

DATE: February 18, 2009

TO: Members of the Michigan House of Representatives
Interested Parties

FROM: Mitchell E. Bean, Director *MB*

RE: UPDATE on Preliminary Conference Agreement Federal Stimulus Allocations

The following provides an UPDATED summary of provisions contained in the federal stimulus package, including the names of House Fiscal Agency analysts assigned to work with Members on specific provisions in the legislation. The last page of this memo provides a table with estimates of funds available to Michigan.

Please note that because the federal information continues to be updated, HFA updates on the federal stimulus allocations will be sent to Members via email and posted on the HFA website, but hard copy of the update memos will not be produced. If you have any questions about the specifics of various provisions, please call either the appropriate analyst—or me.

COBRA Health Insurance for Unemployed Workers*Bill Fairgrieve*

The Act provides for federal subsidies to cover 65% of the COBRA premiums to enable people who have been involuntarily terminated from their jobs to maintain their prior employment based health insurance coverage for up to nine months. The subsidy is limited to workers with earnings less than \$125,000 (\$250,000 for couples). It is unknown how many potentially eligible workers in Michigan would take advantage of this option.

Federal Medicaid Match Rate Increase*Bill Fairgrieve*

The enacted version of the federal stimulus package provides a temporary 6.2% increase in the federal Medicaid rate (FMAP) from October 1, 2008, through December 31, 2010. The federal share of Michigan's Medicaid cost would go from 60.27% to 66.47% in FY 2008-09, and from 63.19% to 69.39% in FY 2009-10.

States with large increases in unemployment would also receive an additional increase in their FMAP rate ranging from 5.5% to 11.5% of the state's Medicaid share after certain adjustments. Based on current unemployment estimates, this would further increase Michigan's FMAP rate by between 3.5% and 4.0% in each fiscal year. The combined increase in the federal share of Michigan's Medicaid costs will lower the amount of state GF/GP funds required to maintain the program, providing savings to Michigan of nearly \$2.0 billion through December 2010. There would be further savings to hospitals and nursing homes through a reduction in the amount of provider taxes paid as part of the Quality Assurance Assessment Program (QAAP).

Because federal Medicaid claims are filed based on actual expenditures, the additional revenue is not available to the state until after the expenditures are actually incurred and meet the following conditions:

- The state does not restrict Medicaid eligibility between July 1, 2008 and December 31, 2010.
- The increase would not be available for expenditures on behalf of individuals who become Medicaid eligible through adoption of higher income or asset limits after July 1, 2008.
- The state is in compliance with federal Medicaid prompt payment requirements.
- Depositing or crediting of any funds attributable to the FMAP increase into a reserve fund or rainy day fund is prohibited.

Disproportionate Share Payments to Hospitals.....Bill Fairgrieve

The federal government limits the amount of hospital disproportionate share payments (DSH) that each state is allowed to provide. The federal stimulus legislation increases the annual DSH allotment by 2.5% in FY 2008-09 and FY 2009-10. Michigan's current appropriation for DSH payments is \$423.7 million.

Moratorium on Medicaid Regulations.....Bill Fairgrieve

The current moratorium on six Medicaid regulations relating to cost limits on public providers, graduate medical education (GME) payments, provider taxes, rehabilitative services, targeted case management services, and school administration and transportation services would be extended from March 31, 2009, until June 30, 2009. The new federal law would also expand this moratorium to include a seventh Medicaid regulation relating to outpatient hospital services.

Based on previous estimates, the original six Medicaid regulations would result in the annual loss of nearly \$700 million in federal Medicaid funds to Michigan if implemented. Michigan's Medicaid policy is consistent with the additional outpatient hospital services regulation, and there would be no fiscal impact on the state.

Temporary Extension of Medicaid Work Transition Coverage.....Bill Fairgrieve

Under current law, individuals who leave welfare to go to work receive up to one year of Medicaid coverage so long as they continue working. This current transitional medical assistance (TMA) expires on June 30, 2009. The federal stimulus law would extend the current-law provision through December 31, 2010. It also allows states the option of simplifying transitional Medicaid assistance eligibility determinations to reduce administrative burdens and turnover.

State Option to Cover Family Planning Services.....Bill Fairgrieve

Under current law, the Secretary has the authority under section 1115 of the Social Security Act to grant waivers to states to allow them to cover family planning services and supplies to low-income women who are not otherwise eligible for Medicaid. The new federal legislation would give states the option to provide such coverage without

obtaining a waiver. States could continue to use the existing waiver authority if they preferred. Michigan currently operates under a waiver for the provision of family planning services to the non-Medicaid low income population.

