,000 Rhode Islanders will receive a total of \$54.7 million from this provision. These payments will be made by May 17, 2009. The payments are not considered “income” for purposes of taxation or government assistance program eligibility.

**Medicare and Medicaid Health Information Technology - Physicians (B, Title IV, Formula).** The Act provides for formula driven reimbursements for eligible medical professionals who use an electronic health record system and applies to providers who are reimbursed through Medicare and/or Medicaid. Medicaid will fully fund a portion of the costs which is not to exceed \$21,250 in the first year. For the following four years, reimbursements are not to exceed \$8,500. The payments are to be no longer than five years and the first payment is to begin no later than 2016. No payments will be made after 2021.

Funding from the Federal Supplementary Medical Insurance Trust Fund will support 75 percent of the health record system costs up to \$18,000 for the first year for physicians primarily reimbursed by Medicare. Payments can begin in calendar year 2011 and will be reduced in the subsequent payment years and will not extend past 2016. If a health professional accepts both Medicaid and Medicare, they must choose one of the reimbursement methods.

The 2007 Assembly approved a \$20.0 million revenue bond to support an electronic health exchange network for the state’s domiciled insurers allowing health care providers and patients immediate access to medical information. It appears that the initiative included in the Act would provide continued support to the statewide electronic health exchange network should it be established.

**Medicare and Medicaid Health Information Technology - Hospitals (B, Title IV Formula).** The Act also provides for formula driven reimbursements for eligible hospitals using an electronic health record system with minimum funding of \$2.0 million provided through the Federal Hospital Insurance Trust Fund beginning in 2011. It appears that state may be eligible for the funding to implement an electronic records system at Eleanor Slater Hospital.



## Section IV: Other Items of Interest

This final section includes other items of interest such as conditions for use of funds. It is not likely that any of these items have direct budgetary impact. However, the section includes a number of items of interest to citizens.

**Broadband Technology Opportunities Program (A, Title II, Competitive).** The Act provides \$4.7 billion nationally to be made available on a competitive basis, a portion of which is for expansion of public computer center capacity at community colleges and libraries. The Office of Library and Information Services, the Community College of Rhode Island and the Department of Elementary and Secondary indicated that they are interested in pursuing federal funds from this program. Federal guidelines for this program are not yet available. Another portion may be made available for innovative programs to encourage sustainable broadband service, and at least \$350.0 million may be allocated to the development of a national broadband inventory map. All other funds appropriated for this purpose may be allocated for the development of a national broadband plan through the Federal Communications Commission.

**Digital-to-Analog Converter Box Program (A, Title II, Competitive).** The Act provides \$650.0 million for competitive grants for implementation of the Digital Television Transition and Public Safety Act of 2005, through provision of coupons and other related activities involved in the implementation of analog to digital conversion for television broadcasting. The Act specifies that \$90.0 million is for education and outreach through grants to organizations to educate vulnerable populations who might otherwise be unaware of or unable to access the technology necessary to convert from analog to digital signal.

**National Institute of Standards and Technology (A, Title II, Competitive).** The Act provides a total of \$580.0 million for the National Institute of Standards and Technology, of which \$220.0 million is set aside for unspecified scientific and technical research services. The Act also includes \$360.0 million for construction of research facilities, of which \$180.0 million is for a competitive construction grant program for research science buildings.

**Community Development Finance Institution (A, Title V, Competitive).** The Act provides an additional \$100.0 million for the Community Development Financial Institutions Fund for applicants who have qualified under existing FY 2009 applications. The United States Department of the Treasury administers this program. The amount Rhode Island might receive from this fund is undeterminable. The program provides federal resources to invest in and build capacity of community development finance institutions to serve low-income individuals and communities lacking adequate access to affordable financial products and services. The Fund provides monetary awards for financial assistance and technical assistance to further goals such as job creation, business development, and commercial real estate development; affordable housing, and community development financial services including financial literacy training, and predatory lending alternatives.

**Quick Start (A, Title XVI).** The Act provides that recipients must give preference for use of funds for infrastructure investment to activities that can be started and completed expeditiously, defined as using 50 percent of funds for activities that can be initiated within 120 days of February 17. Spending should maximize job creation and economic benefit.

**Availability (A, Title XVI).** Unless otherwise stated, appropriated funds in the Act are available for obligation until September 30, 2010. An exception noted in Section I is the enhanced Medicaid funds are available through December 30, 2010. State decision makers may wish to include exit strategies for the FY 2011 budget and beyond as part of budget decisions regarding the Stimulus funds.

**Prevailing Wage and Buy American (A, Title XVI).** The Act provides that contractors and subcontractors on projects funded in whole or in part must pay Davis-Bacon prevailing wages. It also provides that American steel and manufactured goods be used, with exceptions, including compliance with the World Trade Organization Agreement on Government Procurement and under U. S. free trade agreements.

**State Certification (A, Title XVI).** The Act requires that the Governor certify within 45 days that the state will request and use the funds provided, and allows the Legislature to provide that certification by concurrent resolution if the Governor does not.

**Accountability and Transparency Website (A, Title XV).** The Act establishes a Recovery Accountability and Transparency Board which must establish and maintain within 30 days of enactment a user-friendly website that provides information about grants, projects and processes. That website has been established at [www.recovery.gov](http://www.recovery.gov).

**Accountability and Transparency for Infrastructure Improvements (A, Title XV).** The Act requires that Governors or other appropriate chief executives certify that infrastructure improvements have received full review and vetting required by law and that the Governor or other chief executive accepts responsibility that the infrastructure investments are appropriate use of tax funding.

The certification must include a description of the investment, estimated total cost, and amount of funds under the Act to be used. It must be posted on a state or local website that is linked to The Recovery Accountability and Transparency Board website, [www.recovery.gov](http://www.recovery.gov), before the funds may be received.

**COBRA Subsidy (B, Title III).** The federal government will pay 65.0 percent of health insurance premiums up to nine months for those who are laid off from September 1, 2008 through December 31, 2009 and have purchased health benefits from their employers through the COBRA option. The subsidy would be paid to employers as a credit against their payroll taxes. The subsidy is income limited to exclude those with adjusted gross incomes of more than \$125,000 for individuals and \$250,000 for couples. Eligible employees who had declined to purchase the coverage will be given an additional 60 days to elect the COBRA coverage,

and those who already purchased the coverage would have their premium contributions adjusted as of March 1, 2009. Employers are required to notify individuals of their new right to enroll.

**Extension of Transitional Medical Assistance (B, Title V).** The Act extends the option for states to provide up to 12 months of transitional medical assistance until December 31, 2010. Rhode Island has provided 12 months of assistance or until an employer paid family health coverage begins, for families who are no longer eligible for cash assistance resulting from an increase in their family income using Medicaid funds. However, after June 30, 2009, this would not have been an eligible Medicaid expense. The Act extends that Medicaid eligibility until December 31, 2010, at which time, the expense will be solely funded from state funds unless the Assembly takes action.

**Moratorium on Final Regulations - Rehabilitative Services (B, Title V).** The Act includes a Sense of Congress that urges the Secretary of Health and Human Services not to implement the final rules and regulations for Medicaid rehabilitative changes that would eliminate Medicaid reimbursement for day programming services provided to adults with disabilities. Medicaid funding is included in the enacted budget for the day services and staff anticipates that it will be included in the Governor's FY 2010 recommendation. If the Secretary implements the rules and regulations change and the Medicaid match is no longer available for the day programming services, the state would have to add \$1.4 million from general revenues if it chooses to continue the program.

**Moratorium on Final Regulations - Transportation Services (B, Title V).** The Act extends the moratorium on the final rules and regulation changes from March 31, 2009 to June 30, 2009 which affects school-based administration and school-based transportation services through the local school districts. The changes do not have a state budgetary impact.

**Moratorium on Final Regulations - Outpatient Hospital Facility Services (B, Title V).** The Act extends the moratorium on the final rules and regulation changes from March 31, 2009 to June 30, 2009 to define further outpatient hospital facility services reimbursable through Medicaid. The changes do not have a state budgetary impact.

## **Appendix I - State Fiscal Stabilization Fund – Education (A, Title XIV)**

The Act provides relief to avert reductions in public higher and elementary and secondary education. Federal Funds Information for States estimates that Rhode Island's share will total \$164.9 million. Of the total available funding, 81.8 percent is to restore elementary and secondary education and public higher education to the greater of the FY 2008 or FY 2009 levels for FY 2009, FY 2010 and FY 2011. That estimate suggests Rhode Island is eligible to receive a total of \$134.9 million over the three-year period FY 2009 through FY 2011. In order to be eligible for these funds, states must first provide support for both elementary and secondary education and public higher education at no less than the FY 2006 level for fiscal years 2009, 2010 and 2011. This is referred to as maintenance of effort.

Determining maintenance of effort requires a number of steps and decisions. For higher education, expenditures for "construction" are excluded from the calculation, but it is unclear whether debt service is considered a construction expense or an operating expense. Regardless of how debt service is treated, the state does not meet the maintenance of effort requirement for public higher education. Meeting that would require a contribution totaling between \$25.7 million and \$73.5 million.

The legislation does not specify which state expenditures to include in the calculation of elementary and secondary education maintenance of effort. It appears unlikely that the state meets maintenance of effort in any scenario that excludes school housing aid from the calculation. Excluding housing aid, maintenance of effort would require between an \$18.9 and \$59.0 million in total state contributions.

