

# THE AMERICAN RECOVERY AND REINVESTMENT ACT of 2009

## A Summary of Allocations To Nebraska

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Updated March 31, 2009

# American Recovery and Reinvestment Act (ARRA) of 2009

- Recovery Act involves temporary funding for more than 50 state-administered federally funded programs
- Primarily for programs that create and maintain jobs, support education, and provide human services and health care assistance to help vulnerable Nebraskans
- Approximately \$1.2 billion for Nebraska, not including tax benefits for individuals and businesses

NOTE: Many of the dollar values displayed throughout this presentation are primarily derived from estimates of projected Federal distributions to the States. Actual amounts cannot be determined until all Federal appropriations are made available.

# American Recovery and Reinvestment Act (ARRA) of 2009

- Generally categorized in Nebraska as follows:
  - Budget Stabilization - \$518 million
  - Infrastructure Improvements - \$435 million
  - Increased Federal Support for Various Services - \$330 million
- Objective for the funds to be obligated and disbursed quickly
- Federal agencies have begun issuing guidance regarding application and disbursement of the funds
- Some projects and uses already announced in Nebraska
- This should be viewed as an opportunity to do good things for our state

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# Budget Stabilization - \$518 million

- Federal funding for “fiscal stabilization”
  - assist States suffering from severe budget shortfalls
  - maintain adequate funding for critical government services
- Budget Stabilization funding split into three parts
  - State Fiscal Stabilization Fund: Education - \$234 million
    - funding for education to be distributed through primary state formula
  - State Fiscal Stabilization Fund: General Purpose - \$52 million
    - for Governors to address unique fiscal stabilization concerns not specifically contemplated by Congress
    - Public safety and other government services
  - Medicaid (FMAP) - \$232 million
    - temporarily increases the federal match rate for providing medical assistance to low-income elderly, disabled, and children
    - also federal match increase for IV-E foster care and adoption assistance

# Budget Stabilization

- State Fiscal Stabilization Fund: Education - \$234 million
  - The governor shall first use the funds to:
    - (1) provide funds to K-12 education to
      - (a) restore, in FY09, FY10, and FY11, the level of state support through the state funding formulae to the greater of FY08 or FY09
      - (b) and where applicable, to allow existing state formula increases to support K-12 in FY2010 and FY11 to be implemented and allow funding to phase in State equity and adequacy adjustments, if such increases were enacted prior to October 1, 2008
    - (2) to provide public higher education institutions in FY09, FY10, and FY11 the amount of funds needed to restore state support (excluding tuition and fees paid by students) to the greater of FY08 or FY09
  - Nebraska has established elementary and secondary as well as higher education as priorities and currently funds education beyond 2008 levels

# Budget Stabilization

- State Fiscal Stabilization Fund: General Purpose - \$52 million
  - provides the Governor funding to relieve state fiscal burden and distress
  - intended to support government services, including but not limited to, public safety, K-12 and higher education modernization, renovation or repair

# Budget Stabilization

- Temporary FMAP Increase - \$232 million
  - increases the federal share of support for Nebraska's Medicaid program and for IV-E foster care and adoption assistance
  - temporarily increases the Federal Medical Assistance Percentage (FMAP)
  - decreases the financial burden on the state budget allowing the state to avert cuts in services for recipients
  - \$38 million already drawn from the federal government to help stabilize the state budget
  - may be additional assistance if Nebraska's state unemployment rate reaches certain levels

# Infrastructure - \$435 million

- Funding for capital investments
  - Funding intended to:
    - create jobs in the short term
    - improve economic potential through modernization of our industrial base
- Most infrastructure funding through formula grants
  - Previously unfunded projects in:
    - Transportation - \$259 million
    - Energy - \$92 million
    - Water – \$40 million
    - Community Development - \$33 million
    - Military Construction - \$7 million
    - Environment - \$4 million
    - Technology – pending
- Some additional competitive grant funding for new infrastructure and housing projects – processes for application/award pending

# Infrastructure

- Transportation - \$259 million
  - Dollars allocated directly to the state and local levels for “shovel-ready” construction projects
    - highway and bridge projects
    - rural road improvements
    - overpasses and interchanges
    - bridge replacements
    - route realignments
  - Roads and Bridges Funding Distribution - \$228 million
    - State Highway System - \$158 million
    - City of Omaha - \$23 million
    - City of Lincoln - \$9 million
    - First Class Cities - \$28 million
    - Counties - \$10 million

# Infrastructure

- Transportation - \$259 million
  - Funding to enhance urban and rural public transit services
  - Transit Funding Distribution - \$24 million
    - City of Omaha - \$10 million
    - City of Lincoln - \$4 million
    - South Sioux City - \$300,000
    - Rural Areas - \$10 million
  - Funding is reserved for ancillary construction projects such as trails, bike paths, landscaping and beautification, and historic preservation
  - Transportation Enhancement Projects - \$7 million
    - Statewide - \$7 million