Health Information Technology.....Bill Fairgrieve

The legislation provides \$19.0 billion in funding for health information technology infrastructure, training, dissemination of best practices, telemedicine, inclusion of health information technology in clinical education, and state grants to promote health information technology. \$17.0 billion of the \$19.0 billion total is for financial incentives through the Medicare and Medicaid programs to encourage doctors and hospitals to adopt and use certified electronic health records. Federally qualified health centers, rural health clinics, children’s hospitals and others will be eligible for funding through the Medicaid program.

Additional funding will be available for state planning and implementation grants and loan programs to expand health information technology. In 2006, Michigan established a Health Information Technology Commission to promote the establishment of an interoperable health care information infrastructure in Michigan. Currently, the FY 2008-09 DCH budget includes a \$5.0 million appropriation to support regional health information exchanges (HIEs) throughout the state and a central HIE resource center. This funding is proposed to be eliminated in the FY 2009-10 Executive Budget Recommendation.

Prevention and Wellness Fund.....Bill Fairgrieve

\$1.0 billion is allocated to a new Prevention and Wellness Fund with most of the funding transferred to the Centers for Disease Control and Prevention for various grant programs and other public health initiatives. Funding is targeted to immunization programs (\$300 million); clinical and community-based prevention and wellness strategies (\$650 million); and health care related infection prevention strategies (\$50 million). According to preliminary estimates, Michigan would receive \$9.3 million in funding for immunizations.

Other Health-Related Provisions.....Bill Fairgrieve

The recently-enacted federal stimulus package also includes \$1.1 billion for health care effectiveness research; \$1.5 billion for construction, modernization, and health IT improvements for federally qualified health centers (FQHCs); \$500 million for FQHC grant funding; and \$500 million for training of primary care providers.

Byrne Justice Assistance Grants..... Jan Wisniewski

\$2.0 billion in formula grants to help prevent, fight, and prosecute crime. Funds will be distributed to states on a formula basis.

Community Oriented Policing Services (COPS) Grants Jan Wisniewski

\$1 billion in grants to support hiring additional law enforcement officers. The Act waives the 25 percent local match requirement and the \$75,000 salary cap per officer. State and

local agencies will probably be required to apply directly to the federal government for the grant funds.

Byrne Competitive Grants *Jan Wisniewski*
\$225 million in competitive grants to support crime prevention, improve the administration of justice, provide services to victims of crime, and other activities. Grants will likely be distributed to state and local police agencies that apply for and qualify for the funding.

Military Construction, Army National Guard *Jan Wisniewski*
\$50 million for planning, design, and construction projects. Funding received by Michigan will likely be a direct allocation to the Department for specific projects.

Military Construction, Air National Guard *Jan Wisniewski*
\$50 million for planning, design, and construction projects. Funding received by Michigan will likely be a direct allocation to the Department for specific projects.

Veterans Affairs *Jan Wisniewski*
\$150 million in grants for construction of state extended care facilities for veterans. Funding received by Michigan will likely be a direct allocation to the Department for specific projects.

Clean Water State Revolving Fund *Kirk Lindquist*
\$3,929,999,000; Michigan's share: \$171,126,000

Drinking Water Revolving Fund *Kirk Lindquist*
\$1,965,100,000; Michigan's share: \$67,976,000. Funding would be provided for grants to communities for the construction of treatment works and for new funding for loans through the water pollution control and the drinking water revolving fund. Half of the amount provided to Michigan would be used for grants and forgiveness of loans.

Brownfields Remediation *Kirk Lindquist*
\$100,000,000; state allocations are not currently available. Conference report includes funding for brownfield rehabilitation and redevelopment efforts.

Superfund Hazardous Waste Cleanup *Kirk Lindquist*
\$600,000,000; Michigan's share: not currently available. Conference report includes funding to clean up hazardous and toxic waste sites. There is a 10% match requirement.

Leaking Underground Storage Tanks *Kirk Lindquist*
\$200,000,000; state allocations are not currently available. Conference report includes funding to enforce and clean up underground storage tank contamination. There is no matching requirement.

Diesel Emission Reduction Grants *Kirk Lindquist*
\$300,000,000; state allocations are not currently available. Conference report includes funds for grants for cost effective emission reduction projects. Priority would be given to projects leading to job creation and measurable reductions in diesel emissions.