If the state meets the maintenance of effort threshold, it becomes eligible for the remaining 18.2 percent, or \$30.0 million in general use funds that could be used to offset the general revenue contribution as well as the \$134.9 million to be split proportionally between public higher education and local school districts. The general use funds can be used for public safety and other state government services. This may include education related activities, such as school repair, renovation or modernization. Federal Funds Information for States estimates that Rhode Island's share of this funding would be \$30.0 million.

The Secretary of Education has discretion to waive the maintenance of effort requirement; however, no rules or regulations have been posted. The only guidance in the act is that there must be a "precipitous" decline in financial resources and that the state must commit the same percentage of state revenue to elementary and secondary education as the preceding fiscal year.

Higher Education Maintenance of Effort. In order to be eligible to receive federal stabilization funds the state must provide support to both public higher education and elementary and secondary education at no less than the FY 2006 level. Determining the maintenance of effort requirement requires a number of steps and decisions. Expenditures for "construction" are excluded from the calculation but it is unclear whether debt service is considered a construction expense or an operating expense.

In Scenario 1, debt service is not allowed in the calculation of maintenance of effort; scenario 2 allows debt service to be included in the calculation. In the third scenario, debt service is not allowed, but it is assumed that general revenues support debt service in the same proportion as it supports the entire unrestricted budget. These three scenarios are illustrated in the table below.

<b>Public Higher Education Maintenance of Effort</b>			
	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 3</i>
		Debt Service	No Debt Service/ General Revenue
<b>State Support</b>	No Debt Service	Allowed	Proportional
FY 2006	\$ 178,928,497	\$180,371,797	\$ 179,000,923
FY 2007	\$ 182,341,062	\$189,489,620	\$ 185,497,982
FY 2008	\$ 174,971,405	\$189,982,771	\$ 183,254,777
FY 2009 Enacted	\$ 162,332,681	\$179,856,018	\$ 171,586,270
Greater of FY 2008 or FY 2009	174,971,405	189,982,771	183,254,777
FY 2009 Gov Rev	\$ 154,442,098	\$171,815,305	\$ 164,967,412
FY 2009 Gov Rev Chg to FY 2006	(24,486,399)	(8,556,492)	(14,033,511)
<b>Maintenance of Effort Calculation</b>			
Restore General Revenues to FY 2006 level	24,486,399	8,556,492	14,033,511
<b>Three Year Total General Revenue Support Required</b>	<b>\$ 73,459,197</b>	<b>\$ 25,669,476</b>	<b>\$ 42,100,533</b>

*Scenario 1: No Debt Service.* In the first scenario, debt service is excluded from the maintenance of effort calculation. The state would have to contribute \$24.5 million in each FY 2009, FY 2010 and FY 2011 to bring state support for Higher Education to the FY 2006 level for a three-year total state investment of \$73.5 million.

*Scenario 2: Debt Service Allowed.* In the second scenario, debt service is included in the calculation. In this case, the state's maintenance of effort contribution would be \$8.6 million a year, or \$25.7 million over the three years.

*Scenario 3: No Debt Service – General Revenues Proportional.* In the third scenario, debt service is not included in the calculation; however, it is assumed that general revenues support debt service in the same proportion as they support the entire unrestricted budget. For example, in FY 2006, general revenues were 42.7 percent of the total unrestricted budget. In this scenario, general revenues would support 42.7 percent of debt service expenditures; the remaining general revenues would support educational expenses. The state would have to contribute \$14.0 million in each FY 2009, FY 2010 and FY 2011 to bring state support to the FY 2006 level. The total state support over the three years would be \$42.1 million.

Higher education institutions are eligible to receive federal funding to restore state support to the greater of the FY 2008 or FY 2009 level if maintenance of effort requirements are met. Under this act, states shall use the funds for education and general expenditures including the modernization, renovation or repair of facilities that are used for instruction, research or student housing. States cannot use funding for the maintenance of systems, equipment or

facilities; repair or renovation of stadiums or other athletic facilities; or renovation or repair of facilities used for religious purposes.

Elementary and Secondary Education Maintenance of Effort. Elementary and secondary education is eligible for federal stabilization funds to restore the level of support to the greater of the FY 2008 or FY 2009 level in each FY 2009, FY 2010 and FY 2011. In order to be eligible for these funds, states must first provide state support for both elementary and secondary education and higher education at no less than the FY 2006 level for FY 2009, FY 2010 and FY 2011. The maintenance of effort for higher education must be met for elementary and secondary education to receive funds.

With the exception of expressly excluding construction for higher education, the legislation is not clear on which state expenditures should be included in the calculation of state support. The state's maintenance of effort over the three-year period could range from \$0 to \$59.0 million based on the final determination of allowable expenses.

*Scenario: LEAs Only.* The narrowest interpretation would include only direct education aid to local districts as a measure of state support for education. This is the worst-case scenario for Rhode Island, because most of the growth in state support over the past few years has been in teacher retirement and school housing aid. Based on this very narrow interpretation, the state would need to add \$19.7 million per year from general revenues to reach the FY 2006 level for a total state contribution of \$59.0 million over the three-year period.

State Support	LEAs
FY 2006	\$694,050,038
FY 2007	\$731,080,661
FY 2008	\$734,211,719
FY 2009 Enacted	\$735,694,026
Greater of FY 2008 or FY 2009	735,694,026
FY 2009 Gov Rev	\$674,375,530
FY 2009 Gov Rev Chg to FY 2006	(19,674,508)
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	19,674,508
<b>Three Year Total General Revenue Support Required</b>	<b>\$ 59,023,524</b>
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

*Scenario: LEAs, Deaf and Davies.* In this scenario, support for the state operated Davies Career and Technical Center and the School for the Deaf are also included in the calculation. In this case, the state would need to add \$18.4 million per year from general revenues to reach the FY 2006 level for maintenance of effort for a total state contribution of \$55.1 million over the three-year period.

State Support	LEAs, Deaf, Davies
FY 2006	\$713,099,678
FY 2007	\$751,102,645
FY 2008	\$755,006,238
FY 2009 Enacted	\$756,856,665
Greater of FY 2008 or FY 2009	756,856,665
FY 2009 Gov Rev	\$694,745,260
FY 2009 Gov Rev Chg to FY 2006	(18,354,418)
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	18,354,418
<b>Three Year Total General Revenue Support Required</b>	<b>\$ 55,063,254</b>
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

*Scenario: LEAs and Teacher Retirement.* Another interpretation could include teacher retirement as state support but not support for Davies or the School for the Deaf. Based on this interpretation, the state would need to add \$7.6 million per year from general revenues to reach the FY 2006 level for maintenance of effort for a total state contribution of \$22.9 million over the three-year period.

State Support	LEAs, Teacher Retirement
FY 2006	\$ 748,587,771
FY 2007	\$ 801,367,414
FY 2008	\$ 816,560,548
FY 2009 Enacted	\$ 832,693,626
Greater of FY 2008 or FY 2009	832,693,626
FY 2009 Gov Rev	\$ 740,961,548
FY 2009 Gov Rev Chg to FY 2006	(7,626,223)
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	7,626,223
<b>Three Year Total General Revenue Support Required</b>	<b>\$ 22,878,669</b>
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

*Scenario: LEAs, Deaf, Davies and Teacher Retirement.* In this scenario, support for the state operated Davies Career and Technical Center and the School for the Deaf are included in the calculation along with teacher retirement. In this scenario, the state would need to add \$6.3 million per year from general revenues to reach the FY 2006 level for maintenance of effort for a total state contribution of \$18.9 million over the three-year period.

State Support	LEAs, Deaf, Davies, Teacher Retirement
FY 2006	\$ 767,637,411
FY 2007	\$ 821,389,398
FY 2008	\$ 837,355,067
FY 2009 Enacted	\$ 853,856,265
Greater of FY 2008 or FY 2009	853,856,265
FY 2009 Gov Rev	\$ 761,331,278
FY 2009 Gov Rev Chg to FY 2006	(6,306,133)
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	6,306,133
Three Year Total General Revenue Support Required	\$ 18,918,399
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

*Scenario: LEAs, Teacher Retirement and School Housing Aid.* A more broad interpretation of state support would include school housing aid as state support. In this scenario, teacher retirement and school housing aid are included but not support for Davies or the School for the Deaf. Based on this interpretation, the state would need to add \$0.1 million per year from general revenues to reach the FY 2006 level for maintenance of effort for a total state contribution of \$0.3 million over the three-year period.

State Support	LEAs, Teacher Retirement, School Housing Aid
FY 2006	\$ 795,211,447
FY 2007	\$ 848,182,396
FY 2008	\$ 866,212,858
FY 2009 Enacted	\$ 889,689,874
Greater of FY 2008 or FY 2009	889,689,874
FY 2009 Gov Rev	\$ 795,101,600
FY 2009 Gov Rev Chg to FY 2006	(109,847)
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	109,847
Three Year Total General Revenue Support Required	\$ 329,541
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

*Scenario: LEAs, Teacher Retirement, Davies, Deaf and School Housing Aid.* The best-case scenario for Rhode Island would include all support for education, excluding support for the Department of Elementary and Secondary Education. In this scenario, the state has already met its maintenance of effort; it would not need to add any general revenues to elementary and secondary education.