# Infrastructure

- Energy - \$92 million
  - Grants distributed through State government to local communities
    - assist lower-income families improve energy efficiency in their homes
    - special emphasis on supporting equipment and infrastructure that utilize renewable sources of energy
  - Programs:
    - Weatherization Assistance Program - \$42 million
    - State Energy Program - \$31 million
    - Energy Efficiency and Conservation Block Grant - \$19 million

# Infrastructure

- Water - \$40 million
  - Funds to improve drinking and waste water systems in local communities
    - Priority given to water quality protection projects and waste water infrastructure improvements identified as “shovel-ready”
    - Funds provided through a combination of loans and grants
  - Programs:
    - Drinking Water State Revolving Fund - \$20 million
    - Clean Water State Revolving Fund - \$20 million
  - Projects already awarded for communities such as:
    - Ainsworth
    - Dorchester
    - Scottsbluff
    - Gothenburg
    - Auburn
    - Bridgeport
    - Omaha
    - Laurel

# Infrastructure

- Community Development - \$33 million
  - Grants for local public housing authority capital projects
    - priority given to projects that can award contracts the soonest
  - Funds also available on a competitive basis to fund the Neighborhood Stabilization Program
    - assist in the purchase and rehabilitation of foreclosed and abandoned vacant properties
    - help create affordable housing and stabilize neighborhoods
- Programs:
  - Public Housing Capital Fund - \$13 million
  - Neighborhood Stabilization Program - \$20 million

# Infrastructure

- Military Construction - \$7 million
  - Cooperative agreements between the federal government and the Nebraska Army National Guard
  - Priority given:
    - energy consumption reduction
    - utility modernization
    - re-roof of existing buildings
    - solve health and safety concerns
    - improve the living conditions of building users
  - Tentative Projects:
    - Camp Ashland
    - Hastings - Greenlief Training Facility
    - Lincoln Readiness Center

# Infrastructure

- Environment – \$4 million+
  - Grants for projects to cleanup various waste sites
    - former industrial and commercial sites
    - hazardous and toxic waste
  - Funding to assist state enforcement of petroleum cleanup
    - leaking underground storage tanks
  - Programs to reduce diesel pollutant emissions
  - Programs:
    - Hazardous Substance Superfund - pending
    - Leaking Underground Storage Tank Trust Fund Program - \$2 million
    - Diesel Emission Reduction Grants – \$2 million
    - Brownfield Revitalization Projects – pending

# Infrastructure

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

# Services - \$330 million

- Increased funding for several federally subsidized social programs
- Temporary funding for expansion of existing basic government services
  - Education - \$148 million
  - Health and Human Services - \$146 million
  - Law Enforcement - \$22 million
  - Labor - \$14 million

# Services

- Education - \$148 million+
  - Increased grants to local schools for federally mandated initiatives
  - Funds primarily distributed through the Nebraska Department of Education
- Programs:
  - Special Education (IDEA) for infants through age 21 - \$80 million
  - Education for the Disadvantaged (Title I, ESEA) - \$61 million
  - Vocational Rehabilitation - \$3 million
  - Education Technology - \$3 million
  - Impact Construction Aid (>50% of students on Indian land or military children) - \$3 million
  - Food Equipment Assistance (priority to high-poverty districts) - \$532,209
  - Homeless Education (McKinney-Vento) - \$166,000

# Services

- Health and Human Services - \$146 million
  - Funding for several federally supported social services
  - Supplemental Nutrition Assistance Payments (Food Stamps) - increased monthly benefits - \$84 million est.
  - Programs (primarily administered by Nebraska HHS):
    - Child Care - \$12 million
    - Head Start - \$4 million
    - Elderly Nutrition - \$239,000
    - Independent Living - \$243,000
    - Immunizations - \$2 million
    - Homelessness Prevention - \$8 million
    - Child Support Enforcement - \$10 million
    - Community Services Block Grants - \$7 million
    - Other - \$19 million

# Services

- Law Enforcement - \$22 million+
  - Funding for general and targeted law enforcement programs
    - Justice Assistance Grant (JAG) - \$13 million
    - Community Oriented Policing Services (COPS) - \$6 million
    - Violence Against Women - \$2 million
    - Internet Crimes Against Children - \$1 million
    - Rural Drug and Violent Crime – pending
  - Assistance for victims of crime
    - Victims of Crime Act (VOCA) - \$633,663

# Services

- Labor - \$14 million+
  - Additional unemployment benefits
    - \$25 per week increase
    - Program eligibility expansion
    - State Administration - \$3 million
  - Job training and job placement programs
    - Workforce Investment Act Job Training Programs - \$4 million
    - Dislocated Workers - \$3 million
    - Employment Services - \$4 million

# Tax Law Changes Affecting Nebraska

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

# Tax Law Changes Affecting Nebraska

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

# Tax Law Changes Affecting Nebraska

- Nebraska Business Income Taxes

- Extension of 50% bonus depreciation for 2009

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

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

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

- Delayed recognition of cancellation of debt income

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

# Accountability and Transparency

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

# Accountability and Transparency

- Provides state and local officials with additional resources and consequently additional responsibilities
- Many of those responsibilities, often referred to as transparency, accountability, certifications or assurances, are spelled out in the Recovery Act

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## QUESTIONS?

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