Department of Interior Resource Management *Kirk Lindquist*
\$650,000,000; state allocations are not currently available. Conference report includes funding Department of Interior capital outlay projects, including roads and bridges, wildlife refuge and hatchery maintenance, dam removal, trail improvement and habitat restoration projects. It is not clear how much of the allocation might be provided to states (through traditional grant programs for these purposes), and what amount could be retained by the federal agency for National Forests and Refuges.

Rural Water and Waste Disposal *Kirk Lindquist*
\$1,380,000,000; state allocations are not currently available. Funds would be distributed through state administered grants and loans to help communities develop/improve drinking water and wastewater treatment systems.

Bureau of Land Management Resource Management *Kirk Lindquist*
\$180,000,000; state allocations are not currently available. Conference report includes funding for deferred maintenance of BLM infrastructure and habitat maintenance projects, for trail maintenance and restoration, remediation of environmental and public safety hazards at abandoned mines and wells, and employment opportunities in local communities.

Wildland Fire Management *Kirk Lindquist*
\$500,000,000; state allocations are not currently available. Conference report includes funding for wildfire mitigation and prevention efforts on federal lands. Grant funding for specialized wildfire equipment may be available to states, and would be awarded through a competitive grant process.

Watershed and Flood Protection *Kirk Lindquist*
\$290,000,000; state allocations are not currently available.. Conference report provides \$145.0 million to design and build flood protection projects and repair aging dams, and \$145.0 million to purchase and restore conservation easements in flood plains.

Fish and Wildlife Service Resource Management *Kirk Lindquist*
\$165,000,000; state allocations are not currently available. Funding may be available to states for stream habitat and habitat restoration projects. Grant funds for specialized wildfire equipment may be available to states, and would be awarded through a competitive grant process.

Energy Efficiency and Conservation Block Grants *Mark Wolf*

Grants to local governments and states; most of state funds are re-allocated to local governments. Funds to be used for building energy audits, energy retrofits, use of renewable energy, improved energy efficiency in buildings and transportation. \$3.2 billion.

State Energy Program Grants *Mark Wolf*

Distributed to state energy offices based on an equal distribution, population, and energy consumption. To be expended to carry out a state energy plan, which generally aims to improve energy efficiency within the state; \$3.1 billion distributed among state energy offices, with Michigan allocation estimated to be \$110.0 million.

WIA – Adult Employment and Training Activities *Mark Wolf*

Allocated to states based on unemployment rates and number of low-income individuals; re-allocated to local areas based on same criteria; funding for job search and training; \$500.0 million total distribution among states, with an estimated allocation to Michigan of \$31.2 million.

WIA – Youth Activities *Mark Wolf*

Allocated to states based on unemployment rates and number of low-income youth; re-allocated to local areas based on same criteria; used for education and job training programs, and necessary supportive services for low-income youth (14-24 under the bill); \$1.2 billion distributed among states, with an estimated allocation to Michigan of \$74.6 million.

WIA – Displaced Worker Employment and Training Activities *Mark Wolf*

Allocated to states based on unemployment rates and number of individuals unemployed for at least 15 weeks; re-allocated to areas based on unemployment, plant closings and layoffs, and declining industries; same as adult employment and training services; \$1.25 billion distributed among states, with an estimated Michigan allocation of \$137.7 million.

Dislocated Workers National Reserve *Mark Wolf*

Funds held by DOL to provide National Emergency Grants (NEG) to supplement displaced worker funds to states, local boards, and others, to respond to plant closings and mass layoffs within a community; \$200.0 million distributed to states as needed.

YouthBuild Activities *Mark Wolf*

Provides disadvantaged youth with employment, education, leadership, and training through rehabilitation or construction of housing for the homeless and low-income families; eligible grantees include community organizations, local boards, and state workforce agencies; \$50.0 million. Not likely to be received by state.

Competitive Grants for Worker Training *Mark Wolf*

Competitive grants for worker training and placement in "high growth and emerging industry sectors;" includes labor exchange, and job training in energy efficiency and renewable energy sector, as provided in the Green Jobs Act of 2007; of the balance, priority given to prepare health care workers; \$750.0 million to be awarded competitively.

Employment Service Operations *Mark Wolf*

Funds distributed to states based on number of civilian workforce, unemployed individuals, individuals unemployed at least 15 weeks; expended for re-employment and job matching assistance for UI claimants under the Wagner-Peyser Act; \$400.0 million distributed among states, with an estimated Michigan allocation of \$14.2 million.

Trade Adjustment Assistance *Mark Wolf*

Makes extensive revisions to the trade adjustment assistance program established under the Trade Act of 1974, including extending the program work professional-service workers and public agencies.