<b>State Support</b>	<b>LEAs, Deaf, Davies, Teacher Retirement, School Housing Aid</b>
FY 2006	\$ 814,261,087
FY 2007	\$ 868,204,380
FY 2008	\$ 887,007,377
FY 2009 Enacted	\$ 910,852,513
Greater of FY 2008 or FY 2009	910,852,513
FY 2009 Gov Rev	\$ 815,471,330
FY 2009 Gov Rev Chg to FY 2006	1,210,243
<b>Maintenance of Effort Calculation</b>	
Restore General Revenues to FY 2006 level	-
Three Year Total General Revenue Support Required	\$ -
<i>LEAs include Met School and Central Falls</i>	
<i>FY 2009 Gov Rev adjusted for undistributed pension savings</i>	

Elementary and secondary education is eligible to receive federal funding to restore support to the greater of the FY 2008 or FY 2009 level if maintenance of effort requirements is met. Under this act, states shall use the funds to restore in each FY 2009, FY 2010 and FY 2011 the level of support provide through state education aid to the greater of FY 2008 or FY 2009. The federal stabilization funds would go to the local school districts.

Conclusion. For maintenance of effort, the state must provide support equal to the FY 2006 level for FY 2009, FY 2010 and FY 2011. In exchange, the state becomes eligible for federal stabilization funds to bring total support for both public higher education and elementary and secondary education to the greater of FY 2008 or FY 2009. If the new federal stimulus funds are not sufficient to provide support at these levels, the state must apportion the funds between elementary and secondary education and higher education in proportion to the relative shortfalls. Estimates provided by the Federal Funds Information for States indicate that Rhode Island is eligible to receive a total of \$164.9 million over the three-year period FY 2009 through FY 2011.

It is clear that in every scenario, the state does not meet the maintenance of effort requirement for public higher education. In the case of elementary and secondary education, it appears unlikely that the state can meet maintenance of effort in any scenario that excludes school housing aid. If the state meets the maintenance of effort, it becomes eligible for the \$30.0 million in flex funds that could be used to offset the general revenue contribution as well as \$134.9 million to be split proportionally between public higher education and local school districts.

In the state's best-case scenario, it would provide \$25.7 million from general revenues and receive \$30.0 million in flex funds for a net impact of \$4.3 million for the state. Elementary and secondary education would receive a total of \$122.5 million and higher education would receive \$38.1 million.

Best Case Scenario	General		
	Revenues	Stimulus	Total
Public Higher Education	\$ 25,669,476	\$ 12,456,942	\$ 38,126,418
K-12 Local District	-	122,455,058	122,455,058
All Education	\$ 25,669,476	\$134,912,000	\$160,581,476
State Government	(25,669,476)	30,017,000	4,347,524
Net	\$ -	\$164,929,000	\$164,929,000

In the state's worst-case scenario, it would have to provide \$132.5 million from general revenues and receive \$30.0 million in flex funds for a net reduction to the state of \$102.5 million. Elementary and secondary education would receive a total of \$193.9 million and higher education would receive \$73.5 million.

Worst Case Scenario	General		
	Revenues	Stimulus	Total
Public Higher Education	\$ 73,459,197	\$ -	\$ 73,459,197
K-12 Local District	59,023,524	134,912,000	193,935,524
All Education	\$ 132,482,721	\$134,912,000	\$267,394,721
State Government	(132,482,721)	30,017,000	(102,465,721)
Net	\$ -	\$164,929,000	\$164,929,000

Waiver. The Secretary of Education has discretion to waive the maintenance of effort requirement in the cases of a "precipitous" decline in financial resources provided the state does not reduce the share of available revenues dedicated to these expenses. In order to be eligible for a waiver, the state must commit the same percentage of state revenues to elementary and secondary education as it did in the preceding fiscal year. The state's contribution to elementary and secondary education in FY 2008 was 25.5 percent of total state funds. The contribution in the Governor's revised budget is 25.8 percent. It appears that the state is eligible to seek a waiver and may wish to do so to maximize the state and local impact.

	K-12	Total General Revenues	Share of Total
			General Revenues
FY 2006	\$795,211,447	\$3,142,080,062	25.3%
FY 2008	\$866,212,858	\$3,394,844,107	25.5%
FY 2009 Enacted	\$889,689,874	\$3,276,156,221	27.2%
FY 2009 Gov Rev	\$795,101,600	\$3,086,404,059	25.8%

In addition to maintenance of effort requirements, Governors must submit an application for the stabilization funds. The application must include assurances that the state will take actions to improve teacher effectiveness including addressing inequities in the distribution of teachers between low and high poverty schools, establish a longitudinal data system, enhance the quality of academic assessments and implement corrective action and restructuring options for schools identified for these interventions.

**Appendix II**  
**2009 Federal Stimulus Reference Schedule - Revised March 5, 2009**

Division and Title	Memo Section	Enter Issue Title	Check Appropriate Box							Dates
			State Budget Impact	Possible State Budget	Local Impact	Formula or Other Funding	Individual Impact Only	Federal Only		
A I	I	Supplemental Nutrition Assistance Program	Minor	X					X	April 2009-Sept 30, 2010
	III	School Lunch Equipment			X		Formula			Passage-Sept 30, 2010
	III	Aquaculture Assistance	No		X		Formula	X		120 days after passage-Sept 30, 2010
	III	Special Supplemental Nutrition Program for Women, Infants and Children	No				Formula		X	Passage-Sept 30, 2010
II	III	Victims of Crime	No	X	X		Formula			Passage-Sept 30, 2010
	III	Violence Against Women	No				Formula		X	Passage-Sept 30, 2010
	III	Byrne Justice Assistance Grants	No				Formula		X	Passage-Sept 30, 2010
	III	Internet Crimes Against Children	No				Formula		X	Passage-Sept 30, 2010
	III	Community Oriented Policing Services	Minor	X			Competitive		X	Passage-Sept 30, 2010
	III	Economic Development Administration		X			Competitive			Passage-Sept 30, 2010
	IV	Broadband Technology Opportunities Program	No		X		Competitive			Passage-Sept 30, 2010
	IV	Digital-to-Analog Converter Box Program	No				Competitive		X	Passage-Sept 30, 2010
	IV	National Institute of Standards and Technology	No				Competitive		X	Passage-Sept 30, 2010
III	III	Operation & Maintenance Army National Guard		X			Competitive			Passage-Sept 30, 2010
	III	Operation & Maintenance Air National Guard		X			Competitive			Passage-Sept 30, 2010
IV	III	Army Corps Construction	No				Discretionary		X	45 days after passage-Sept 30, 2010
	III	Army Corps-Operation and Maintenance	No				Discretionary		X	45 days after passage-Sept 30, 2010
	III	Weatherization Assistance Program	No		X		Formula			Passage-Sept 30, 2010
	III	Energy Efficiency & Conservation Block Grants	No		X		Formula			Passage-Sept 30, 2010
	III	Energy Efficiency & Conservation Block Grants	No		X		Competitive			Passage-Sept 30, 2010
	III	State Energy Program	No				Formula			Passage-Sept 30, 2010
	III	Innovative Technology Loan Guarantee Program					Competitive		X	Passage-Until Expended
V	IV	Community Development Finance Institution					Competitive			Passage-Sept 30, 2010
	I	Small Business Loans	Yes	X			Other			
VI	III	FEMA State & Local- Public Transportation	No				Competitive		X	Passage-Sept 30, 2010
	III	FEMA State & Local- Port Security	No				Competitive		X	Passage-Sept 30, 2010
	III	FEMA State & Local- Fire Stations	No				Competitive		X	Passage-Sept 30, 2010
VII	III	Clean Water Revolving Fund	Major		X		Formula			30 days after passage-Sept 30, 2011
	III	Drinking Water Revolving Fund	Major		X		Formula			30 days after passage-Sept 30, 2011
	III	Leaking Underground Storage Tanks	No	X	X		Formula			30 days after passage-Sept 30, 2011
	III	USGS-Research, Surveys and Studies	No				Discretionary		X	30 days after passage-Sept 30, 2011

**Appendix II**  
**2009 Federal Stimulus Reference Schedule - Revised March 5, 2009**

Division and Title	Memo Section	Enter Issue Title	Check Appropriate Box							Dates
			State Budget Impact	Possible State Budget	Local Impact	Formula or Other Funding	Individual Impact Only	Federal Only		
	III	Hazardous Substance Superfund	No				Formula			30 days after passage-Sept 30, 2011
	III	Diesel Emission Reduction	No				Formula			30 days after passage-Sept 30, 2011
	III	Diesel Emission Reduction	No				Competitive			30 days after passage-Sept 30, 2011
	III	Brownfields Projects	No				Competitive			30 days after passage-Sept 30, 2011
	III	National Endowment for the Arts		X			Formula			Passage-Sept 30, 2010
	III	National Endowment for the Arts		X			Competitive			Passage-Sept 30, 2010
VIII	I	Education for Disadvantaged - Title I		X	X		Formula			Passage-Sept 30, 2010
	I	Special Education		X	X		Formula			Passage-Sept 30, 2010
	I	Employment and Training - Dislocated Worker Assistance National Reserve	No				Competitive		X	Passage-Jun 30, 2010
	I	Employment and Training - Workforce Investment Act	No				Formula		X	Passage-Jun 30, 2010
	I	Employment and Training - Community Service Employment	No				Formula		X	Passage-Jun 30, 2010
	I	Employment and Training - Unemployment Insurance	No				Formula		X	Passage-September 30, 2010
	III	Higher Education Teacher Quality		X			Competitive			Passage-Sept 30, 2010
	III	Impact Aid (construction)		X	X		Formula			Passage-Sept 30, 2010
	III	Impact Aid (construction)		X	X		Competitive			Passage-Sept 30, 2010
	III	School Improvement		X	X		Formula			Passage-Sept 30, 2010
	III	Institute of Education Sciences		X			Competitive			Passage-Sept 30, 2010
	III	Innovation and Improvement		X	X		Competitive			Passage-Sept 30, 2010
	III	Aging Services Program		X			Formula			Passage-Sept 30, 2010
	III	Child Care Development Block Grant	No				Block		X	Passage-Sept 30, 2010
	III	Head Start Grants	Minor				Formula		X	Passage-Sept 30, 2010
	III	Early Head Start	No				Competitive		X	Passage-Sept 30, 2010
	III	Community Service Block Grant	No				Block		X	Passage-Sept 30, 2010
	III	Vocational Rehabilitative Services	No				Competitive		X	Passage-Sept 30, 2010
	III	Community Health Centers		X			Competitive		X	Passage-Sept 30, 2010
	III	Health Information Technology System for Health Centers		X			Competitive			Passage-Sept 30, 2010
	III	Health Professions Workforce Shortages	No				Competitive			Passage-Sept 30, 2011
	III	Prevention and Wellness	No				Competitive			Passage-Sept 30, 2010
	III	Pell Grants					Formula	X		Passage-Sept 30, 2011

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Division and Title	Memo Section	Enter Issue Title	Check Appropriate Box						Dates
			State Budget Impact	Possible State Budget	Local Impact	Formula or Other Funding	Individual Impact Only	Federal Only	
	III	Work Study					X		Passage-Sept 30, 2011
X	III	Veterans Affairs Administration	Minor	X			Competitive		Passage-Sept 30, 2010
	III	Military Construction Army National Guard	No				Competitive	X	Passage-Sept 30, 2013
	III	Military Construction Air National Guard	No				Competitive	X	Passage-Sept 30, 2013
	III	Homeowner's Assistance Fund	No				Other		Passage -until expended
XII	I	Highway Infrastructure Investment	Major	X	X	X	Formula		Passage-Sept 30, 2010
	I	Transit Capital Grants	Major	X	X		Formula		Passage-Sept 30, 2010
	III	Capital Investment	Major	X			Competitive		Passage-Sept 30, 2010
	III	Community Development Fund - CBBG					Formula		Passage-Sept 30, 2010
	III	Community Development Fund - Neighborhood Stabilization Program			X	X	Competitive		Passage-Sept 30, 2010
	III	National Surface Transportation	Major	X	X	X	Competitive		Passage-Sept 30, 2011
	III	FAA-Facilities and Equipment	No	X			Competitive		Passage-Sept 30, 2010
	III	Airport Grants-in-Aid	No	X			Competitive		Passage-Sept 30, 2010
	III	Commuter Rail	Major	X			Competitive		Passage-Sept 30, 2012
	III	Fixed Guideway Infrastructure	Major	X			Formula		Passage-Sept 30, 2010
	III	Small Shipyards	Minor	X			Competitive		Passage-Sept 30, 2010
	III	Assisted Housing Stability and Energy & Green Retrofit Investments			X		Formula		Passage-Sept 30, 2011
	III	Lead Hazard			X		Competitive		Passage-Sept 30, 2011
	III	HOME Investment Partnerships Program			X		Formula		Passage-Sept 30, 2011
	III	Homelessness Prevention			X		Formula		Passage-Sept 30, 2011
	III	Public Housing Capital Fund			X		Formula		Passage-Sept 30, 2011
	III	Public Housing Capital Fund			X		Formula		Passage-Sept 30, 2011
XIII	III	Health Information Technology			X		Competitive		Passage-Sept 30, 2011
XIV	I	State Fiscal Stabilization Fund-Education	Major	X			Competitive		Passage-Sept 30, 2010
	I	State Fiscal Stabilization Fund -General Use	Major		X		Formula		Passage-Sept 30, 2010
	III	Education Flex Funds	Major		X		Formula		Passage-Sept 30, 2010
XV	IV	Accountability and Transparency Website			X		Competitive		
	IV	Accountability and Transparency for Infrastructure Improvements					Other		
XVI	IV	Quick Start		X			Other		

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			State Budget Impact	Possible State Budget	Local Impact	Formula or Other Funding	Individual Impact Only	Federal Only	
	IV	Availability		X			Other		Passage unless otherwise noted
	IV	Prevailing Wage and Buy American		X			Other		
	IV	State Certification		X			Other		
B I	II	Earned Income Tax Credit Increase					Other		Tax years 2009 & 2010
	II	Vehicle Purchase - Sales Tax Deduction					Other		Feb 17, 2009-Dec 31, 2009
	II	Unemployment Benefit Taxation Suspension					Other		Tax year 2009
	II	Alternative Minimum Tax (AMT) Relief Extension					Other		Tax year 2009
	II	Making Work Pay Tax Credit					Other		Tax years 2009 & 2010
	II	Refundable Child Credit - Increase in Eligibility					Other		Tax years 2009 & 2010
	II	Net Operating Loss Carry Back					Other		
	II	Hope Credit Modification - American Opportunity Tax Credit Expansion					Other		Tax year 2009 or 2009
	II	Expansion of Eligible Expenditures for 529 Education Plans					Other		Tax years 2009 & 2010
	II	Refundable First-time Home Buyer Credit Changes					Other		Dec 31, 2008-Dec 31, 2009
	III	Trade Adjustment Assistance-Community Grant					Competitive		Passage-Dec 31, 2010
	III	Trade Adjustment Assistance- Community College Grant Program					Competitive		Passage-Indefinitely
	III	Trade Adjustment Assistance- Administrative and Case Management					Other		Passage-Indefinitely
	III	Trade Adjustment Assistance- Administrative and Case Management					Formula		Passage-Indefinitely
	III	Trade Adjustment Assistance-Training Funding					Formula		Passage-Dec 31, 2010
II	III	Unemployment-Modernization Incentive Payments	No	Minor			Formula	X	Passage-Sept 30, 2011
	III	Unemployment-Extension of Emergency Compensation					Other		Passage- Dec 31, 2009
	III	Unemployment-\$25 Increase in Benefits					Other		Passage- Dec 31, 2009
	III	Unemployment - Full Federal Funding of Extended Benefits	No				Other	X	<u>Interest</u> : Passage-Dec 31, 2010; <u>All other</u> : Passage-Dec 31, 2009
	III	Emergency Funding for Temporary Assistance to Needy Families	Minor	X			Formula		Passage-Sept 30, 2010
	III	Economic Recovery Payments to Certain Individuals					Formula	X	Feb 17, 2009-May 17, 2009

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Division and Title	Memo Section	Enter Issue Title	Check Appropriate Box						Dates
			State Budget Impact	Possible State Budget	Local Impact	Formula or Other Funding	Individual Impact Only	Federal Only	
III	IV	COBRA Subsidy		X			Other	X	Layoffs from Sept. 1, 2008-Dec. 31, 2009
IV	III	Medicare and Medicaid Health Information Technology-Physicians	No				Formula		Passage-Dec 31, 2016
	III	Medicare and Medicaid Health Information Technology-Hospitals	Yes	X			Formula		Jan 1, 2011- Dec 31, 2016
V	I	Medicaid	Major				Formula		Oct 1, 2008-Dec 31, 2010
	I	Medicaid-School Districts	No		X		Formula		Oct 1, 2008-Dec 31, 2010
	I	Title IV-E Foster Care and Adoption Assistance	Yes				Formula		Oct 1, 2008-Dec 31, 2010
	I	Disproportionate Share Increase	Yes				Formula		FFY 2009-FFY2010
	IV	Moratorium on Final Regulations-Transportation Services	No		X		Other		Passage-Jul 1, 2009
	IV	Moratorium on Final Regulations-outpatient hospital facility services	No				Other		Passage-Jul 1, 2009
	IV	Moratorium on Final Regulations-Rehabilitative Services		X			Other		Passage
	IV	Extension of Transitional Medical Assistance	No				Other		Jul 1, 2009-Dec 31, 2010

## Appendix III – Local Opportunities

This Appendix is a compilation of the items included in the main memo regarding those parts of the Act that primarily deal with opportunities for local governments.

**Medicaid - School Districts (B, Title V, Formula).** The Medicaid formula adjustment also applies to early, periodic, screening and diagnostic treatment (EPSDT) services provided through the local school districts. Local sources serve as the match for these expenditures. Staff estimates that statewide the districts will realize medical service savings of \$10.0 million from the enhanced Medicaid match, \$3.3 million for FY 2009, \$4.5 million for FY 2010 and \$2.2 million for FY 2011.

**State Fiscal Stabilization Fund – Education (A, Title XIV, Formula).** This formula grant provided to the states is aimed to avert reductions in public higher and elementary and secondary education. It appears Rhode Island will receive \$164.9 million over the three year period FY 2009 through FY 2011. Of the total available funding, 81.8 percent is to restore elementary and secondary education and public higher education to the greater of the FY 2008 or FY 2009 levels for FY 2009, FY 2010 and FY 2011. In order to be eligible for these funds, states must first provide support for both elementary and secondary education and public higher education at no less than the FY 2006 level for fiscal years 2009, 2010 and 2011. This is referred to as maintenance of effort.