Vocational Rehabilitation Services *Mark Wolf*

Expended for vocational rehabilitation services for persons with disabilities with the general aim of achieving an employment outcome; while a 21.3% state match is required by statute, no match is required for this funding under either bill; \$540.0 million distributed among states.

Independent Living, State Grants *Mark Wolf*

Expended for independent living services for persons with disabilities, with the general aim of fostering self-sufficiency and independence of persons with disabilities; \$18.2 million distributed among states, with an estimated Michigan allocation of \$1.4 million.

Independent Living Centers *Mark Wolf*

Provides direct assistance to Centers for Independent Living (there are 15 in Michigan) under the Rehabilitation Act of 1973; CILs provide services aimed at fostering self-sufficiency and independence of persons with disabilities; \$87.5 million distributed to CILs.

Services for Older Blind Individuals *Mark Wolf*

Provides independent living services to blind individuals who are at least 55 years of age; services include providing visual aids and mobility assistance equipment, mobility training, Braille instruction, guide services, transportation assistance, independent living skills training, and other services aimed at assisting with daily living activities; \$34.3 million distributed among states.

Public Housing Capital Fund *Mark Wolf*

Established in Section 9 of the United States Housing Act of 1937 (42 USC 1437g); provides formula grants to public housing agencies (PHAs); expended in accordance with state PHA plan for development and modernization of public housing projects; deferred maintenance costs; code compliance; management improvements; demolition and replacement; resident relocation; capital expenditures to improve safety and security; homeownership activities; energy efficiency improvements; \$4.0 billion, generally distributed to local housing commissions, with Michigan share estimated to be \$53.7 million.

Elderly, Disabled, and Section 8 Assisted Housing Energy Retrofit *Mark Wolf*

Direct grants or loans to property owners receiving affordable housing assistance; to be expended for retrofitting units to improve energy efficiency; \$2.25 billion.

Community Development Block Grants *Mark Wolf*

Administered by MSHDA, MEDC, and a number of local units which receive direct CBDG assistance; generally used for a variety of economic development-related purposes (acquire and rehabilitate property, etc); MSHDA administers CBDG funds as it related to housing. Total subject to state appropriation; \$1.0 billion.

Neighborhood Stabilization Program *Mark Wolf*

Provides funding to states and local units of government to purchase and develop foreclosed and abandoned homes and blighted properties, and resell them to low and moderate income homebuyers; \$2.0 billion.

Low-Income Housing Tax Credit Program (MSHDA) *Mark Wolf*

Allocates authority among state housing authorities to provide federal tax credits for the acquisition, rehabilitation, and construction of affordable housing, with each state allocation based on federal HOME funds received. Total allocation of \$2.25 billion, with Michigan allocation estimated to be \$49.8 million. Would be awarded by MSHDA.

Homeless Assistance Grants *Mark Wolf*

Provides homeless prevention and rapid housing grants for services such as rental assistance, credit repair, security or utility deposit assistance, utility assistance, relocation assistance, and case management. Distributed by formula under McKinney-Vento Homeless Assistance Act. Total distribution among states is \$1.5 billion, with Michigan allocation estimated to be 53.4 million.

Lead Hazard Reduction Program *Mark Wolf*

Provides competitive grants to states and local governmental units for lead abatement activities in low-income housing; \$100.0 million.

Extension of Emergency Unemployment Compensation *Mark Wolf*

PL 110-252 and PL 110-449 temporarily provide up to 20 weeks of extended unemployment compensation (with an additional 13 weeks of extended benefits, in addition to the 20 weeks, in states with high unemployment) to individuals who have exhausted benefits. Generally extended benefits are payable for persons who exhausted regular benefits or the 20-weeks of extended benefits prior to the end of March 2009. Extended benefits are entirely federally funded (no impact on state). Not subject to appropriation.

The ARRA extends the duration of the extended benefits period to December 2009, so displaced workers who exhausted regular benefits or 20 weeks of extended benefits prior to the end of December 2009 are provided 20 weeks of extended benefits (if exhausting regular benefits) or 13 weeks of extended benefits (if exhausting regular compensation, 20 weeks of the extended benefits, and residing in a high unemployment state). The bill does not extend the number of additional weeks of benefits a person can receive.

Increase Unemployment Compensation (UC) Benefits *Mark Wolf*

Increases amount of UC benefits payable by \$25 so that a person receive the amount calculated under state law, plus \$25; state cannot amend calculation to lower state benefits paid; payable through June 2010; entirely funded by federal government through an advance made to states or a reimbursement; federal funds also provided to support state administrative costs.