Determining maintenance of effort requires a number of steps and decisions. For higher education, expenditures for “construction” are excluded from the calculation, but it is unclear whether debt service is considered a construction expense or an operating expense. Regardless of how debt service is treated, the state does not meet the maintenance of effort requirement for public higher education. Meeting that would require a contribution totaling between \$25.7 million and \$73.5 million.

The legislation does not specify which state expenditures to include in the calculation of elementary and secondary education maintenance of effort. It appears unlikely that the state meets maintenance of effort in any scenario that excludes school housing aid from the calculation. Excluding housing aid, maintenance of effort would require between \$18.9 and \$59.0 million in total state contributions.

If the state meets the maintenance of effort threshold, it becomes eligible for the remaining 18.2 percent, or \$30.0 million in general use funds that could be used to offset the general revenue contribution as well as the \$134.9 million to be split proportionally between public higher education and local school districts. The general use funds can be used for public safety and other state government services. This may include education related activities, such as school repair, renovation or modernization. Federal Funds Information for States estimates that Rhode Island’s share of this funding would be \$30.0 million.



The Secretary of Education has discretion to waive the maintenance of effort requirement; however, no rules or regulations have been posted. The only guidance in the act is that there must be a “precipitous” decline in financial resources and that the state must commit the same percentage of state revenue to elementary and secondary education as the preceding fiscal year.

To qualify their states for these funds, Governors must submit an application to the Secretary of Education. The application must include assurances that the state will meet its maintenance of effort requirements, take actions to improve teacher effectiveness and address inequities in the distribution of high quality teachers between low and high poverty schools, establish a longitudinal data systems, enhance the quality of academic assessments, improve student achievement standards and ensure implementation of corrective action and restructuring options for schools identified for these interventions. The application must also indicate how the state will use its allocation.

The appendix to this memo includes a fuller description of the Fund and describes a number of scenarios that incorporate these maintenance of effort calculations.

**Education for Disadvantaged Title I (A, Title VIII, Formula).** The Act contains a total of \$13.0 billion in formula grants over FY 2010 and FY 2011 to be distributed through three existing Title I funding streams. Of the total, \$5.0 billion is for targeted grants to local education agencies, \$5.0 billion is for education finance incentive grants, and \$3.0 billion is for school improvement grants, for distribution as subgrants to local education agencies identified for improvement, corrective action and restructuring. Funding is to help school districts mitigate the effects of recent reductions in local revenues and state support. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education. The formulas are based on census poverty estimates and per pupil expenditures for each state.

It appears Rhode Island’s share of the targeted and education finance incentive grants to local education agencies will be \$35.8 million over two years, FY 2010 and FY 2011. Distribution formulae for these grants are weighted so that local education agencies with higher percentages of poor children will receive more funds.

Of the \$3.0 billion for school improvement grants, it appears that Rhode Island will receive \$11.3 million over the two years FY 2010 and FY 2011 that will be administered by the Department of Elementary and Secondary Education. While not required, states are encouraged to use 40 percent of this funding for middle and high schools.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This is a web based system that allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system to modify it to align it with reporting requirements in the stimulus guidelines, once those guidelines are developed.

The local government appendix includes a table with estimates of Title I and IDEA distributions by district. Title I estimates are those of the United States Department of Education and differ from the estimates provided earlier by staff. The difference is due to the update of district data based upon newer poverty census data.

Title I fund distributions to states are calculated through four distinct formulas based upon different levels of poverty; however, funds are allocated to districts as one amount. The original staff estimate was based upon the distribution of all Title I funds that districts received. The stimulus funds are being distributed through the two formulas that require a district to have at least 5.0 percent poverty. Some districts are not eligible for these funds and other districts that were eligible for these funds last year are no longer eligible due to changes in poverty data.

It should also be noted that the estimates do not account for distributions to charter schools and the state schools, and other required set-aside amounts that the Department is required to adjust for when it receives funding from the United States Department of Education.

**Special Education (A, Title VIII, Formula).** This is a formula grant to states to provide funding for students with disabilities. The Act contains a total of \$12.3 billion for students with disabilities through three formulary-funding streams over FY 2010 and FY 2011. Funding includes \$11.3 billion for Part B - state grants, \$400.0 million for Part B - preschool grants and \$600.0 million for Part C - infant and toddler grants. It appears Rhode Island will receive \$47.6 million over two years, FY 2010 and FY 2011. Funds will be distributed to local education agencies by formula driven subgrants. A state is eligible to receive this funding if it submits a state plan with assurances that it has policies to provide a free and appropriate public education to children with disabilities between the ages of 3 and 21. Funding will be distributed through the existing formula, which flows through the Department of Elementary and Secondary Education.

In order to receive Part B funds, states must submit a state plan that outlines its policies to ensure that all children with disabilities between the ages of 3 and 21 can receive a free and appropriate public education. The Preschool grants are allocated to states that are eligible to receive Part B funds and that make a free and appropriate public education available to all children with disabilities between the ages of 3 and 5. These funds are generally used for salaries of special education teachers, speech language pathologists, physical and occupational therapy, psychological services, parent counseling and training, and social work services in schools.

The Part C, infant and toddler funds are provided to implement and maintain statewide, comprehensive, interagency systems to make early intervention services available for all infants and toddlers with disabilities from birth to age 3. The statewide system must include a written individualized family service plan developed by a multi-disciplinary team for each infant or toddler with a disability.

The Department of Elementary and Secondary Education implemented a web-based statewide federal grants application system during FY 2008 that allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system to modify it to align it with reporting requirements in the stimulus guidelines, once those guidelines are developed.

The local government appendix includes a table with estimates of Title I and Special Education distributions by district. The Special Education estimates are staff estimates based upon the proportion of FY 2009 distributions. These distributions will change with more updated data.

**School Lunch Equipment (A, Title I, Formula).** This is a formula grant to provide school lunch program equipment assistance. The Act contains a total of \$100.0 million to be distributed in the same proportion as federal child nutrition funds. Rhode Island is eligible to receive \$251,000. States must make competitive grants to districts through which priority will be given to schools in which at least 50.0 percent of the students are eligible for free or reduced lunch.

**Violence Against Women (A, Title II, Formula).** This is a formula grant that provides additional funding to the Department of Public Safety for violence against women prevention and prosecution programs. It appears that Rhode Island will receive \$1.1 million for these initiatives. The table below displays how the Public Safety Grant Administration Office distributed funding among program areas in FY 2008.

<b>Program Area</b>	<b>FY 2008 Distribution</b>
Victims Services	30%
Discretionary (Victims Services)	15%
Prosecution	25%
Courts	5%
Law Enforcement	25%
<b>Total</b>	<b>100%</b>

The Department has indicated that a similar funding formula will be used when the violence against women act planning committee convenes to allocate this additional funding. A date has not been set for this meeting.

**Byrne-Justice Assistance Grants (A, Title II, Formula).** This is a formula grant that may be used by both local and state law enforcement agencies to purchase equipment, information technology updates, as well as offset overtime expenditures. It appears that Rhode Island will receive \$9.5 million between FY 2009 and FY 2011 of which \$3.7 million will be distributed directly to local law enforcement agencies. The distribution is based upon the number of serious crimes such as homicide; sexual assault; robbery; aggravated assault; larceny; auto theft; and arson that take place within a community and is shown in the table below.

<b>Police Department</b>	<b>FY 2009 Allocation</b>
Bristol	\$ 31,208
Burrillville	20,464
Central Falls	168,829
Coventry	50,649
Cranston	197,991
Cumberland	38,370
East Greenwich	10,744
East Providence	95,158
Hopkinton	11,767
Johnston	52,184
Lincoln	37,859
Middletown	21,487
Narragansett	16,883
Newport	179,061
North Kingstown	40,928
North Providence	58,834
North Smithfield	11,255
Pawtucket	390,865
Portsmouth	17,395
Providence	1,615,134
Smithfield	22,511
South Kingstown	30,185
Tiverton	15,348
Warren	31,719
Warwick	182,643
West Warwick	95,158
Westerly	43,998
Woonsocket	254,779
<b>Total</b>	<b>\$ 3,743,406</b>

Of the remaining \$5.7 million, the Bureau of Justice Assistance requires that 42 percent, or \$2.4 million, be passed through to local governments. The Department indicates that the Local Law Enforcement Planning Committee will determine the allocation of these funds but has not yet scheduled meeting to do so. Historically, the Local Law Enforcement Planning Committee has waived a portion of this pass through funding to allow state agency projects that specifically provide direct benefits to local law enforcement agencies. The Commission can use 10.0 percent of the total for administrative expenses before applying the state/local allocation percentages, allowing for a reduction in general revenue expenditures.

**Internet Crimes Against Children (A, Title II, Formula).** This is a formula grant that provides additional funding to combat internet crimes against children. It appears that Rhode Island will receive \$0.4 million for additional funding to support a statewide multi-agency law enforcement task force to target online predators and child exploitation investigations.

The Department of Public Safety has indicated it intends to use the funding to hire two full-time civilian forensic examiners, provide online safety and public educational training, provide statewide law enforcement training, and rent additional facilities for the unit's operations. The

Act provides \$50.0 million nationwide for the measure. Funding is available until expended, or until September 30, 2010.

**Community Oriented Policing Services (A, Title II, Competitive).** This is a competitive grant that will provide additional funding to the local law enforcement agencies for enhanced community oriented policing services. The Act includes \$1.0 billion in total funding for enhanced Community Oriented Policing Services. The Rhode Island Police Chiefs Association indicated to staff that the local law enforcement agencies are aware of this funding possibility and many of them have shown an interest in applying for the additional funding.

The United States Attorney General administers this grant program to allow states, units of local government, Indian tribal governments, other public and private entities, and multi-jurisdictional or regional consortia to hire, re-hire, train and equip law enforcement officers. Funds made available through the program are not to be used to supplant state or local funds, and provide 100.0 percent federal funding for three years for salaries and benefits of additional officers. The program requires that grantees maintain newly-hired positions for one full budget cycle after grant funding terminates.

**Weatherization Assistance Program (A, Title IV Formula).** This is a formula grant that provides \$5.0 billion nationally to be used through federal fiscal year 2010 for the Weatherization Assistance Program. It appears that Rhode Island will receive \$20.5 million. According to the Department of Energy, the Weatherization Assistance Program formula is based on three factors for each state. First is the low-income population, as a percentage of the total for the country. Second are climate conditions. Third is residential energy expenditures by low-income households. The Act further expands the number of households eligible for assistance by increasing eligibility levels to households from 150.0 percent to 200.0 percent of the federal poverty level and increasing maximum assistance from \$2,500 to \$6,500. For FY 2009, eligibility is based on 60.0 percent of the state's median income, which is approximately 220.0 percent of the federal poverty guidelines, or \$46,913 for a family of four in Rhode Island.

The Weatherization Assistance Program provides cost effective, energy efficient weatherization improvements. The program provides low-income individuals, particularly elderly, persons with disabilities, families with children, high residential energy users, and households with a high energy burden, with weatherization improvements to lower utility costs. It currently assists approximately 850 households in Rhode Island. The program provides for installation of weatherization materials such as attic insulation, caulking, weather-stripping, furnace efficiency modifications, certain mechanical measures to heating and cooling systems, and replacement of furnaces, boilers, and air-conditioners.

The Office of Energy Resources subcontracts with seven local community action agencies to provide the program's services. The Office of Energy Resources currently receives \$1.0 million annually from the Department of Energy for weatherization assistance. The Office indicates that it has not received guidance from the Department of Energy and is unclear when

the funds will become available. The Office requested that the community action agencies gear up, and it appears that they have hired and are training additional staff; however, no official action plans have been submitted. The Office also notes that the community action agencies are using some of their current weatherization funds to purchase necessary equipment.

**Energy Efficiency and Conservation Block Grants (A, Title IV, Formula).** The Act provides \$2.8 billion nationally to be used through federal fiscal year 2010. The funds will be distributed on existing formula, which takes into account population and other factors. The amount that Rhode Island will receive is not yet known. The funds will be used for the implementation of programs established under subtitle E of title V of the Energy Independence and Security Act of 2007; to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The formula for the program allocates 70.0 percent of the funds to cities with populations of 50,000 or more and counties of 200,000 or more, which by Energy Efficiency and Renewable Energy rules will be 10 cities in Rhode Island. The remaining 30.0 percent will be distributed by formula as follows: 2.0 percent is for Native Americans and 28.0 percent is for state energy offices, of which 60.0 percent is for sub-grants to local governments that are not eligible under the population formula and 40.0 percent for the state energy program.

**Energy Efficiency and Conservation Block Grants (A, Title IV, Competitive).** The Act provides \$400.0 million to be awarded on a competitive basis. The amount that Rhode Island will receive is not known. The funds will be used for implementation of programs established under subtitle E of title V of the Energy Independence and Security Act of 2007, to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The Office of Energy Resources has not received guidance from the Department of Energy.

**Innovative Technology Loan Guarantee Program (A, Title IV Competitive).** The Act provides \$6.0 billion nationally to provide loan guarantees for renewable technologies and transmission technologies, which will remain available until expended. The amount that Rhode Island could potentially receive is undeterminable. According to information obtained from the Department of Energy, funds will be used to decrease air pollutants or man-made greenhouse gases. Other projects could include renewable energy systems, advanced fossil energy technologies, and production facilities for fuel-efficient vehicles. Additionally, the Act expands the size of the loan guarantee program and increases the amount of loan guarantees authorized specifically for renewable energy and electric power transmission systems.

The Rhode Island Economic Development Corporation is seeking to develop a wind farm project sited on former United States Navy land in Middletown. The Corporation stated that this project would be eligible to receive funding under the Innovative Technology Loan Guarantee Program and may be eligible to receive additional federal stimulus funding under the other energy programs administered by the Department of Energy.

**Emergency Management - State and Local Fire Stations (A, Title VI, Competitive).** This competitive grant provides \$210.0 million for modifying, upgrading, or constructing non-

federal fire stations. Funding will be provided through the Department of Homeland Security and the Rhode Island Emergency Management Agency is the pass through agency for this grant. Funding is available for obligation until September 30, 2010. It is unclear what the distribution schedule is for each fiscal year. Up to 0.5 percent of the funding is available for program administration, and no grant shall exceed \$15.0 million.

**Clean Water Revolving Fund (A, Title VII, Formula).** This is a formula grant to provide additional funds to the state's clean water revolving funds, to be used as subsidized loans to municipalities for wastewater infrastructure projects. It appears Rhode Island will receive \$26.7 million to finance wastewater infrastructure projects. The financing aspect of this program will be controlled by the Clean Water Finance Agency, with project selection and oversight performed by the Department of Environmental Management. Of the \$26.7 million, 20.0 percent will be used for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. In particular, these projects would include the installation of rain gardens to treat storm-water runoff, repairs to riparian buffers, and the installation of energy efficient structures such as wind farms at sewage treatment facilities. The Department of Environmental Management is requesting that the 39 municipalities submit projects with total costs of \$300,000 or more to the Department in order to determine which projects would be funded. Both the Agency and the Department believe that a \$300,000 minimum will ensure the full benefit of the subsidized loan is passed on to the municipalities.

The Act provides that not less than 50.0 percent of this amount be disbursed to subsidize eligible recipients in the form of forgiveness of principal, negative interest loans or grants, or any combination of these. The funds may also be used to buy, refinance or restructure debt obligations of eligible recipients only where such debt was incurred on or after October 1, 2008. The Department of Environmental Management has noted eligible projects would include construction and repairs to municipal wastewater treatment facilities, including those operated by the Narragansett Bay Commission. The Act waives the mandatory 20.0 percent state matching requirement. Priority will be given to projects on the state priority list that are ready to proceed with construction before February 17, 2010, and the Department of Environmental Management notes that it is currently finalizing this list.

Once the list has been finalized, the Clean Water Finance Agency will meet with municipal borrowers to determine the size and structure of loans. The Agency has noted it has not yet determined a standard loan size or structure. It should be noted that statutory changes will be necessary to allow the Agency to issue loans that include negative interest or principle forgiveness.

**Drinking Water Revolving Fund (A, Title VII, Formula).** This is a formula grant to provide additional funds to the state's drinking water revolving funds, to be used as subsidized loans to water systems for drinking water infrastructure projects. It appears Rhode Island will receive \$19.7 million to finance drinking water infrastructure projects. The financing aspect of this program will be controlled by the Clean Water Finance Agency, with project selection and

oversight performed by the Department of Health. Of the \$19.7 million, 20.0 percent of the funds must be appropriated for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities. In particular, these would include water conservation projects such as leak detection and metering, and the relining and repair of transmission lines.

The Act provides that not less than 50.0 percent of this amount be disbursed to subsidize eligible recipients in the form of forgiveness of principal, negative interest loans or grants, or any combination of these. The funds may also be used to buy, refinance or restructure debt obligations of eligible recipients only where such debt was incurred on or after October 1, 2008. The Department of Health notes that these funds will be used for loans to water supply systems throughout the state, of which there are 482 separate suppliers. Projects would include repair and construction of distribution systems, as well as upgrades to wells and pump stations. The Act waives the mandatory 20.0 percent state match. Priority will be given to projects on the state priority list that are ready to proceed with construction before February 17, 2010, and the Department of Health notes that it is currently in the process of finalizing this list.

Once the list has been finalized, the Clean Water Finance Agency will meet with water suppliers to determine the size and structure of loans. The Agency has noted it has not yet determined a standard loan size or structure. It should be noted that statutory changes will be necessary to allow the Clean Water Finance Agency to issue loans that include negative interest or principle forgiveness.

**Leaking Underground Storage Tanks (A, Title VII, Formula).** This is a formula grant, which provides \$200.0 million for the federal Leaking Underground Storage Tank Trust Fund, which is for clean-up of leaking underground storage tanks. The state operates its own Underground Storage Tank Fund, which is administered by the Department of Environmental Management. It appears the Department of Environmental Management will receive approximately \$1.0 million from these funds, which must be spent within two years of receipt. The Department notes it will use the additional funding for remediation of leaks and removal of tanks that are not eligible to receive funding from the state's fund. These sites include private or municipally owned sites, as well as abandoned sites. The Department has submitted an application for these funds to the Environmental Protection Agency, but it is currently unclear which sites would be remediated with the additional funding.