Special Transfers for Unemployment Compensation Modernization *Mark Wolf*

Incorporates provisions of the proposed Unemployment Insurance Modernization Act (HR 290 of the current 111th Congress). Makes a total of \$7.0 billion in incentive payments to states that "modernize" their UI laws; one-third distributed to states that provide for an "alternate base period" (used to determine eligibility) that includes the most recent calendar quarter; state UC law already includes that provision. Distributes two-third to states that enact changes to UC laws that include two of the following four provisions: 1) permit former part time workers to seek part time work and be eligible for UC benefits; 2) provide UI benefits to claimants who voluntarily leave for "compelling family reasons;" 3) provide an additional dependent allowance of \$15/dependent, subject to a minimum cap of \$50; and 4) provides extended benefits to UI recipients who have exhausted benefits and are enrolled in state-approved job training program or program under WIA (like NWLB).

Available in FYs 2009-2011. Funds used for benefits would not be subject to appropriation. The National Employment Law Project estimates that Michigan's allocation for adopting the alternate base period (which it already has) would be \$69.4 million; the remaining allocation for adopting the other changes would be \$138.9 million, for a total of \$208.3 million.

Extended Benefits (Unemployment Insurance Agency)..... Mark Wolf

Provides that the Extended Benefits program (permanent program established in federal law) is to be, temporarily, financed 100% by the federal government, rather than the traditional 50-50 split among the states and the federal government.

Waives Interest Due on Title XII Cash-Flow Advances to State UI Trust Funds ... Mark Wolf

Waives, through December 2010, any interest due on advances made to state unemployment trust funds necessary to meet costs of providing benefits. According to public testimony for the UIA director, Michigan is estimated to owe \$41.0 million in interest payments in FY 2009.

Special Transfers for Unemployment Compensation Modernization Mark Wolf)

Provides additional funding to state unemployment agencies for administrative costs, improved outreach, and operations improvements, including information technology upgrades and other service improvements to meet increased demand for services, and re-employment services. The National Employment Law Project estimates Michigan's share at \$14.9 million; FFIS estimates Michigan's share at \$16.1 million.

Transportation.....Bill Hamilton

The stimulus package includes funding for ready-to-go transportation projects—highway, transit, rail passenger, and aeronautics programs. The funding amounts described below are from the Federal Funds Information for States (FFIS) and represent the total appropriation/allocation for the funding periods covered by the stimulus package.

Highways—Conference report appropriates \$27.5 billion for highway infrastructure:

- Distributed to states according to current federal-aid highway formula.
- Requires FHWA to apportion to states within 21 days of the enactment.
- Available through September 30, 2010

State is required to obligate (funds are obligated for a specific eligible project) 50% percent of the funds within 120 days. Funds are obligated prior to bid letting, contract award, and construction. Michigan's estimated share would be \$847,502,000 (per FFIS, 2/17/2009). This additional federal funding will have to be appropriated by supplemental state appropriation.

Funds will be allocated based on existing federal requirements, which includes suballocation of certain program funds by population, and state statute (Public Act 51 of 1951 requires that 25% of most federal aid programs be allocated to local road agencies). MDOT is currently soliciting local federal aid projects. Priority is given to projects can be completed within three years, and are within economically distressed areas. Federal aid would be at 100% of eligible project cost; there would be no match requirement. (Federal-aid highway programs typically require a 20% non-federal match.) While the funds are available over two fiscal years (2009 and 2010), the funds are not allocated over the two-year fiscal period; the department can spend all the funds in 2009, if it is able to get projects under contract quickly enough.

Transit—The Conference Report appropriates \$6.9 billion in federal capital assistance to transit agencies, of which 80% or \$5.5 billion would be distributed to agencies in urbanized areas by formula (Section 5307). The urbanized area funds are distributed directly to urban transit agencies. The bill would allocate 10%, approximately \$600 million, using rural area formula (Section 5311). (Another 10% would be distributed under Section 5340—a formula grant program for both urban and rural area transit agencies.) These grants would purchase buses and other equipment.

The FFIS website estimates Michigan's share of transit capital funding at \$165,008,000. An updated estimate of the urban formula/ rural formula distribution is not available at this time. Note that since transit agencies in urbanized areas have direct access to federal funds, the urban formula grants would not have to be appropriated in state budget bills. The bill would require obligation of 50% of funds within 180 days. Funds would be available until September 30, 2012.

Aeronautics—The package provides \$1.1 billion in discretionary funding nation-wide for the Secretary to make discretionary Grants in Aid for Airports. The bill requires that projects be obligated within 120 days. Additional funds for Michigan will require state appropriation.