Title VII removes the state match requirement, and would allow the Department to retain up to 1.5 percent of the additional funds for administration of the program. The Environmental Protection Agency requires that the additional funding be targeted to projects that have not been eligible for state funds due to regulatory requirements such as the date or nature of the release.

**Impact Aid – Construction (A, Title VIII, Formula).** The Act provides \$40.0 million over FY 2010 and FY 2011 for construction aid for emergency repair or modernization of school



facilities. These funds will be distributed based on each local education agency's proportion of children of members of the military service, children living on Indian lands, children living on federal property or federally subsidized housing and children whose parents work on federal property. This is an existing federal program. Funds are allocated to local school districts based on the number of eligible federally connected children they educate. For federal fiscal year 2009, Rhode Island school districts received \$1.3 million or 0.1 percent of available federal funds. Based on this same proportion, Rhode Island would be eligible to receive \$53,422.

**Impact Aid – Construction (A, Title VIII, Competitive).** The Act provides \$60.0 million over FY 2010 and FY 2011 for construction aid competitive grants. Grants will be for emergency repair or modernization of school facilities and targeted to districts that have “shovel ready” projects. Districts must apply directly to United States Department of Education for these funds, who will award them based on several criteria. These include whether the facility poses a health or safety threat or is in noncompliance with building codes, the extent to which the new project will utilize energy efficient and recyclable materials and the extent to which the project will utilize alternative building methods to expedite construction and maximize cost efficiency. Feasibility studies must be completed with 24 months of the grant award.

The Department of Elementary and Secondary Education has identified a total of \$395.1 million in “shovel ready” projects. This includes \$48.5 million for approved projects at the state run schools and career and technical centers, \$324.1 million in school district projects that have been approved by the Board of Regents, \$100,000 in a district project that has not yet received Regents' approval, and \$22.4 million in statewide school technology projects.

**Innovation and Improvement (A, Title VIII, Competitive).** The Act contains a \$200.0 million competitive grant for innovation and improvement through the Teacher Incentive Fund for FY 2010 and FY 2011. The Council of Chief State School Officers indicates that the United States Department of Education will make competitive grants to states, local educational agencies, or other educational partnerships to develop and implement performance-based teacher and principal compensation systems in schools with more than 30.0 percent of its enrollment from low-income families through the Department of Education's existing Teacher Incentive Fund.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This web based system allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system and has asked it to modify the existing system to align it with reporting requirements in the stimulus act, once those guidelines are developed.

**Aging Services Program (A, Title VIII, Formula).** This is a formula grant to provide congregate and home delivered nutrition services to elders. It appears Rhode Island will

receive a one-time allotment of \$500,000 through the Department of Elderly Affairs. Funds are available for obligation until September 30, 2010; however, the Department of Elderly Affairs indicates that it currently does not know when it can begin drawing down funds. Current grants are used solely for meals and it is unclear if the same restrictions apply. There are currently six congregate meal sites throughout Rhode Island; Meals on Wheels is the sole provider for home delivered meals.

**Head Start Grants (A, Title VIII, Formula).** This is a formula grant that will provide additional funding to the Head Start agencies. It appears that Rhode Island will receive additional funding of \$2.0 million for Head Start, a federally funded program that provides services to 2,369 children, ages three to five years old, at eight locations throughout the state. The Department of Human Services indicates that the \$2.0 million will be distributed among the Head Start agencies, likely through negotiation.

**Early Head Start (A, Title VIII, Competitive).** This is a competitive program that the Act provides \$1.1 billion nationally of additional funding for the expansion of Early Head Start Programs. Early Head Start is a federally funded program that provides educational activities for children and parents from pre-natal stages to age three. The Department of Human Services noted that Head Start providers are currently preparing proposals to submit to the Administration of Children and Families for additional Early Head Start funding. However, the number of Head Start providers applying for this additional funding is not currently known.

**Community Service Block Grant (A, Title VIII, Block).** This is a block grant that provides additional funding to the Department of Human Services for community action agencies. It appears that Rhode Island will receive \$5.5 million of additional funding for benefit enrollment coordination at the community action agencies. Funding will be available through September 30, 2010. The Department indicated to staff that \$2.7 million will be expended in FFY 2009. The Department estimates the following distribution to the Community Action Agencies.

Community Action Agency	FY 2009	Stimulus	Total
	Enacted	Allotment	
Blackstone Valley	\$ 518,069	\$ 446,581	\$ 964,650
Comprehensive	256,870	174,086	430,956
East Bay	390,556	294,775	685,331
Providence	1,101,268	1,055,000	2,156,268
South County	281,043	199,304	480,347
Tri-Town	250,350	167,284	417,634
West Bay	283,209	201,564	484,773
Family Resources	267,722	185,407	453,129
<b>Total</b>	<b>\$ 3,349,087</b>	<b>\$ 2,724,001</b>	<b>\$ 6,073,088</b>

The Department is currently meeting with community action agency staff to develop a plan for the implementation of services both regarding short term service needs and long term service provisions that will continue after the stimulus funding. The state may retain one percent for benefits enrollment coordination activities relating to the identification and enrollment of

eligible individuals and families. The remaining funds must be expended by September 30, 2010.

**Community Health Centers (A, Title VIII, Competitive).** This is a competitive grant that includes \$500.0 million to support new sites and service areas, to increase services at existing sites, and to provide supplemental payments for increases in uninsured populations. On March 2, 2009, the federal government provided \$2.4 million for two community health centers, Northwest Community Health Center and Tri-Town Community Action Agency. These funds represent a portion of the total available grant funding. These two health centers were eligible for funding because they were designated as federally qualified in the spring of 2008, but were unfunded. The Department of Health has indicated that it will continue to work with the Centers for Disease Control and the Office of Health and Human Services to determine the details of additional funding and its criteria in applying for funds as it relates to the health centers. The Department also indicates that funding will be used in the health centers to expand employment and will serve approximately 7,400 additional patients. It appears that funding will go directly to federally qualified health centers. Grants for new sites and service areas are to be for two years. Funds will not be allocated beyond September 30, 2010.

**Health Information Technology Systems for Health Centers (A, Title VIII, Competitive).** This is a competitive grant that includes \$2.0 billion to support construction, renovation and equipment, and for the acquisition of health information technology systems for health centers, including health center controlled networks receiving operating grants. The Department of Health has targeted staff to gather data and await instruction on how to proceed to receive a grant award. It indicates that rules and regulations will not be available until mid-March; however it intends to apply for all eligible funding. Funding is available until expended.

**Capital Investment (A, Title XII, Competitive).** This is a competitive grant which provides \$750.0 million for new start and small start capital projects. The Department of Transportation is currently unclear whether or not it has projects that would qualify for this funding. The Department is awaiting federal guidance in order to determine the amount of funding it could receive. New start projects include any fixed guideway system which utilizes and occupies a separate right-of-way, or rail line, for the exclusive use of mass transportation and other high occupancy vehicles. This includes, but is not limited to, rapid rail, light rail, commuter rail, automated guideway transit, people movers, and exclusive facilities for buses and other high occupancy vehicles.

Funding will remain available through September 30, 2010. A total of 1.0 percent will be available for administrative expenses and management oversight, through September 30, 2012. No commitment of local matching funds is required to receive this grant. These grants may be used for planning related analyses to develop alternatives for transportation and mass transit projects. There is currently no criteria established to determine how the grants will be awarded, except at the discretion of the Secretary of Transportation.

**Community Development Fund – Neighborhood Stabilization Program (A, Title XII Competitive).** The Neighborhood Stabilization Program provides grants through a competitive

process to assist redeveloping abandoned property and foreclosed homes. The Act provides \$2.0 billion nationally for acquisition, rehabilitation, homebuyer assistance and demolition. The Office of Housing and Community Development indicates the Department of Housing and Urban Development will issue guidance next month. The Office will be working with local governments and non-profits to determine how best to compete for the funds.

Funding for this program first became available through the Housing and Economic Recovery Act of 2008 at \$3.9 billion nationally, distributed on a formula basis. Rhode Island has received a total of \$19.6 million under the 2008 Act; the funds are currently programmed at \$10.0 million in FY 2009 and \$9.6 million in FY 2010. Of the \$10.0 million in FY 2009, \$9.9 million is for grants to municipalities and \$0.1 million is to administer the program including one full-time position. The funds will be distributed to municipalities based on the predominance of the foreclosure rate. The Governor subsequently submitted an amendment to transfer the \$9.9 million budgeted for grants to Rhode Island Housing in order to expedite the expenditure of the funds. The Office of Housing and Community Development will still administer the program.

**National Surface Transportation (A, Title XII, Competitive).** This is a competitive grant which provides \$1.5 billion to state and local governments as well as transit agencies for projects that will have a significant impact on the nation, a metropolitan area or a metropolitan region. The Department of Transportation intends to apply for this grant, and is awaiting detailed federal guidance in order to submit its application for funding. Funding can be used for construction or repair of highways and bridges, overpasses and interchanges, as well as passenger and freight rail projects, and will be available through September 30, 2011. The Act includes a provision that total project costs must be between \$20.0 million and \$300.0 million, but does not mandate a state match requirement for the funding, which will be allocated on a competitive basis. Projects must be completed within three years of enactment, or February 17, 2012.

The Department of Transportation will submit an application for these funds to be used for the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place mall. The project would consist of replacing the current structure, which was built in 1964, with a new structure. Total project costs would be \$176.0 million, with anticipated completion within the three year time frame.

**Assisted Housing Stability & Energy & Green Retrofit Investments (A, Title XII, Formula).** The Act provides \$2.3 billion nationally to remain available through federal fiscal year 2012 to be distributed on a formula basis. There are 26 public housing authorities throughout Rhode Island that will receive direct funding from the Department of Housing and Urban Development indicates that Rhode Island will receive \$36.6 million for 81 projects from the \$2.0 billion available for the Section 8 program.

The Department contracts with the housing authorities to provide Section 8 voucher assistance to subsidize housing for very low-income households. Generally, the tenant pays a portion of the rent, which is based on no more than 30.0 percent of the family's income and the public housing authority pays the remainder of the rent.

The remaining \$250.0 million is available to increase energy efficiency including installation of new insulation, windows and furnaces; however, the Department has not developed plans for the distribution of these funds yet.

**HOME Investment Partnerships (A, Title XII, Formula).** The Act provides \$2.3 billion nationally for the HOME Investment Partnerships Program to be distributed on a formula basis. Funds will be provided to state housing credit agencies. It appears that Rhode Island will receive \$9.3 million from this program. The Rhode Island Housing and Mortgage Finance Corporation currently receive an annual federal apportionment of \$5.0 million to administer this program. The cities of Providence and Woonsocket receive direct grants from the Department of Housing and Urban Development. Funds are allocated to state and local governments and can be used for gap financing and capital projects to expand affordable housing particularly for low and very low-income persons. Funds will be distributed for projects that have received low income housing tax credits, a federal 9.0 percent tax credit program administered by the states. The Act requires that 75.0 percent of the funds must be committed within one year of enactment and must be expended within two years, while 100.0 percent of the funds must be expended within three years.

**Homelessness Prevention (A, Title XII, Formula).** The Act provides \$1.5 billion nationally for homelessness prevention to be distributed based on existing formula to be used through federal fiscal year 2011. The Act requires that 60.0 percent of the funds must be expended within two years, while 100.0 percent of the funds must be expended within three years. It appears that Rhode Island will receive \$7.0 million.

The Secretary of the Department of Housing and Urban Development will establish the requirements for this program by March 30, 2009. Some of the funding will be allocated directly to entitlement communities, including Pawtucket, Providence, and Woonsocket. Information obtained from the Department of Housing and Urban Development indicates that Providence will receive \$2.3 million, Pawtucket will receive \$0.8 million, Woonsocket will receive \$0.5 million and the state will receive \$3.2 million. The funds can be used for rental assistance, housing relocation and stabilization services to include housing search, security or utility deposits, utility payments and moving costs. The Office of Housing and Community Development contracts with non-profit and community-based providers for shelters and other services. The Office provides operating funds to Crossroads for a 48 bed family shelter. The Office also provides funds for Harrington Hall, which is the state's largest shelter for single men. The facility accommodates about 80 individuals and remains open throughout the year. The Urban League operates the shelter.

**Public Housing Capital Fund (A, Title XII, Formula).** The Act provides \$3.0 billion to be allocated to public housing authorities based on the existing formula to be used through federal fiscal year 2011. This allocation would more than double funding for Rhode Island's public housing authorities in FY 2009. Information obtained from the Department of Housing and Urban Development indicates that Rhode Island will receive \$18.9 million; funds were allocated to 25 local housing authorities throughout the state, which ranged from \$23,424 to the Narragansett Housing Authority to \$5.1 million to the Providence Housing Authority. The Act requires that public housing authorities give priority to capital projects that can award contracts based on bids within 120 days from the date the funds are made available to the authorities. The funds can be used for capital improvements of public housing, including financing, rehabilitating, demolishing and increasing energy efficiency. The funds cannot be used for operations or rental assistance, and up to 0.5 percent can be used for administrative costs.

**Public Housing Capital Fund (A, Title XII, Competitive).** The Act provides \$1.0 billion in competitive grants for priority public housing authority investments nationwide, particularly those leveraging private funding. The amount that Rhode Island will receive is not yet determined. The Act requires that the funds must be obligated by September 30, 2009. The Act also requires that public housing authorities give priority to capital projects that can award contracts based on bids within 120 days from the date the funds are made available to the authorities. Additional consideration must be given to the rehabilitation of vacant rental units.

**Education Flex Funds (A, Title XIV, Competitive).** Included in the state fiscal stabilization fund is a provision that the Secretary of Education may reserve \$5.0 billion to make competitive grants to states. States that receive these grants must provide at least 50.0 percent of the grant award to local educational agencies via the Title I formula. Of the total, the Secretary of Education may reserve \$650.0 million to make grants to local education agencies or partnerships of local agencies and non-profits; states are not eligible for these awards.

These funds will be available for FY 2010. Grants will be given to states that have made significant progress in achieving equity in teacher distribution, establishing longitudinal data systems, and enhancing assessments for English language learners and students with disabilities. States must meet the maintenance of effort requirements for the state fiscal stabilization funds in order to be eligible for the education flex funds.

In order to qualify for these funds, Governors must submit an application to the Secretary describing the state's status in each of the areas addressed by the assurances in the application for the education stabilization funds. The application must include all strategies the state is using to ensure that students that have not met the state's proficiency targets will continue to make progress toward meeting state standards, the achievement and graduation rates of all public school students, how the grant funding will be used to improve student academic achievement and a plan to evaluate the state's progress in closing achievement gaps.

The Department of Elementary and Secondary Education implemented a statewide federal grants application system during FY 2008. This web based system allows districts to access and submit applications for federal funds electronically. The Department indicates that it has been in contact with the vendor that implemented the system and has asked it to modify the existing system to align it with reporting requirements in the stimulus act, once those guidelines are developed.

**Trade Adjustment Assistance for Workers – Community Grant Program (B, Title I, Competitive).** The Act provides for a competitive community grant program for “eligible communities” that are adversely affected by trade. There will be \$150.0 million for each federal fiscal year 2009 and 2010 and \$37.5 million from October 1, 2010 through December 31, 2010 available to communities in the form of competitive grants. There is a two-step application process, first a community must petition the U.S. Secretary of Commerce for designation as an “eligible community.” Once designated, the community can apply for a grant, not to exceed \$5.0 million, by submitting a description of its strategic plan to adjust to trade and the particular project to be funded. Communities can also apply for a grant to help develop the strategic plan, under certain requirements. The community itself must fund at least 5.0 percent of the project and priority will be given to small and medium-sized communities.

**Community Development Finance Institution (A, Title V, Competitive).** The Act provides an additional \$100.0 million for the Community Development Financial Institutions Fund for applicants who have qualified under existing FY 2009 applications. The United States Department of the Treasury administers this program. The amount Rhode Island might receive from this fund is undeterminable. The program provides federal resources to invest in and build capacity of community development finance institutions to serve low-income individuals and communities lacking adequate access to affordable financial products and services. The Fund provides monetary awards for financial assistance and technical assistance to further goals such as job creation, business development, and commercial real estate development; affordable housing, and community development financial services including financial literacy training, and predatory lending alternatives.

<b>Estimated 2-Year Distribution to School Districts based on FY 2009 Distributions</b>			
<b>District</b>	<b>Title I</b>	<b>IDEA</b>	<b>Total</b>
Barrington	-	846,776	846,776
Burrillville	252,456	843,192	1,095,648
Coventry	304,947	1,538,377	1,843,324
Cranston	1,656,796	3,370,093	5,026,889
Cumberland	298,282	1,448,327	1,746,609
East Greenwich	-	614,595	614,595
East Providence	889,429	1,962,768	2,852,197
Foster	26,662	96,570	123,232
Glocester	67,488	264,980	332,468
Jamestown	-	219,389	219,389
Johnston	393,265	1,173,727	1,566,992
Lincoln	236,626	948,169	1,184,795
Little Compton	29,162	131,168	160,330
Middletown	144,975	772,527	917,502
Narragansett	118,313	551,586	669,899
New Shoreham	8,332	35,059	43,391
Newport	423,810	975,617	1,399,427
North Kingstown	276,619	1,178,426	1,455,045
North Providence	403,263	1,093,999	1,497,262
North Smithfield	85,818	442,273	528,091
Pawtucket	3,536,605	3,255,698	6,792,303
Portsmouth	-	751,686	751,686
Providence	19,530,496	8,485,140	28,015,636
Scituate	99,983	498,834	598,817
Smithfield	-	728,082	728,082
South Kingstown	203,298	1,149,116	1,352,414
Tiverton	121,646	577,916	699,562
Warwick	895,678	3,540,275	4,435,953
West Warwick	504,912	1,197,910	1,702,822
Westerly	238,292	1,013,664	1,251,956
Woonsocket	2,264,365	2,343,317	4,607,682
Bristol-Warren	262,455	1,202,763	1,465,218
Exeter-West Greenwich	-	558,279	558,279
Chariho	181,635	993,787	1,175,422
Foster-Glocester	79,153	377,440	456,593
Central Falls	2,301,497	1,179,474	3,480,971
Department Distribution	-	1,246,998	1,246,998
<b>Total</b>	<b>\$35,836,258</b>	<b>\$47,608,000</b>	<b>\$83,444,258</b>