Other Provisions—The bill also provides non-formula grants: \$1.5 billion nationally for discretionary surface transportation grants; and \$750 million for fixed guideway modernization grants (for light rail or bus rapid transit). FFIS shows Michigan receiving only \$421,000 — significantly less than other urbanized states.

State Fiscal Stabilization Fund*Mary Ann Cleary; Bethany Wicksall*

The bulk of the State Fiscal Stabilization Fund is provided in state allocations. 81.8% of it is provided for K-12 Education and Higher Education. The other 18.2% could be used for any government services. According to FFIS, Michigan's total allocation is estimated at approximately \$1.6 billion.

Of the 81.8% (\$1.31 billion for Michigan) directed towards K-12/Higher Education, the first allocation must be used to maintain the greater of FY 2007-08 or FY 2008-09 funding levels for K-12/Higher Education funding in FYs 2009-10 and 2010-11. (Higher Education includes appropriations to public universities and community colleges but not state financial aid programs.)

The balance of funds remaining, after funding levels are restored, is earmarked for education and would go to K-12 purposes including early childhood programs. Specifically, it would be distributed to districts based on their Federal Title I allocations. Districts could use the funds for any activity authorized by the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act, the Adult and Family Literacy Act, or the Perkins Career and Technical Education Act or for modernization, renovation or repair of public school facilities.

The state allocations also include maintenance-of-effort (MOE) requirements that "state support" for both K-12 and Higher Education must maintain at least FY 2005-06 funding levels. For Higher Education, there is currently a buffer of about \$65 million

that the FY 2008-09 budget is over the FY 2005-06 budget. For K-12, there is currently a buffer of about \$386.5 million (after adjusting for January pupils and taxable value changes).

In addition to the state allocations described above, \$5.0 billion of the State Fiscal Stabilization Fund is reserved for competitive grants to states that have made significant progress by FY 2009-10 in achieving equity in teacher distribution, improving data collection and use, and improving academic assessments. It is unclear how much of this Michigan might receive.

The state may use the 18.2% (\$291 million for Michigan) remaining for public safety and other government services which may include further assistance for K-12 and Higher Education including modernization, renovation, or repair of public school facilities or institution of higher education facilities.

Higher Education *Kyle I. Jen*

Includes increased funding for Pell Grants and federal Work Study program. Additionally, the federal tuition tax credit would be temporarily expanded and made partially refundable. These funds would not pass through the state budget. Funds will be awarded directly to postsecondary students through existing formulas/processes. These changes would increase available financial aid for college students in Michigan, though, potentially alleviating the need for state-funded financial aid.

Education Grants to K-12 Districts *Mary Ann Cleary; Bethany Wicksall*

Under the proposal there is Title I (for Disadvantaged students) funding of \$500.7 million for use in FYs 2009-10 and 2010-11 which is distributed as follows:

- Approximately 38.7% will go out as formula grants to be used for current Title I purposes.
- 38.7% will be used for education finance incentive grants distributed through the current formula of which states should use a portion of the funds for early childhood programs.
- 22.6% to be used for school improvement grants to districts failing to meet NCLB requirements of which states are encouraged to use up to 40% for middle and high school students.

Additionally, there is IDEA (special education) funding of \$419.5 million for FYs 2009-10 and 2010-11 in formula grants including preschool grants and grants to infants and toddlers.

There is approximately \$24.0 million for Michigan in Education Technology grants to be used in FYs 2009-10 and 2010-11; \$2.45 million for education for homeless youth and children grants; and Teacher Incentive funding available to states to develop and implement innovative principal and teacher compensation models for recruitment and retention efforts in high-need schools and subjects.

The state, with approval of the Secretary of Education, may treat state fiscal stabilization funds as non-federal funds for any requirement for any other federal education program related to MOE or the Secretary of Education may waive or modify any requirement related to MOE for a state or school district for FYs 2008-09, 2009-10, and 2010-11.

Federal Medical Assistance Percentage *Bob Schneider; Kevin Koorstra*
Provides a 6.2% rate increase to the Federal Medical Assistance Percentage (FMAP). For DHS, the new federal funding will offset GF/GP costs within the foster care and adoption subsidy programs. Bill prohibits the state from depositing FMAP increase revenues into a rainy day fund. Michigan allocation = \$53,835,500 FFIS gross; \$23,926,900 for FY 09; \$23,926,900 for FY 10

Food Assistance *Bob Schneider; Kevin Koorstra*
Increases the food assistance benefit level by 13.6% through September 2009. The increase is phased out over the next few years. Additional federal revenue does not have to go through the supplemental appropriations process since boilerplate allows State Budget Director to adjust appropriation for increased federal revenues. No state cost impact since benefits are federally-funded. Michigan allocation = \$926,000,000 gross; \$136,873,800 for FY 09; \$205,400,800 for FY 10

Provides additional federal funding for food assistance program administrative expenses based on state's share of food assistance households as reported through the most recent 12 months. 75% based on states share of households, and 25% based on change in caseload. Michigan allocation = \$12,441,500 gross; \$6,142,600 for FY 09; \$6,298,900 for FY 10

Child Support *Bob Schneider; Kevin Koorstra*
Restores the authority of states to use federal child support incentive payments as match to draw down additional federal dollars, reversing a 2006 change in federal law which prohibited this use of incentive payments. Should eliminate the need for \$16.7 million in GF/GP hold harmless funding in FY 2009 and FY 2010. Michigan allocation = \$98,000,000 gross; \$49,000,000 for FY 09; \$49,000,000 for FY 10

TANF *Bob Schneider; Kevin Koorstra*
Creates a new temporary emergency TANF fund of \$5 billion that would meet 80% of the costs of increased TANF basic assistance, non-recurrent short term benefits, and subsidized employment caseloads. States would be eligible for funding if caseloads increase compared to corresponding quarter in either FY07 or FY08. Total emergency fund and TANF contingency fund allocations for FYs 2009 and 2010 combined cannot exceed 50% of the annual TANF grant (\$387.6 million for Michigan). Conference bill also broadens the use of TANF "carry-forward" funds beyond basic assistance programs. Allocation for Michigan is unknown

Weatherization *Bob Schneider; Kevin Koorstra*
Adds \$5.0 billion for weatherization assistance for low-income households. Changes income eligibility level from 150% to 200% of poverty level and changes maximum assistance level from \$2,500 to \$6,500. Also changes the date for partially weatherized homes that can receive further assistance from between September 30, 1975, to September 30, 1979, to September 30, 1975, to September 30, 1994. No change in funding formula, with around \$279,864,000 to be awarded to Michigan over the two year period. Michigan allocation = \$279,864,000 gross; \$139,932,000 for FY 09; \$139,932,000 for FY 10

Child Care Development Fund (CCDF) *Bob Schneider; Kevin Koorstra*
\$2 billion in new funding for child care and child development programs. The bulk of this funding goes toward child day care subsidies, however some federal funding is also used for programs and services delivered through the Early Childhood Investment Corporation (ECIC). Bill specifies funding is to supplement and not supplant GF/GP for child care assistance. Michigan allocation = \$58,681,000 gross; \$29,340,500 for FY 09; \$29,340,500 for FY 10

Community Services Block Grant (CSBG)..... *Bob Schneider; Kevin Koorstra*
Provides an additional \$1 billion over two years for Community Services Block Grant program, which support social services programs administered through regional community action agencies; Michigan is expected to receive \$36,843,000 over the two-year period. Bill expands potential use of CSBG funds to finance state charity tax credits by increasing the households that can be served by an eligible charity from 125% of poverty line to 200% of poverty line. Michigan currently does not use CSBG funds for this purpose. Michigan allocation = \$36,843,000 gross; \$18,421,500 for FY 09; \$18,421,500 for FY 10

Broadband *Viola Bay Wild*
\$7.2 billion is appropriated for broadband infrastructure improvements; the amount available for individual states is not currently available. According to the U.S. Senate Committee on Appropriations, the broadband funding is to be used to increase broadband access and usage in unserved and underserved areas of the United States. The goal is to help encourage economic growth and job creation.

The ARRA Conference agreement appropriates \$7.2 billion for broadband infrastructure improvements. The Act would create a new Broadband Technology Opportunities Program within the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce. The funds would be used in two ways: 1) a new grant program will distribute \$4.7 billion for deployment of broadband infrastructure in unserved and underserved areas in the U.S. (grant funds will be distributed through a competitive grant process) and would also be used to assist greater broadband use and development (grant funds will be distributed through a competitive grant process); 2) an additional \$2.5 billion would be distributed through loans, grants, and loan guarantees by the Rural Utilities Service within the U.S. Department of Agriculture (distributed based on a list of priorities). This would fund infrastructure that serves rural areas

primarily and priority would be given to projects that can be promptly enacted after enactment. (Projects that receive this funding would be ineligible to receive funding from the Broadband Deployment Grant Program.)

National Telecommunications and Information Administration (NTIA) *Viola Bay Wild*
The NTIA program in the Conference agreement requires the Federal Communications Commission to develop a national broadband plan within one year. The NTIA Grant program would distribute \$4.7 billion in funding and requires the following grant recipient criteria:

- Any entity may apply for a grant, including municipalities, public/private partnerships, and private companies, but each entity must comply with the grant conditions. Entities must provide 20% of the proposed project's total cost—a financial hardship waiver is available. \$4.35 billion is available until September 30, 2010, for competitive grants to expand broadband deployment in unserved and underserved areas. \$200 million of this funding is designated for the expansion of public computer center capacity, including at community colleges and public libraries, and \$250 million is designated for projects that encourage sustainable broadband adoption.
- Conditions of grants include adhering to a build-out schedule and to interconnection and non-discrimination requirements that are established by the NTIA. Grant recipients are not required to meet certain broadband speed thresholds, but the NTIA is expected to consider and encourage the highest possible broadband speeds.
- The bill appropriates the remaining \$350 million to the NTIA for a grant program that was authorized last year to fund projects in states that improve and create inventories of broadband communications and services and to help develop a national broadband inventory map.

Rural Utilities Service (USDA) Grant Program *Viola Bay Wild*
The ARRA Conference agreement appropriates \$2.5 billion for broadband loans, loan guarantees and grants that will be administered by the Rural Utilities Service within the USDA. The program is for broadband infrastructure projects that serve primarily rural areas. The following criteria will apply:

- At least 75% of area shall be in a rural area without sufficient access to high speed broadband service to aid economic development; this determination shall be made by the Secretary of Agriculture.
- Priority shall be given to projects that will deliver users a choice of more than one service provider, provide service to the highest proportion of rural residents that do not have broadband access, and can commence promptly after approval.
- Secretary of Agriculture shall submit to Legislative Appropriations Committees a report on planned spending and use of these funds no later than 90 days after Act is enacted and quarterly thereafter until all funds are committed.

Preliminary Conference Agreement Stimulus Allocations (MICHIGAN)

(\$\$ in thousands)

	Michigan	TOTAL
Fiscal Stabilization Education*	\$1,309,834	\$39,743,346
Fiscal Stablization - General Purpose (Flex Fund)	\$294,677	\$8,842,652
Medicaid (GAO estimates)	\$2,270,000	\$87,135,000
Highways & Bridges	\$847,205	\$26,810,000
Transit Capital Grants	\$134,823	\$6,733,700
Rail Modernization (Fixed Guideway)	\$133	\$742,500
Drinking Water SRF	\$67,976	\$1,965,190
Clean Water SRF	\$171,126	\$3,929,999
Weatherization	\$279,864	\$5,000,000
State Energy Program	\$109,986	\$3,100,000
Emergency Food & Shelter	\$5,308	\$99,000
Commodity Assistance/ TEFAP	\$4,083	\$100,000
Prevention Health BG	N/A	N/A
Immunization	\$9,298	\$300,000
Foster Care/Adoption Assistance**	\$53,386	\$843,468
Elderly Nutrition	\$3,448	\$97,711
Child Care	\$58,681	\$1,955,092
Head Start	\$21,992	\$663,262
Community Services BG	\$36,843	\$979,623
Title I – Grants to LEAs	\$386,863	\$9,927,096
Title I – School Improvement Grants	\$112,650	\$2,980,018
Special Education – Part B	\$400,608	\$11,334,855
Special Education – Part C	\$10,176	\$354,210
Voc. Rehab.	\$16,809	\$486,849
Ed. Tech.	\$23,767	\$630,794
McKinney-Vento Homeless Assistance	\$2,452	\$70,000
School Lunch Equipment	\$2,490	\$89,913
Public Housing Capital Fund	\$53,737	\$2,999,045
HOME	\$49,805	\$1,754,503
Homelessness Prevention	\$53,408	\$1,496,998
Crime Victims Assitance	\$1,922	\$94,998
Internet Crimes Against Children	\$969	\$49,992
Violence Against Women	\$7,050	\$225,000
Byrne/JAG	\$67,875	\$1,978,400
UI State Admin Grants	\$16,060	\$499,975
Employment Service	\$14,195	\$397,062
Community Service for Older Americans	\$3,889	\$120,000
WIA-Adult	\$31,169	\$500,000
WIA-Youth	\$74,696	\$1,182,000
Dislocated Workers	\$137,711	\$1,250,000
Total	\$7,141,453	\$227,461,482

* Includes funding for school modernization. FFIS total does not reflect \$5 billion in state incentive grants.

** HFA estimates.

Source: FFIS 2/17/2009